

Power of Data

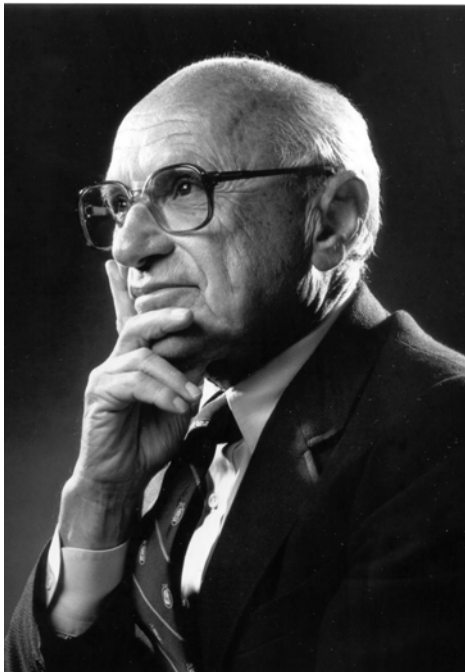
Measuring Member Value Creation

Outline of Today's Event

1. Challenges Associated with Measuring a Credit Union's Performance
2. Why Measuring Member Value is Important
3. The Return of the Member Index
4. How to Use ROM

Friedman vs. Whole Foods

"The Social Responsibility of Business Is to Increase Its Profits." – Milton Friedman, Professor Emeritus at the University of Chicago



"The enlightened corporation should try to create value for *all* of its constituencies." – John Mackey, Founder and CEO of Whole Foods



NASDAQ:YHOO

Example: "CSCO" or "Google"

Company

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15.45 +0.04 (0.26%)

Range 15.39 - 15.52 Mkt cap 21.65B Shares 1.40B
 52 week 11.75 - 18.02 P/E 36.56 Beta 0.77
 Open 15.50 Div/yield - Inst. own 73%
 Vol / Avg. 2.49M/23.21M EPS 0.42

Real-time: 10:45AM EST
 NASDAQ real-time data - [Disclaimer](#)

Dow	10,300.48	0.31%	<div style="width: 100%;"></div>
Nasdaq	2,222.85	0.39%	<div style="width: 100%;"></div>
Services		0.58%	<div style="width: 100%;"></div>
YHOO	15.45	0.26%	<div style="width: 100%;"></div>

Compare: Dow Nasdaq GOOG MSFT AOL SOHU MWW HPQ [more >](#)



2008 2009 2010
[Settings](#) | [Plot feeds](#) | [Technicals](#) | [Link to this chart](#) Volume delayed by 15 mins.

Related companies Show: [Add or remove columns](#)

	Company name	Price	Change	Chg %	d m y	Mkt Cap
YHOO	Yahoo! Inc.	15.45	+0.04	0.26%	✓	21.65B
GOOG	Google Inc.	541.43	+0.13	0.02%	✓	171.78B
MSFT	Microsoft Corporation	28.52	+0.17	0.60%	✓	250.13B
AOL	AOL Inc.	24.05	+0.29	1.22%	✓	2.54B
SOHU	Sohu.com Inc.	49.68	+0.25	0.51%	✓	1.91B
MWW	Monster Worldwide, Inc.	14.86	+0.18	1.23%	✓	1.87B
HPQ	Hewlett-Packard Company	49.91	+0.47	0.95%	✓	117.49B
BIDU	Baidu, Inc. (ADR)	487.05	-2.42	-0.49%	✓	16.93B
IACI	IAC/InterActiveCorp	21.70	+0.10	0.46%	✓	2.86B
EBAY	eBay Inc.	22.59	+0.07	0.31%	✓	29.21B

- A** [Yahoo! Deal With Nectar Will Link Online Ads With Offline Purchases](#)
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- Events
- Jan 26, 2010**
Q4 2009 Earnings Conference Call
 - Jan 26, 2010**
Q4 2009 Earnings Release

“Most nonprofit groups track their performance by metrics such as dollars raised, membership growth, number of visitors, people served, and overhead costs.” – John Sawhill, former CEO of The Nature Conservancy

The Challenge of Measuring Credit Union Performance

Institutional

- Capital/Assets
- ROA
- Delinquency
- Charge-offs

Member Focused

- Average Member Balances
- Product Usage
- Market Share
- Member Return

The Importance of Member Value

The ability to deliver member value is potentially the most significant competitive advantage credit unions have in the financial services marketplace

What is Member Value?

