

CreditCheck

NEWSLETTER FROM THE CHURCH OF THE BRETHREN CREDIT UNION

FOURTH QUARTER 2006

Smart Steps for Purchasing a Vehicle

Purchasing a vehicle is one of the biggest personal financial decisions we have to make – perhaps second only to the purchase of a home. The decision to purchase a vehicle is even more important because a vehicle is an expense rather than an investment; unlike real estate, which may increase in value, a vehicle's value almost always declines. Regardless of whether the vehicle is new or used, the minute it is driven off the dealership's lot, it depreciates anywhere from between 10 to 30 percent of the purchase price. Therefore, like any important decision, it is well worth the effort and time to be well informed to get the most out of your money. Consider the following steps before purchasing a vehicle —



♦ Step 1 – Determine the type of vehicle you need rather than what you want.

It is important to distinguish between your “wants” and your “needs;” be honest with yourself when determining what to buy. In American society, vehicles have become more of a status symbol than simply a means of transportation. Try to remove emotion from your decision; base it instead on the reality of your situation. Determine if you want a new or used vehicle. New has its obvious advantages, but used vehicles may have better value. If you buy a vehicle that is three years old, the price will have already dropped significantly from its original purchase price. Identify all the characteristics that you consider important in a vehicle. You may find it useful to make a list of characteristics that fall into the “must have” category, a list for “would be nice, but not critical,” and a third list of characteristics that you do not want. Independent vehicle facts can be found in Consumer Reports or other independent rating companies, such as www.edmunds.com. Consider the cost of ownership in addition to the cost of buying a vehicle.

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No Phishing allowed



Can you believe everything that you read? While the answer unfortunately is “no,” there is a growing number of scammers who are robbing people who do, in fact, believe what they read.

One growing trend on the Internet is the act of “phishing,” which, according to Merriam-Webster Online, is “a scam by which an e-mail user is duped into revealing personal or confidential information which the scammer can use illicitly.” A common method of phishing is for scammers to send out bogus e-mails purportedly from well-known financial institutions that ask recipients to go to what looks like those institutions' Web sites. Once at those bogus Web sites, the recipients are asked to use their personal identifiable information to update their accounts. Once the identity thieves obtain user names and passwords, they quickly log into those financial institutions using the stolen identities. There they can rob the recipients by withdrawing funds or by making purchases with stolen credit card numbers.

It is easy to know if such an e-mail is bogus if you do not belong to the financial institution from which the e-mail purportedly was sent. But what if you do belong to that institution?

First, review your financial institution's privacy policy to see if it sends out such e-mails. Second, roll your cursor over the Web address you are being directed to to see if the real address pops up (not all e-mail software provides this feature). Be suspicious of addresses that do not include .com or .org; that do not include the institution's name before the .com or .org; or that are extremely long. The best bet is to assume the e-mail is bogus unless you can prove otherwise, which you can do by calling the institution or by logging onto its Web site with its known address to see if the request is also posted there. — *Nevin Dulabaum*

Action steps to a debt-free life

According to cardweb.com, the average household credit card balance in 2005 was \$9,312. For households that pay an average credit card interest rate of 14.75 percent, an additional \$1,373.52 was accrued in interest.



While becoming debt free is not easy, it is possible if you make the commitment to do so and engage in a plan. The following are such steps to adopt to become debt free —

1. Review all of your debt and consider consolidating or refinancing the debt at a lower interest rate.
2. Cut up all but one “emergency” credit card.
3. Take a hard look at your monthly expenses – you need to change your lifestyle if you are living beyond your means and funding it with your credit cards.
4. Create a realistic budget and consider what expenses can be eliminated so that more can be paid towards your debt.
5. Sign up to make a regular electronic savings deposit. Set a dollar amount goal and identify what it is for (i.e. emergency fund, new car down payment, family vacation). Get into the habit of saving, even if it is a small amount.
6. Set up loan payments electronically via payroll direct deposit or electronic fund transfer (EFT) so that you are never late.
7. Review your credit report (www.annualcreditreport.com).
8. Save the trees! Opt out of credit card direct mail solicitation by calling **1-888-567-8688**.
9. Participate in a money management seminar such as GoodSense (www.goodsenseministry.com).
10. Embrace simple living: It is the fastest way to a debt-free life!
11. Contact the Church of the Brethren Credit Union if you have questions or need assistance.

Board Member Election

At the Church of the Brethren Credit Union's Annual Members Meeting held July 1, 2006, in Des Moines, Iowa, the membership elected two new board members and re-elected two returning board members. **Wendi Hutchinson** of North Manchester, Ind., and **Will Thomas** of Marshall, Minn., were newly elected; **Nevin Dulabaum** of Elgin, Ill., and **Ed Wolf** of Machesney Park, Ill., were re-elected. The Credit Union board has a total 12 members, each with a three-year term. The terms are such that only four positions come up for election each year, which creates greater continuity and stability on the board.

Following the Annual Meeting of Members, the Credit Union board held its annual reorganization meeting where it elected officers for the coming fiscal year. **Ann Quay Davis** was elected chair; **Nevin Dulabaum** was elected vice-chair; **Paul Brubaker** was elected secretary; and **Eric Kabler** was elected treasurer. — *Dennis Kingery*

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The two most common ongoing vehicle costs are fuel and insurance expenses. Depending on the vehicle's fuel economy, the cost of gas might be larger than the monthly loan payment. Another less tangible cost to consider is the effect the vehicle has on the environment; vehicle pollution is a major contributor to global warming.

- ♦ **Step 2 – Obtain pre-approval for financing.** Once you have narrowed your preferred choice of vehicle(s), contact the Church of the Brethren Credit Union to obtain pre-approved financing. It is always an advantage to obtain pre-approval for a vehicle loan. The process helps identify the current market value of the vehicle and the expected monthly loan payment – giving you more time to consider the costs before committing to the purchase. It eliminates the stress of having to make a quick financing decision on the spot at the dealership. Some dealers will offer zero percent financing or cash back. The Credit Union can help you determine which option will save you the most money. As a not-for-profit organization, the Credit Union's focus is to assist its members in making the best financial decisions, even if that means financing the vehicle elsewhere.
- ♦ **Step 3 – Start Shopping.** Once you are equipped with pre-approved financing and adequate information about the type of vehicle you are interested in, you can start shopping. While this is one decision that you do not want to rush, having planned ahead and acquiring the necessary information will make the final decision-making process much easier. Since purchasing a vehicle is a major financial decision, the Credit Union recommends planning ahead, saving for a down payment, and having all of the necessary information before committing to the purchase of a vehicle. Get the most out of your vehicle purchase, buy the right vehicle for your needs, and plan to use it for many years. — *Dennis Kingery*



To learn more about our services, call toll-free at **888-832-1383**.
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