



5618 Harrison Ave., Rockford, IL 61108
Phone: 815-316-2900
Fax: 815-316-2902
Web site: www.generationscu.org

Credit Union News

Winter 2011 Edition

A Meeting With A Difference

**When was the last time you attended Generation Credit Union's annual meeting?
If your answer is "never" or "I can't remember," read on.**

We invite every member to attend our--your--annual meeting. Why? Because all members are owners of the credit union, whether their deposits amount to \$25 or \$500,000.

For nearly a century, the credit union annual meeting has been an essential part of the credit union movement's democratic structure. You'd have to be a stockholder or large commercial customer to attend such a meeting at a bank or other type of financial institution.

Generations Credit Union's annual meeting is democracy in action. It's an occasion for management and elected

officials to report to you, our owners.

And, it's an opportunity for you to raise concerns and ask questions.

Here, you'll learn more about the credit union's financial position, products and services, current business issues, and future goals.

You'll be able to meet face-to-face the people--professionals and volunteers--who run your credit union.

How is the credit union different from other financial institutions? Is the credit union launching new products or services? Is the organization facing special challenges? Find out at the annual meeting. There's no better

time to evaluate the financial condition of your credit union and to learn more about how you and fellow members save and borrow together.

When members actively participate and share ideas, the entire credit union benefits. Without member input, credit union leaders could only guess what owners like you want from their financial institution.

And when you attend the annual meeting, chances are you'll leave with a better understanding of its purpose and goals, and be better prepared to face today's many financial challenges.

NOTICE OF 2011 ANNUAL MEETING Saturday, March 5, 2011

**Lombardi Club
209 Olive St., Rockford, IL**

**Registration: 12:30 P.M.
Meeting: 1:00 P.M.**

Reservations Required by Monday, February 28

In This Issue

Member Appreciation Prize Winners

Five Things To Do In January

Credit Unions: Different by Design

Change Money Habits for Life

Good Dollars and Sense

Is It Time To Refinance Your Mortgage
Loan?

Relax - Welcome Home

Member Appreciation Prize Winners



Week 1 - Melvin
Wisconsin Dells Package
at the Wilderness Resort



Week 2 - Tim
Hallmark
Christmas Package



Week 3 - Patrick
Nintendo Wii
with Sports Package



Week 4 - Connie
Dell Laptop Computer

Five Things To Do in January

It's no surprise that January is a big month for making resolutions. And if you've been making resolutions for a while, you know how many of them fall by the wayside before February. These suggested resolutions are different in two ways—they're in the 'set and forget' category, and they can make your life so much easier that you're likely to keep them:

* **Set up direct deposit.** Once you arrange to receive regular payments like your paycheck or Social Security and pension checks with direct deposit, you'll never have to worry about making timely deposits again. You'll know that your deposit is in your account exactly when you expect it to be.

* **Set up automated transfers to savings to pay yourself first.** The next smart step, after direct deposit, is to get funds into savings right away so they can begin earning dividends from the get-go.

* **Automate your mortgage payment.** Even with the typical grace

period that most mortgage lenders allow, it's always a good move to take care of that big monthly payment. Again, you'll never have to worry about making the payment on time.

* **Automate minimum credit card payment or payments.** The penalty for a late credit card payment is not pretty. Set up an automated payment to cover at least the minimum due on all your credit cards; you always can pay additional amounts so you retire those debts as soon as you can. Set payments a few days before the due dates to protect your credit score.

* **Arrange to have any overdrafts automatically covered from your savings account.** Even if an overdraft is rare in your household, it can happen to the best money managers. Make sure you can cover any inadvertent overdraft with a direct transfer from your savings account and there's another worry you'll never have again.

If you've already managed these resolutions, think of one or two more

that could help you get on and stay on the straight and narrow financially. For example, you might want to set up a low balance alert or a payment due alert from Generations Credit Union's online service suite. See www.generationscu.org or call 815-316-2900 for more information.

Holiday Closings

Martin Luther King Day
Monday, January 17

President's Day
Monday, February 17

Credit Unions: Different by Design

Can credit unions stay healthy in these tough economic times? Mike Schenk, an economist with the Credit Union National Association in Madison, Wis., answers a few questions.

How are credit unions doing in this troubled economy?

Despite the challenges today, credit unions remain well capitalized, with average capital ratios that are roughly double the minimum required by regulators. What that means is that credit unions have a lot of wiggle room to absorb mistakes or losses.

Why are credit unions doing well while other types of financial institutions are struggling, even failing?

Most credit unions didn't participate in the activities that caused the economic problems, namely subprime mortgage lending. Unlike credit unions, the for-profit lenders made a lot of profit for themselves by originating these mortgages, but at the expense of incautious consumers, many of whom shouldn't have been given these loans in the first place.

Why didn't credit unions make these mortgages?

One key reason is that their members are owners. Credit unions knew that ultimately these mortgages would not be in their members' best interests. The for-profit sector's primary concern isn't consumers' best interests. They're focused on generating income for stockholders.

Also, by and large, credit unions are portfolio lenders. That means they hold in their portfolios most of the loans they originate instead of selling them to investors. In the past several years, credit unions have held roughly 70% of the mortgages they originated. So they care about the financial performance of those loans.

Should I worry about the money I have in my credit union?

