

The Benefits of Membership

Customized Analysis of Member Benefits For:

Tennessee

September 2014

Prepared by:

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Tennessee

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 Tennessee credit unions provided \$123,826,855 in direct financial benefits to the state's 1,919,641 members during the twelve months ending September 2014.

These benefits are equivalent to \$65 per member or \$123 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 Tennessee 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 Tennessee credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Tennessee credit union will save members an average \$219 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.

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

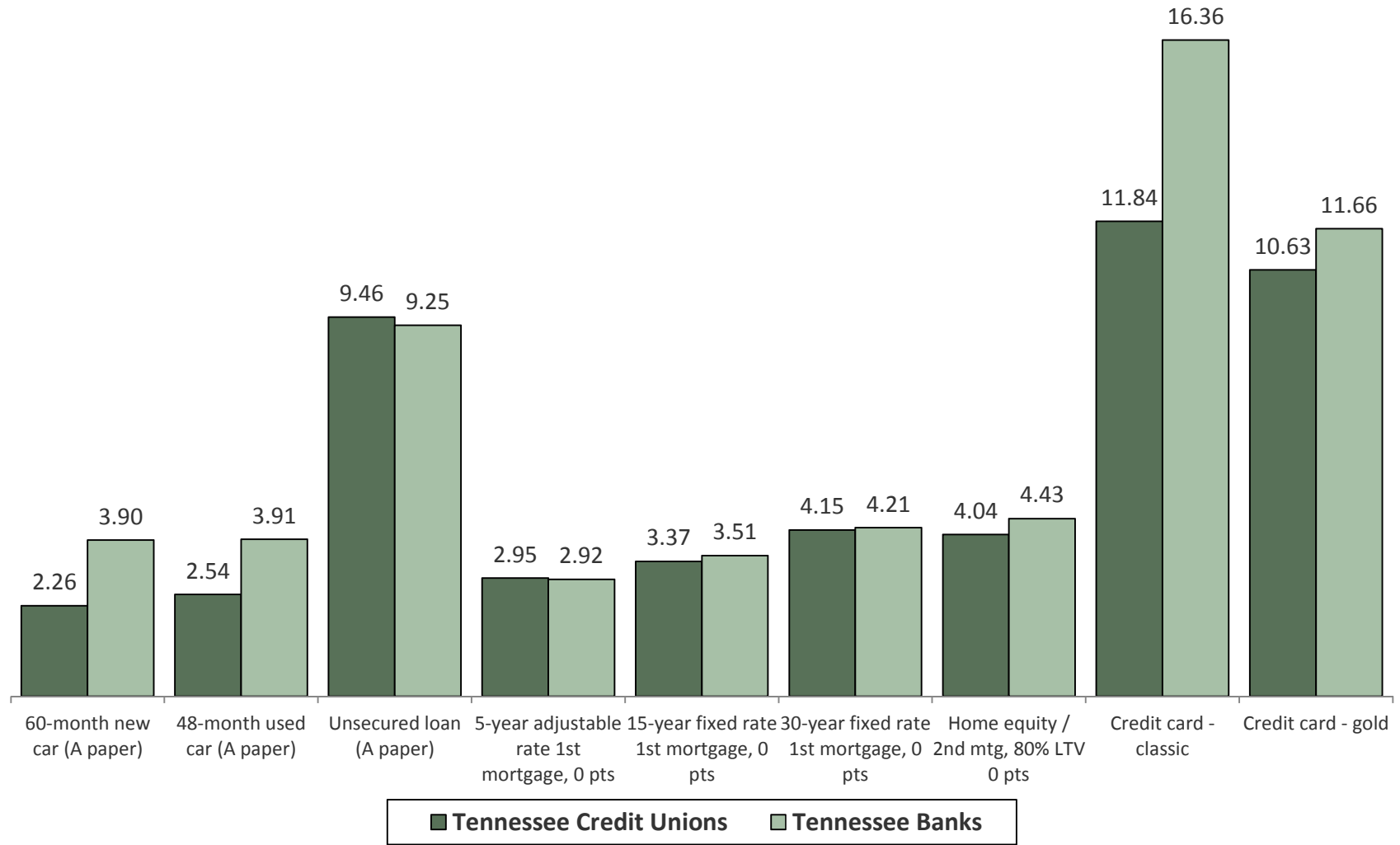
Tennessee credit unions also pay members higher average dividends on the following accounts: regular savings, money market accounts, certificate accounts, IRAs.