- Better pricing
- Service – “member experience”
- Convenience
- Product expertise
- Trusted relationship
- Reputation / brand affinity
- Financial education
- Transparency
- Member ownership
- Innovation
- “Community” impact

What is Member Value?

“Our organizational commitment remains to create real, tangible, and measurable economic value for our members, to expand our presence and relevance in the communities we serve...” – The CEO of a large Arizona credit union

Rate and Fee Transparency

The screenshot displays the website's navigation menu at the top with links for Home, Personal, Business, About LAFCU, Community, and Foundation, along with a Join Online button. A left sidebar contains links for Accounts, Services, Credit Cards, and Loans, and a FIRE OnLine Login section with fields for Member Number, Password, and Forgot Password?, plus Sign Up, Demo, Login, and Help buttons. The main content area is titled 'Loan Rates' and includes a breadcrumb trail: 'You're at: Home > Personal > Loans > Loan Rates'. Below this is a banner image of US dollar bills. The 'Loan Rates' section features an RSS feed link and a note that rates are effective as of 01/26/10. It is divided into 'Unsecured Loans' and 'Safety Line'. Under 'Unsecured Loans', there is a table for 'Open-end Loan' with a rate of 8.49% to 15.99% APR*. Below this is a 'Signature Loan (closed-end loan)' table with three loan terms and their corresponding rates. A 'Fire Station Loan' table is also present, showing rates for 0 to 18 months and 19 to 36 months. A 'Loans' sidebar menu on the right lists various loan types and services, including Loan Rates, Apply Online, Home Loans, Auto Loans, Signature Loan, Safety Line, R.V. Loans, Motorcycle Loans, Technology Loan, Fire Station Loan, Share Certificate Loan, Share Secured Loan, Aircraft Loan, Credit Builder, Student Loans, and Loan Calculators. Two red boxes highlight the 'Fire Station Loan' table and the 'Loans' sidebar menu.

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Accounts Services Credit Cards Loans

FIRE OnLine Login

Sign Up Demo

Member Number: Password: Forgot Password? Login Help

You're at: Home > Personal > Loans > Loan Rates

Loan Rates

Get Rates in Your RSS Reader! Rates effective as of 01/26/10

Unsecured Loans

Safety Line

Loan Type	Rate
Open-end Loan	8.49% to 15.99% APR*

Safety Line rates are based on the Prime Rate as reported in The Wall Street Journal, "plus" a margin between 3.74% and 12.74%. Actual rate will be determined by applicant's credit history. APR is subject to change without prior notice.

Top

Signature Loan (closed-end loan)

Loan Term	Rate
0 to 12 Months:	10.99% to 19.99% APR*
13 to 36 Months:	11.49% to 20.49% APR*
37 to 54 Months:	11.99% to 20.99% APR*

Representative Example: A \$10,000 loan financed at 11.75% APR for 54 months would result in 54 payments of \$239.32.

Top

Fire Station Loan

Loan Term	Rate
0 to 18 Months:	5.50% APR*
19 to 36 Months:	6.00% APR*

Representative Example: A \$2,500 loan financed at 6.00% APR for 36 months would result in 36 payments of \$76.07.

Top

Loans

- Loan Rates
- Apply Online
- Home Loans
- Auto Loans
- Signature Loan
- Safety Line
- R.V. Loans
- Motorcycle Loans
- Technology Loan
- Fire Station Loan
- Share Certificate Loan
- Share Secured Loan
- Aircraft Loan
- Credit Builder
- Student Loans
- Loan Calculators

