Louisville Federal Credit Union

EAGLE'S NEST
FEBRUARY 2015

Annual Meeting

RSVP Needed!!!

To get an accurate head count and decide the location for this year's Annual Meeting we are requesting all members to let us know if you will be attending the annual meeting. Tickets will be mailed to members who RSVP and will entitle you and one (1) guest entry to the annual meeting, dinner, and a chance to win prizes (guests are not eligible for prizes).

Look for more information coming soon.

Save the Date!

April
Monday
20

Credit Card Mistakes That Could Keep You From Getting a Mortgage

Whether you're looking to refinance to get a lower rate or starting the purchase process, Lindsay Konsko at usnews.com gives some great advice to avoid disappointment:

1. Paying late
   - One of the critical factors bankers and mortgage brokers look at when deciding the terms of your home loan is your credit score. Most lenders use the FICO score to assess your creditworthiness, 35 percent of which is determined by your history with paying your bills on time.
2. Over utilizing credit
   - Speaking of your FICO score, there's another credit card-related factor you should be aware of before submitting your mortgage application: 30 percent of your score is determined by the amounts you owe on your credit accounts. This category is heavily influenced by your credit utilization ratio, which is the credit you have used compared with your credit limit. Usually, it's expressed as a percentage.
3. Applying for too many cards at once
   - Another big misstep that would-be homeowners make when they start getting serious about mortgage applications is simultaneously signing up for a bunch of new credit cards. Many folks reason that they'll need the credit for moving expenses, but this is a bad move for your FICO score. Ten percent of it is determined by new credit inquiries, which are triggered when you apply for loans and credit cards. Adding several to your credit report as you're trying to finalize the terms of your mortgage could be very damaging.
4. Never getting a credit card at all
   - This one might seem strange, given all the dangers associated with overusing credit cards, but responsible swiping is critical in establishing a good credit profile. In fact, 15 percent of your FICO score is determined by the length of your credit history.
5. Racking up debt
   - Aside from your FICO score, a number that heavily influences lending decisions is your debt-to-income ratio. To calculate your DTI, you'll need to add up all your monthly credit payments (along with certain other obligations) and divide this figure by your gross monthly income. Although standards vary from bank to bank, most like to see a DTI of 36 percent or less. If you're carrying a ton of credit card debt, your DTI might be too high to get a home loan.

Lifestyle Inflation and the Hedonic Treadmill:

It's Time to Stop Running Without Getting Anywhere.

It's a new year and (hopefully) it came with a bump in your pay. If you're like most Americans that bump amounted to a 3% increase over last year.[1] That probably doesn't sound like much, but think about the first time you got a real pay check. No, not your minimum wage job that you did in high school, but the pay-stub you opened after you landed your first real "grownup" job (you know the one with benefits and everything). If yours was anything like mine, it was probably much more than you were used to seeing. And if you did something similar to me, you went out and spent it on things you couldn't afford before. Eventually though, you got used to making those "big bucks" and your lifestyle adjusted to your new income and before you knew it, that big paycheck, didn't look as big as it did before.

This is the concept of Lifestyle Inflation: when we make more, we spend more. We switch to more expensive brands, eat out more, and buy fancier things. Making more money changes our lifestyle habits and those habits tend to be more costly. Eventually, we get used to the new lifestyle and so even though we are making more than we did on our first paycheck, it probably doesn't bring the same level of joy that it did before.

You're not alone though. Many people experience the same exact thing; it's like running in the same place; something that is referred to as a Hedonic Treadmill. It follows the old axiom that money can't buy happiness, stating that we have a tendency to remain at a relatively stable level of happiness despite a change in fortune or the achievement of major goals. As a person makes more money, expectations and desires rise in tandem, which results in no permanent gain in happiness.[2]

So how do you avoid this loop? It's actually easier than you'd think.

