

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

## **Alaska**

**September 2014**

*Prepared by:*

**Credit Union National Association  
Economics and Statistics Department**



# Alaska

## The Benefits of Membership

Credit unions generally provide financial benefits to members through lower loan rates, high savings rates, and fewer fees than banking institutions.

The Credit Union National Association (CUNA) estimates that Alaska credit unions provided \$78,794,412 in direct financial benefits to the state's 729,369 members during the twelve months ending September 2014.

**These benefits are equivalent to \$108 per member or \$205 per member household <sup>(1)</sup>.**

Estimated total benefits of credit union membership are calculated by accounting for differences in credit union and bank pricing. Specifically, average credit union savings account yields, loan interest rates and fees are compared to average bank savings account yields, loan interest rates and fees. The interest rate differences are then applied to respective average credit union loan and savings balances. Fee differences are weighted and applied to credit union non-interest income to obtain the total estimated benefits arising from fees.

The per-member and per-household benefits delivered by Alaska credit unions are substantial, but these benefits are averages. Mathematically, that means the total benefits provided are divided across all members (or all member households) - even those who conduct very little financial business with Alaska credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Alaska credit union will save members an average \$132 per year in interest expense compared to what they would pay at a banking institution in the state.**

Further, loyal members - those who use the credit union extensively - often receive total financial benefits that are much greater than the average.

Alaska credit unions excel in providing member benefits on many loan and savings products. In particular, Alaska credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, first mortgage-fixed rate, first mortgage-adjustable rate, home equity loans, credit cards loans.

Alaska credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.

