The Benefits of Membership

Customized Analysis of Member Benefits For:

North Carolina

June 2011

Prepared by:

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Economics and Statistics Department

North Carolina

The Benefits of Membership

Credit unions generally provide financial benefits to members through lower loan rates, high saving rates, and fewer fees than banking institutions.

The Credit Union National Association (CUNA) estimates that North Carolina credit unions provided $168,239,727 in direct financial benefits to the state's 3,239,689 members during the twelve months ending June 2011.

These benefits are equivalent to $52 per member or $99 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 $209 per year in interest expense compared to what they would pay at a banking institution in the state.

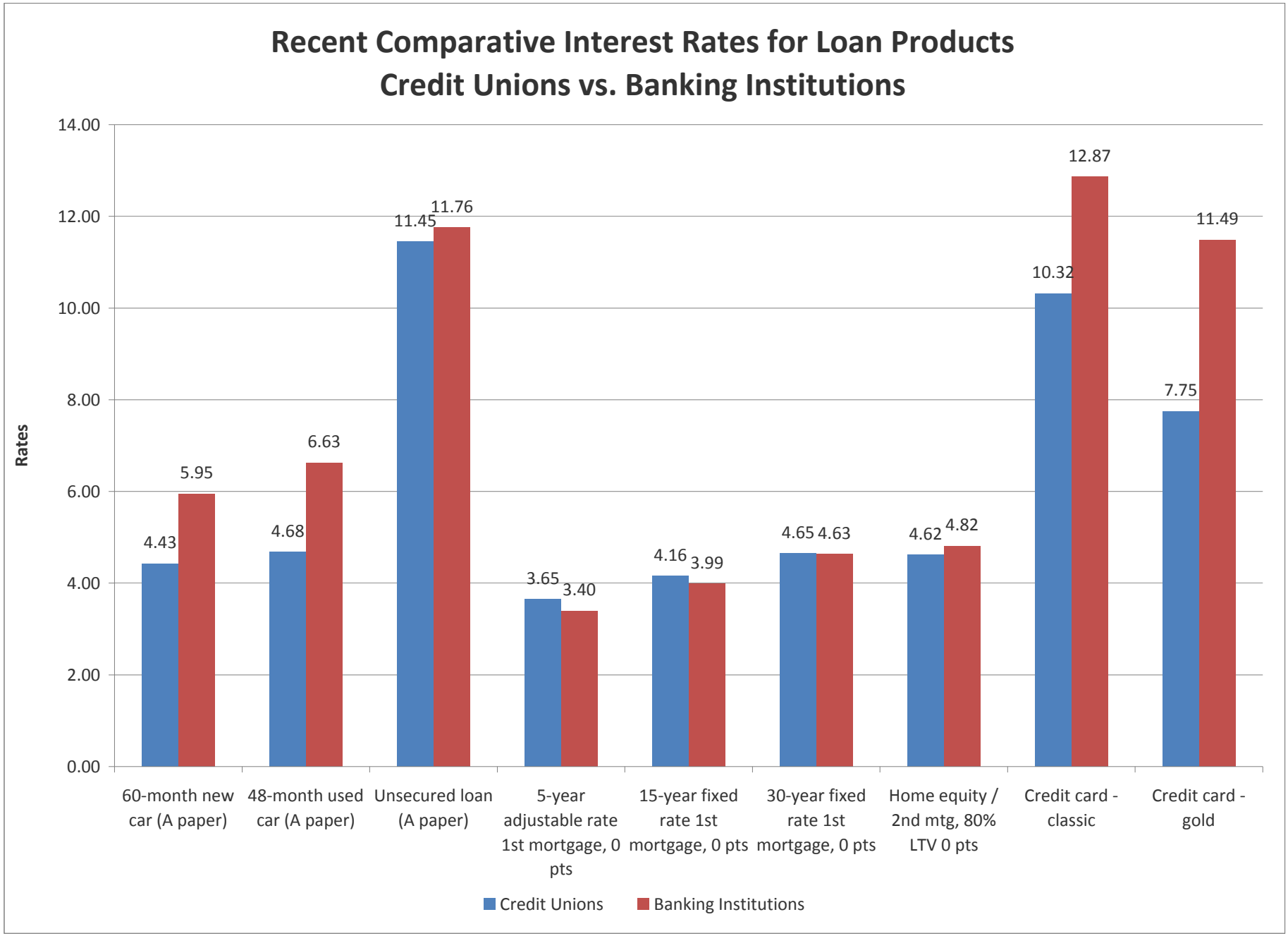
Further, loyal members - those who use the credit union extensively - often receive total financial benefits that are much greater than the average.

