

The Benefits of Membership

Customized Analysis of Member Benefits For:

Nebraska

September 2014

Prepared by:

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Economics and Statistics Department**



Nebraska

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 Nebraska credit unions provided \$39,496,505 in direct financial benefits to the state's 460,564 members during the twelve months ending September 2014.

These benefits are equivalent to \$86 per member or \$163 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 Nebraska 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 Nebraska credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Nebraska credit union will save members an average \$260 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.

Nebraska credit unions excel in providing member benefits on many loan and savings products. In particular, Nebraska 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.

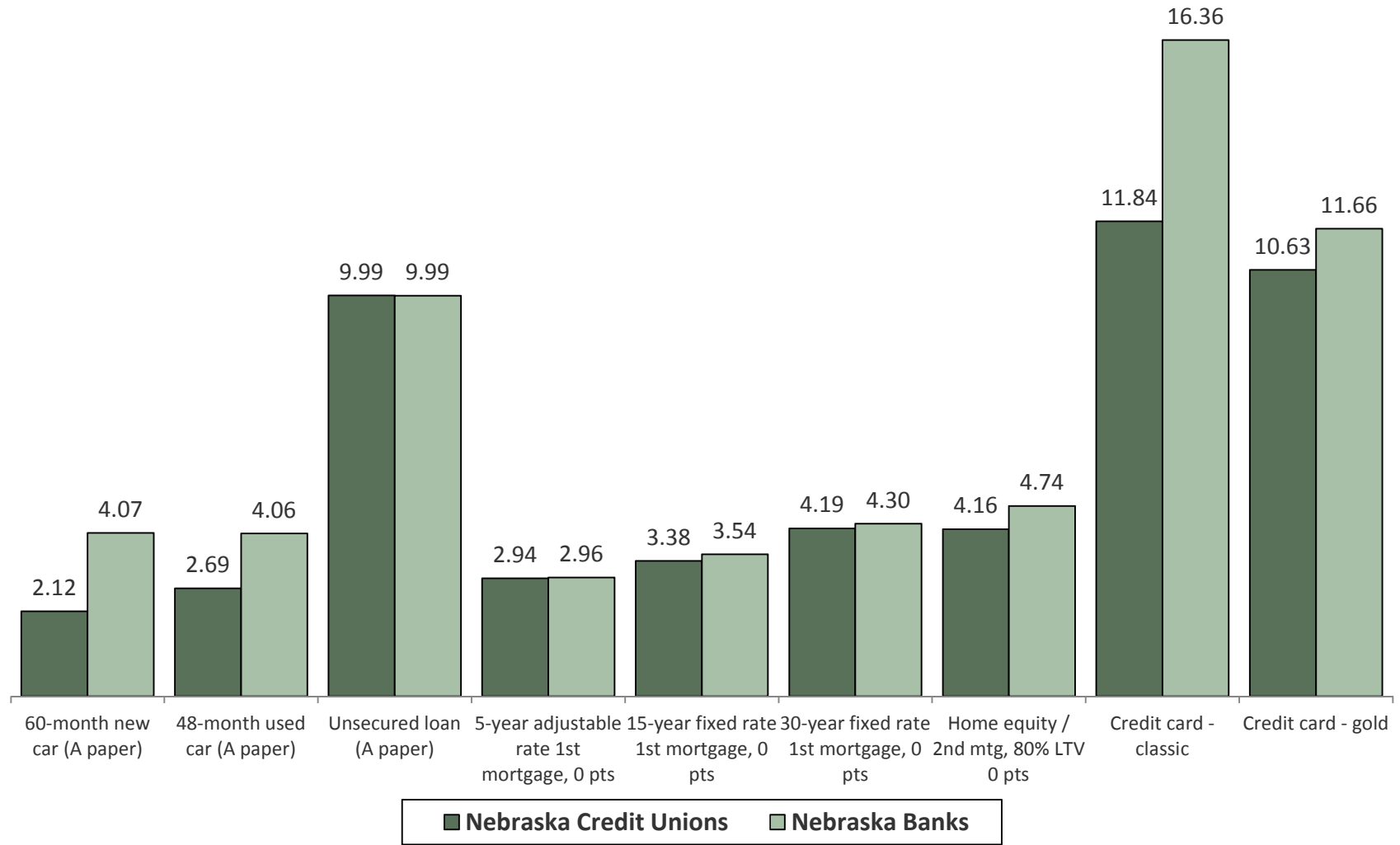
Nebraska credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