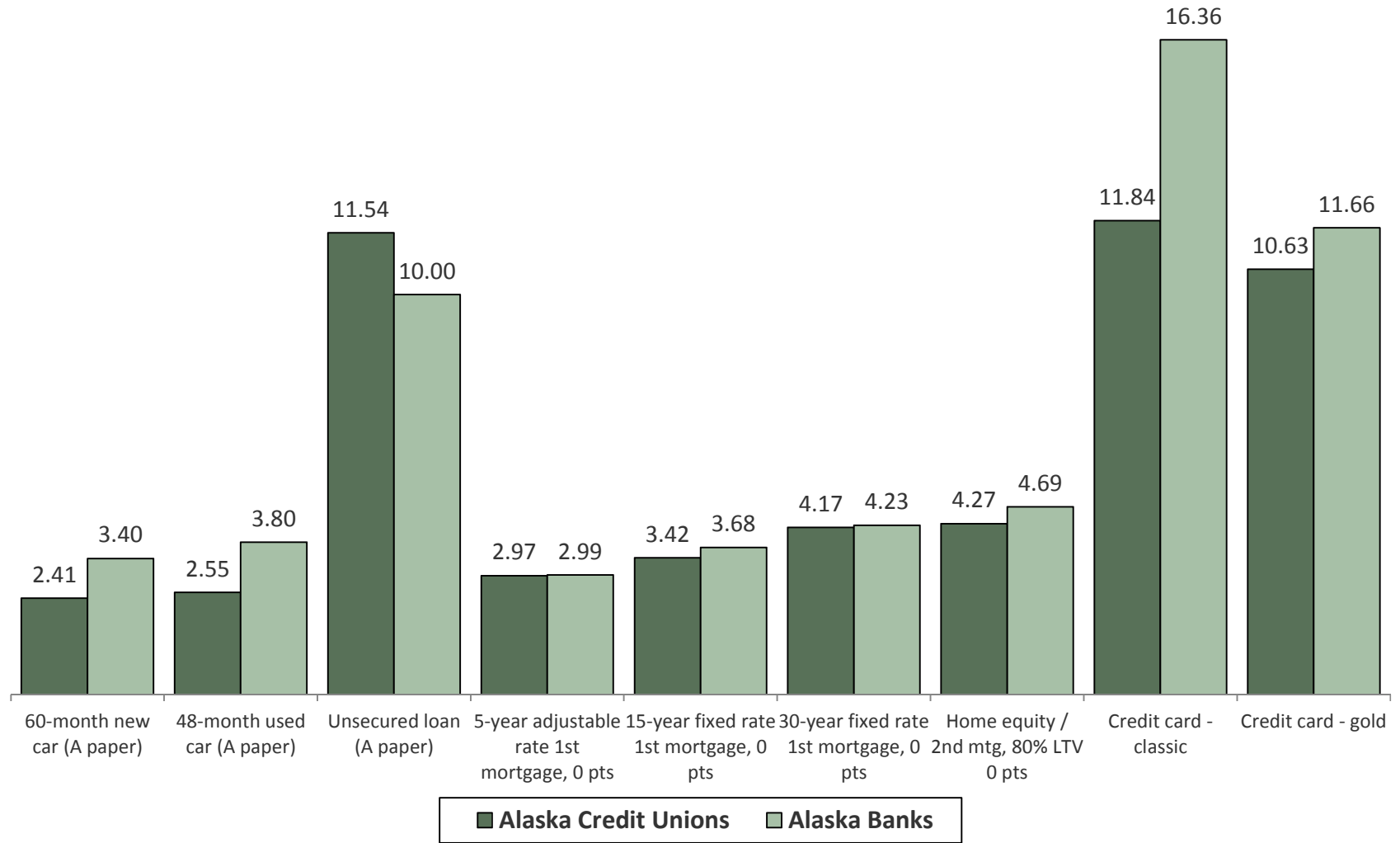


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Source: Informa Research Services, NCUA, and CUNA.  
(1) Assumes 1.9 credit union members per household.

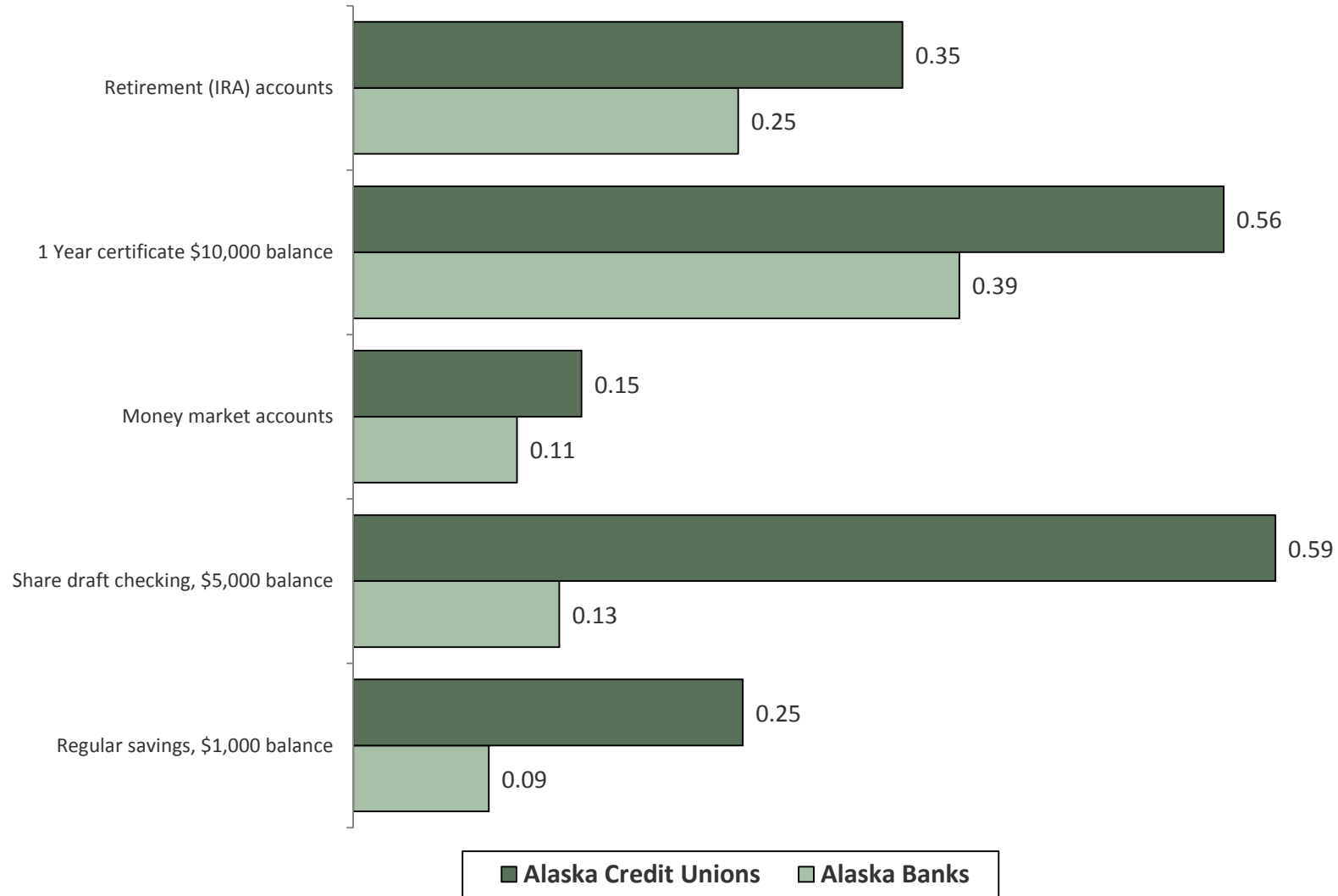
# Loan Product Comparative Interest Rates (%)