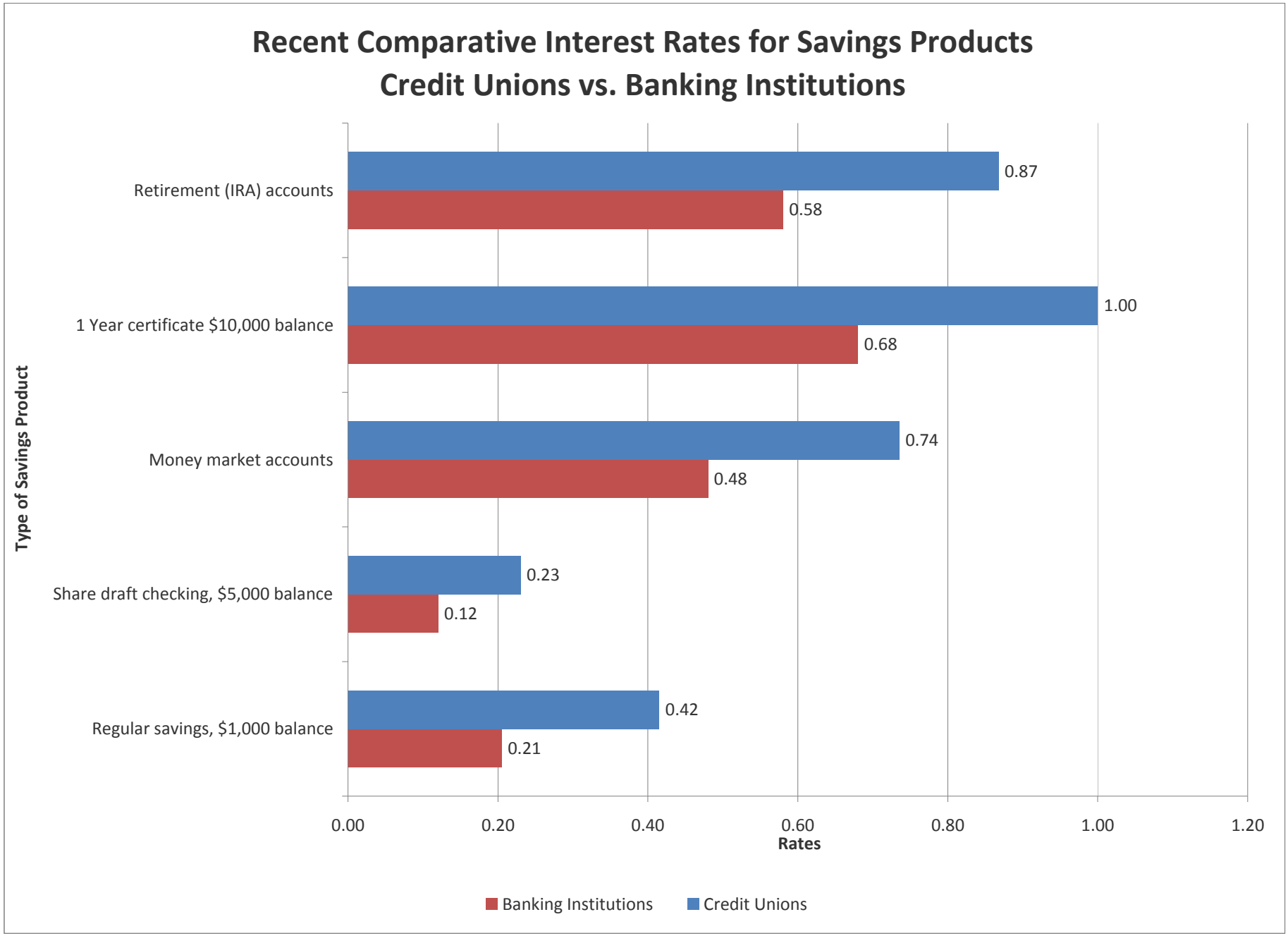
North Carolina credit unions excel in providing member benefits on many loan and saving products. In particular, North Carolina credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, personal unsecured loans, home equity loans, credit cards loans.

