

The Benefits of Membership

Customized Analysis of Member Benefits For:

North Carolina

September 2014

Prepared by:

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



North Carolina

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 North Carolina credit unions provided \$158,490,848 in direct financial benefits to the state's 3,537,789 members during the twelve months ending September 2014.

These benefits are equivalent to \$45 per member or \$85 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 North Carolina 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 North Carolina credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a North Carolina credit union will save members an average \$126 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.

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

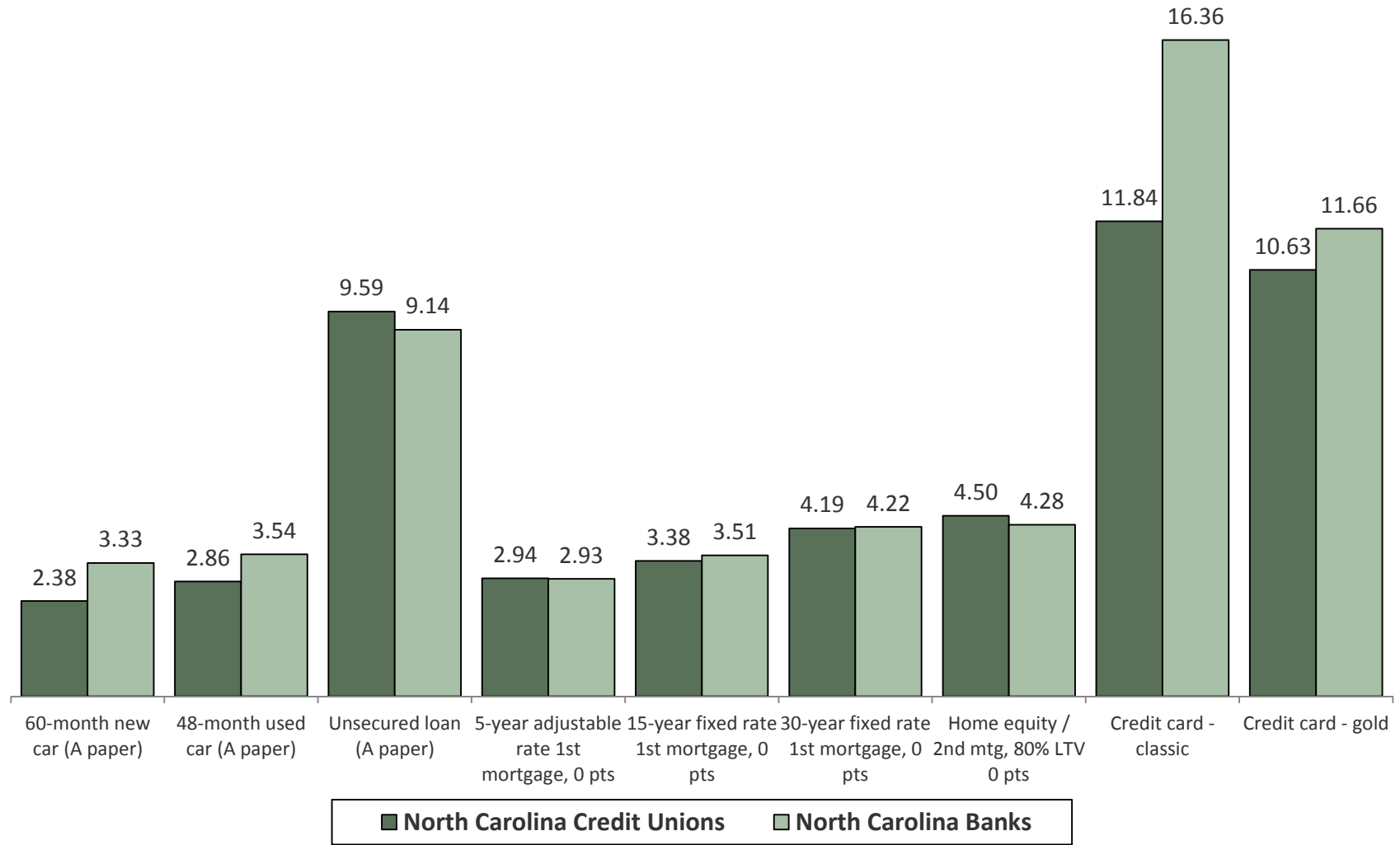
North Carolina credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



