

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

## **Massachusetts**

***September 2014***

*Prepared by:*

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Economics and Statistics Department***



# Massachusetts

## 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 Massachusetts credit unions provided \$264,411,912 in direct financial benefits to the state's 2,511,274 members during the twelve months ending September 2014.

**These benefits are equivalent to \$105 per member or \$200 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 Massachusetts 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 Massachusetts credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Massachusetts credit union will save members an average \$314 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.

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

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

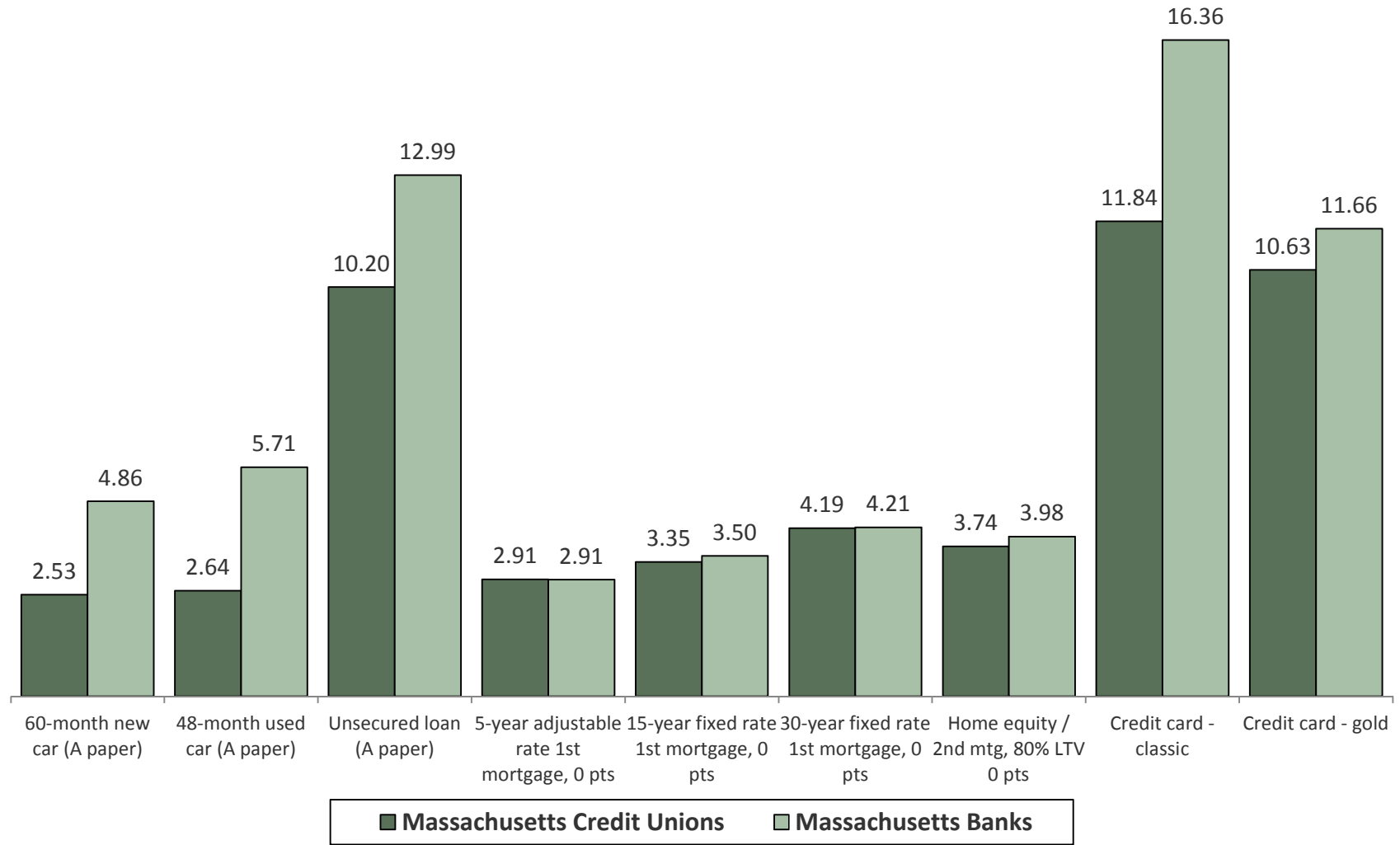


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Source: Informa Research Services, NCUA, and CUNA.  
(1) Assumes 1.9 credit union members per household.

