

Member Insight

MID AMERICAN CREDIT UNION www.midamerican.coop

SUMMER 2010



Understanding slumping interest rates

BY JIM HOLT, PRESIDENT/CEO

It has not escaped our notice that savings rates have slipped considerably over the past 12 months. I am sure most of our members are aware that rates at all financial institutions have been falling across the United States. This is my attempt to explain why rates have not held up.

The Federal Reserve Board sets the rates at which financial institutions can borrow from the system. This rate has been at an unprecedented 0.25 percent for many months now. This "Fed Funds" rate has made borrowing interest rates very low. For example, we can borrow from our sources at about 1.29 percent for a two-year fixed rate.

The flip side of low interest rates on savings is that loan rates are also low. The average earnings on the money we lend is about 5.6 percent. Our cost of making that money available to lend is about 1.6 percent (what we pay members on certificates, savings accounts, etc.). The difference between these two figures is 4 percent. Half of that is used to pay employees and costs associated with keeping our branches open. Another 2.9 percent is spent on regulatory compliance, reserves and share insurance — which actually leaves us in the hole by .9 percent. We make this up from various other sources such as credit insurance and account fees that generate 1.8 percent in earnings. This leaves a net income of .9 percent,

which we call our undivided earnings.

The generally accepted standard for undivided earnings for growing and thriving credit unions is 1 percent. Being slightly under that benchmark reflects our belief that it is prudent in these times — when our members are having challenges — to keep a little less than the normal standard and put that into member benefits. We will try to make back the lower undivided earnings when times are better for everyone.

So what is the bottom line? We can borrow money to loan more cheaply from our lending sources than we can get it from our members (1.29 percent versus 1.6 percent). To make sure we do not run afoul of our regulators, we keep our savings rates fairly close to the market. Our loan rates need to be pretty close to the market or we will not have the loan income we need to pay savers, staff and other overhead.

We pay our members a little more than we should, given what regulators want us to keep in reserves. Until people get back to work, however, our ability to pay better rates will be limited. In the mean time, we will keep our staff lean, our expenses as narrow as possible and attempt to return as much value to our member as possible.

Please contact me if you have questions about this or other credit union issues.



Opt-in for overdraft protection

Mid American Credit Union members have a limited time to choose overdraft protection for ATM withdrawals and one-time debit card transactions. New federal guidelines require that existing members must "opt-in" for such coverage by Aug. 15, 2010.

Under standard overdraft practices, Mid American can authorize and pay overdrafts on checks and other transactions that use your checking account number, ACH withdrawals, Bill Payer payments, and recurring debit card transactions. Mid American charges a fee of up to \$25 each time an overdraft is paid and there is no annual limit on the total fees charged for overdrawing an account.

Under the new guidelines, Mid American cannot authorize and pay overdrafts on ATM transactions and one-time debit card transactions unless members have asked us to do so through a new opt-in form.

If members haven't opted in for overdraft protection coverage of ATM withdrawals and one-time debit card transactions by the Aug. 15 deadline, transactions will not be authorized if sufficient funds are not on deposit.

To opt-in, download the form at www.midamerican.coop/member_services.php and call a financial service representative at (316) 722-3921, ext. 202, to inform them of your decision.

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Give Your Loan Payment a Summer Vacation! *See Page 2*



Give Your Loan Payment a Summer Vacation with Skip-a-Payment!

Send your loan payment packing this summer with Skip-a-Payment – there’s no easier way to get your hands on extra cash! If you have more than one loan, you can Skip-a-Payment on all of them. Simply fill out this request form and mail it or drop it by our office.

Terms for Skip-a-Payment:

- * You must have made six full monthly payments on your loan before using your first Skip-a-Payment coupon
- * Your loan must be current and in good standing
- * One Skip-a-Payment allowed every 12 months per loan
- * Fee is \$10 or 10% of the payment amount, whichever is less, and will be added to the loan principal
- * Mortgages and home equity loans are not eligible



Name _____

Account # _____

I would like to skip the July, August or September payment (check one month) on loan(s) # _____

Borrower’s Signature _____

Co-Borrower’s Signature (if applicable) _____

Daytime Phone _____

Mail or drop off completed form at:
Mid American Credit Union — 8404 W. Kellogg Drive — Wichita, KS 67209
Coupon must be received 7 days prior to loan payment due date.

Finance Charges Explanation: Skipping a payment may cause your principal balance to remain unchanged and may extend the term of your contract. Interest will continue to accrue. Offer does not apply to mortgages, home equity loans or past due loans.