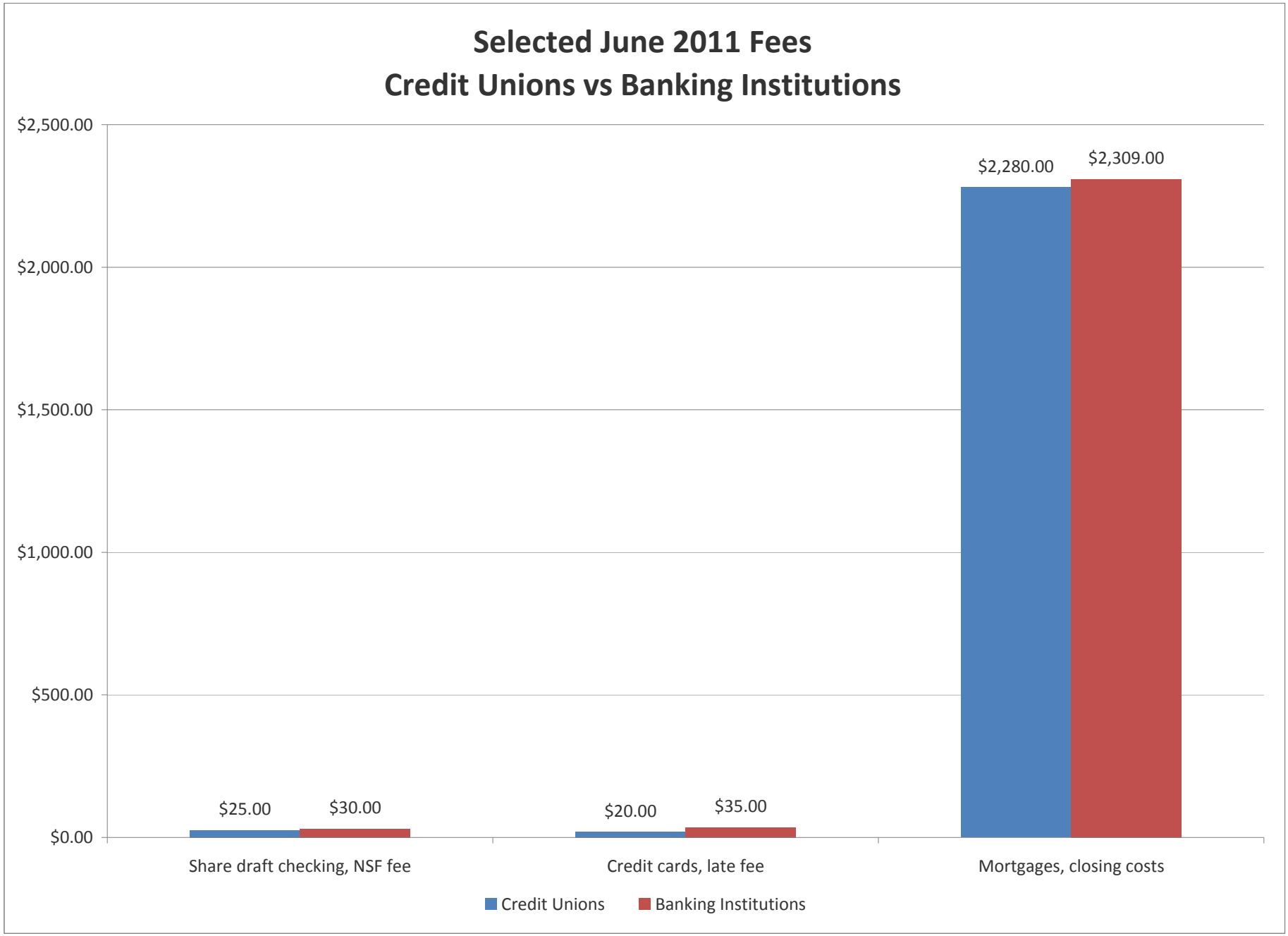
North Carolina credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.