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

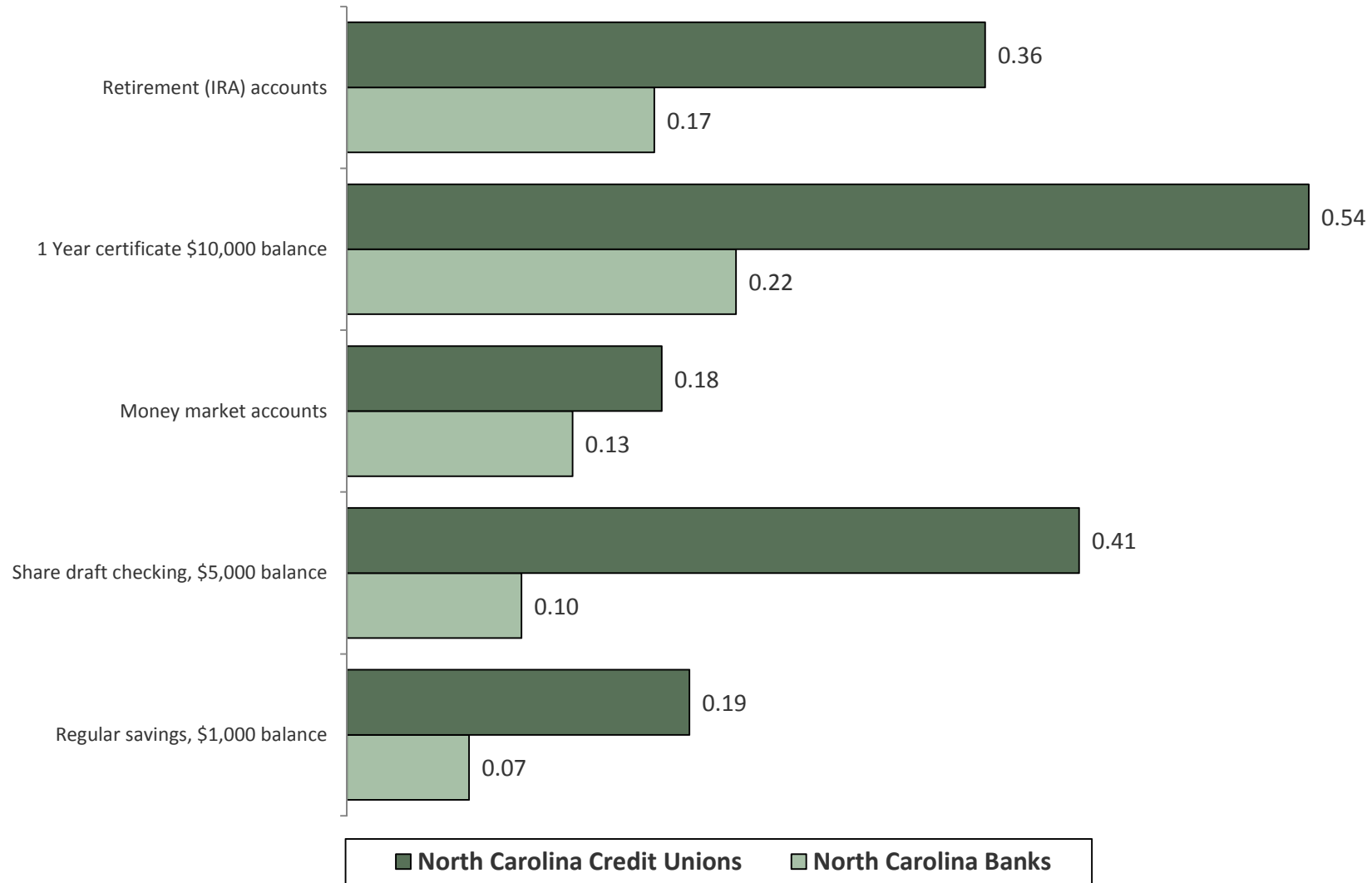
Loan Product Comparative Interest Rates (%)