## By Loan Type

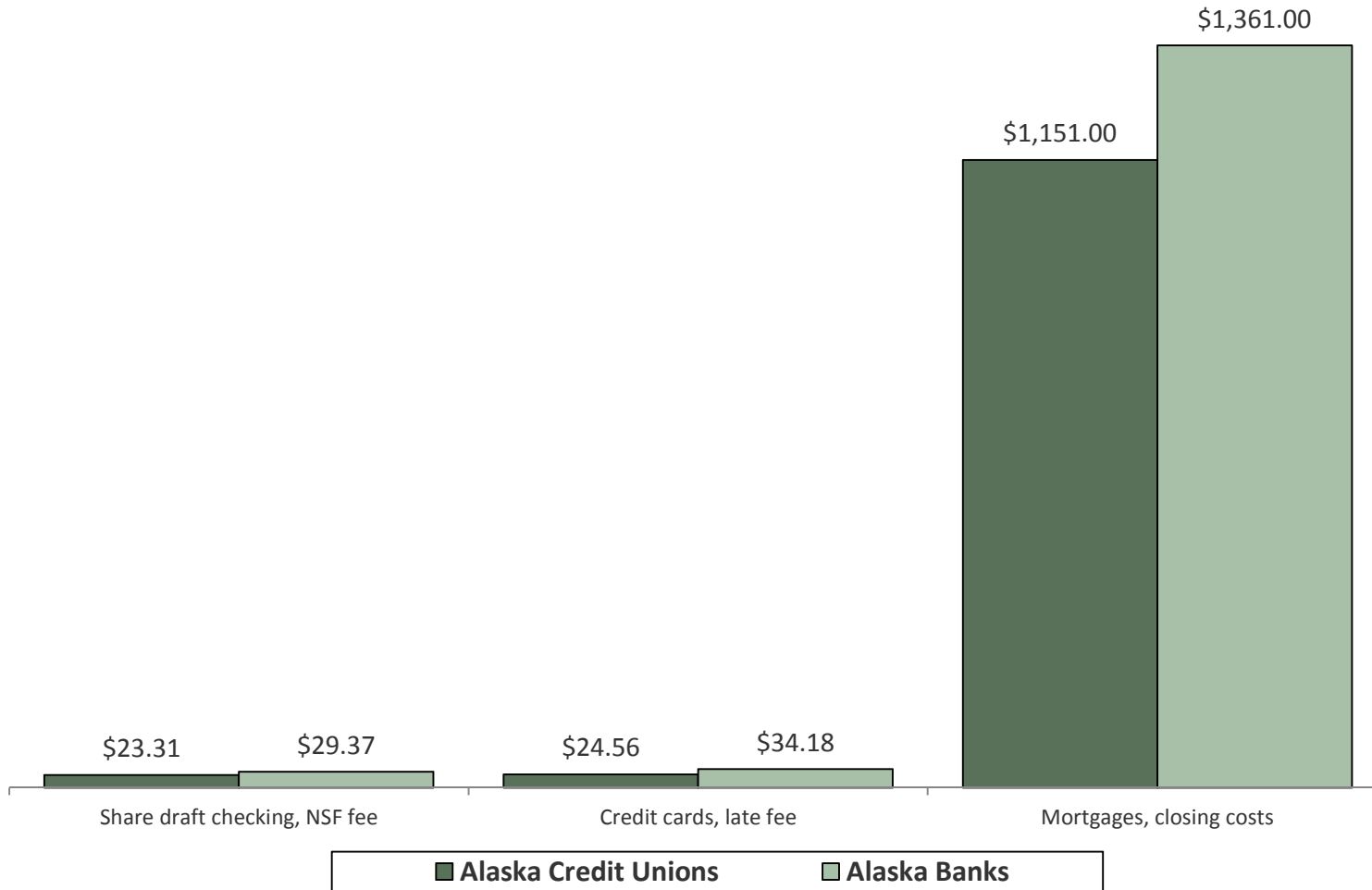


# Savings Products Comparative Interest Rates(%)

## By Savings Account Type



# Comparative Fees By Type

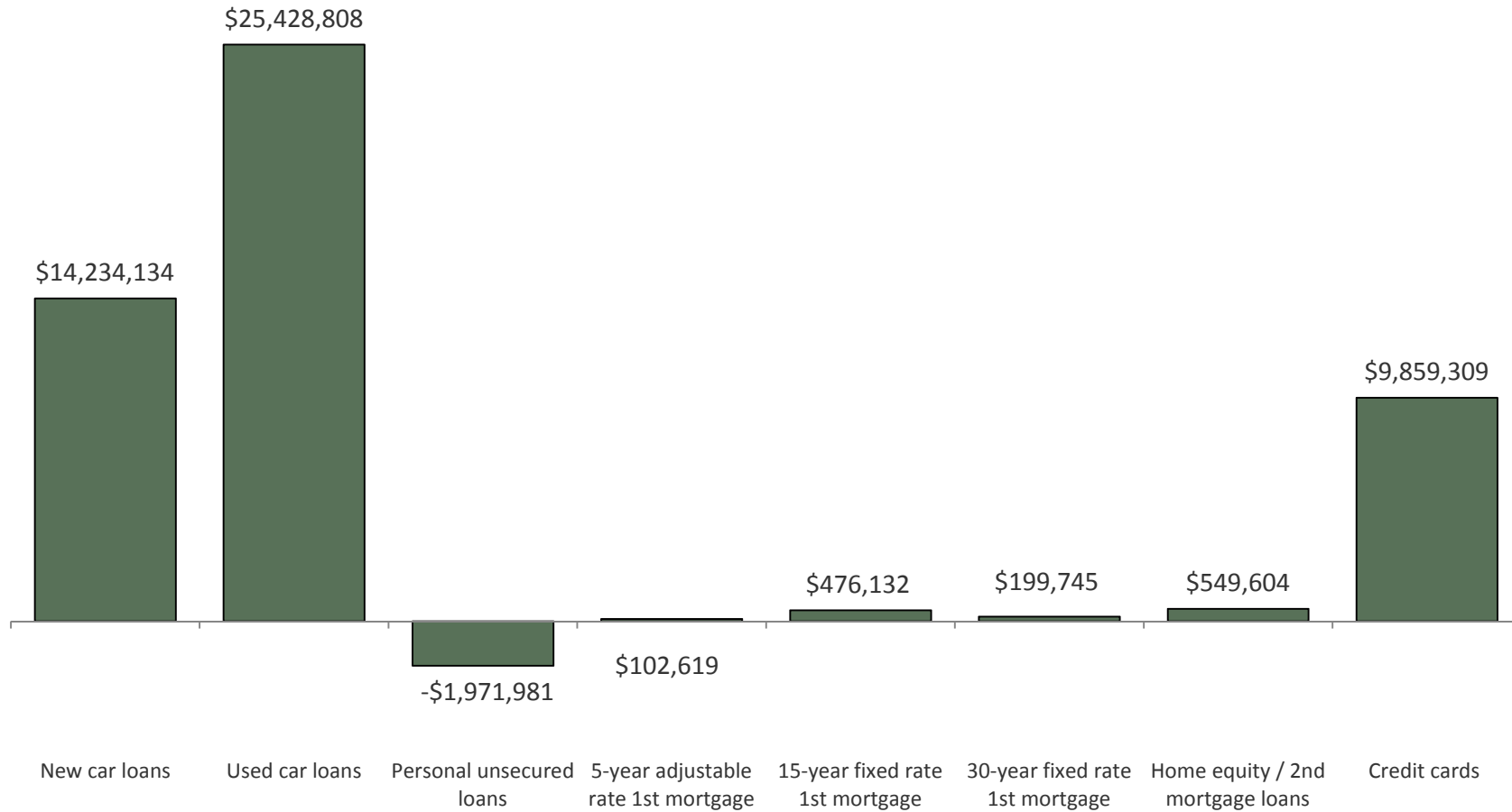


**Alaska**  
**Credit Union and Banking Institution**  
**September 2014 Average Interest Rates and Fees**

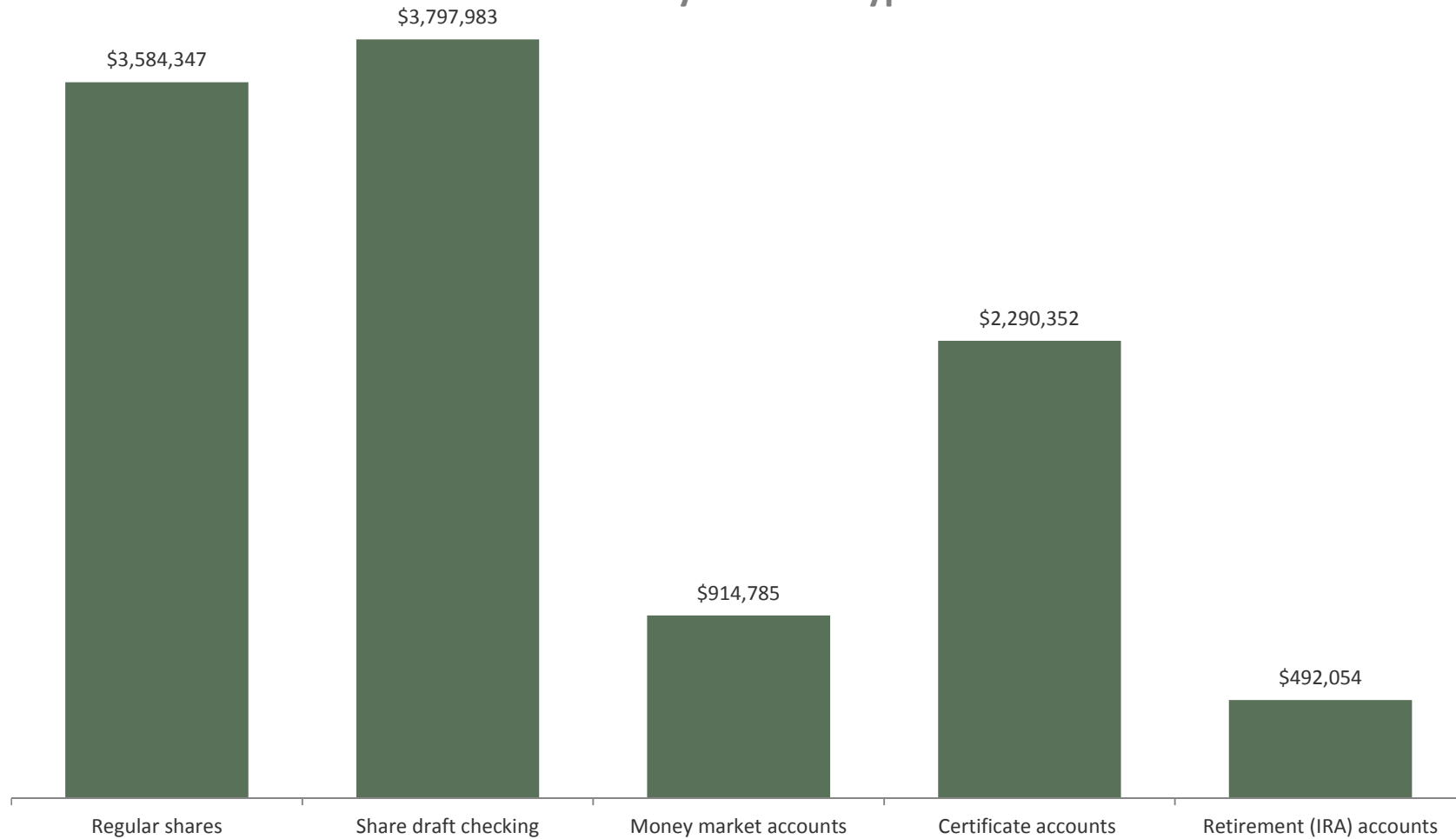
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	2.41	3.40	-0.99
48-month used car (A paper)	2.55	3.80	-1.25
Unsecured loan (A paper)	11.54	10.00	1.54
5-year adjustable rate 1st mortgage, 0 pts	2.97	2.99	-0.02
15-year fixed rate 1st mortgage, 0 pts	3.42	3.68	-0.26
30-year fixed rate 1st mortgage, 0 pts	4.17	4.23	-0.05
Home equity / 2nd mtg, 80% LTV 0 pts	4.27	4.69	-0.42
Credit card - classic	11.84	16.36	-4.52
Credit card - gold	10.63	11.66	-1.03
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.25	0.09	0.16
Share draft checking, \$5,000 balance	0.59	0.13	0.46
Money market accounts	0.15	0.11	0.04
1 Year certificate \$10,000 balance	0.56	0.39	0.17
Retirement (IRA) accounts	0.35	0.25	0.11
<b>Fee Income</b>			
Share draft checking, NSF fee	\$23.31	\$29.37	-\$6.06
Credit cards, late fee	\$24.56	\$34.18	-\$9.62
Mortgages, closing costs	\$1,151.00	\$1,361.00	-\$210.00

