

The Benefits of Membership

Customized Analysis of Member Benefits For:

Kansas

September 2014

Prepared by:

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



Kansas

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 Kansas credit unions provided \$64,950,184 in direct financial benefits to the state's 643,829 members during the twelve months ending September 2014.

These benefits are equivalent to \$101 per member or \$192 per member household ⁽¹⁾.

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 Kansas 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 Kansas credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Kansas credit union will save members an average \$244 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.

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

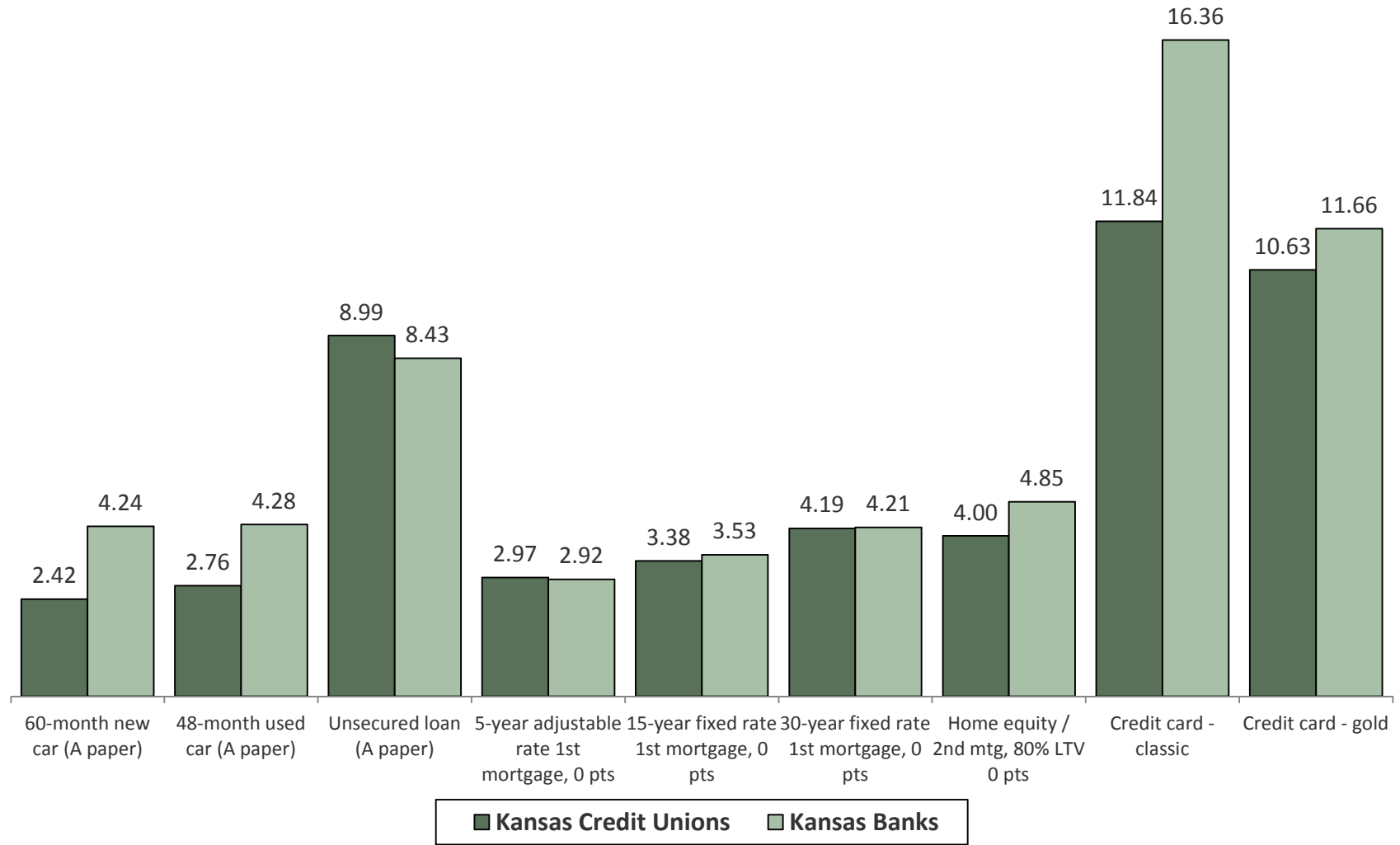
Kansas credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