AMERICA'S CREDIT UNIONS

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


Recent Comparative Interest Rates for Loan Products
Credit Unions vs. Banking Institutions
Rates
14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00
4.43
5.95
4.68
6.63
11.45
11.76
3.65
3.40
4.16
3.99
4.65
4.63
4.62
4.82
10.32
12.87
7.75
11.49
60-month new car (A paper)
48-month used car (A paper)
Unsecured loan (A paper)
5-year adjustable rate 1st mortgage, 0 pts
15-year fixed rate 1st mortgage, 0 pts
30-year fixed rate 1st mortgage, 0 pts
Home equity / 2nd mtg, 80% LTV 0 pts
Credit card - classic
Credit card - gold
Credit Unions
Banking Institutions

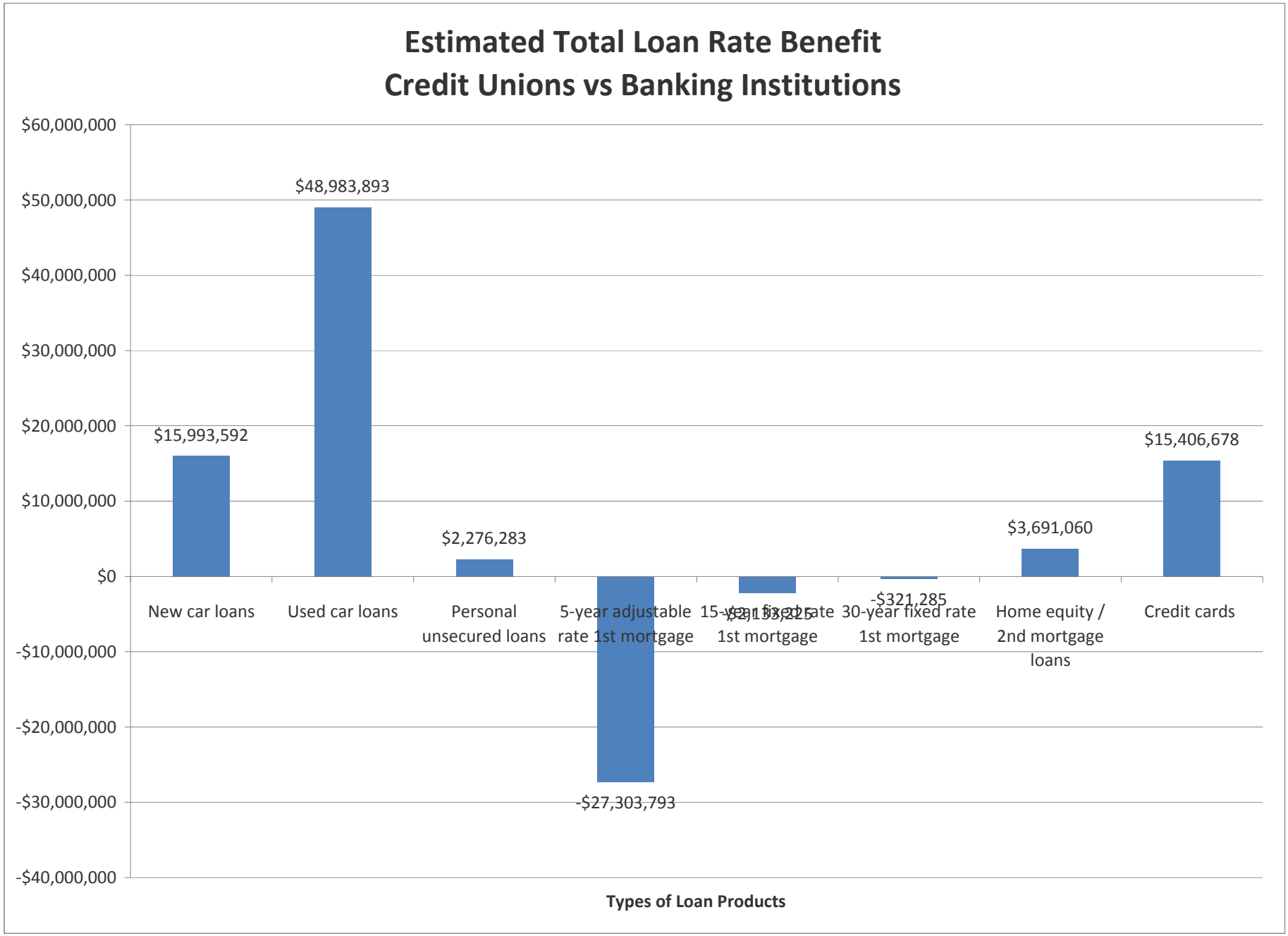

Recent Comparative Interest Rates for Savings Products
Credit Unions vs. Banking Institutions
Type of Savings Product
Retirement (IRA) accounts
1 Year certificate $10,000 balance
Money market accounts
Share draft checking, $5,000 balance
Regular savings, $1,000 balance
0.87
0.58
1.00
0.68
0.74
0.48
0.23
0.12
0.42
0.21
0.00
0.20
0.40
0.60
0.80
1.00
1.20
Rates
Banking Institutions
Credit Unions

