



## Question of the Week Archives

<b>Topic</b>	<b>Year</b>
<a href="#"><u>Auto Refinance</u></a>	2010
<a href="#"><u>CDs or Share Certificates</u></a>	2009
<a href="#"><u>Credit – recovering from repossessions</u></a>	2009
<a href="#"><u>Credit Card – Getting out of debt</u></a>	2009
<a href="#"><u>Credit Card Legislation</u></a>	2009
<a href="#"><u>Identity Theft</u></a>	2010
<a href="#"><u>Identity Theft – ID Theft Protection Services</u></a>	2009
<a href="#"><u>Refinance Auto</u></a>	2010
<a href="#"><u>Retirement – is it too late to save?</u></a>	2009

## Credit Card Legislation

I recently had one credit card company jump my rate for 2.99% (promotional for 1 year) to 27.99%. I knew it would rise but I was under the impression it would not go above 18%.

Sent on: Monday, 8/17/09

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I have both bad news and good news for you. First, the bad news - this is quite a normal practice, especially lately. If you read the fine print of the credit card agreement, they most likely have the right to raise your rate to the percentage they choose. On top of this, some new credit card rules, as part of the Credit CARD Act of 2009, will be going into affect in February of 2010, which means many credit card companies are raising rates now to make money before they have to deal with the new rules that protect consumers from this type of practice.

The good news is that the new rules will offer some new protections, including that a credit card company may not raise rates on existing balances unless the consumer is at least 60 days late. Other protections in the new law are:

- Consumers must opt-in to being able to go over the limit and therefore receiving over-the-limit fees.
- Any payments in excess of minimum must be applied to highest interest rate balance first.
- No double-cycle billing practices, billing a person for balances from a previous billing cycle.
- Due date must be on the same day of each month.
- Bill must be mailed at least 21 days prior to the due date.
- 45 days notice is required for a change in the contract agreement.
- Special protections for college students, and others under age 21, from credit card companies.
- And much more!

To find out more about the new rules, consult resources about the Credit CARD Act of 2009. Here is a link to an interactive graphic regarding the new rules from creditcards.com's website: <http://www.creditcards.com/credit-card-news/credit-card-law-interactive-1282.php>

As for your situation, you have a few options. First, you can call the credit card company to complain about the rate increase, and ask them to lower it. They often will give you some sort of rate decrease, although it may not be as much as you'd like. You may also choose to cancel the credit card, and pay off the balance either by balance transfer or in monthly payments. This could lower your credit score though, as you will lessen your amount of available credit.

The best solution, if possible, is to pay off the debt. In order to pay off debt, it is critical to stop using the card and pay more than the minimum balance.

Another resource for extended information on credit and consumer rights is the Federal Trade Commission. If you go to their website, under consumer protection, you'll find articles pertaining to credit and credit cards. The link to the consumer protection section of their website is <http://www.ftc.gov/bcp/consumer.shtm>.

Thank you for submitting this question, as I believe you are not the only person with this problem with his or her credit card. I hope we've been able to help.

## Retirement – Is it too late to save?

I am 43 years. Is it too late to save for retirement?

Sent by: Jo

Sent on: Monday, 9/14/09

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It is never too late to begin saving for retirement. Today is a great time to start.

The first step you should take is to research what your place of work offers as far as retirement plans. Some offer a 401(k), and you need to sign-up for this plan. It takes money you earn out of your paycheck pre-tax and puts it in an account for retirement. Other places offer pension plans. Make sure to speak with someone in your human resource department about what is offered. Usually, you should be maxing out your 401(k) because of the tax advantages and because many companies match your contributions to a certain level. For example, if your company matches 100%, when you deposit \$25 into your 401(k), the company deposits \$25 into it also. This is free money you're throwing away if you're not using your company's match.

The second step is to research how much you might need to save in order to live the lifestyle you would like in retirement. There are a variety of sites that can help you estimate this, but it does depend on the interest rate you would receive from your savings. We have a calculator on our website that helps a person determine how much to save: [http://www.denvercommunity.coop/DCFCU\\_calc\\_svgs\\_retirement.html](http://www.denvercommunity.coop/DCFCU_calc_svgs_retirement.html)

In order to maximize your interest rate, you will also want to research where to put your savings. The stock market is often a great place for long term savings (10+ years). Since you are 43 years old now, and probably not retiring before age 60, the stock market might be a place to put your retirement savings, if you make sure to diversify. Speaking with a financial planner would be a place to begin your search for the best interest rate. However, before you invest savings in the stock market, you will want a short-term savings for emergencies stored up in an account that won't earn as much interest, but will be less volatile. An example of a place to put short-term savings would be a Money Market at a credit union or bank, a Share Certificate (or CD), or another credit union or bank savings account. These accounts should be insured, so you know that you will not lose the money you invest.