By Loan Type

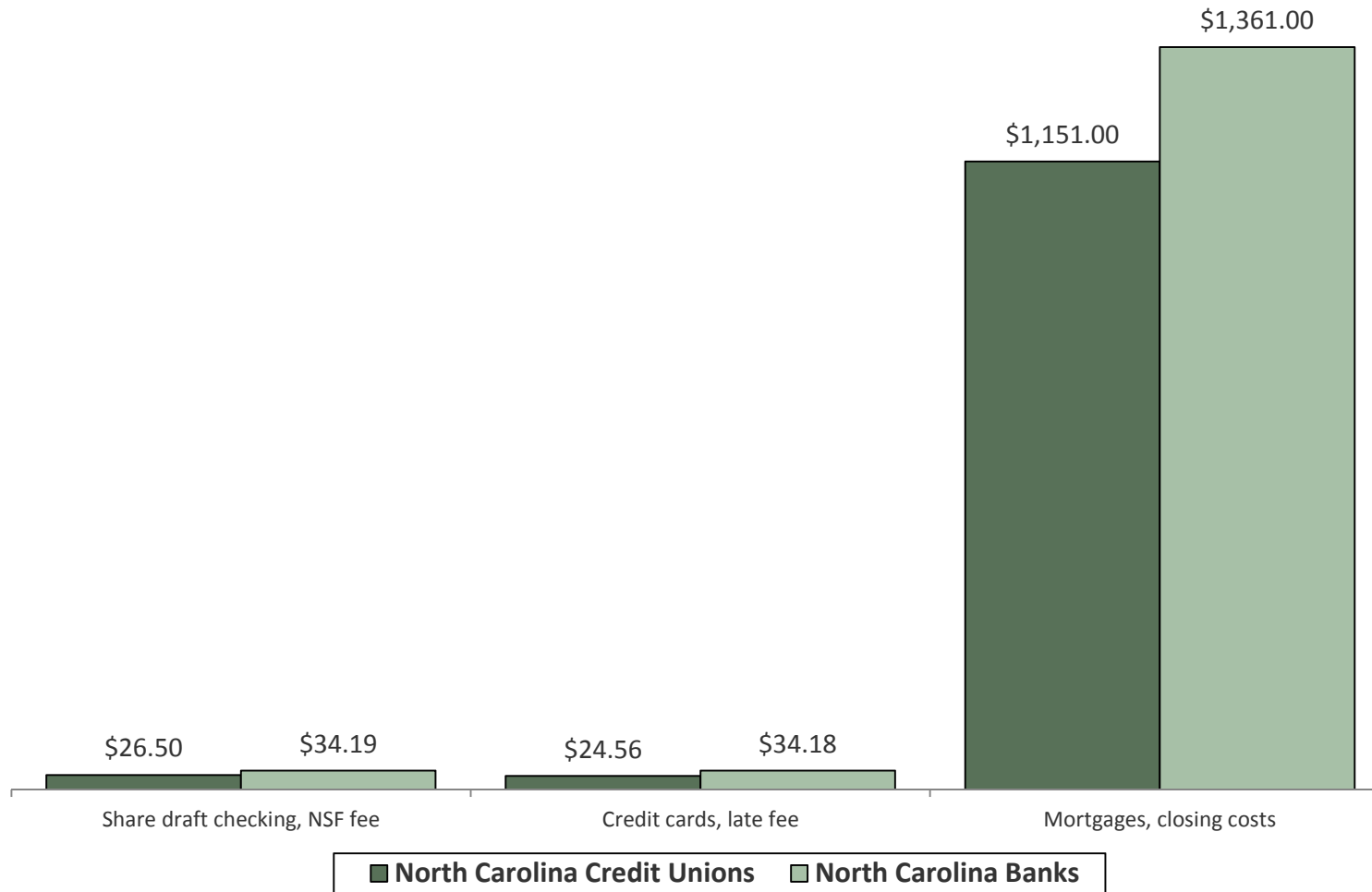


Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees By Type

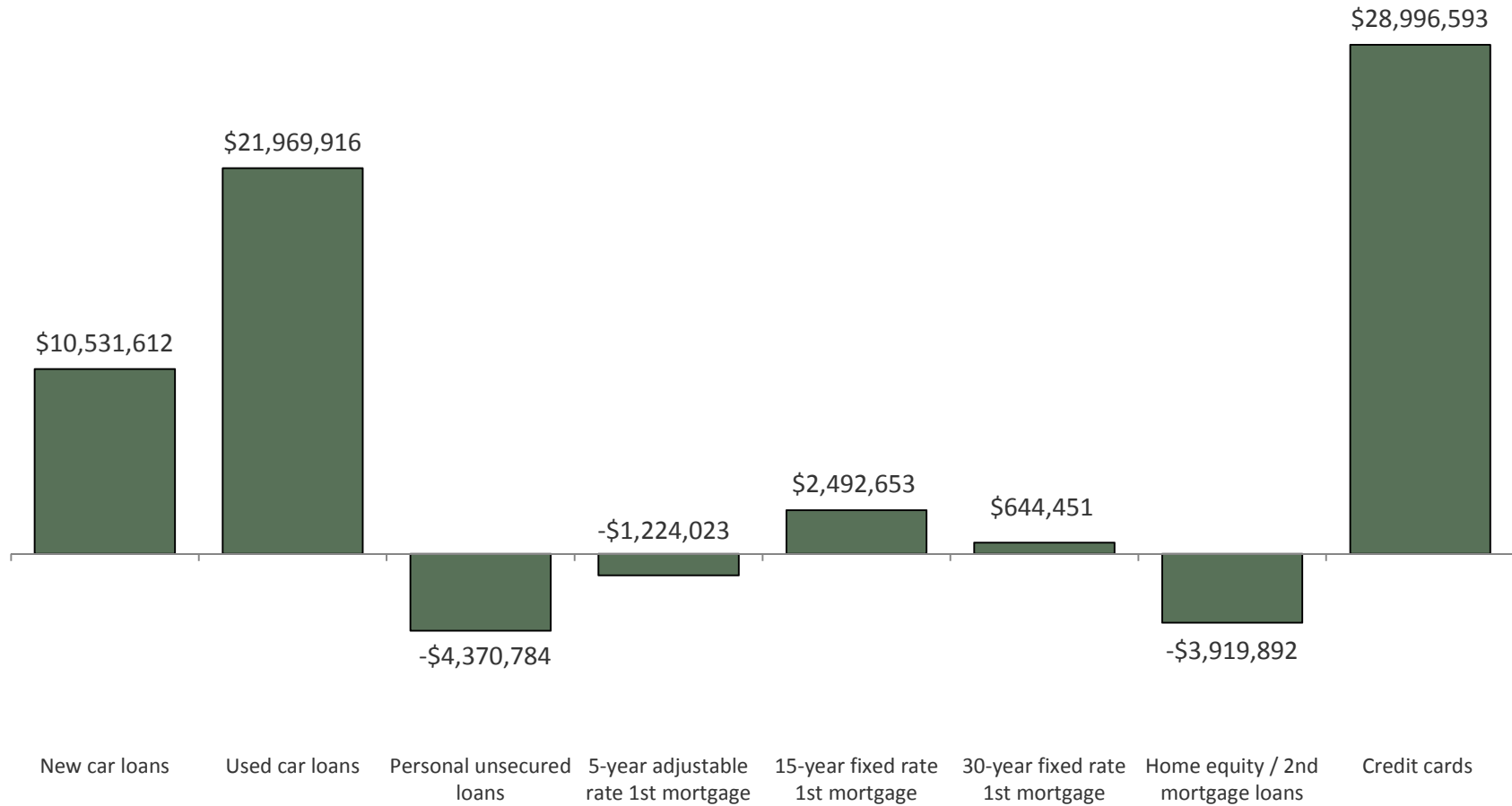


North Carolina
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

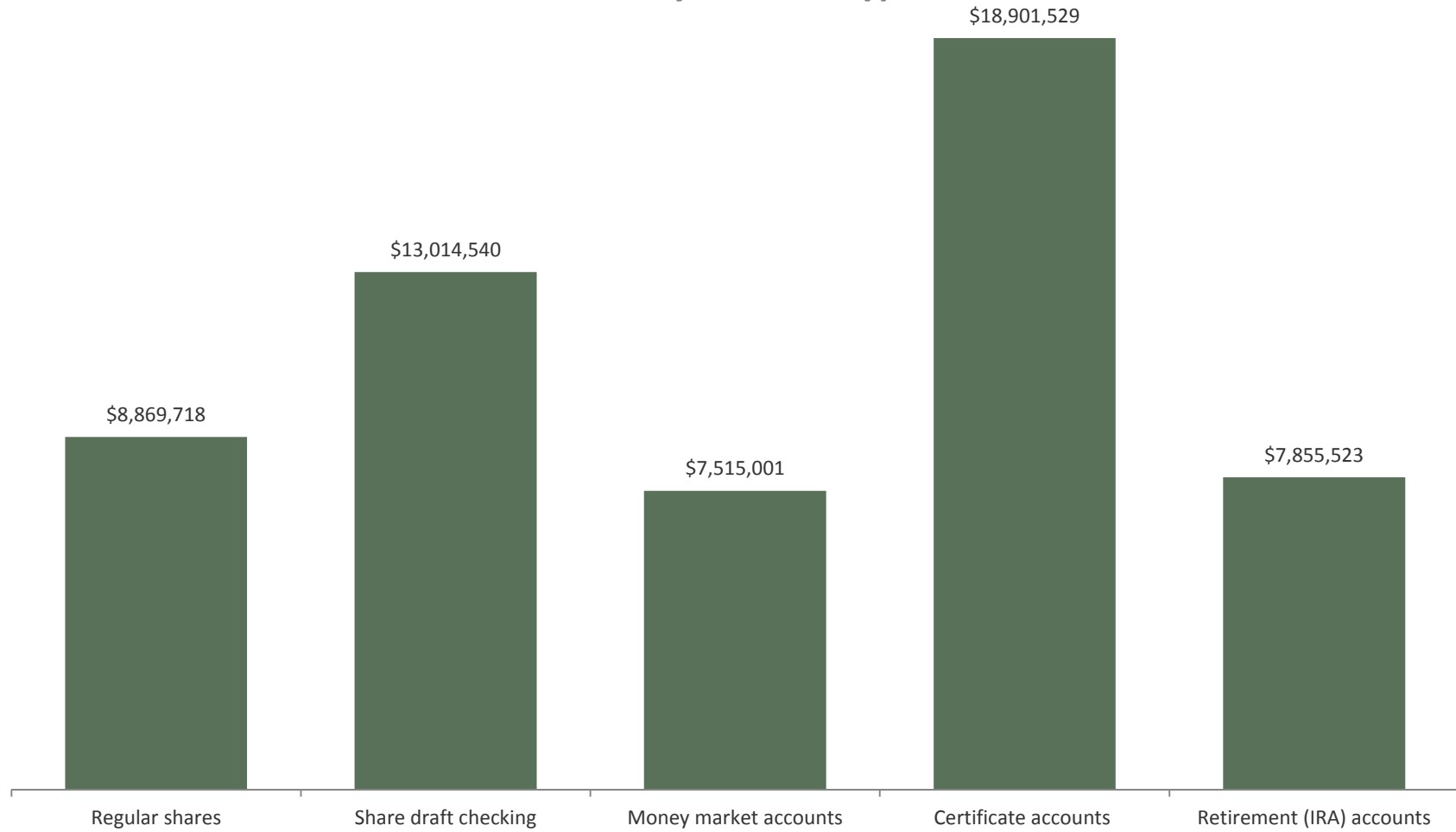
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.38	3.33	-0.95
48-month used car (A paper)	2.86	3.54	-0.68
Unsecured loan (A paper)	9.59	9.14	0.46
5-year adjustable rate 1st mortgage, 0 pts	2.94	2.93	0.01
15-year fixed rate 1st mortgage, 0 pts	3.38	3.51	-0.14
30-year fixed rate 1st mortgage, 0 pts	4.19	4.22	-0.04
Home equity / 2nd mtg, 80% LTV 0 pts	4.50	4.28	0.22
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	0.19	0.07	0.12
Share draft checking, \$5,000 balance	0.41	0.10	0.31
Money market accounts	0.18	0.13	0.05
1 Year certificate \$10,000 balance	0.54	0.22	0.32
Retirement (IRA) accounts	0.36	0.17	0.19
Fee Income			
Share draft checking, NSF fee	\$26.50	\$34.19	-\$7.69
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 North Carolina Credit Unions