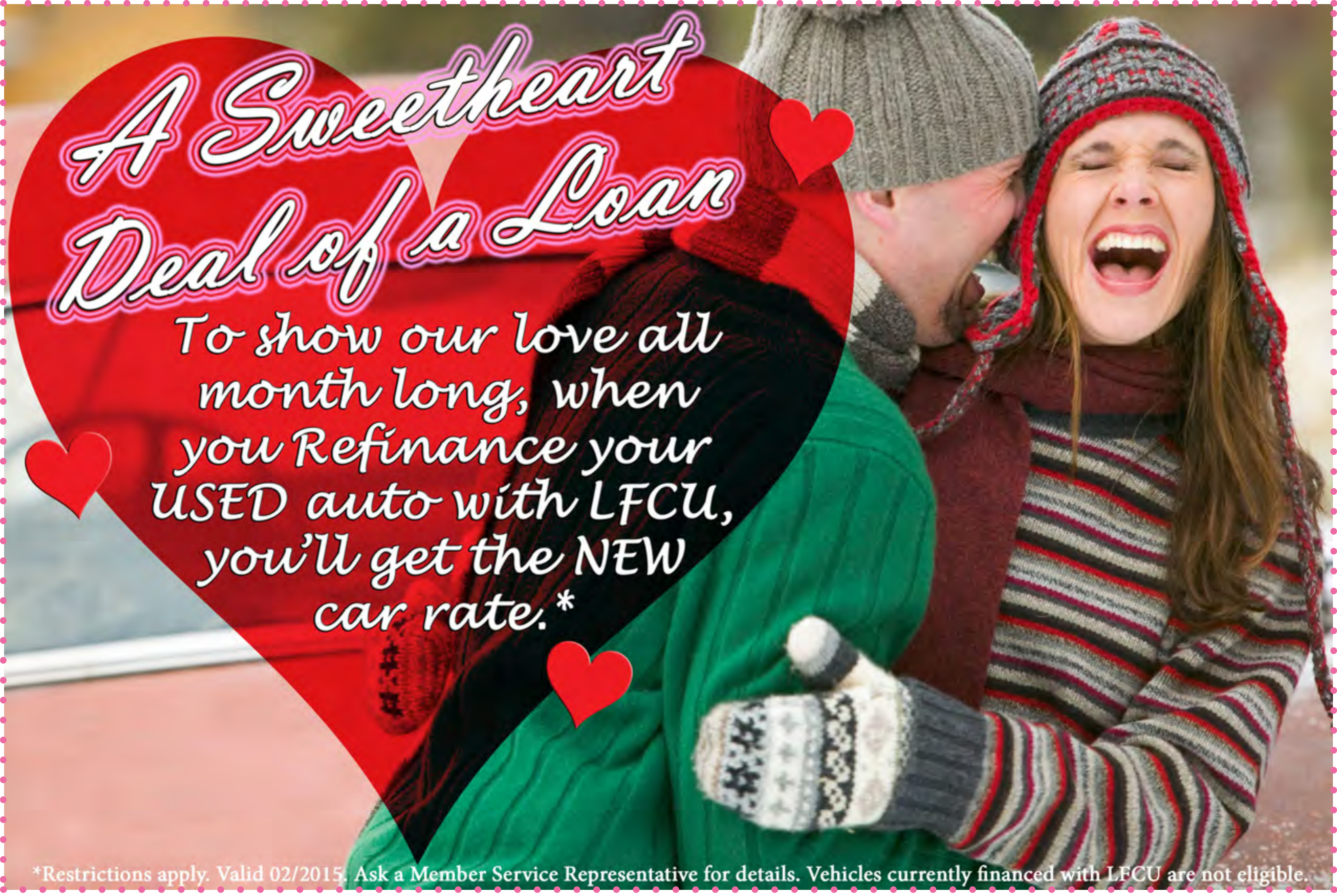
The first step is to evaluate what really makes you happy. Don't worry about eliminating things from your lifestyle. The goal isn't lifestyle deflation, but rather avoiding inflation. Is that new shirt or cell phone really going to make you happier in the long term? Does the $60 meal for two at an expensive steakhouse make you happier than a home grilled steak? Try to find alternatives to expensive habits that don't really make you happier. This is probably the easiest way to jump off the treadmill.

Another way is to simply pretend you didn't get that raise. Take this new money and set it aside. You could invest it into retirement, a college fund, pay off debts, open an Auxiliary Account with LFCU as a "Rainy Day Account," or just about anything other than spending it on things that aren't making you happier anyway. You're already used to not making the extra money, so it should be easy.

Lastly, and this may be the hardest, change your outlook. Remember that things don't buy happiness. Lasting happiness tends to come from experiences and relationships. More often than not, experiences can be cheaper than shiny new toys. Being grateful for what you have will probably stop you from wanting to buy that new [insert whatever here] and leave you with more money in your wallet and being happier all around.

1 http://www.usatoday.com/story/money/personalfinance/2013/09/18/how-much-of-a-pay-raise-can-you-expect-in-2014/2832791/

2 http://www.investopedia.com/terms/h/hedonic-treadmill.asp



Payday Loans Don't Show Love to Your Wallet

Just ask the Better Business Bureau. Here's what they have to say about them:

Payday loans are loans of short duration, usually two weeks, and can be obtained from a physical payday loan store or on the internet. Better Business Bureau receives hundreds of complaints against payday loan companies alleging threats of arrest and notifications to employers about their debt. Complaints also state that consumers who apply for loans online may not see the full disclosure of interest rates or fees until after they have signed the documents and that there are unauthorized withdrawals from their bank accounts.