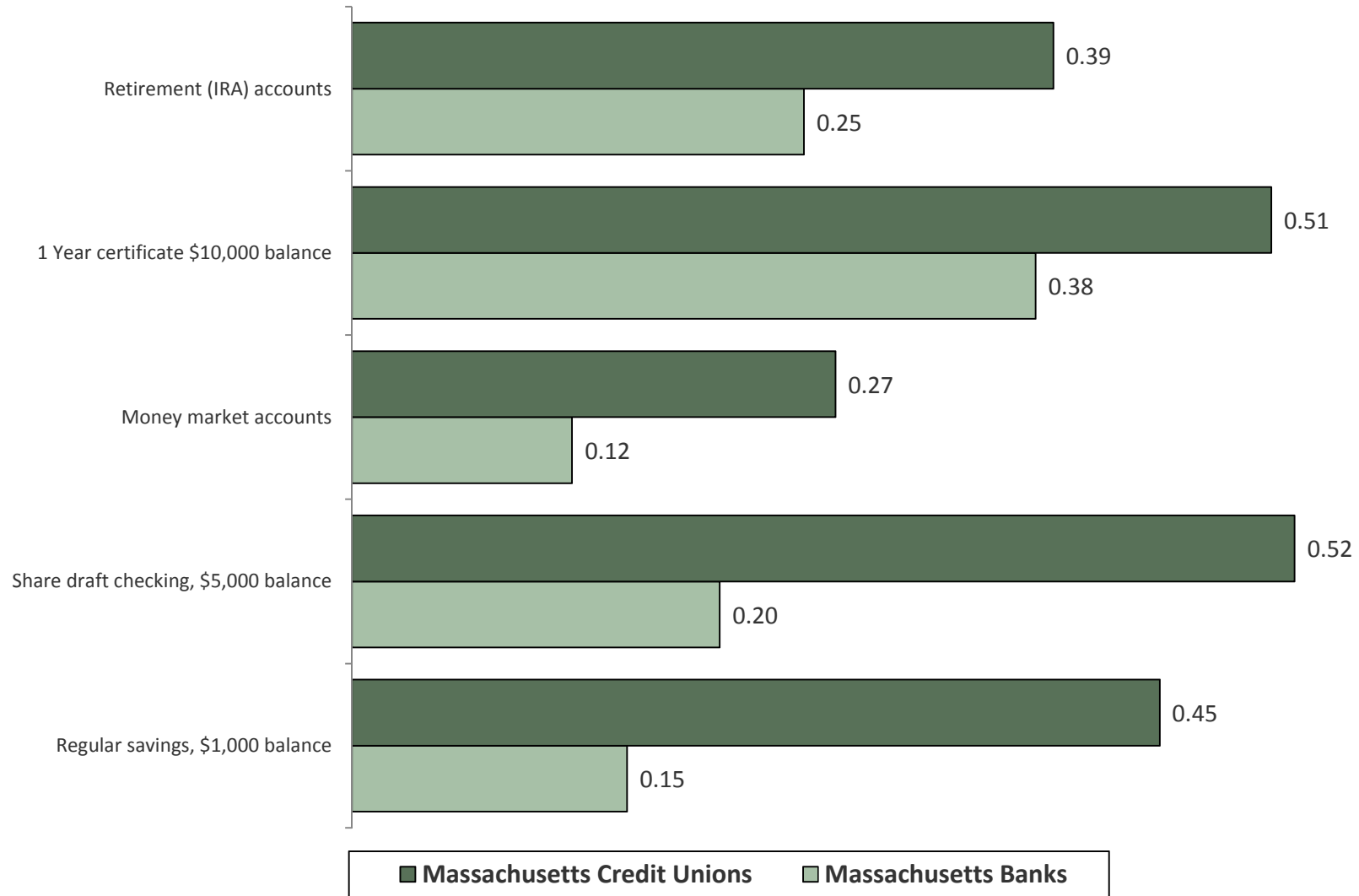
# Loan Product Comparative Interest Rates (%)