Benchmarking Rates

	CU Rate	Competition * Rate	Difference	Benefit \$ (annual) (bal x Diff)
Shares				
Regular shares	1.00%	0.75%	0.25%	\$ 15,000
Checking	0.75%	0.25%	0.50%	\$ 50,000
Money Market	1.50%	0.75%	0.75%	\$ 25,000
IRA	1.00%	0.65%	0.35%	\$ 75,000
Share Certs	2.50%	2.00%	0.50%	\$ 80,000
Total				\$ 245,000
Loans				
Signature	9.00%	15.00%	-6.00%	\$ 200,000
Transportation	4.49%	7.00%	-2.51%	\$ 80,000
Mortgage 30 yr	6.50%	7.50%	-1.00%	\$ 90,000
Credit Cards	9.90%	15.50%	-5.60%	\$ 300,000
Total				\$ 670,000
Services				
	Cost	Cost	Difference	Annualized
NSF	\$ 5.00	\$ 15.00	\$ (10.00)	\$ 100,000
Stop Pymts	\$ 18.00	\$ 30.00	\$ (12.00)	\$ 50,000
Bill Pay	\$ -	\$ 15.00	\$ (15.00)	\$ 75,000
Wire Transfers	\$ 15.00	\$ 25.00	\$ (10.00)	\$ 25,000
Total				\$ 250,000
Total Annual Savings				\$ 1,165,000
Number of members				22,000
Annual savings per member				\$ 52.95
Competition included 21 local credit unions and banks				

Giving it Back to Members

ECU NEWS

Newsletter for Member-Owners • December 31, 2009

News Briefs Annual Meeting

The ECU Annual Meeting will be held at the Eastman Employee Center in Kingsport, TN on Tuesday, March 16, 2010. Registration will begin at 5:00 p.m. with the formal meeting at 6:00 p.m.



Turbo Tax® is tax-filing in an instant! It's the quickest way to file your taxes and receive a fast, electronic return. For a small fee, Turbo Tax guides you step-by-step through the simple process. Go to www.ecu.org and click on Turbo Tax to learn more.

Student Loan Winner



\$4 MILLION EXTRAORDINARY DIVIDEND PAYOUT TO ECU MEMBER-OWNERS

Eastman Credit Union proudly announces a \$4 million Extraordinary Dividend to be paid to eligible member-owners in February 2010.

The ECU volunteer Board of Directors approved an Extraordinary Dividend pay thirteen consecutive years. Since 1998, a total of \$41 million in Extraordinary Dividends has been awarded to eligible ECU member-owners.

"Our Extraordinary Dividend really sets us apart from the competition. The dividend is based on the amount of business members have done with ECU over the past year and rewards both borrowers and savers alike. The more business you do with ECU, the more the dividend you could receive," stated Olan O. Jones, Jr., ECU President and CEO.

Deposit notices detailing payout calculations will be included in the January monthly member statements which will be mailed to member-owners on February 1, 2010.



The Return of the Member Index

The History of ROM

- Callahan & Associates created the Return of the Member Index (ROM) in 1997
- The scoring system provides a more holistic view of member value using data from the 5300 Call Report
- Continues to be updated based on user feedback

“I use Callahan’s Return of the Member scores with my staff and Board of Directors to track the progress we are making at the credit union.” – Diana Dykstra, CEO



The Return of the Member Index

Components

- ROM measures a credit union's performance relative to other credit unions, typically its national asset size-based peer group
- Callahan's ROM scoring system is made up of three components - **Return to the Savers (40%)**, **Return to the Borrowers (35%)**, and **Member Service Usage (25%)**
- Each of these components are made up of several different ratios, which are given different weighting in the index based on importance

The Return of the Member Index

Return to the Savers

- Measures how well a credit union is providing deposit services and economic return to its members
- Meant to highlight credit unions that have stronger relationships with their depositors

The Return of the Member Index

- Return to the Savers' components and weights :
 - **Dividends/Income - 30%**
 - **Average Dividends Paid - 30%**
 - **Change in Average Share Balance Per Member - 15%**
 - **Three-Year Compound Share Growth - 15%**
 - **Number of Share Accounts Per Member - 10%**

The Return of the Member Index

Return to the Borrowers

- Rewards credit unions that offer lower rates on loans, but it also considers the historical growth in lending and the variety of products the credit union offers
- The metric includes loans that credit unions have sold on the secondary market but chosen to continue to service

The Return of the Member Index

- Return to the Borrowers' components and weights:
 - **Loans + Servicing Portfolio / Shares Ratio (including mortgage servicing) - 30%**
 - **Yield on Average Loans - 20%**
 - **Three-Year Compound Loan Growth - 15%**
 - **Amount of Loans Originated in Last 12 Months - 15%**
 - **Growth in Average Loan Balance per Member (Consumer & Real Estate) - 10%**
 - **Number of Loan Accounts per Member - 10%**

The Return of the Member Index

Member Service Usage

- Measures how efficiently a credit union provides and promotes services to its members
- Leaders in this category have a high number of core account relationships with their members
- Captures the positive correlation between member activity and the amount of income generated per employee