There's no need to worry. Credit unions have federal insurance just like bank deposits do. Congress increased the insured deposit limit from \$100,000 to \$250,000. If you have questions about coverage limitations ask a professional at Generations Credit Union.

So credit unions truly are different?

In normal times, the difference between credit unions and other players in the financial marketplace isn't quite as obvious to a lot of people. In the current economy, the credit union difference is more visible to everyone—consumers and policymakers. Credit unions are well positioned to do what they do best: help people in times of need.

Visit Generations Credit Union today. You'll see we stand behind our mission of making our members No. 1.

CHANGE MONEY HABITS FOR LIFE

- Live within your means (spend no more than you make)
- Don't use credit as a crutch
- Save money regularly
- Establish a back-up emergency fund
- Shop wisely and act as a good steward to your money
- Charge only what you can afford to pay off in full when the bill comes due
- Use direct deposit and other electronic services offered by the credit union



Good Dollars and Sense

Enroll in Good Dollars and Sense and show your budget who's boss! Goodwill's six-session course in money management will teach you everything you need to know about: creating a spending plan, saving and investing, improving your credit score, preventing identity theft, housing essentials and more! Classes will be held every Tuesday and Thursday from February 8th through the 24th at the Goodwill Headquarters (315 N. Main Rockford). We are offering a day class from 10 a.m. — noon and a night class from 6 p.m.-8 p.m. Graduates who complete all course requirements will receive \$50! Please contact Staci at 815-987-6203 or goodsense@goodwillni.org for more information.

Is It Time To Refinance Your Mortgage Loan?

It's not a bad idea to consider refinancing your mortgage while interest rates are at a near-record low. Since the interest paid on a mortgage is one of a homeowner's biggest expenses, it makes sense to look for ways to reduce it. There are times when it makes sense to refinance your mortgage. It's important to have a clear financial objective in mind so that you're more able to choose the most appropriate loan. Ultimately, the decision is up to you to decide when it's best for you to refinance, based on your individual financial situation. Consider the details of your unique situation to determine if a refinance makes sense for you.

Instead of listening to "rules" about how much of a percentage change in interest rates you should look for before you refinance, look at how much money you'll stand to save. A 1%

rate reduction is a lot more meaningful if you have a \$250,000 mortgage rather than one that's \$75,000. A drop of just one half to three quarters of a percentage point in interest may lower your monthly payment. If you don't refinance, you may be paying too much every month for your loan, and that's never a good financial move. There are a couple different ways you can lower your monthly mortgage payment.

First, you can simply refinance to a lower interest rate. A lower rate generally means a lower monthly payment.

Second, you can change the term of your mortgage. For instance, if you have a 15-year mortgage, you can lengthen the term to 30 years. However in this scenario, you may not save money over the long run, even with a lower rate. Since the balance of your mortgage is spread out over a

longer period of time, your payment is lower. However, if you can afford to refinance that 20-year mortgage into a 15-year mortgage, the combination of a lower interest rate and a shorter term will substantially reduce the total amount of interest you'll pay before you own the house free and clear.

Just like when you purchased your home, you will have to pay closing costs on your refinance. If you're planning on selling your house in a few years, you may barely break even (or come out behind) by refinancing, if the monthly savings for the remainder of your mortgage are not greater than the closing costs associated with the refinance. If you roll the closing costs into your mortgage instead of paying them up front, you're paying interest on them, so you'll need to factor this expense into your break-even calculation.

The equity you have in your home can act like a savings account that you could access through a cash-out refinance. This is usually done when you want to finance an important home improvement, pay for college or pay off high-interest credit card debt. Whatever your reason, this may be the right option for you.

And speaking of high-interest rate credit card debt...the difference between credit card debt and a mortgage can, financially speaking, mean thousands of dollars. Why? Because unlike your mortgage, the interest you pay on a credit card is not tax-deductible and you pay a higher rate than you would on your mortgage. Because of this, credit card debt is often referred to as "bad debt" whereas your mortgage is considered "good debt." Using your home equity to pay off your high-interest credit card debt can save you money in the long run. Using your home equity, rather than your credit cards, to finance expensive purchases can also be a smart move. Be sure to consult your tax advisor.

What do you stand to gain by refinancing your mortgage? Done properly, a refinance can have both immediate and lasting benefits. First, you get a better loan. Second, refinancing can provide an opportunity to correct a mistake you made in taking out your existing mortgage or simply make a good mortgage even better. Either way, you'll increase your short- and long-term financial security and increase the odds that hard times won't put you at risk of losing your home.

If you have questions about whether refinancing is right for you, please call us at 815-316-2900 x100 to talk to a refinance expert today. We can help you determine which refinancing option is best for your situation. Oh, and if you're not thinking that your credit union has mortgage loans available, rethink that! This past year, Generations Credit Union provided over \$1.6M in mortgage loans for our members. We're local, trusted, and here to serve you!



Relax—
Welcome Home

You might not know it from the daily news, but this is a good time to apply for a home loan.

The bad news headlines about mortgages mostly tell about homeowners who made risky mortgages with other lenders—lenders who want a loan on the books even if it's a bad deal for you.

We don't operate that way. You're a member, a part owner of the credit union. It's important to us that you can live with your loan.

Rates still are low and payments can be manageable. A credit union loan officer can explain your options, so your payment is one you truly can live with.

Call us today to start your home loan process. And then relax—welcome home.



EQUAL HOUSING LENDER