

## Special Analysis

### Relative Premium Paid on Short vs. Long-Term CDs

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#### Implications

- The market for deposits is focused on “the highest return for the shortest term”.
- Institutions are using Specials to cater to the short-term market by offering, on average, double the Regular rates on CDs of one year or less.

#### Purpose

The purpose of this analysis is to compare the relative premium (percentage) paid on short-term CDs (one year or less) vs. long-term CDs (over one year) in order to observe any shift in term focus.

#### Analysis

- We conducted a time-series analysis of the national average APY for Regular short-term CDs and for Special short-term CDs.
- We conducted a time-series analysis of the national average APY for Regular long-term CDs and for Special long-term CDs.
- We calculated the percentage premium paid on short-term and on long-term CDs from January to September of 2009 (nine months).
- The statistical analysis in this report is based on a sample of 1,300 institutions as was determined by a-priori, two-tailed test. The t-Test was based on the following parameters: Alpha=0.05; Power=0.95; Effect size=0.20.

#### Definitions

**Premium** – The APY difference between a Regular CD and a Special CD.

**Relative Premium** – The percentage of the APY difference between a Regular CD and a Special CD.

#### Findings

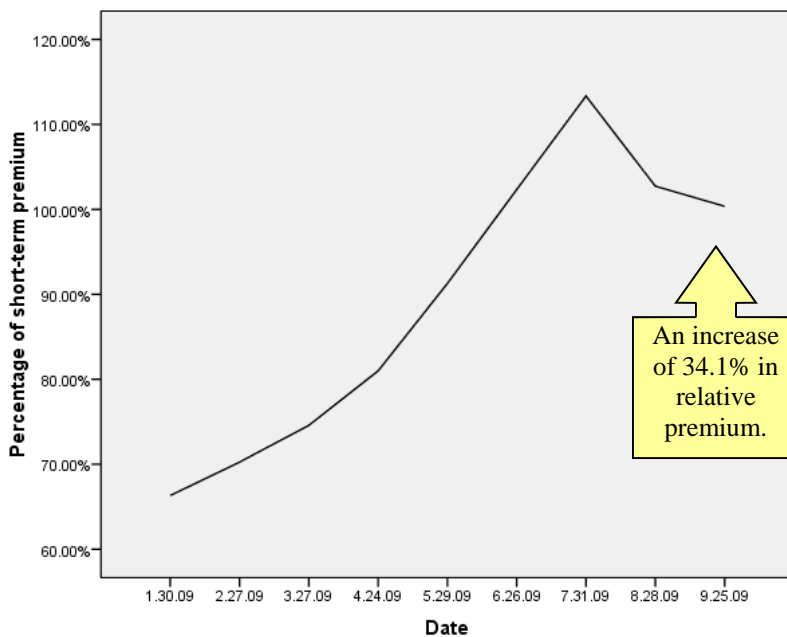
- In September of 2009, the national average APY for short-term Regular CDs was 0.69, and the national average APY for short-term Special CDs was 1.37.
- The relative premium paid on short-term CDs increased from 66.3% in January of

2009 to 100.4% in September of 2009 – an increase of 34.1% (Figure 1).

- In September of 2009, the national average APY for long-term Regular CDs was 1.76, and the national average APY for long-term Special CDs was 2.57.
- The relative premium paid on long-term CDs decreased from 48.4% in January of 2009 to 46.3% in September of 2009 – a decrease of 2.1% (Figure 2).
- As of September of 2009, the relative premium paid on short-term CDs is twice as much (100.4%) as the relative premium paid on long-term CDS (46.3). Figure 3.

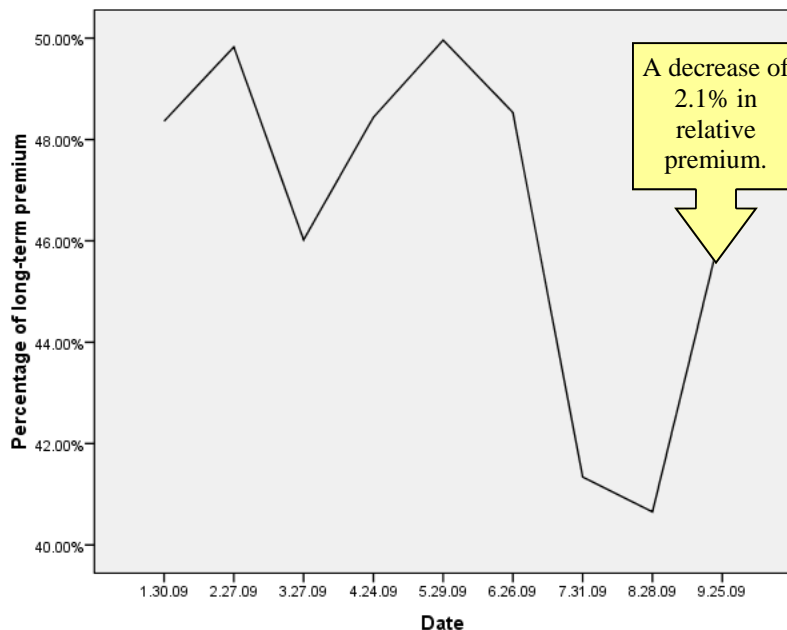
**Figure1**

Average relative premium paid on short-term CDs during 2009 YTD



**Figure2**

Average relative premium paid on long-term CDs during 2009 YTD



**Figure3**

Comparison of the relative premium paid on short vs. long-term CDs during 2009 YTD