The Return of the Member Index

- **Member Service Usage components and weights:**
 - **Number of Share Draft Accounts / Members - 20%**
 - **Number of Auto Loan Accounts / Members - 15%**
 - **Number of Credit Card Accounts / Members - 15%**
 - **Total Loan and Saving Accounts / Members - 15%**
 - **Three-Year Compound Member Growth - 15%**
 - **Fee Income / Members - 10%**
 - **\$ Total Income/ \$ Salary and Benefit - 10%**

How ROM Components are Calculated

Return to the Savers Calculation ABC Credit Union						
<u>Ratios</u>	<u>ABC's Values</u>	<u>% Rank in Peer Group</u>		<u>Assigned Weight</u>		<u>Weighted Score</u>
Dividends/Income	40.60%	98.10%	x	30%	=	29.4
Avg. Div. Paid	2.00%	93.30%	x	30%	=	28
Chg in Avg. Share Bal	4.30%	63.50%	x	15%	=	9.5
# of Sh. Accts/Mem	1.6	45.40%	x	10%	=	4.5
3-Year Share Growth	12.60%	88.00%	x	15%	=	13.2
						<u>84.6</u>
*Raw score of 84.6 equates to percentile rank of 98.23						

How Total ROM is Calculated

Total Return of the Member ABC Credit Union					
<u>ABC's Values</u>	Percentile <u>Rank</u>		Assigned <u>Weight</u>		Final <u>Score</u>
Return to Savers	98.23	x	40%	=	39.29
Return to Borrowers	66.5	x	35%	=	23.28
Member Service Usage	77.24	x	25%	=	19.31
					<u>75.58</u>
*Raw score of 75.58 equates to percentile rank of 85.39					

How to Use ROM

- Evaluating your credit union without considering its member value may not tell the whole story
- Tracking ROM allows you provide your Board a member-focused way of comparing your performance to others
- ROM can be a great source for marketing content



Miami Firefighters Federal Credit Union **TOPS THE CHARTS!**

Thanks to you, Miami Firefighters Federal Credit Union received a perfect 100 rating by Callahan & Associates, in Total Member Usage and Total Return to the Members, compared to 27 local competitive credit unions! The rating was based on financial reports to NCUA, a U.S. Government Agency.

Your Board of Directors and employees work very hard to provide you with one of the finest credit unions in South Florida and the proof is in the numbers.

Credit Union	Member Service Usage	Total ROM Score
Miami Firefighters	100	100
First Federal Bank	76.87	81.9

WHAT DOES THIS MEAN TO YOU?

“Member Service Usage” (MSU)

The leaders in this category are those credit unions that have a high number of core account relationships. This means that their members use the credit union as their primary financial institution for all their banking needs.

“Return Of the Members” (ROM)

This index takes into account how well credit unions are delivering value to its members by considering: return to savers, return to borrowers and member service usage. The ROM index is how a member can see if the credit union is achieving its goal of providing the best value in financial services.



Report from Callahan & Associates



**MIAMI FIREFIGHTERS
FEDERAL CREDIT UNION**

The Berkshire Eagle



Receiving full credit

Greylock Federal rated No. 1 by national firm

[By Ellen G. Lahr, Berkshire Eagle Staff](#)

Friday, July 18

PITTSFIELD — A national firm that tracks credit union performance has placed Greylock Federal Credit Union at the top of its size group for "return of value" to its customer/owners during the first quarter of this year.

Callahan & Associates ranked Greylock against 100 other credit unions in the category of institutions with \$1 billion to \$2.5 billion in assets, according to a statement by Greylock and data from Callahan.

Callahan's ranking reflects "an economic profile based on the value of the credit union's products and services."

Greylock has also released its mid-year financial results, which show the financial cooperative meeting or exceeding its targets for 2008.

President Angelo Stracuzzi noted that the credit union's growth "overcame headwinds" from the global credit crisis, and he attributed the success to its focus on the local market.



Greylock
Federal
Credit Union

How to Use ROM

"We feel that the ROM is a good measure of how we serve our members. We use our ROM ranking, asset growth, and member satisfaction surveys, as the basis for our employee bonus plan."

– Controller at a \$1B credit union

Want More Information?

Request our free ROM white paper and your credit union's ROM scores from Peer to Peer

Sam Brownell, Industry Analyst

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