By the Numbers



- ☛ Forty-two percent of American adults don’t use a monthly budget and 32 percent don’t set aside any money for savings.
- ☛ In 2008, a person with a master’s degree earned on average about 25 percent more than a person with a bachelor’s degree, according to the Bureau of Labor Statistics.
- ☛ The average U.S. credit score is 692 out of a possible 830. Thirty-seven percent of U.S. adults admitted they don’t know their credit score.
- ☛ Americans are entitled to one free credit report from each of the three credit bureaus, yet 64 percent did not order a report last year.
- ☛ Tuition and fees at public U.S. four-year colleges and universities rose at an average annual rate of 4.9 percent per year beyond general inflation from 1999-2000 to 2009-10, according to the College Board. In-state tuition and fees for a public four-year college averaged \$7,020 in 2009-10, with room and board bringing the cost to \$15,213 per year on average. Tuition and fees at private universities averaged \$26,273 a year in 2009-10, with average total charges with room and board being \$35,636.
- ☛ In 2008-09, undergraduate students received an average of \$10,185 in aid per full-time equivalent (FTE) student, including \$5,041 in grant aid and \$4,585 in federal loans. Graduate students received an average of \$22,740 in aid per FTE, including \$7,558 in grant aid and \$14,598 in federal loans.
- ☛ Seventy-five percent of the average four-member households in the U.S. own a home, with 64 percent having a mortgage.
- ☛ Congress declared July 4 a federal holiday in 1941.
- ☛ Labor Day originated in the 1870s in Canada with the first U.S. Labor Day celebrated in New York in 1882.

Upcoming Events

REPO CAR SALE • 9 a.m.-1 p.m. • Saturday, July 10

Mid American is joining three other area credit unions to hold a repossessed car sale at Morning Star Community Church, 11010 E. Kellogg Drive (Kellogg and Greenwich).

NEW DIRECTIONS SUMMER EVENT • 6 p.m. • Friday, July 30

Join fellow New Directions members for dinner and the last concert of the season, “Musical Tales from America,” at the Chamber Music at the Barn at Prairie Pines, 4055 N. Tyler Road. Listen to music from the Civil War era, look at and touch real artifacts, and experience authentic reenactments. The schedule is 6 p.m. check-in at the ticket booth, 6:30 dinner in the garden, and 8 p.m. concert. Cost is \$30 per person. RSVPs are due Friday, July 16. For more information or to RSVP, call (316) 722-3921, ext. 232. For more information about New Directions, available to members age 55 and older, call (316) 722-3921, ext. 202.

Consider a second mortgage

From Debbie Oldenburg,
Home Loan Officer



For members trying to consolidate debt and get out from rising credit card interest rates, a financial solution may literally be on their doorstep — using the investment of their home for a second mortgage or home equity loan.

A second mortgage is a secured loan that would be a secondary lien on one's property. For those who don't have a first mortgage, a second mortgage is usually called a home equity loan.

There are financial benefits and reasons why a member should consider such a loan. For example, while interest rates are increasing on credit cards, they are decreasing for second mortgages and home equity loans. The interest paid on a second mortgage or home equity loan generally is tax-deductible, while the interest on other loans and credit cards isn't.

The amount of money available for a loan is based on the difference between the home's current value and the amount owed on the first mortgage. At Mid American, we use the county appraisal rate to determine the home's value unless the member wishes to pay for a separate appraisal. Terms of second mortgages can vary; at Mid American, we offer five, seven or 10-year terms.

Many members choose to get such a loan to make home improvements, which can mean increasing the value of one's home. That's why one of the incentives we are offering for those securing a second mortgage or home equity loan is a Lowe's gift card of \$100 for those getting a loan of \$10,000-\$19,000, and \$200 for a loan of \$20,000 or higher.



When Should You Retire?

A MESSAGE FROM MID AMERICAN RETIREMENT AND INVESTMENT SERVICES

Oh, what a difference a year (or two) makes! The age you choose to retire can make or break your best-laid plans. Why? Because this decision affects your finances in two ways. First, by waiting a year, you delay spending your retirement nest egg by one year. Second, not only do you delay spending your retirement savings but you gain another year to put more money away for your retirement.

How do most people decide?

Recent industry research* found the usual reasons people choose a retirement date include: the thought that they had reached a socially acceptable age to retire, had unpleasant experiences at work, were offered generous retirement packages, or they had reached the age their parents retired. While these emotional reasons are very real, this study shows that very few people select a retirement date after they've determined (through a financial analysis) that they have accumulated enough savings to sustain them through retirement. In other words, it seems age, rather than assets, is the normal gauge used to determine a retirement age.