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

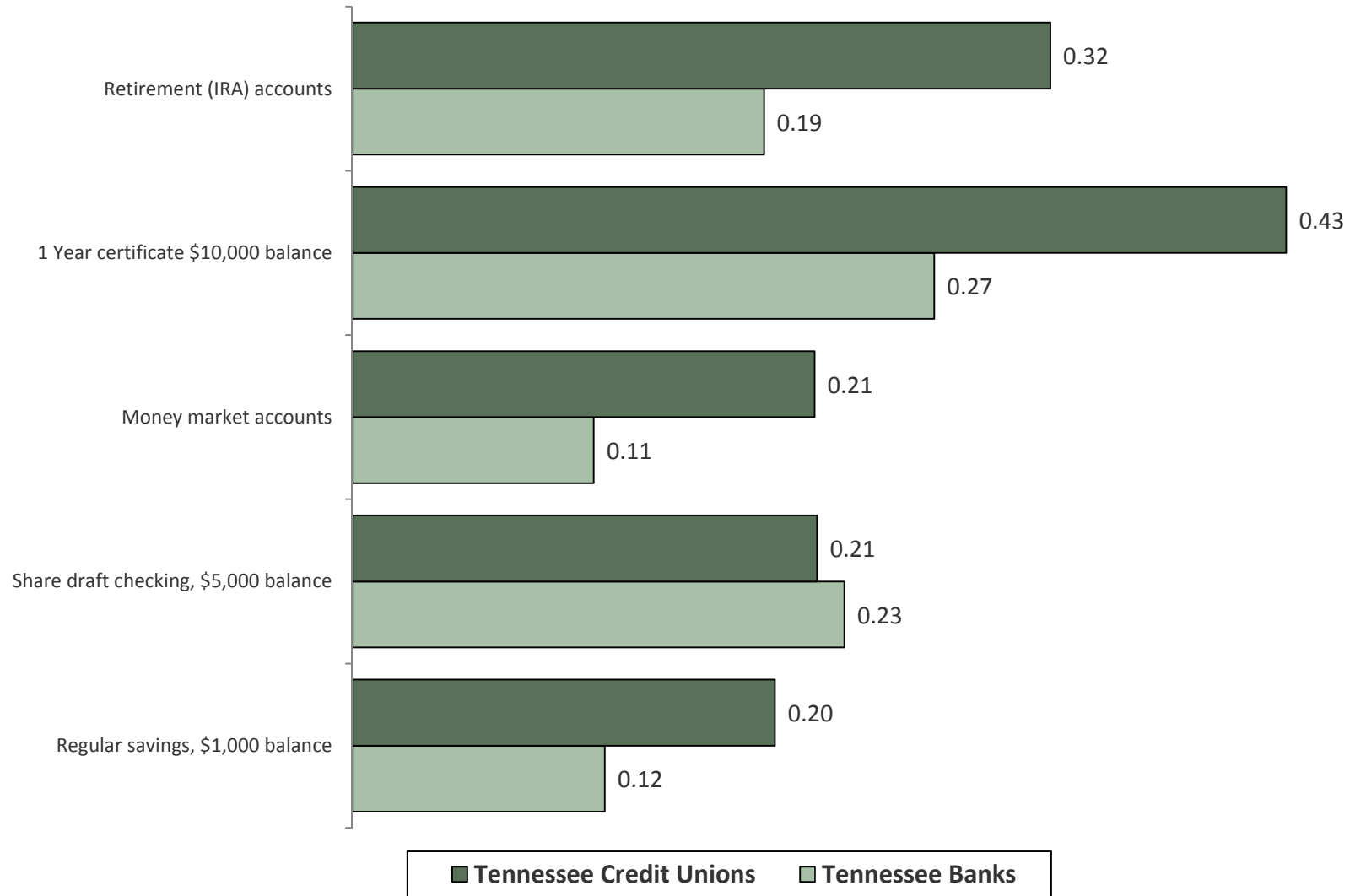
Loan Product Comparative Interest Rates (%)