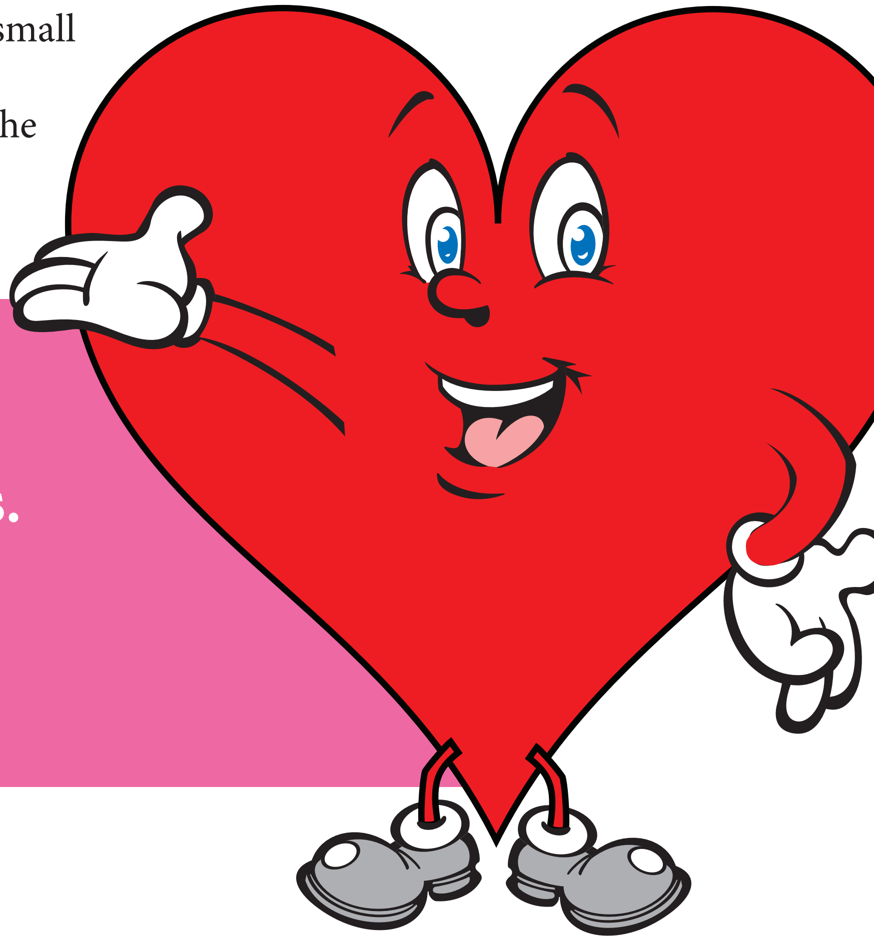
Typically, payday lenders do not perform a credit check but ask borrowers to write them a post-dated check for the amount they borrow plus a borrowing and account set-up fee. The lenders will then deposit your check after the borrower's payday if they have not already paid off the loan. If the borrower's bank account cannot cover the amount of the loan, they will then owe the original loan plus added interest and they may also incur overdraft fees from their bank. Borrowers can chose to pay more fees to renew the loan if they know they cannot pay it off in time.

Continued Pg 4...

...Continued from Pg 3

Consumers need to be wary of payday loans, because high service fees combined with a short repayment period can cause customers to fall into a payday loan debt trap. Instead of short-term financial relief, the customer experiences perpetual indebtedness, at rates far higher than any credit card could legally charge. The Michigan Attorney General's website gives this advice: "More affordable alternatives to a payday loan may include: a small loan from a friend or family member; a small loan from a bank or credit union; asking for advance pay from your employer; and asking the creditor for more time to pay your bills."

Courtesy: www.bbb.org/western-michigan



Our Quick Loans are an easy and affordable alternative to Payday loans. Ask a Member Service Representative for more details.

I ♥ MY CU

It takes just a few things to inspire this kind of loyalty: excellent service, market-leading rates, and fair fees. Come see us for those benefits and more. We make a permanent commitment—no needles required.

Main Branch
Mailing Address:
PO BOX 33303
Louisville, KY 40232-3303
Physical Address:
1420 Gardiner Ln Rm 66
Louisville, KY 40231
P: 502-458-2681
F: 502-458-2682

Downtown Branch:
600 Dr. Martin Luther King Jr. Place Rm 166
Louisville, KY 40202
P/F: 502-584-3579

Email: lfcu@louisvillefcu.com