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

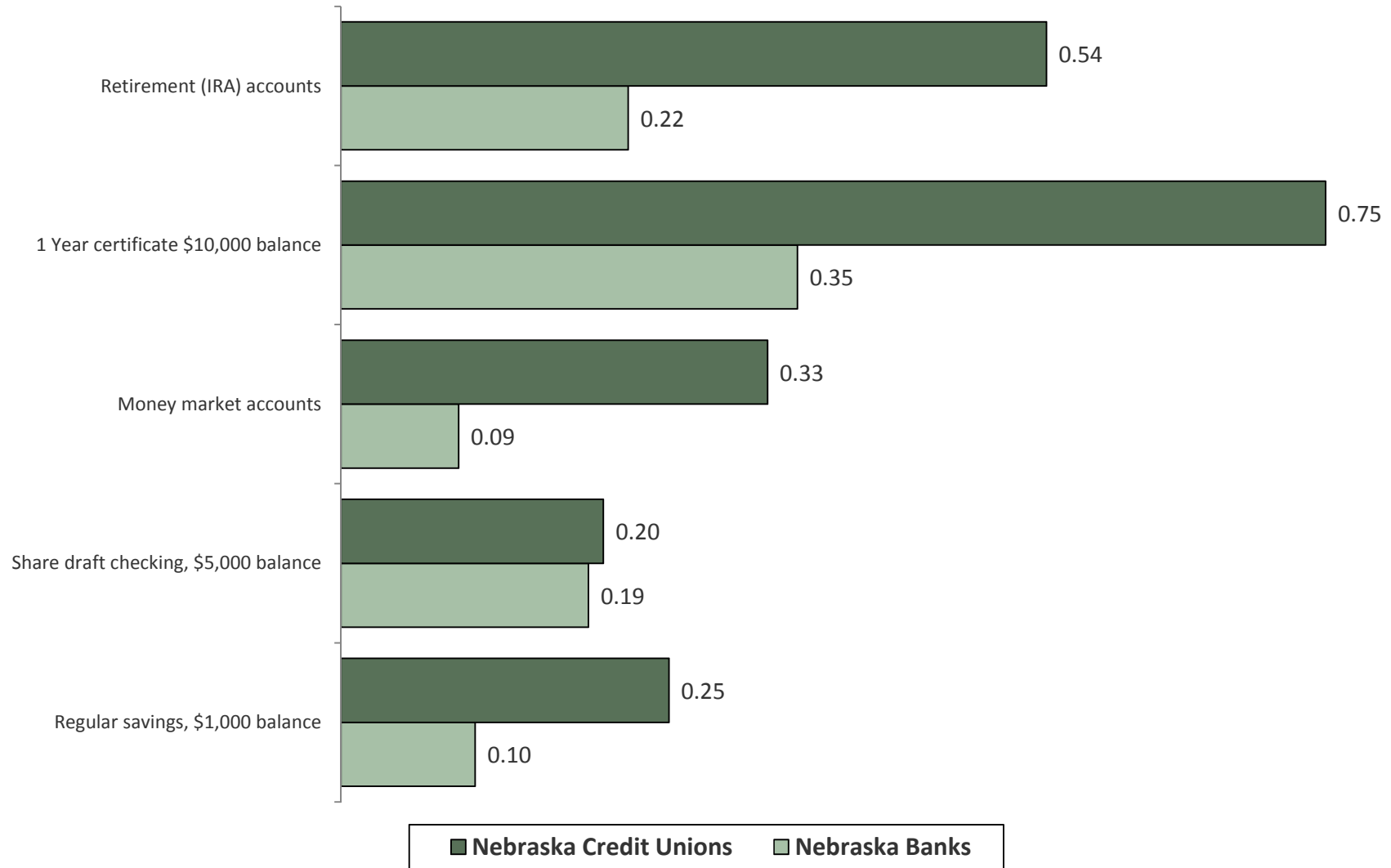
Loan Product Comparative Interest Rates (%)