Another tool for retirement that a financial planner and your credit union or bank should be able to provide is an IRA. IRA stands for Individual Retirement Account. You may qualify for this special type of account that has specific tax advantages. There are two main types of IRAs – Traditional and Roth. A Traditional IRA allows you to subtract whatever you save from your income, saving you money on your taxes. However, you will have to pay income taxes on it when you withdraw from it. With a Roth IRA you deposit money after it has been taxed. It then earns interest, tax free, until you withdraw it. You then withdraw it tax free. As there are advantages to both types of IRAs, you should consult with a financial planner and/or tax advisor before you make these decisions.

## Credit – recovering from repossessions

How can I recover from having 2 repossessions on my credit report? How can I recover from having negative hits on my credit report? How soon can I expect my score to rise after these kinds of incidents? Please help...

Sent on: Wednesday, 9/16/09

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The very first step in the credit improvement process is to check your credit report, if you haven't done it already. This is not checking your score, necessarily, but looking up the information that each of the three credit companies (Equifax, Experian, TransUnion) have recorded as your credit history. Looking at this report is free annually. You can go to [www.annualcreditreport.com](http://www.annualcreditreport.com) to access credit reports from all three companies.

Once you've obtained your report, read it over to make sure there are no errors or items in collections. If there are errors, dispute them with the credit company. This can now be done online, which is quite efficient. However, a recommended way is to make the dispute by letter with copies of documentation. The addresses and process for how to dispute an error is included in free credit report you receive.

If there are collections on your report that are accurate, then you need to begin by clearing these up. This is the point where everyone's particular situation might have unique steps. Please consult a credit counselor, if you are not sure where to begin. If you are a member of Denver Community Credit Union, you can also schedule a free appointment with our loan officers to review your credit report and give you suggestions for your next steps in improving your credit.

Once errors and collections on your report are taken care of, you can begin improving your credit by paying all of your loans on time. The number one factor in your credit score is whether or not you pay bills on time. Other factors include: utilization, recent inquiries for credit, length of credit history and the mix of types of credit. To read more about the factors in a credit score, visit an article at the Federal Trade Commission's website at <http://www.ftc.gov/bcp/menus/consumer/credit/reports.shtml>.

What if you don't have loans to demonstrate a payment history? Then, you will want to take out secured loans that are low risk and have a low Annual Percentage Rate. An example of a secured loan is our Share Secured Loan. In this case, you place a certain amount of money into a Share Savings Account. Then, you receive a loan for the same amount of money, while the Share Savings Account is frozen as collateral for the loan. If you cannot pay back the loan, the savings account can then be used to pay off the loan. This type of loan generally does not require a credit score, since the risk for the institution is lessened by the frozen savings account. At Denver Community Credit Union, we have three secured products and a unique product called a Credit Builder Loan. Our Credit Builder Loan is similar to a forced savings account and requires no money up front. If you want to know specifically about the products we offer, please contact us at (303) 573-1170 or visit us in a branch.

Lastly in this predicament, I would like to leave you with some hope. In the credit score, almost everything does not affect your credit score after 7 years (Bankruptcies can take up to 10 years from dismissal, depending on the type of bankruptcy). Moreover, as it gets further from the present date, it affects your credit score less. So, although a repossession from last year causes your credit score to plummet, once that repossession ages, it will affect your credit score less. Improving credit takes time and effort, but anyone has the ability to do it.

## Identity Theft - Is having ID theft protection worthwhile?

Sent by: John

Sent on: October 6, 2009

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This is a good question, and the answer hinges on what is most important to you. The best defense against identity theft is prevention - keeping your information safe. So before you buy a service, make sure you're doing basic things, such as:

- Shredding your documents with a cross-cut shredder
- Memorizing your PINs (Personal Identification Numbers) instead of having them written anywhere on your cards
- NOT giving out your PINs to anyone -even family members
- NOT leaving your wallet or purse in your car
- Choosing electronic instead of paper statements
- Making sure your computer security settings are adequate
- Not ordering boxes of checks to be sent to your home mailbox
- Not setting outgoing checks in your home mailbox
- Not responding to emails, pop-up windows, or text messages that ask you for your account or personal information
- Checking your free credit reports and Social Security Administration statement once a year and disputing any errors.