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

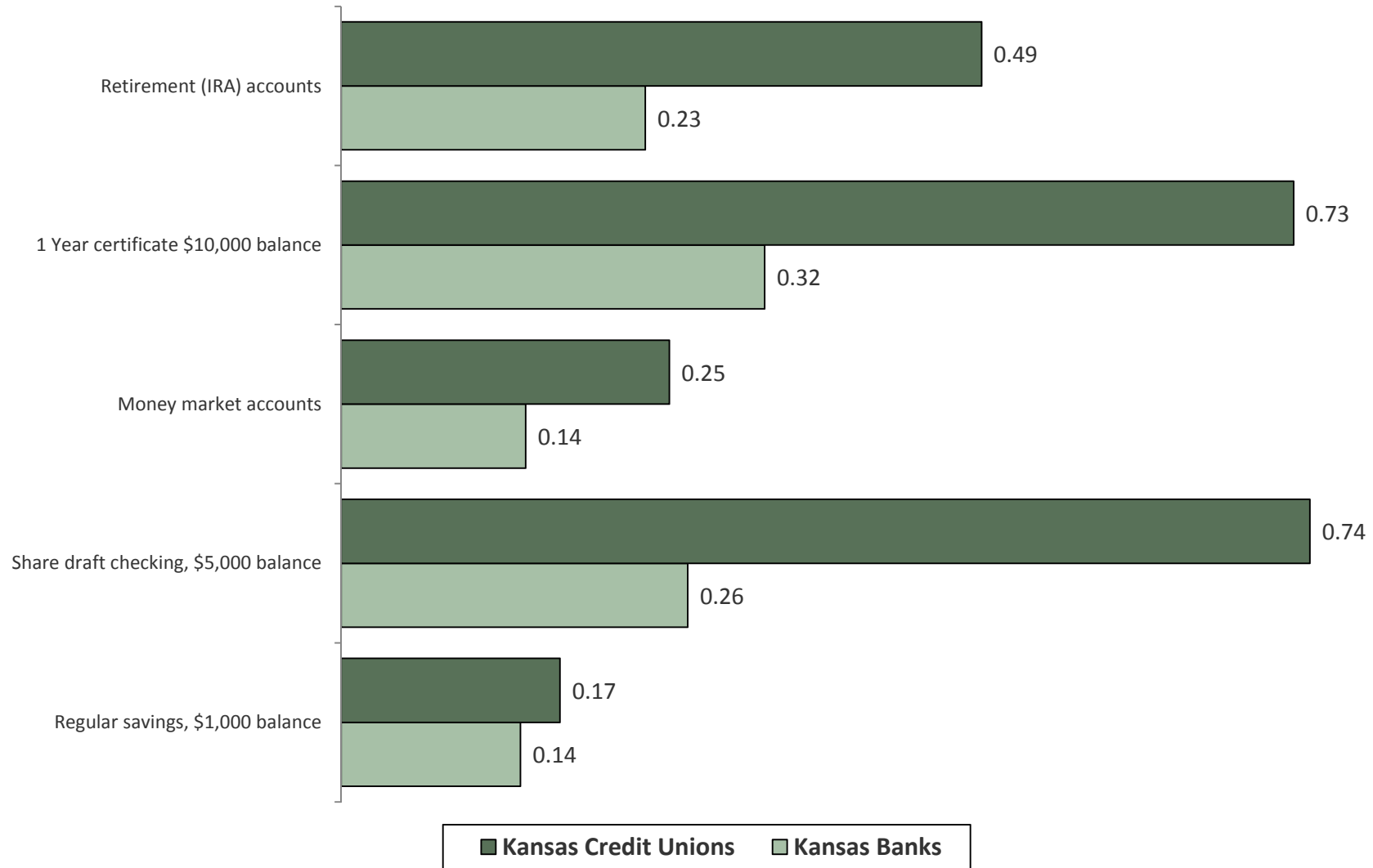
Loan Product Comparative Interest Rates (%)