By Loan Type

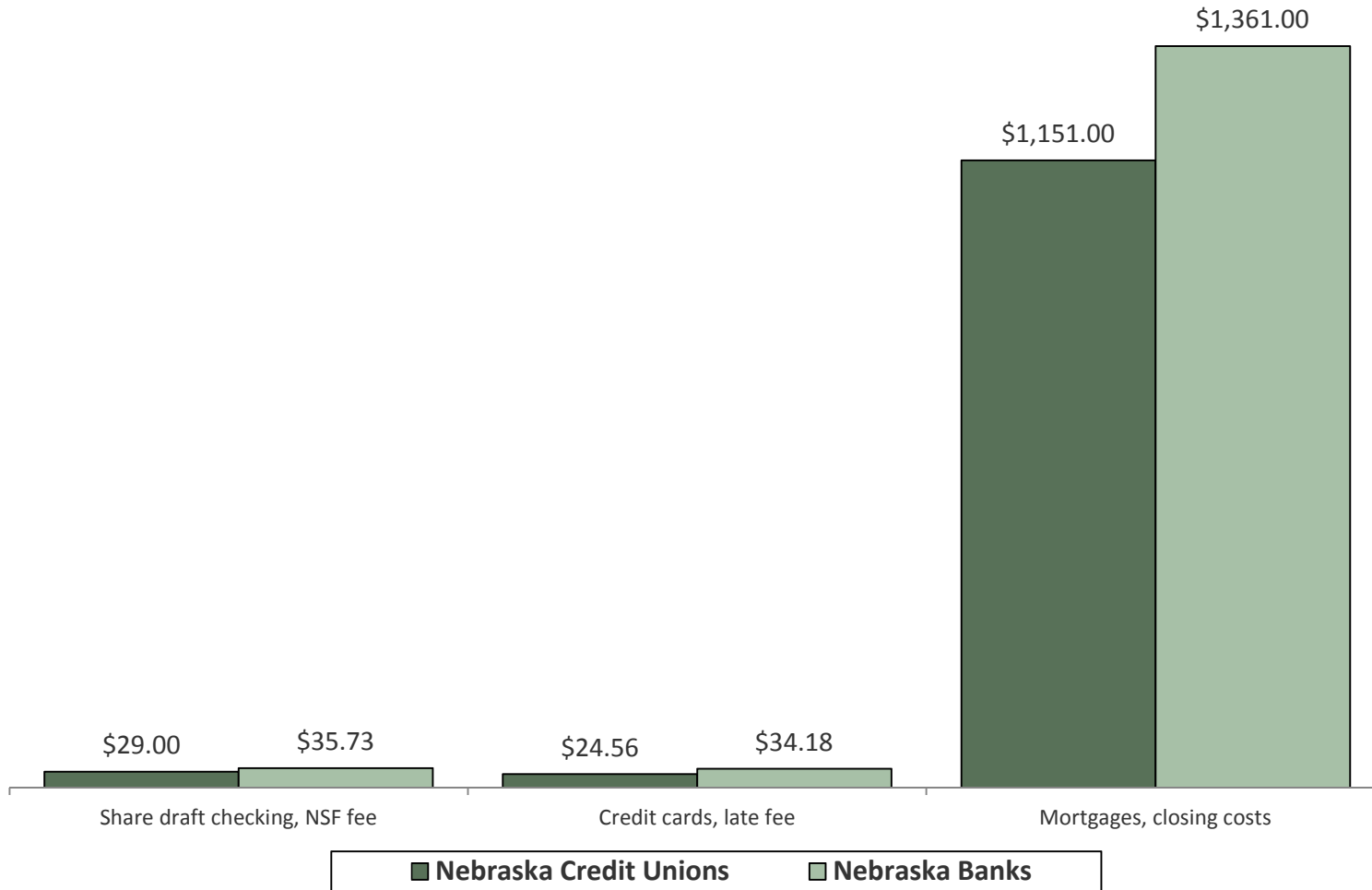


Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees By Type

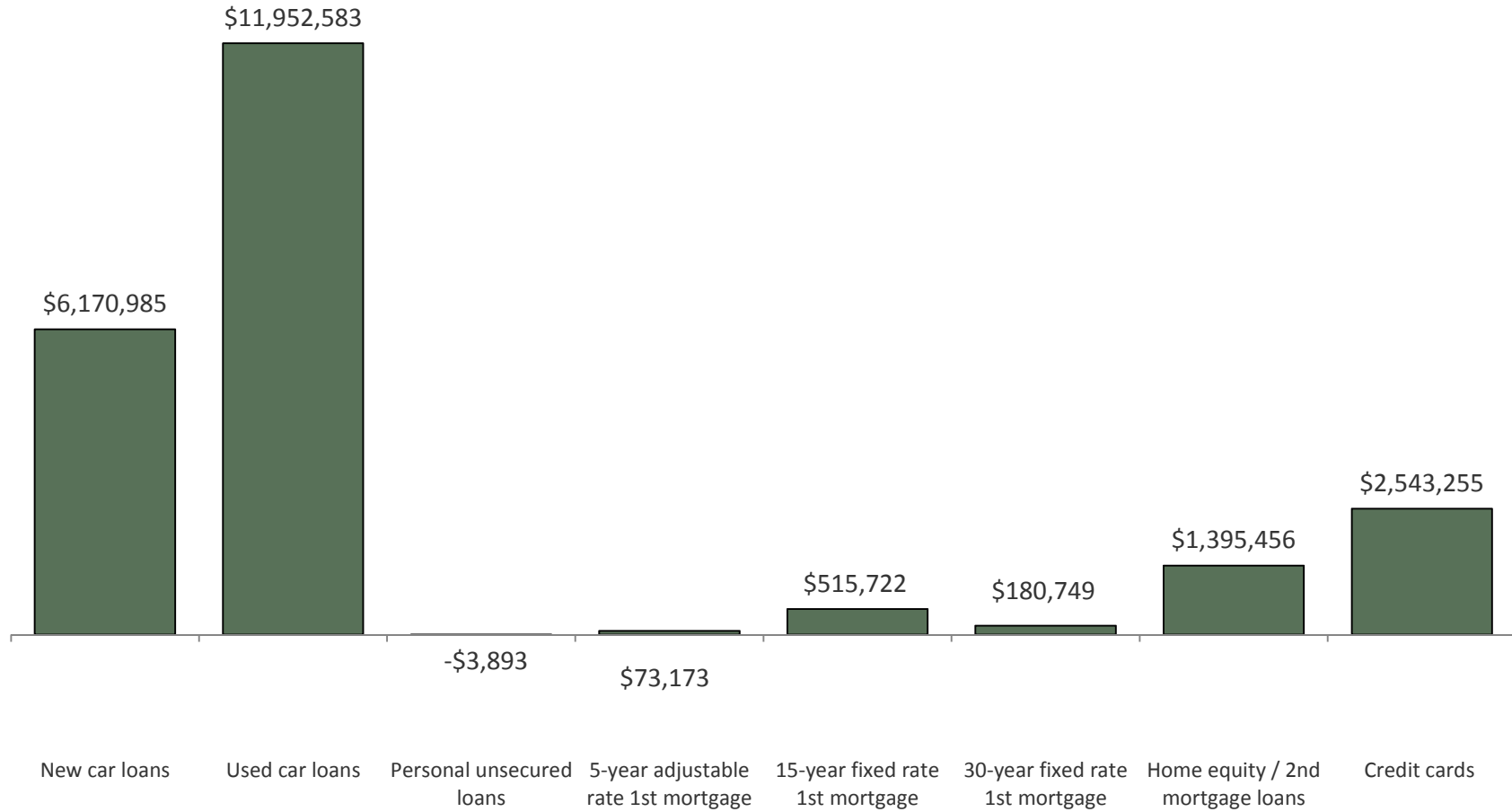


Nebraska
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

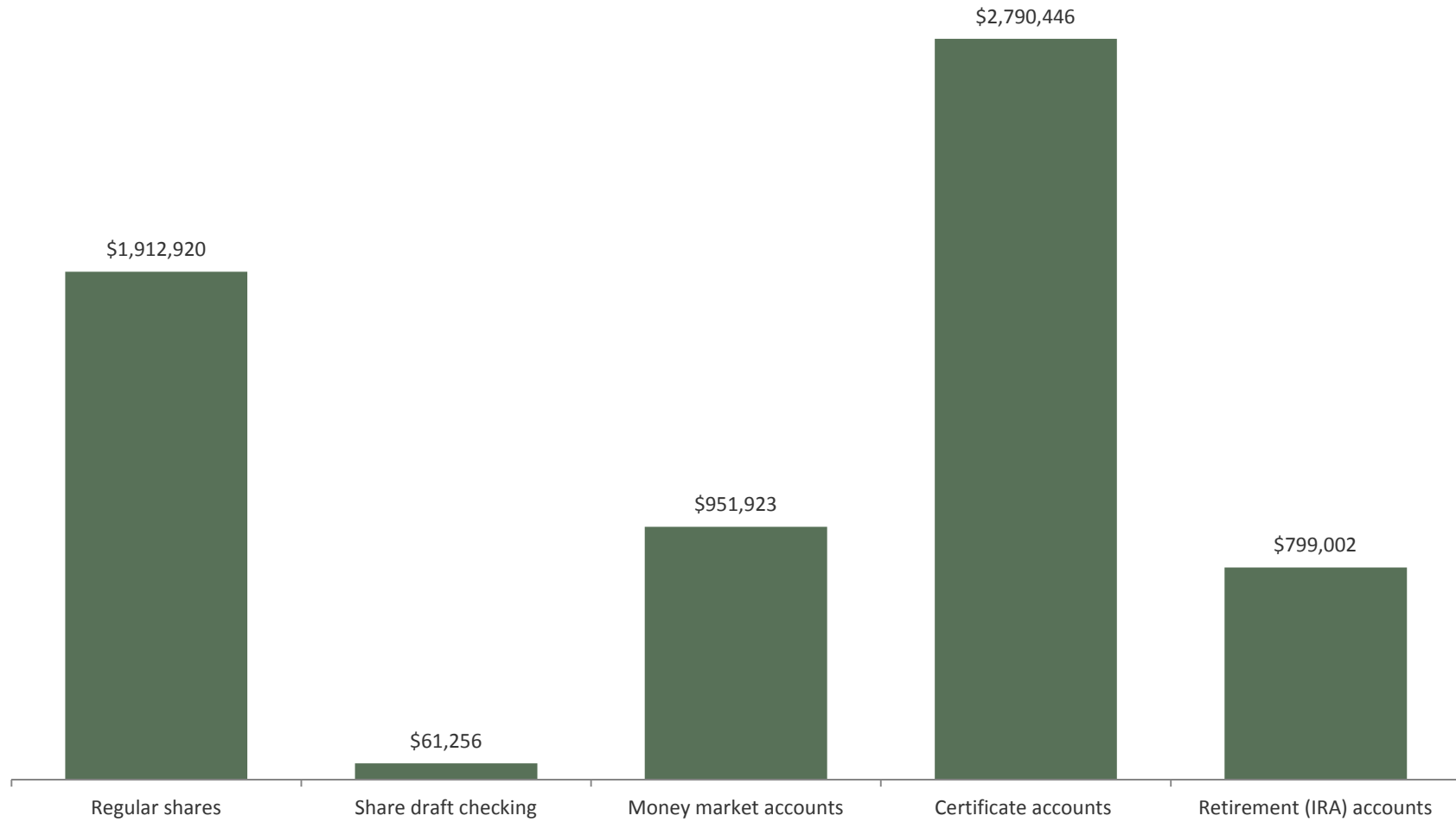
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.12	4.07	-1.95
48-month used car (A paper)	2.69	4.06	-1.37
Unsecured loan (A paper)	9.99	9.99	0.00
5-year adjustable rate 1st mortgage, 0 pts	2.94	2.96	-0.02
15-year fixed rate 1st mortgage, 0 pts	3.38	3.54	-0.16
30-year fixed rate 1st mortgage, 0 pts	4.19	4.30	-0.12
Home equity / 2nd mtg, 80% LTV 0 pts	4.16	4.74	-0.58
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	0.25	0.10	0.15
Share draft checking, \$5,000 balance	0.20	0.19	0.01
Money market accounts	0.33	0.09	0.24