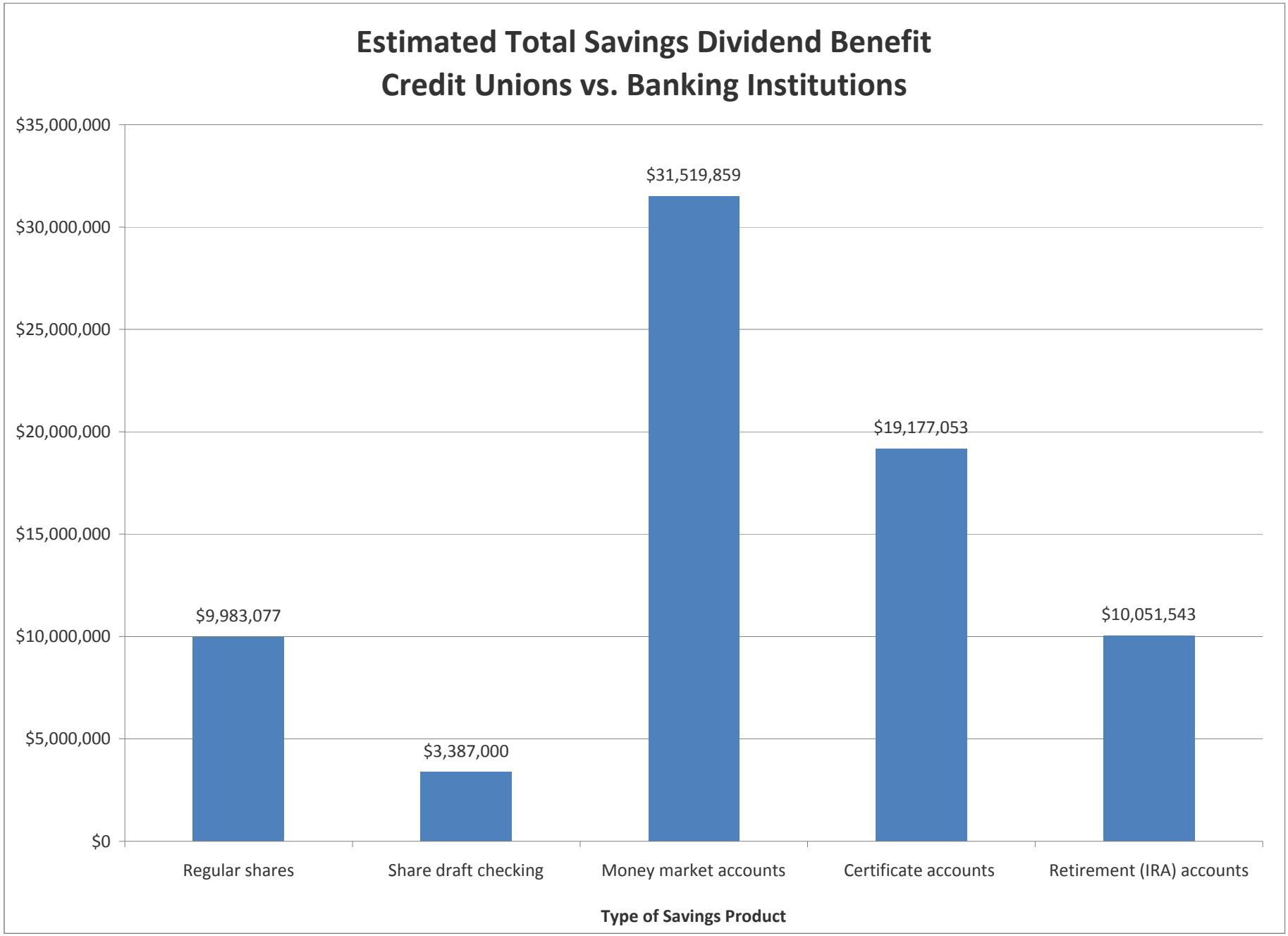

Selected June 2011 Fees
Credit Unions vs Banking Institutions
$2,500.00
$2,000.00
$1,500.00
$1,000.00
$500.00
$0.00
$25.00
$30.00
$20.00
$35.00
$2,280.00
$2,309.00
Share draft checking, NSF fee
Credit cards, late fee
Mortgages, closing costs
Credit Unions
Banking Institutions

North Carolina
Credit Union and Banking Instituion
Mid-Year 2011 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)	4.43	5.95	-1.52
48-month used car (A paper)	4.68	6.63	-1.95
Unsecured loan (A paper)	11.45	11.76	-0.31
5-year adjustable rate 1st mortgage, 0 pts	3.65	3.40	0.26
15-year fixed rate 1st mortgage, 0 pts	4.16	3.99	0.18
30-year fixed rate 1st mortgage, 0 pts	4.65	4.63	0.02
Home equity / 2nd mtg, 80% LTV 0 pts	4.62	4.82	-0.20
Credit card - classic	10.32	12.87	-2.55
Credit card - gold	7.75	11.49	-3.74
Savings Products			
Regular savings, $1,000 balance	0.42	0.21	0.21
Share draft checking, $5,000 balance	0.23	0.12	0.11
Money market accounts	0.74	0.48	0.26
1 Year certificate $10,000 balance	1.00	0.68	0.32
Retirement (IRA) accounts	0.87	0.58	0.29
Fee Income			
Share draft checking, NSF fee	$25.00	$30.00	-$5.00
Credit cards, late fee	$20.00	$35.00	-$15.00
Mortgages, closing costs	$2,280.00	$2,309.00	-$29.00