## By Loan Type

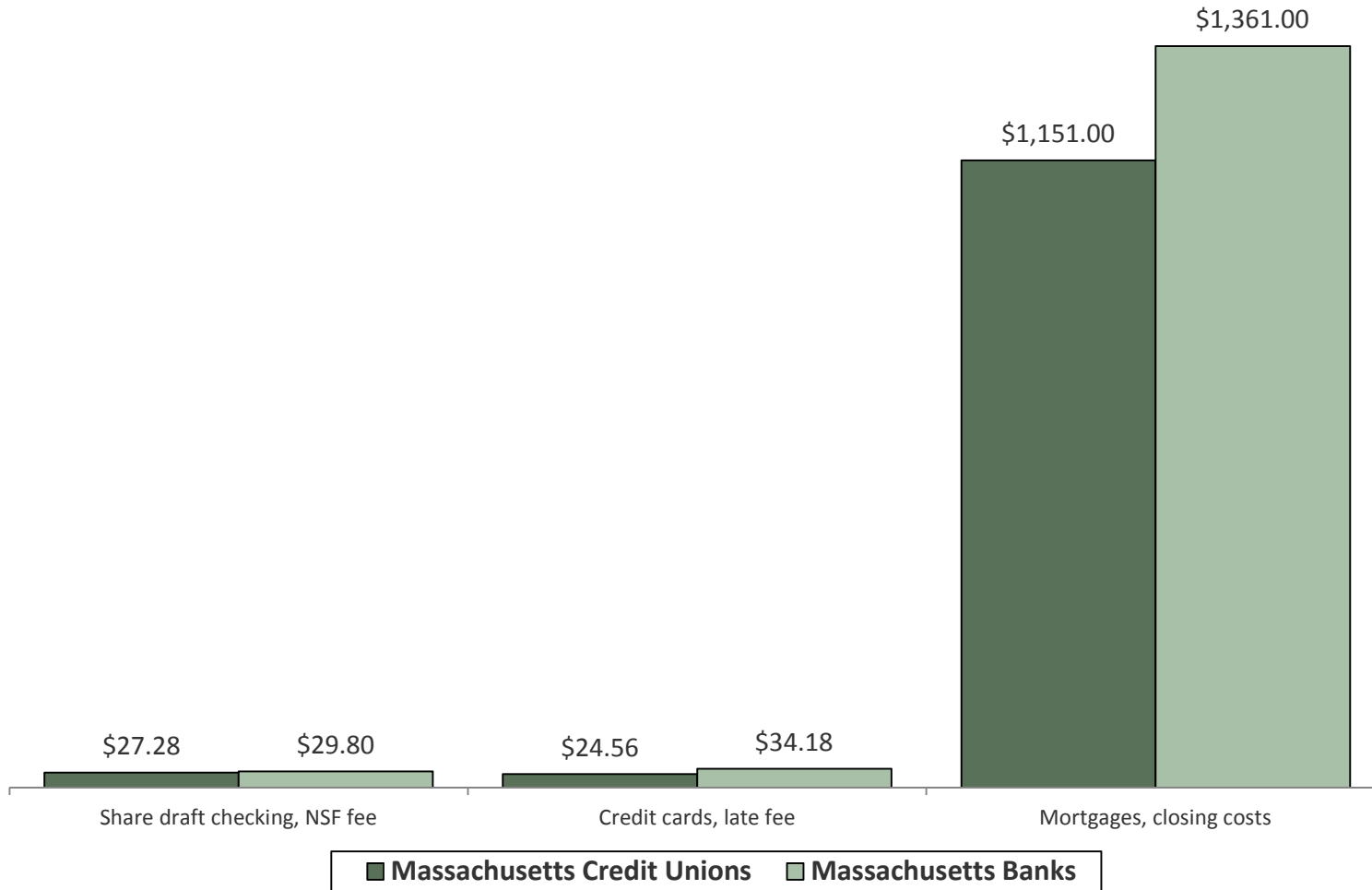


# Savings Products Comparative Interest Rates(%)

## By Savings Account Type



# Comparative Fees By Type

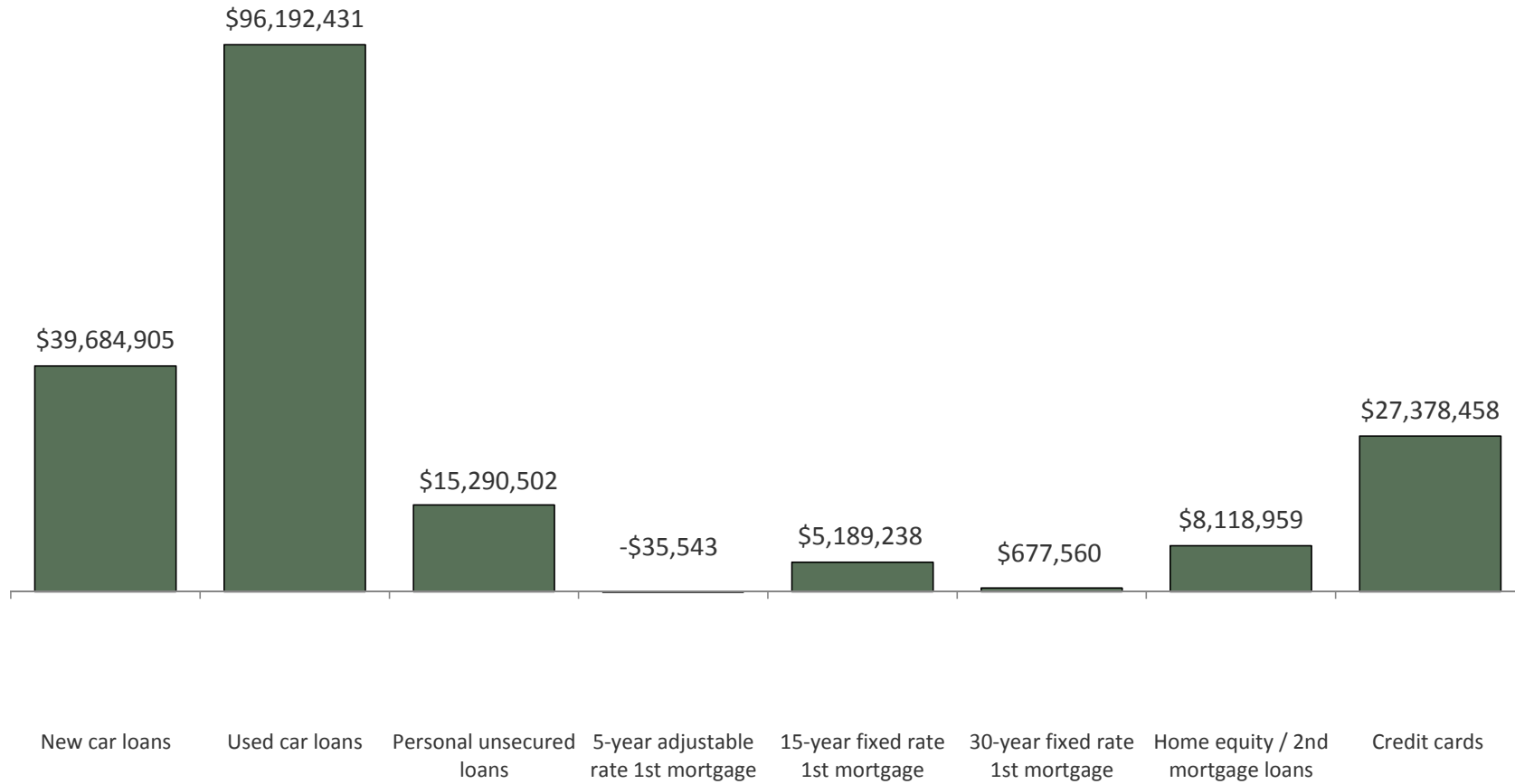


**Massachusetts**  
**Credit Union and Banking Institution**  
**September 2014 Average Interest Rates and Fees**

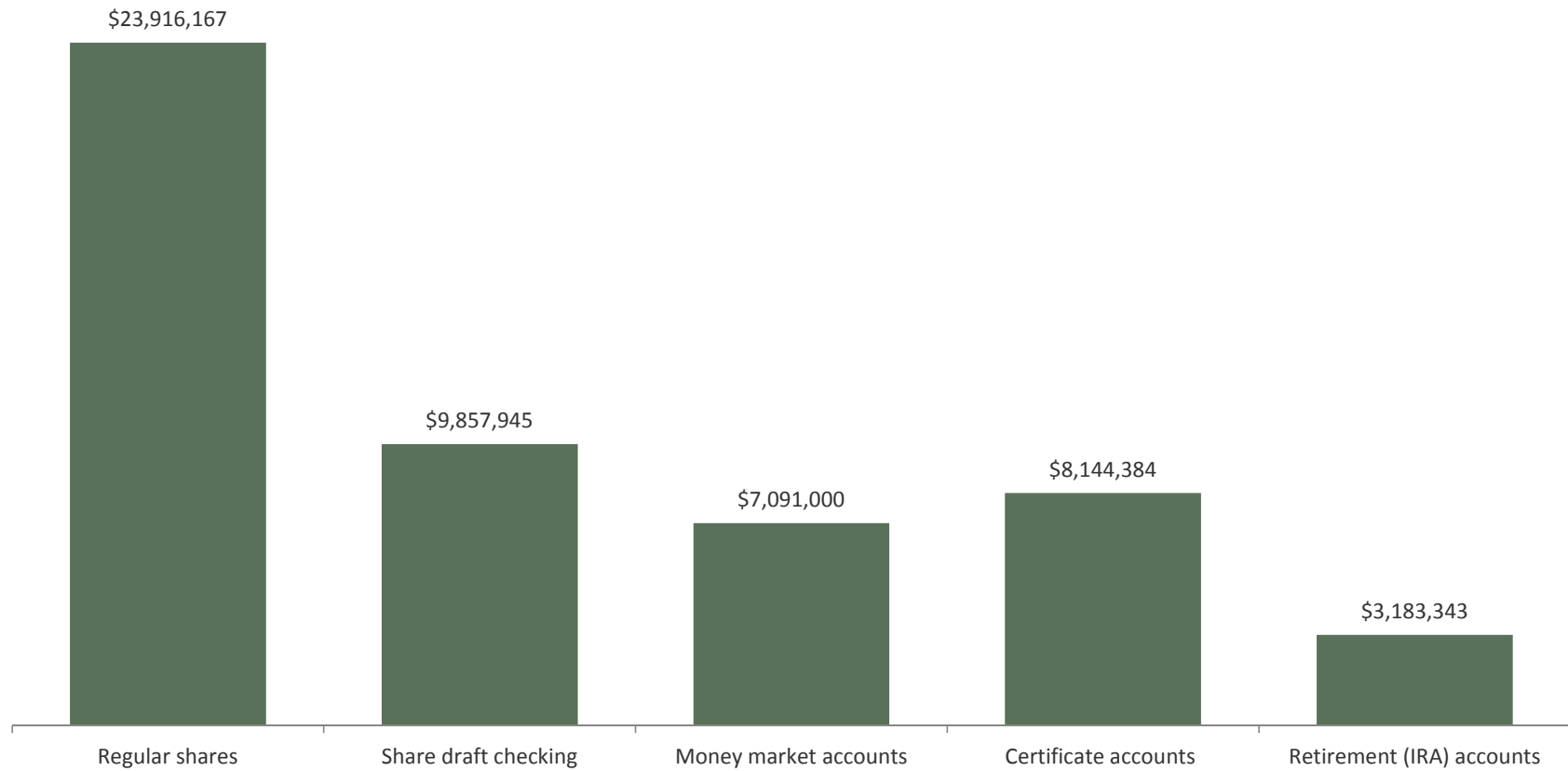
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	2.53	4.86	-2.33
48-month used car (A paper)	2.64	5.71	-3.08
Unsecured loan (A paper)	10.20	12.99	-2.79
5-year adjustable rate 1st mortgage, 0 pts	2.91	2.91	0.00
15-year fixed rate 1st mortgage, 0 pts	3.35	3.50	-0.16
30-year fixed rate 1st mortgage, 0 pts	4.19	4.21	-0.02
Home equity / 2nd mtg, 80% LTV 0 pts	3.74	3.98	-0.24
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	0.45	0.15	0.29
Share draft checking, \$5,000 balance	0.52	0.20	0.32
Money market accounts	0.27	0.12	0.15
1 Year certificate \$10,000 balance	0.51	0.38	0.13
Retirement (IRA) accounts	0.39	0.25	0.14
<b>Fee Income</b>			
Share draft checking, NSF fee	\$27.28	\$29.80	-\$2.52
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 Massachusetts Credit Unions