By Loan Type

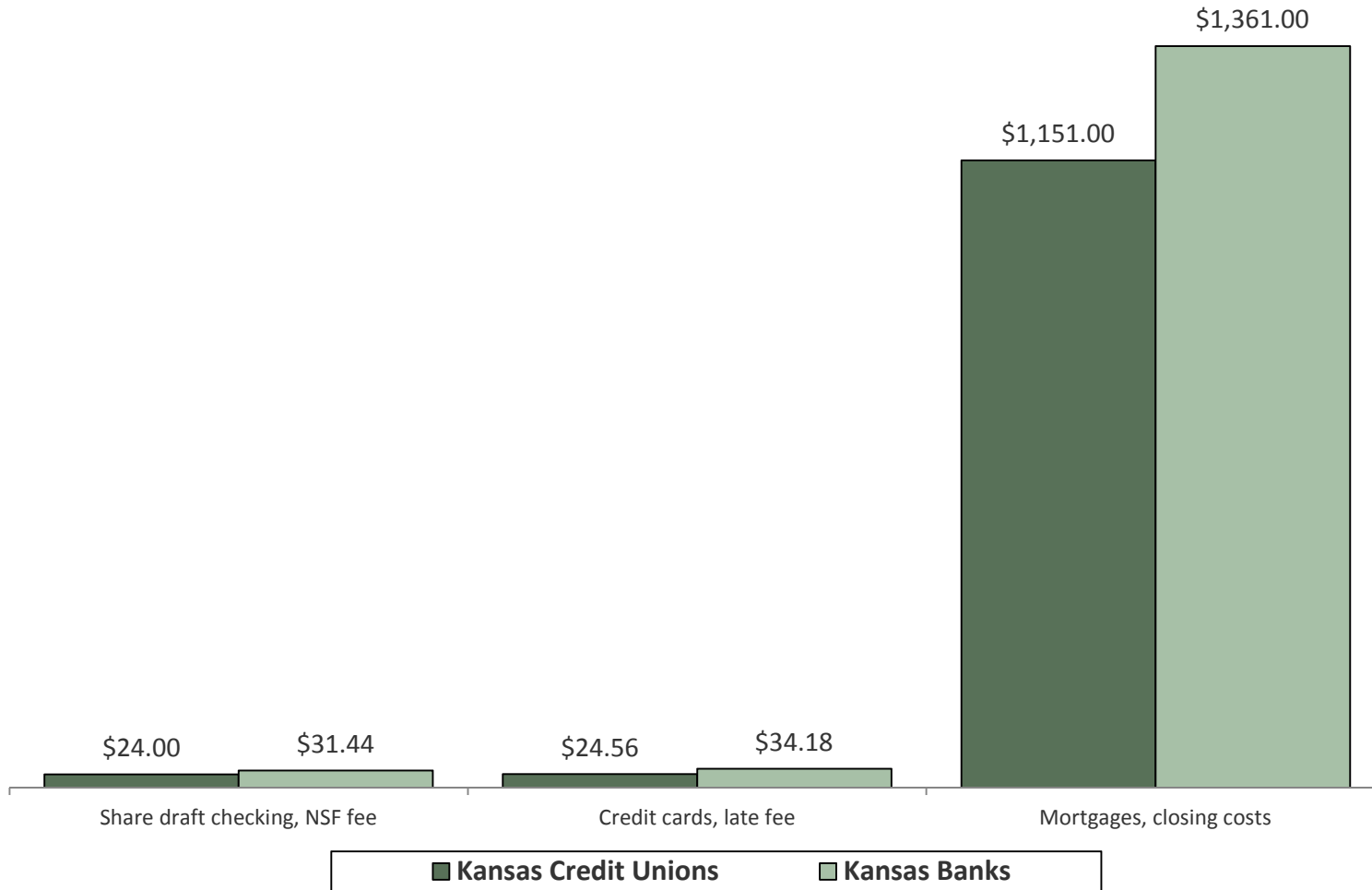


Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees By Type

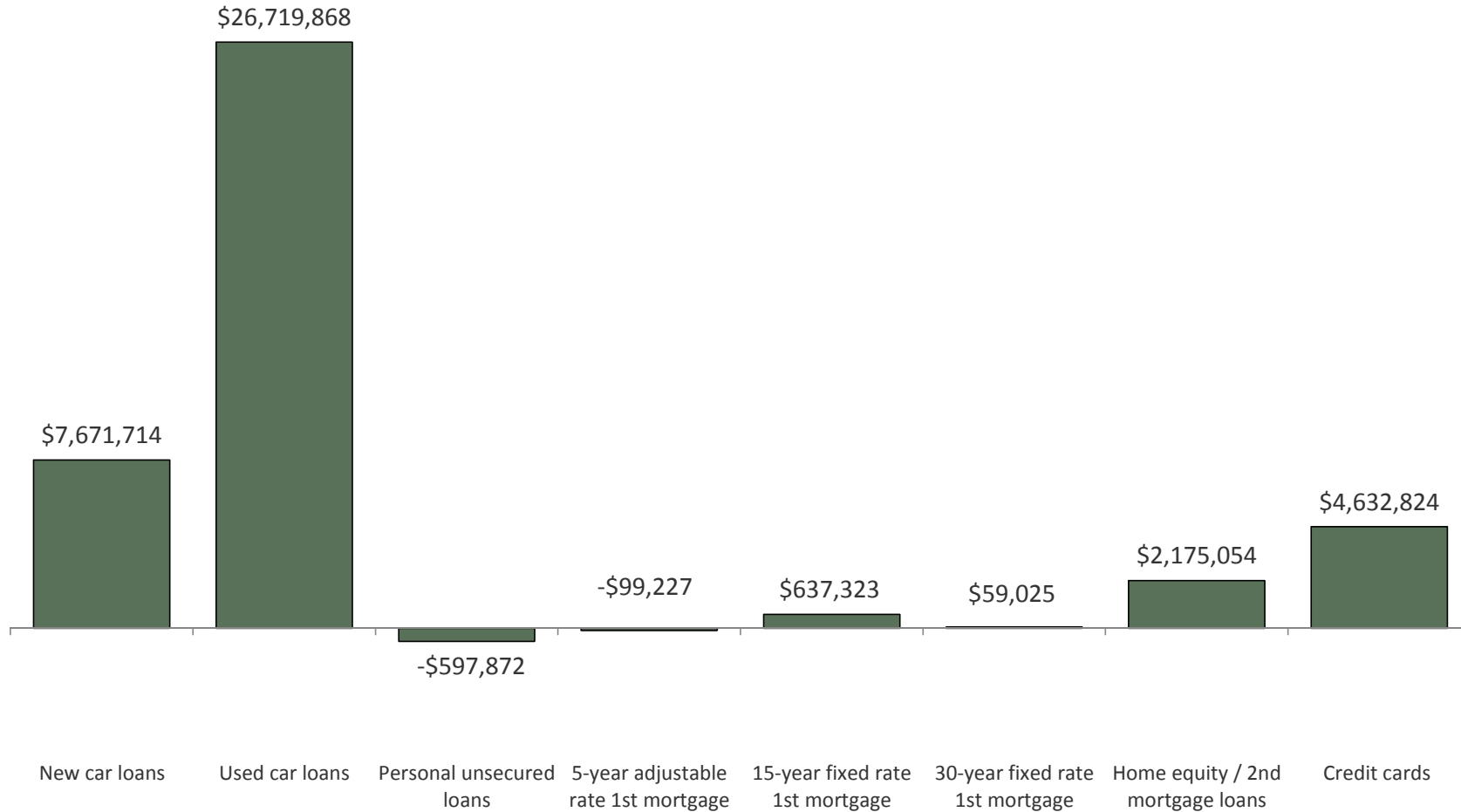


Kansas
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

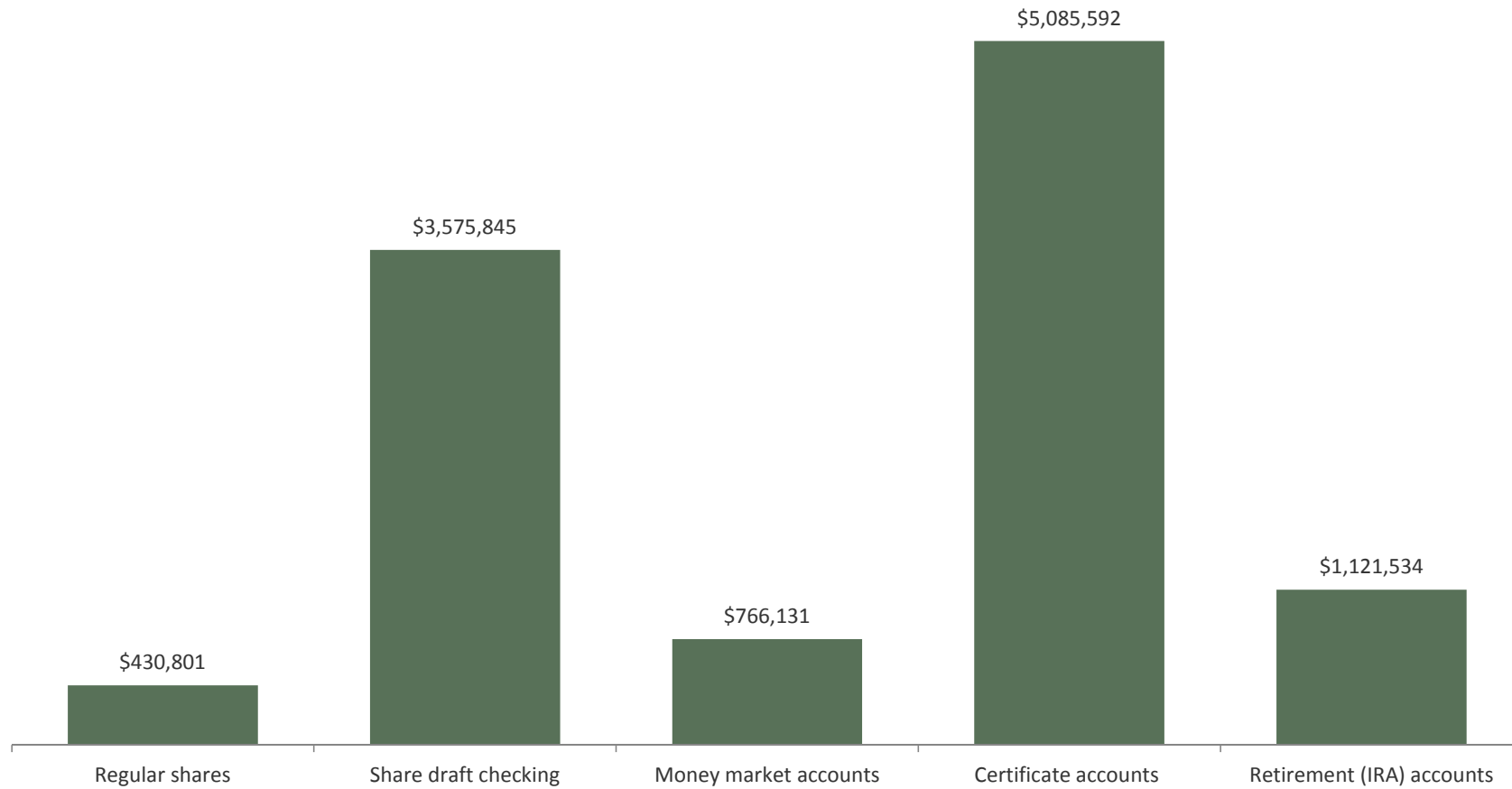
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.42	4.24	-1.82
48-month used car (A paper)	2.76	4.28	-1.52
Unsecured loan (A paper)	8.99	8.43	0.57
5-year adjustable rate 1st mortgage, 0 pts	2.97	2.92	0.05
15-year fixed rate 1st mortgage, 0 pts	3.38	3.53	-0.15
30-year fixed rate 1st mortgage, 0 pts	4.19	4.21	-0.03
Home equity / 2nd mtg, 80% LTV 0 pts	4.00	4.85	-0.85
Credit card - classic	11.84	16.36	-4.52
Credit card - gold	10.63	11.66	-1.03
Savings Products			
Regular savings, \$1,000 balance	0.17	0.14	0.03
Share draft checking, \$5,000 balance	0.74	0.26	0.47
