

# CreditCheck

NEWSLETTER FROM THE CHURCH OF THE BRETHREN CREDIT UNION

SECOND QUARTER 2008

## I want to get out of debt! But how?

An \$8,000 balance on a credit card that charges a typical 18 percent interest rate, if paid off with minimum payments, would take more than 24 years to pay off and, when completed, would have cost more than \$24,000 due to the interest accrued



over that lengthy time span.

While many people may not use credit cards as long-term loans, many people do, which is why the Church of the Brethren Credit Union presents “Living Within Your Means,” one of several sessions offered by the organization to help individuals better manage their financial resources.

Staff and residents of Cross Keys Village, New Oxford, Pa., were able to attend presentations of this and another seminar offered by Dennis Kingery, director of Credit Union Operations, on March 11-12, when Church of the Brethren Credit Union staff held two days of sessions at the retirement community.

“Living Within Your Means” focused on simple steps that individuals can use to build wealth, improve financial security, “recession proof” their finances, and to resist the pervading consumerism mentality that leads many to accruing huge amounts of debt.

## Improve your credit score and save money

A credit score is a number that reflects the credit worthiness of a borrower.

Why is it so important?

Because a credit score is determined primarily by a person’s current level of debt, by how promptly they have made debt payments in the past, and by whether their loans or credit card payments were paid off in full or became delinquent and had to be charged off, this score increasingly is the basis for the interest rate a person receives on loans.

Credit scores generally range from 450 to 850; the higher the number, the better the rating. Scores of 720 or higher are generally considered to be top-tier risk, meaning that these people have a proven record of paying their debts off in full and on time, and maintain a small amount of debt in proportion to their annual income. It is not a surprise, then, that most lenders, including Church of the Brethren Credit Union, grant lower rates to people with higher scores.

For example, a person borrowing \$15,000 for a used car to be paid off over three years could receive a 5.49 percent interest rate if they have a high credit score. These numbers would translate into a payment of \$452.87 per month. Given the

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## How many people? How much debt?

According to the Federal Reserve, 43 percent of U.S. households spend more than they earn each month, and the average amount of credit card debt carried by each U.S. household is that \$8,000 figure used in the above example.

These and other alarming statistics about individual financial practices, which Kingery illustrates in his seminar, can adversely impact individuals for the rest of their lives.

“Socially Responsible

Consuming,” the second seminar offered by Kingery at Cross Keys Village, explores how people’s values are reflected daily by how they spend their money.

These are two of the sessions that are presented by the Credit Union as available as part of its mission of promoting sound stewardship practices to its members. At this year’s Church of the Brethren Annual Conference, Church of the

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Dennis Kingery presents “Living Within Your Means” to Cross Keys Village employees in March.

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### **“Improve your credit score” Continued from front...**

same numbers but a lower credit score, which could increase the interest rate to 7.49 percent, the monthly payment would increase to \$466.52. The \$13.65 increase in monthly payments would result in the person paying an additional \$491.40 over the life of the loan.

### **What actions impact credit scores?**

Credit scores are determined by a person —

- Paying their bills on time.
  - Maintaining low or no balances on lines of credit (such as credit cards).
  - Paying off debt rather than regularly shifting it from one credit card to another.
  - Applying for debt. For example, excessive applications for credit cards may lower a credit score.
  - Avoiding bankruptcies, foreclosures, repossessions, judgments, and tax liens.
- All of these actions can have a dramatic negative effect on credit scores.

### **How to improve your credit score**

Your credit score, and thus, whether you will pay more or less in the future for items you purchase on credit, is determined by you. To improve your score, work to —

- Live within your means. Do not purchase more each month than you can pay for without using credit.
- Become debt free. Set realistic goals that you can reach that will help you achieve this goal.
- Consolidate and/or eliminate as many bills as possible so that you reduce the chance of missing a payment.
- Set up payments electronically so there is no risk of them being forgotten, lost in the mail, or otherwise late.
- Analyze past spending habits to see if there is anything you can cut back on in order to put more money toward debt.
- Develop a spending plan — a budget — to monitor current spending.
- Eliminate tempting credit card offers. Opt out of receiving unsolicited direct mail credit card offers by calling **888-567-8688**.
- Review your personal credit report annually. This can be done for free if you go to [www.annualcreditreport.com](http://www.annualcreditreport.com).



### **CoBCU Annual Meeting and Reception**

The Annual Members' Meeting of the Church of the Brethren Credit Union and a reception is scheduled for 2 p.m., Saturday, July 12, at the Marriott Hotel in Richmond, Va.

The meeting and reception, open to Credit Union members and to all attendees of the Conference, will include an update on the many financial services provided by the Credit Union. Board members and staff will be present for questions and dialog, and refreshments will be served. The meeting portion, which will last about 30 minutes, will include reports from the board and the director; a review of financial statements; and the election of officers.

To learn more about the meeting, call **888-832-1383**. For more information on Annual Conference, please visit [www.brethren.org/ac](http://www.brethren.org/ac).

### **“Getting out of debt” Continued from front...**

Brethren Credit Union staff will help celebrate the denomination's 300th anniversary by offering two insight sessions. Kingery will again present “Living Within Your Means” along with “Have You ‘Checked’ Us Out Lately?” which will present an update on all of the services presented by the Credit Union.

For a complete listing of Credit Union seminars, to inquire about the Credit Union presenting one or more of these seminars to your church, group, or organization, or for more information, contact Dennis Kingery at **888-832-1383** or at [dkingery\\_bbt@brethren.org](mailto:dkingery_bbt@brethren.org).



To learn more about our services, call toll-free at **888-832-1383**.  
[cobcu@brethren.org](mailto:cobcu@brethren.org) ♦ [www.cobcu.org](http://www.cobcu.org)

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