By Loan Type

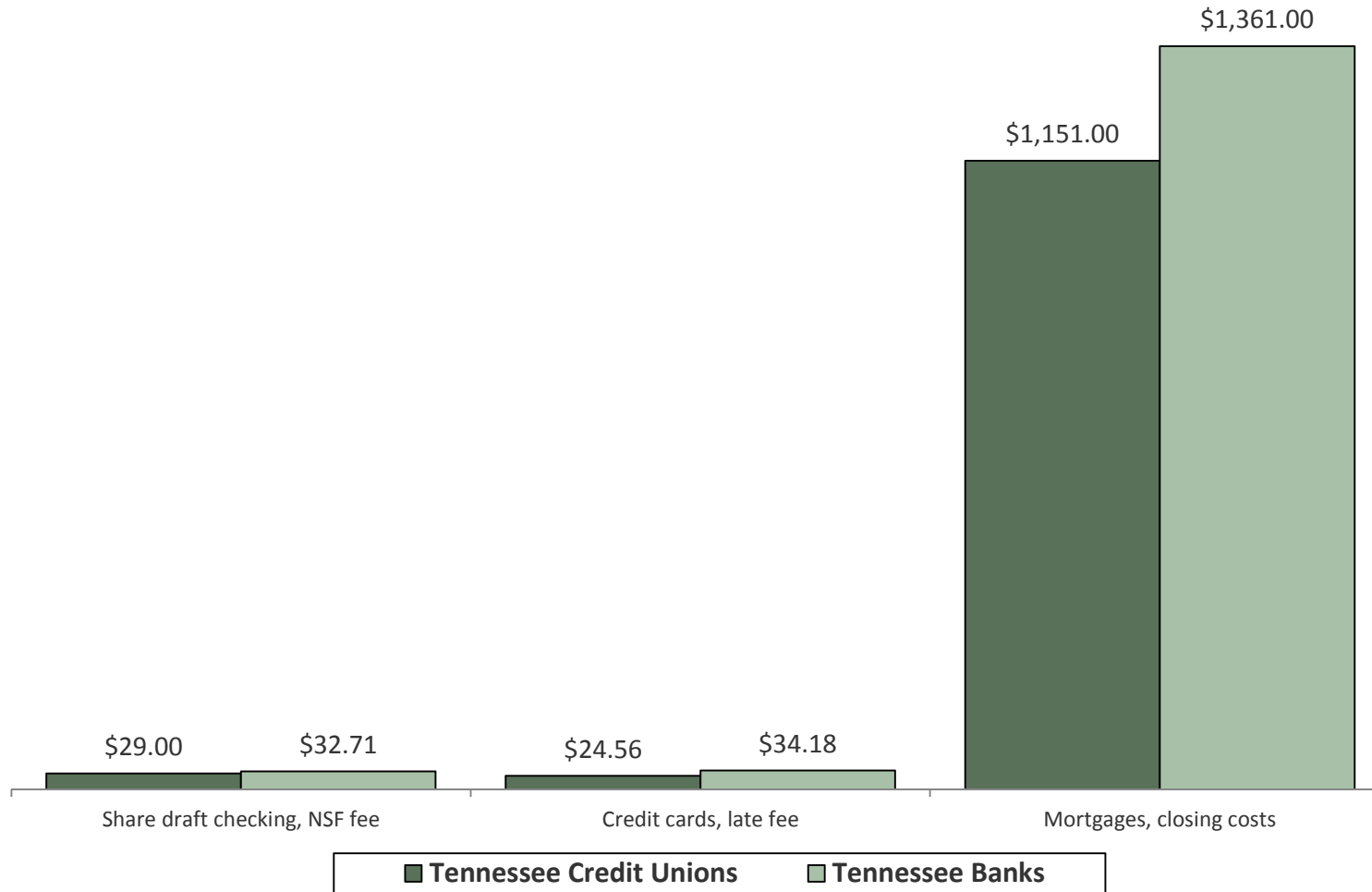


Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees By Type

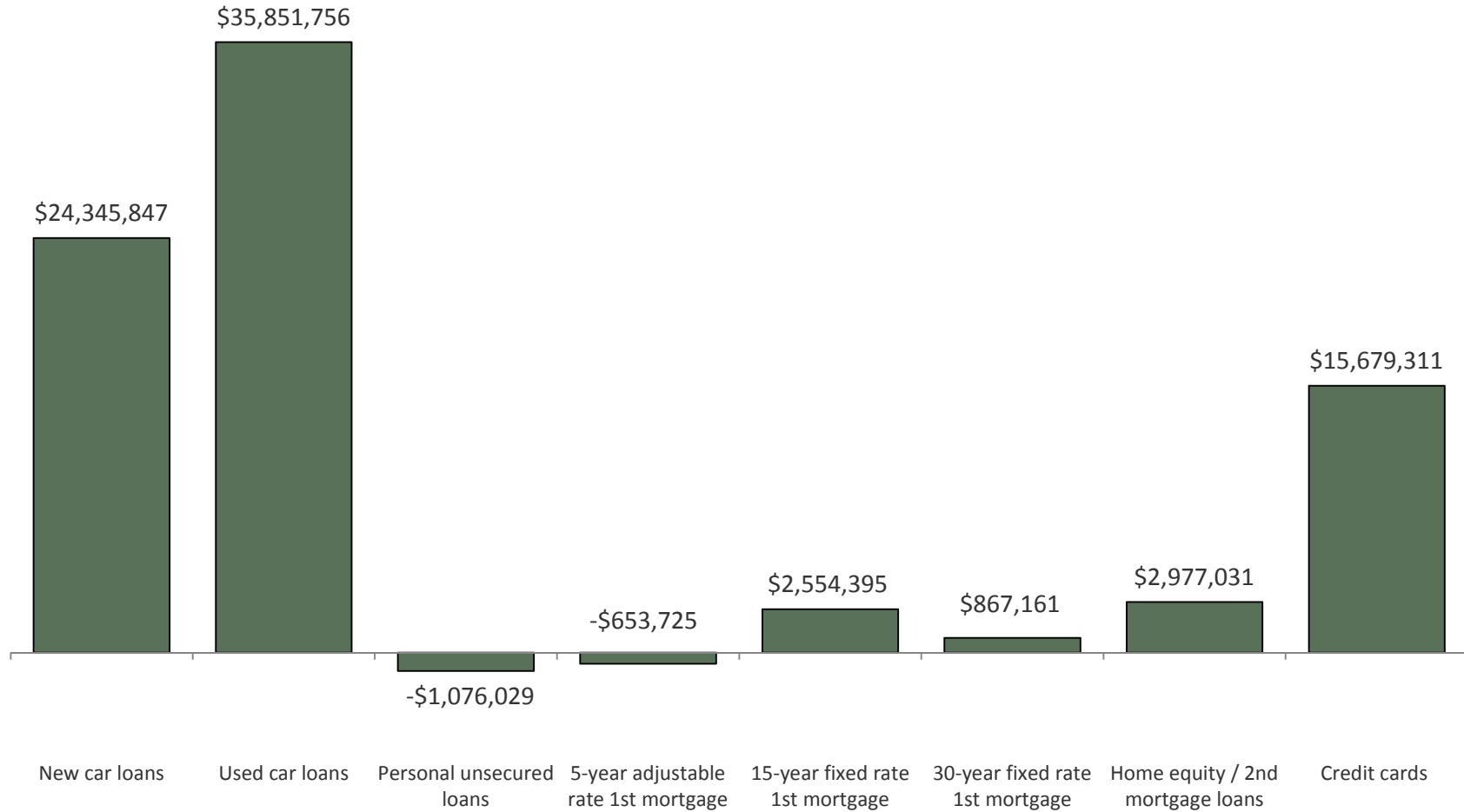


Tennessee
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

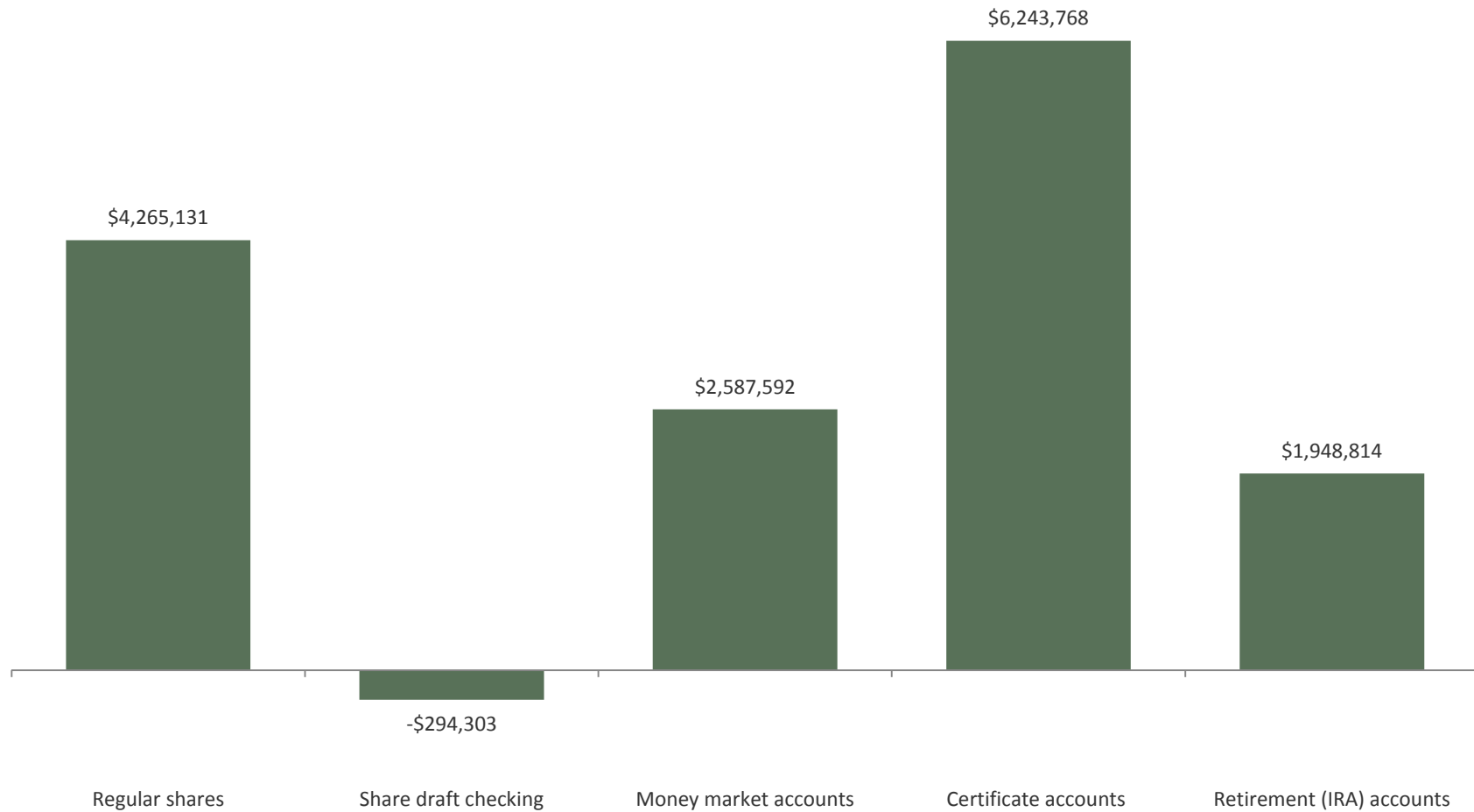
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.26	3.90	-1.64
48-month used car (A paper)	2.54	3.91	-1.37
Unsecured loan (A paper)	9.46	9.25	0.21
5-year adjustable rate 1st mortgage, 0 pts	2.95	2.92	0.03
15-year fixed rate 1st mortgage, 0 pts	3.37	3.51	-0.14
30-year fixed rate 1st mortgage, 0 pts	4.15	4.21	-0.06
Home equity / 2nd mtg, 80% LTV 0 pts	4.04	4.43	-0.40
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	0.20	0.12	0.08
Share draft checking, \$5,000 balance	0.21	0.23	-0.01
Money market accounts	0.21	0.11	0.10
1 Year certificate \$10,000 balance	0.43	0.27	0.16
Retirement (IRA) accounts	0.32	0.19	0.13
Fee Income			
Share draft checking, NSF fee	\$29.00	\$32.71	-\$3.71
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 Tennessee Credit Unions