The above list might sound like a lot, but they are relatively easy to incorporate into your routine. Most identity theft protection services really only offer credit report monitoring. You can monitor your own credit reports for free by ordering them at [www.annualcreditreport.com](http://www.annualcreditreport.com), a site sanctioned by the Federal Trade Commission. Since you're entitled to one free report a year from each agency, you could order all three every 12 months or order one every four months. Your score is not free, but you don't need your score if you're just checking activity. Additionally, the FTC offers a whole kit on identity theft that you can download for free from [www.ftc.gov](http://www.ftc.gov). Another great resource is the Denver District Attorney's website – [www.denverda.org](http://www.denverda.org).

That said, some people like the security of paying for a service. Whether the service is worth it depends on what exactly they offer and whether or not you'd rather pay in money or time. It takes money to buy a service, but time to do it yourself for free. Another concern I would have is that if the service is not complete, it could give you a false sense of security and lessen the perceived need to take the precautions listed above.

## Credit Card – Getting out of debt

I have a credit card with \$5,000 on it. The balance never seems to go down, even though I pay each month. Any suggestions?

Sent by: Anonymous

Published on: November 2, 2009

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When struggling with debt, the very first step is to stop creating debt. This means not using the card at all.

After that, there is a huge advantage to paying more than the minimum payment. The minimum payment often traps you into paying a lot more, even if you're never late or get stuck in other fees from credit card companies.

Here is chart illustrating a hypothetical example. Suppose you have \$1,000 on your credit card with an 18% APR with minimum payments of 2.5%. This example compares paying only the minimum for the life of loan versus paying a flat amount each time.

<b>Amt Financed</b>	<b>Payment each month</b>	<b>Total Paid</b>	<b>Total Interest Paid</b>	<b>How long it would take to pay it off</b>
\$1,000	2.5% of balance	\$1,923.17	\$923.17	113 months (9.4 years)
\$1,000	\$25	\$1,538.62	\$538.62	62 months (5.2 years)
\$1,000	\$50	\$1,197.83	\$197.83	24 months (2 years)

As you can see, paying only the minimum causes a drastic increase of total interest owed as well as the amount of time it would take you to pay off the credit card. On the other hand, paying a flat amount, such as \$25 or \$50, each month helps get rid of the debt at a much greater speed.

I found these numbers by entering them into a calculator called "The True Cost of Paying the Minimum" at [www.bankrate.com](http://www.bankrate.com). You can use this same calculator to determine the numbers for your specific situation.

I have a CD that is now paying very little interest. I would like this money to grow a little more in the next 4 years. Should I move it?

Published on: November 9, 2009

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The answer depends on a few factors.

One, if the CD (certificate of deposit) is ready to mature soon, and you have a large enough principal, you might consider laddering the principal so that you're not locked in to rates that are at historic lows. Laddering describes a process in which you put some funds in a short term certificate, some in medium term, and some in long term. As the shorter term certificate matures, you can roll it into a longer term. The medium term is closer to its maturity date, making it now "shorter term" but with a medium term yield (the longer the term = the higher the Annual Percentage Yield). The laddering process generally increases your earnings while increasing your liquidity. To learn more about laddering, please go to: <http://www.bankrate.com/finance/savings/how-to-ladder-a-cd-portfolio.aspx>.

However, if it's a long time until maturity, then the decision of whether or not to move your money depends on the difference between the penalty and the gain of dividends for moving it. This all depends on your amount deposited and the interest rate. In addition, you will want to call to find out the financial institution's penalty for breaking the Certificate of Deposit (CD) or Share Certificate (the credit union term for the same product).

Here are some examples\*:

1. Amount in Share Certificate/CD: \$1,000 @ 2.0% APY\*\*  
Penalty (call your financial institution for this): \$10  
Earnings at original certificate after 4 years: \$83  
Earnings at new 2.5% APY for 4 years: \$100  
**Total gain: \$7**
2. Amount in Share Certificate/CD: \$5,000 @ 2.0 APY\*\*  
Penalty (call your financial institution for this): \$50  
Earnings at original certificate after 4 years: \$414  
Earnings at new 2.5% APY for 4 years: \$500  
**Total gain: \$36**

As you can see, there isn't a huge amount of gain, but it definitely depends on the amount you have on deposit as well as the amount of the penalty. When comparing Share Certificates and CDs, remember to compare the APY, or Annual Percentage Yield. This number takes into account how often the interest is compounded, meaning it is a fairer way to compare one financial institution's rates to another's rates. Websites such as [www.bankrate.com](http://www.bankrate.com) do have some of these rates in order to compare easily, but they won't necessarily have the rates that your local credit union is offering (nor the shorter terms and lower minimum balances). Shopping around may mean also checking out your credit union's website to see who is offering the best deals on Share Certificates/CDs. To find a credit union near you, visit <http://www.findacreditunion.com/>.