Money market accounts	0.25	0.14	0.11
1 Year certificate \$10,000 balance	0.73	0.32	0.40
Retirement (IRA) accounts	0.49	0.23	0.26
Fee Income			
Share draft checking, NSF fee	\$24.00	\$31.44	-\$7.44
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 Kansas Credit Unions September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Kansas Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	421,291,291	-1.82	\$7,671,714
Used car loans	1,754,423,376	-1.52	\$26,719,868
Personal unsecured loans	105,259,178	0.57	-\$597,872
5-year adjustable rate 1st mortgage	215,711,249	0.05	-\$99,227
15-year fixed rate 1st mortgage	430,623,664	-0.15	\$637,323
30-year fixed rate 1st mortgage	210,802,017	-0.03	\$59,025
Home equity / 2nd mortgage loans	254,988,747	-0.85	\$2,175,054
Credit cards	127,013,668	-4.52	\$4,632,824
Interest rebates in period			\$194,986
Total CU member benefits arising from lower interest rates on loan products:			\$41,393,694
 <u>Savings</u>			
Regular shares	1,430,703,973	0.03	\$430,801
Share draft checking	754,826,374	0.47	\$3,575,845
Money market accounts	699,610,865	0.11	\$766,131
Certificate accounts	1,263,501,116	0.40	\$5,085,592
Retirement (IRA) accounts	438,092,240	0.26	\$1,121,534
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on savings products:			\$10,979,903
 <u>Fee Income</u>			
Total CU member benefit arising from fewer / lower fees:			\$12,576,587
 Total CU member benefit arising from interest rates on loans, savings products and lower fees:			\$64,950,184
 Total CU member benefit / member:			\$101
Total CU member benefit / member household:			\$192