Source: Datatrac


Estimated Total Loan Rate Benefit
Credit Unions vs Banking Institutions
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
-$10,000,000
-$20,000,000
-$30,000,000
-$40,000,000
$15,993,592
$48,983,893
$2,276,283
-$27,303,793
-$2,133,225
-$321,285
$3,691,060
$15,406,678
New car loans
Used car loans
Personal unsecured loans
5-year adjustable rate 1st mortgage
15-year fixed rate 1st mortgage
30-year fixed rate 1st mortgage
Home equity / 2nd mortgage loans
Credit cards
Types of Loan Products


Estimated Total Savings Dividend Benefit
Credit Unions vs. Banking Institutions
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
$9,983,077
$3,387,000
$31,519,859
$19,177,053
$10,051,543
Regular shares
Share draft checking
Money market accounts
Certificate accounts
Retirement (IRA) accounts
Type of Savings Product

Estimated North Carolina Credit Unions Financial Benefits

Mid-Year 2011

Loans	Avg. Balance at Credit Unions (1)	Rate Difference vs. North Carolina Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,052,210,032	-1.52	$15,993,592
Used car loans	2,511,994,525	-1.95	$48,983,893
Personal unsecured loans	746,322,231	-0.31	$2,276,283
5-year adjustable rate 1st mortgage	10,707,369,903	0.26	-$27,303,793
15-year fixed rate 1st mortgage	1,218,985,477	0.18	-$2,133,225
30-year fixed rate 1st mortgage	1,606,427,100	0.02	-$321,285
Home equity / 2nd mortgage loans	1,892,851,403	-0.20	$3,691,060
Credit cards	541,773,276	-2.55	$15,406,678
Interest rebates in period			$1,296
Total CU member benefits arising from lower interest rates on loan products:			$56,594,499
Savings			
Regular shares	4,753,846,112	0.21	$9,983,077
Share draft checking	3,079,090,838	0.11	$3,387,000
Money market accounts	12,360,728,882	0.26	$31,519,859
Certificate accounts	5,992,829,195	0.32	$19,177,053
Retirement (IRA) accounts	3,496,188,954	0.29	$10,051,543
Bonus dividends in period			$0
Total CU member benefit arising from higher interest rates on saving products:			$74,118,532
Fee Income			
Total CU member benefit arising from fewer/lower fees:			$37,526,696
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			$168,239,727
Total CU member benefit / member:			$52
Total CU member benefit / member household:			$99

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of June 2011 and June 2010, according to the NCUA call report.; (2) Source for rates and fees: Datatrac;

North Carolina
Performance Profile

Demographic Information	June 11	June 10
Number of branches	607	591
Total assets ($ mil)	34,606	31,963
Total loans ($ mil)	20,805	20,362
Total surplus funds ($ mil)	12,654	10,563
Total savings ($ mil)	31,161	28,849
Total members (thousands)	3,283	3,196
Growth Rates (Trailing 12 months) *		
Total assets	8.3 %	5.3 %
Total loans	2.2 %	-1.5 %
Total surplus funds	19.8 %	21.6 %
Total savings	8.0 %	6.6 %
Total members	2.7 %	0.9 %
Earnings - Basis Pts. *		
Yield on total assets	360	414
Dividend/interest cost of assets	120	155
Fee & other income	106	126
Operating expense	252	254
Loss Provisions	27	34
Net Income (ROA) after stabilization exp	67	83
Capital adequancy		
Net worth / assets	8.1	7.9
Asset quality *		
Delinquencies / loans	3.5	1.8
Net chargeoffs / average loans	0.5	0.6
Total borrower-bankruptcies	5,324	8,168
Bankruptcies per 1000 members	1.6	2.6
Asset/Liability Management		
Loans / savings	66.8	70.6
Loans / assets	60.1	63.7
Long-term assets / assets	31.1	28.4
Core deposits/shares & borrowings	27.0	24.7
Productivity		
Members/potentional members	17.7	17.8
Borrowers/members	38.1	38.6
Members/FTE	415	411
Average shares/members ($)	9,491	9,026
Average loan balances ($)	16,640	16,491
Salary & Benefits/FTE	53,378	54,011

*** 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.**