Do Your Numbers Add Up?

You can approach retirement with a greater peace of mind with a thorough retirement income analysis made available to all of our members through Mid American Retirement and Investment Services. This analysis will walk you through the many risks retirees face including longevity (living longer than planned), inflation, market volatility, low interest rates and healthcare costs. Don't make the mistake of just making an intuitive decision about retirement. By combining your intuition, with a thorough look at your "numbers," you can approach retirement with a game plan, not worries. Call Steve Yokum at (316) 722-3921, ext. 182, to set up your complementary retirement analysis today.

**Spending and Investing in Retirement, 2006, LIMRA International, Inc., and the Society of Actuaries*



Steve Yokum Mid American Retirement & Investment Services Representative

Representatives are registered, securities are sold, and investment advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor, 2000 Heritage Way, Waverly, Iowa 50677, toll-free (866) 512-6109. Nondeposit investment and insurance products are not federally insured, involve investment risk, may lose value and are not obligations of or guaranteed by the financial institution. CBSI is under contract with the financial institution, through the financial services program, to make securities available to members. B2MM-0906-C425

Avoiding Overdrafts is Important to Me.

Don't Change My Overdraft Protection

OPT IN

Call (316) 722-3921, ext. 202

Some fees, rates are changing

Effective Sept. 1, the following fees and charges will apply.

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	CURRENT	BEGINNING 9/1/2010
Overnight weekday delivery	\$20.....	\$30
Overnight Saturday delivery	\$30.....	\$40
Wire transfer domestic	\$15.....	\$30
Wire transfer international - foreign currency	\$20.....	\$40
Wire transfer international - US currency	\$35.....	\$40
Garnishment processing fee	\$25.....	\$35
Dormant fee with bad address - per month.....	\$10.....	\$20
Christmas Savings Account - Charge for withdrawals from Jan. 1-Sept. 30	\$5.....	\$10
First and second mortgage document prep fee	\$50.....	\$100
No dividends on savings account balances less than \$100 except for Preferred Youth accounts.		
\$25 closing fee for tax-favored accounts.		

Holiday Closings

Independence Day: Monday, July 5 – Lobby & Drive-Thru closed

Labor Day: Saturday, Sept. 4 – Lobby closed, Drive-Thru open
Monday, Sept. 6 – Lobby & Drive-Thru closed

Investment Rates			
Money Market	\$0 - 9,999	\$10,000 - 49,999	\$50,000 - 99,999
	0.25% APY	0.50% APY	0.75% APY
	\$100,000 - 499,999	\$500,000 - 999,999	\$1,000,000 +
	1.00% APY	1.25% APY	1.75% APY
Certificates	Preferred Youth*	0.90% APY	
	PayDay*	1.55% APY	
	6-Month	0.80% APY	
	12-Month	0.90% APY	
	18-Month	1.15% APY	
	24-Month	1.25% APY	
	36-Month	1.75% APY	

APY=Annual Percentage Yield. Rates effective 6/16/10. Subject to change without notice. Please call Financial Services, ext. 202, for current rates. \$1,000 minimum certificate deposit; substantial penalty for early withdrawal. * \$100 minimum certificate deposit.

Low Loan Rates Starting at ...

- 3.99% APR New & Used Cars
- 7.99% APR New Boats/RVs
- 7.00% APR Equity Access
- 9.90% APR Select VISA
- 14.90% APR Everyday VISA
- 11.90% APR Signature Loans

APY=Annual Percentage Yield. Rates effective 6/16/10. Subject to change without notice. Please call Financial Services, ext. 202, for current rates. Rates are subject to change without notice. APR=Annual Percentage Rate.



Mid American Credit Union
8404 W. Kellogg Drive
Wichita, KS 67209
316-722-3921 • Fax 316-722-0920
1-800-366-6228 (in Kansas)

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John Sherwood, Vice Chair/Treasurer
Rick Dixon, Director
Ellen House, Director
Kathy Smith, Secretary
Sue Shelby, Chair Emeritus

President/CEO
James D. Holt

Lobby and Telephone Hours
9 a.m. - 5 p.m. Monday - Thursday
9 a.m. - 6 p.m. Friday
9 a.m. - Noon Saturday

Drive-Thru
7 a.m. - 7 p.m. Monday - Friday
8 a.m. - 2 p.m. Saturday

24-Hours A Day – 7 Days A Week
(balances, transfers, withdrawals, etc.)

MATT Telephone Teller
316-722-3921

On the Internet:
www.midamerican.coop

If you have questions about an issue or article in MEMBER INSIGHT, please contact Marketing at 316-722-3921.