September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Massachusetts Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,704,678,069	-2.33	\$39,684,905
Used car loans	3,128,209,128	-3.08	\$96,192,431
Personal unsecured loans	548,243,163	-2.79	\$15,290,502
5-year adjustable rate 1st mortgage	3,554,295,402	0.00	-\$35,543
15-year fixed rate 1st mortgage	3,326,434,699	-0.16	\$5,189,238
30-year fixed rate 1st mortgage	4,234,749,145	-0.02	\$677,560
Home equity / 2nd mortgage loans	3,397,054,038	-0.24	\$8,118,959
Credit cards	750,608,856	-4.52	\$27,378,458
Interest rebates in period			\$322,158
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$192,818,668</b>
 <u>Savings</u>			
Regular shares	8,116,037,676	0.29	\$23,916,167
Share draft checking	3,099,110,581	0.32	\$9,857,945
Money market accounts	4,862,174,266	0.15	\$7,091,000
Certificate accounts	6,244,769,925	0.13	\$8,144,384
Retirement (IRA) accounts	2,304,604,676	0.14	\$3,183,343
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on savings products:</b>			<b>\$52,192,839</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer / lower fees:</b>			<b>\$19,400,405</b>
 <b>Total CU member benefit arising from interest rates on loans, savings products and lower fees:</b>			<b>\$264,411,912</b>
 <b>Total CU member benefit / member:</b>			<b>\$105</b>
<b>Total CU member benefit / member household:</b>			<b>\$200</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;

**Massachusetts  
Performance Profile**

<b>Demographic Information</b>	<b>Sep 14</b>	<b>Sep 13</b>
Number of branches	481	484
Total assets (\$ mil)	31,454	30,193
Total loans (\$ mil)	22,292	20,759
Total surplus funds (\$ mil)	8,235	8,600
Total savings (\$ mil)	25,654	24,999
Total members (thousands)	2,549	2,482
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	4.3 %	5.1 %
Total loans	7.5 %	9.1 %
Total surplus funds	-3.9 %	-3.6 %
Total savings	2.8 %	3.6 %
Total members	3.1 %	4.0 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	321	329
Dividend / interest cost of assets	55	61
Fee & other income	78	87
Operating expense	270	278
Loss Provisions	10	17
Net Income (ROA) after stabilization exp	64	60
<b>Capital adequacy</b>		
Net worth / assets	10.9	10.7
<b>Asset quality *</b>		
Delinquencies / loans	0.9	1.0
Net chargeoffs / average loans	0.2	0.3
Total borrower-bankruptcies	9	11
Bankruptcies per 1000 members	0.6	0.8
<b>Asset/Liability Management</b>		
Loans / savings	86.9	83.0
Loans / assets	70.9	68.8
Long-term assets / assets	41.7	44.4
Core deposits/shares & borrowings	42.7	41.0
<b>Productivity</b>		
Members / potential members	3.7	3.8
Borrowers / members	48.9	46.3
Members / FTE	413	410
Average shares / members (\$)	10,064	10,072
Average loan balances (\$)	17,872	18,052
Salary & Benefits / FTE	68,462	67,189

\* 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.