1 Year certificate \$10,000 balance	0.75	0.35	0.40
Retirement (IRA) accounts	0.54	0.22	0.32
Fee Income			
Share draft checking, NSF fee	\$29.00	\$35.73	-\$6.73
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 Nebraska Credit Unions September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Nebraska Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	316,460,746	-1.95	\$6,170,985
Used car loans	871,814,978	-1.37	\$11,952,583
Personal unsecured loans	97,319,224	0.00	-\$3,893
5-year adjustable rate 1st mortgage	318,141,715	-0.02	\$73,173
15-year fixed rate 1st mortgage	314,464,697	-0.16	\$515,722
30-year fixed rate 1st mortgage	151,889,871	-0.12	\$180,749
Home equity / 2nd mortgage loans	241,011,367	-0.58	\$1,395,456
Credit cards	69,725,976	-4.52	\$2,543,255
Interest rebates in period			\$148,607
Total CU member benefits arising from lower interest rates on loan products:			\$22,976,637
 <u>Savings</u>			
Regular shares	1,294,457,169	0.15	\$1,912,920
Share draft checking	532,660,577	0.01	\$61,256
Money market accounts	404,706,990	0.24	\$951,923
Certificate accounts	693,757,228	0.40	\$2,790,446
Retirement (IRA) accounts	250,692,816	0.32	\$799,002
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on savings products:			\$6,515,546
 <u>Fee Income</u>			
Total CU member benefit arising from fewer / lower fees:			\$10,004,322
 Total CU member benefit arising from interest rates on loans, savings products and lower fees:			\$39,496,505
 Total CU member benefit / member:			\$86
Total CU member benefit / member household:			\$163

