

PRESS RELEASE
For Immediate Release

Credit Unions Best Mid-Size Banks in Several Retail Delivery Benchmarks, New Study Shows

SCOTTSDALE, Ariz. /December 12, 2006/ - A newly released study of best practices and technology trends in larger credit unions reveals that, in a side by side comparison, credit unions outperform mid-size banks in several key areas of retail delivery.

The Cornerstone Report: Benchmarks and Best Practices for Credit Unions 2006 is the published analysis of a survey of 62 credit unions with assets of at least \$350 million. Study participants were queried on more than 250 measurements in 11 key areas, including retail banking, consumer and mortgage lending, business services, enterprise risk management and information technology.

A key finding of the study is that the median credit union spends nearly double that of mid-size banks on technology initiatives – .497% versus .268% of assets. (Mid-size banks are defined by *The Cornerstone Report* authors as those with between \$1 billion and \$30 billion in assets. Data for bank comparisons come from a similar study Cornerstone conducted with banks in 2005.) This spending difference is primarily explained by credit unions' more aggressive electronic delivery investments and greater appetite for experimentation with new technology.

Areas of note where credit unions outperformed mid-size banks are Internet banking and bill payment. Median study credit unions reported that 68 percent of checking account holders are enrolled Internet banking users compared to 32 percent reported by banks in Cornerstone's 2005 study. Median credit unions reported 15 percent of checking accounts are enrolled in bill pay; mid-size banks reported 4.22 percent.

Credit unions also shone in comparison with mid-size banks in the area of mortgage and consumer loan applications processed over the Internet. Credit unions reported 13 percent of their consumer loan applications originated through the Internet, whereas mid-size banks in Cornerstone's 2005 study reported immaterial activity. Likewise, median credit unions reported that 18 percent of their mortgage applications originate over the Internet, while banks came it at just 2 percent. "Origination and processing productivity is much higher and the usage of the Internet for loan applications much more aggressive in credit unions than at banks," according to *The Cornerstone Report*. However, the mortgage closing function falls more than 25 percent below bank benchmarks and could "benefit greatly from better mortgage document systems and usage of electronic document delivery," the report states.

Credit unions lag banks in fee income generated from checking accounts. Whereas mid-size banks reported collecting a total of \$200 per retail checking account per year, study credit unions collected \$154. It is interesting to note, however, that the 25th percentile credit union reported \$108 and the 75th percentile \$206, a difference of \$100 per account per year, attributable, in part, to variations in individual credit union philosophies about fee income.

On the business services side, 2005 study banks had a huge advantage over credit unions in the 2006 survey, with \$33 million in business loans outstanding per loan officer compared to \$12 million reported by credit unions. "Investments in staff and marketing are starting to be made by credit unions," according to the report, "but stronger growth, volume and performance will be needed in this business in the years ahead to justify the corresponding management focus and financial investment."

The Cornerstone Report 2006: Benchmarks and Best Practices for Credit Unions is Cornerstone's fifth benchmarking survey and its first for credit unions. It retails for \$575 and can be purchased on Cornerstone's Web site: <http://www.crnstone.com>.

About Cornerstone Advisors:

Cornerstone Advisors, Inc. specializes in integrating best practices strategy, technology and process improvement for banks and credit unions. Cornerstone's advisory services include: Best Practice Banking, Strategic Planning, Technology Assessment and Planning, Data Processing System Selection, Conversion Oversight, Merger Assistance, Industry Research and Education. In addition to *The Cornerstone Report*, Cornerstone publishes *GonzoBanker* (www.gonzobanker.com), an electronic industry newsletter distributed each week to more than 11,000 subscribers.

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