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;

**Kansas
Performance Profile**

Demographic Information	Sep 14	Sep 13
Number of branches	192	191
Total assets (\$ mil)	5,628	5,399
Total loans (\$ mil)	3,848	3,589
Total surplus funds (\$ mil)	1,535	1,578
Total savings (\$ mil)	4,844	4,668
Total members (thousands)	649	642
Growth Rates (Trailing 12 months) *		
Total assets	4.6 %	5.7 %
Total loans	7.4 %	8.2 %
Total surplus funds	-2.0 %	1.0 %
Total savings	4.2 %	5.9 %
Total members	1.7 %	3.0 %
Earnings - Basis Pts. *		
Yield on total assets	381	389
Dividend / interest cost of assets	58	68
Fee & other income	138	148
Operating expense	356	356
Loss Provisions	38	39
Net Income (ROA) after stabilization exp	67	75
Capital adequacy		
Net worth / assets	11.3	11.1
Asset quality *		
Delinquencies / loans	0.7	0.9
Net chargeoffs / average loans	0.6	0.6
Total borrower-bankruptcies	17	17
Bankruptcies per 1000 members	2.4	2.6
Asset/Liability Management		
Loans / savings	79.4	76.9
Loans / assets	68.4	66.5
Long-term assets / assets	27.8	27.8
Core deposits/shares & borrowings	45.9	44.9
Productivity		
Members / potential members	4.7	4.7
Borrowers / members	55.1	54.1
Members / FTE	366	376
Average shares / members (\$)	7,461	7,270
Average loan balances (\$)	10,762	10,330
Salary & Benefits / FTE	53,597	52,814

* 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.