September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. North Carolina Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,108,590,689	-0.95	\$10,531,612
Used car loans	3,230,870,047	-0.68	\$21,969,916
Personal unsecured loans	954,319,694	0.46	-\$4,370,784
5-year adjustable rate 1st mortgage	12,240,231,767	0.01	-\$1,224,023
15-year fixed rate 1st mortgage	1,832,832,795	-0.14	\$2,492,653
30-year fixed rate 1st mortgage	1,741,760,240	-0.04	\$644,451
Home equity / 2nd mortgage loans	1,757,799,302	0.22	-\$3,919,892
Credit cards	794,971,704	-4.52	\$28,996,593
Interest rebates in period			\$32,697
Total CU member benefits arising from lower interest rates on loan products:			\$55,153,222
<u>Savings</u>			
Regular shares	7,169,305,648	0.12	\$8,869,718
Share draft checking	4,157,383,783	0.31	\$13,014,540
Money market accounts	15,032,168,706	0.05	\$7,515,001
Certificate accounts	5,879,416,324	0.32	\$18,901,529
Retirement (IRA) accounts	4,229,319,766	0.19	\$7,855,523
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on savings products:			\$56,156,310
<u>Fee Income</u>			
Total CU member benefit arising from fewer / lower fees:			\$47,181,316
Total CU member benefit arising from interest rates on loans, savings products and lower fees:			\$158,490,848
Total CU member benefit / member:			\$45
Total CU member benefit / member household:			\$85

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;

**North Carolina
Performance Profile**

Demographic Information	Sep 14	Sep 13
Number of branches	594	605
Total assets (\$ mil)	42,170	39,708
Total loans (\$ mil)	25,378	22,773
Total surplus funds (\$ mil)	15,303	15,577
Total savings (\$ mil)	37,971	35,810
Total members (thousands)	3,600	3,497
Growth Rates (Trailing 12 months) *		
Total assets	6.5 %	5.7 %
Total loans	11.7 %	7.7 %
Total surplus funds	-1.5 %	2.7 %
Total savings	6.3 %	5.7 %
Total members	3.6 %	2.5 %
Earnings - Basis Pts. *		
Yield on total assets	306	304
Dividend / interest cost of assets	80	76
Fee & other income	115	93
Operating expense	239	249
Loss Provisions	13	24
Net Income (ROA) after stabilization exp	88	49
Capital adequacy		
Net worth / assets	8.6	8.4
Asset quality *		
Delinquencies / loans	1.5	1.5
Net chargeoffs / average loans	0.3	0.4
Total borrower-bankruptcies	33	30
Bankruptcies per 1000 members	0.8	0.7
Asset/Liability Management		
Loans / savings	66.8	63.6
Loans / assets	60.2	57.4
Long-term assets / assets	29.1	19.8
Core deposits/shares & borrowings	30.2	31.1
Productivity		
Members / potential members	13.8	16.2
Borrowers / members	42.1	40.0
Members / FTE	406	414
Average shares / members (\$)	10,549	10,239
Average loan balances (\$)	16,741	16,296
Salary & Benefits / FTE	60,314	59,279

* 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.