Also worth considering is the minimum balance requirement and whether or not you can add on to the initial deposit (very rare, but some places offer it – like Denver Community.)

\*I used the CD Calculator at [www.bankrate.com](http://www.bankrate.com) to find these numbers.

\*\*Annual Percentage Yield

Some one told me I should refinance my car. What does this mean? Should I?

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I'll cover what it is first, and then go on to your second question.

Refinancing a car simply means that you get a new loan for the car, paying off the old one. For example, you might have \$8,000 left on your car loan at Big Bank, and you go to your credit union that can offer you a better rate. They'll give you a loan for \$8,000 (provided the car is worth at least that, and dependent on your credit, of course), and pay off Big Bank. Now, your car loan is at the credit union instead of the original Big Bank.

Your second question is far more complicated. Here are some factors to consider before refinancing.

### **Do you owe more than the car is worth?**

Often when a person buys a new car off the lot, they'll soon discover that the car loses value (depreciates) faster than they're paying off the loan. You should go to a credible website such as <http://www.nada.com/> to get a good estimate of what your car is worth. Most financial institutions are not able to loan you more than the car is worth.

### **How do the APRs (Annual Percentage Rate) compare?**

Generally, if you can drop a percent or more in the APR, then you will probably save money on the overall interest charge. Use an online calculator such as the [Auto Loan Calculator](http://www.bankrate.com/calculators/auto/auto-loan-calculator.aspx) at bankrate.com (<http://www.bankrate.com/calculators/auto/auto-loan-calculator.aspx>) to compare the payments. Click on the amortization table to compare your total interest paid.

### **Why do I want to refinance?**

If your goal is to save money on the overall interest payments, definitely look to refinance at a lower APR. However, you may also be able to save money on your monthly payment, if you spread out the loan. For example, if you have three years left and \$8,000 remaining, you might refinance and spread that \$8,000 out over five years. If the APR doesn't change, this will increase your total interest paid, but it will also lower your monthly payments.

### **What fees will you be charged?**

This is a critical question to ask when determining whether you want to refinance a car. Make sure there isn't a fee for paying off the loan early at the financial institution where you currently have your car loan, and then ask about the fees for getting a loan at the new financial institution. There may be an application fee or title processing fee, which are factors in determining whether you should move the loan or not. Even if there are fees, this doesn't mean paying them won't save you money in the long run. Just know all the facts before you make your decision.

I was told by my friend to avoid online banking and purchases because of identity theft. Is he right?

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Many people believe that identity theft commonly occurs on the internet. Although identity theft and account information may be stolen from internet transactions, this is far from the most common way that your identity could be stolen.

### **What is identity theft?**

Identity theft happens when a person uses your personal information to take out loans, steal money, or get other benefits without your knowledge. This can happen when someone steals your debit card or creates fake checks. You also could have someone take your personal information and buy a car in your name.

### **How do I protect myself?**

You can protect yourself from identity theft by following some guidelines. That being said, some say that it is not a matter of *if* your identity will be stolen, but *when*. All you can do is take the proper precautions to limit your risk. Some precautions include:

- Use a close-fitting pouch or hidden wallet, instead of a purse. At least, carry less in your purse or wallet, so that you would know your exposure (and be able to cancel all cards immediately) should it be stolen.
- Don't carry your social security card or the number on any of your IDs. Consider carrying a copy of a Medicare card with all but the last 4 digits blacked out.
- Deposit all outgoing mail at the post office. A lot of identity theft happens through the mail.
- Use a cross-cut shredder on all financial mail and documents.
- Get a free copy of your credit report from each bureau once a year ([www.annualcreditreport.com](http://www.annualcreditreport.com)).
- Don't do internet buying at a coffee house or similar unprotected internet location.
- "Opt out" of credit reporting agencies' credit card solicitation marketing lists: 1-888-567-8688 or [www.optoutprescreen.com](http://www.optoutprescreen.com).
- Call your credit cards' customer service to "opt out" of marketing programs, including convenience checks.
- Never give anyone personal information over the phone or internet unless you initiated the conversation using contact information you found independently.
- Monitor your account statements to look for unauthorized transactions. Report them as soon as possible to preserve your rights.
- Ask that new checks be mailed to your credit union or bank and pick them up in person, if you do not have a secure mail slot at home.
- Do not respond to emails stating that you've won the lottery in a foreign country, and remember – if it is too good to be true, it probably is.