Source: Informa Research Services

# State Credit Unions' Total Loan Rate Benefits Compared to State Banking Institutions by Loan Type



# State Credit Unions' Total Savings Dividend Benefits Compared to State Banking Institutions by Account Type





## Estimated Financial Benefits for Alaska Credit Unions September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Alaska Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,433,447,512	-0.99	\$14,234,134
Used car loans	2,029,434,036	-1.25	\$25,428,808
Personal unsecured loans	127,967,620	1.54	-\$1,971,981
5-year adjustable rate 1st mortgage	540,100,174	-0.02	\$102,619
15-year fixed rate 1st mortgage	184,547,411	-0.26	\$476,132
30-year fixed rate 1st mortgage	376,877,710	-0.05	\$199,745
Home equity / 2nd mortgage loans	130,547,309	-0.42	\$549,604
Credit cards	270,303,192	-4.52	\$9,859,309
Interest rebates in period			\$2,645
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$48,881,016</b>
<u>Savings</u>			
Regular shares	2,190,772,614	0.16	\$3,584,347
Share draft checking	822,958,976	0.46	\$3,797,983
Money market accounts	2,203,353,035	0.04	\$914,785
Certificate accounts	1,344,561,739	0.17	\$2,290,352
Retirement (IRA) accounts	464,509,518	0.11	\$492,054
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on savings products:</b>			<b>\$11,079,521</b>
<u>Fee Income</u>			
<b>Total CU member benefit arising from fewer / lower fees:</b>			<b>\$18,833,875</b>
<b>Total CU member benefit arising from interest rates on loans, savings products and lower fees:</b>			<b>\$78,794,412</b>
<b>Total CU member benefit / member:</b>			<b>\$108</b>
<b>Total CU member benefit / member household:</b>			<b>\$205</b>

Source: Informa Research Services, NCUA, and CUNA

(1) Average balance as of September 2014 and September 2013, according to the NCUA call report.; (2) Source for rates and fees: Informa Research Services;

**Alaska  
Performance Profile**

<b>Demographic Information</b>	<b>Sep 14</b>	<b>Sep 13</b>
Number of branches	136	134
Total assets (\$ mil)	8,030	7,677
Total loans (\$ mil)	6,008	5,339
Total surplus funds (\$ mil)	1,414	1,726
Total savings (\$ mil)	7,185	6,920
Total members (thousands)	748	711
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	4.6 %	5.9 %
Total loans	12.5 %	7.2 %
Total surplus funds	-18.1 %	-2.2 %
Total savings	3.8 %	5.3 %
Total members	5.1 %	4.7 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	374	398
Dividend / interest cost of assets	40	46
Fee & other income	224	246
Operating expense	449	477
Loss Provisions	42	42
Net Income (ROA) after stabilization exp	67	78
<b>Capital adequacy</b>		
Net worth / assets	9.7	9.5
<b>Asset quality *</b>		
Delinquencies / loans	1.5	1.1
Net chargeoffs / average loans	0.6	0.6
Total borrower-bankruptcies	135	139
Bankruptcies per 1000 members	2.2	2.3
<b>Asset/Liability Management</b>		
Loans / savings	83.6	77.2
Loans / assets	74.8	69.6
Long-term assets / assets	19.1	17.3
Core deposits/shares & borrowings	43.2	42.0
<b>Productivity</b>		
Members / potential members	6.7	6.5
Borrowers / members	65.6	63.5
Members / FTE	270	261
Average shares / members (\$)	9,610	9,731
Average loan balances (\$)	12,256	11,828
Salary & Benefits / FTE	77,767	79,529

\* Earnings, net chargeoffs, and bankruptcies are year-to-date numbers annualized. Due to significant seasonal variation, balance sheet growth rates are for the trailing 12 months.