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;

**Nebraska
Performance Profile**

Demographic Information	Sep 14	Sep 13
Number of branches	144	144
Total assets (\$ mil)	3,858	3,699
Total loans (\$ mil)	2,633	2,419
Total surplus funds (\$ mil)	1,030	1,106
Total savings (\$ mil)	3,255	3,167
Total members (thousands)	469	453
Growth Rates (Trailing 12 months) *		
Total assets	4.4 %	3.9 %
Total loans	8.9 %	4.3 %
Total surplus funds	-6.8 %	1.7 %
Total savings	2.9 %	4.2 %
Total members	3.7 %	2.2 %
Earnings - Basis Pts. *		
Yield on total assets	355	359
Dividend / interest cost of assets	46	53
Fee & other income	165	165
Operating expense	382	392
Loss Provisions	31	26
Net Income (ROA) after stabilization exp	61	51
Capital adequacy		
Net worth / assets	10.9	10.7
Asset quality *		
Delinquencies / loans	0.7	0.9
Net chargeoffs / average loans	0.4	0.4
Total borrower-bankruptcies	12	12
Bankruptcies per 1000 members	1.7	1.8
Asset/Liability Management		
Loans / savings	80.9	76.4
Loans / assets	68.2	65.4
Long-term assets / assets	30.3	29.1
Core deposits/shares & borrowings	55.5	54.9
Productivity		
Members / potential members	5.3	5.6
Borrowers / members	49.1	47.8
Members / FTE	362	353
Average shares / members (\$)	6,939	6,994
Average loan balances (\$)	11,434	11,180
Salary & Benefits / FTE	57,972	57,984

* 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.