September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Tennessee Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,485,408,579	-1.64	\$24,345,847
Used car loans	2,616,916,524	-1.37	\$35,851,756
Personal unsecured loans	522,344,056	0.21	-\$1,076,029
5-year adjustable rate 1st mortgage	1,980,983,586	0.03	-\$653,725
15-year fixed rate 1st mortgage	1,824,568,032	-0.14	\$2,554,395
30-year fixed rate 1st mortgage	1,445,268,961	-0.06	\$867,161
Home equity / 2nd mortgage loans	753,678,616	-0.40	\$2,977,031
Credit cards	429,864,605	-4.52	\$15,679,311
Interest rebates in period			\$11,995
Total CU member benefits arising from lower interest rates on loan products:			\$80,557,743
 <u>Savings</u>			
Regular shares	5,443,353,730	0.08	\$4,265,131
Share draft checking	2,330,230,827	-0.01	-\$294,303
Money market accounts	2,541,065,695	0.10	\$2,587,592
Certificate accounts	3,848,284,247	0.16	\$6,243,768
Retirement (IRA) accounts	1,475,931,866	0.13	\$1,948,814
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on savings products:			\$14,751,002
 <u>Fee Income</u>			
Total CU member benefit arising from fewer / lower fees:			\$28,518,110
 <u>Total CU member benefit arising from interest rates on loans, savings products and lower fees:</u>			\$123,826,855
 <u>Total CU member benefit / member:</u>			\$65
<u>Total CU member benefit / member household:</u>			\$123

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;

**Tennessee
Performance Profile**

Demographic Information	Sep 14	Sep 13
Number of branches	510	511
Total assets (\$ mil)	18,937	18,217
Total loans (\$ mil)	12,307	11,356
Total surplus funds (\$ mil)	5,777	6,051
Total savings (\$ mil)	16,131	15,609
Total members (thousands)	1,939	1,920
Growth Rates (Trailing 12 months) *		
Total assets	4.5 %	4.1 %
Total loans	8.7 %	6.8 %
Total surplus funds	-3.6 %	-0.8 %
Total savings	3.9 %	4.1 %
Total members	1.9 %	2.8 %
Earnings - Basis Pts. *		
Yield on total assets	324	334
Dividend / interest cost of assets	40	46
Fee & other income	145	146
Operating expense	323	332
Loss Provisions	22	22
Net Income (ROA) after stabilization exp	83	79
Capital adequacy		
Net worth / assets	12.8	12.6
Asset quality *		
Delinquencies / loans	0.5	0.7
Net chargeoffs / average loans	0.4	0.4
Total borrower-bankruptcies	27	26
Bankruptcies per 1000 members	2.1	2.2
Asset/Liability Management		
Loans / savings	76.3	72.8
Loans / assets	65.0	62.3
Long-term assets / assets	35.1	37.1
Core deposits/shares & borrowings	49.9	48.0
Productivity		
Members / potential members	7.9	8.4
Borrowers / members	49.2	47.0
Members / FTE	371	377
Average shares / members (\$)	8,318	8,129
Average loan balances (\$)	12,908	12,593
Salary & Benefits / FTE	59,582	59,032

* 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.