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*Summer Insights*



## Bad Money Habits to Break, Behaviors worth changing.

*Do bad money habits constrain your financial progress? Many people fall into the same financial behavior patterns, year after year. If you sometimes succumb to these financial tendencies, now is as good a time as any to alter your behavior.*

**#1: Lending money to family & friends.** You may know someone who has lent a few thousand to a sister or brother, a few hundred to an old buddy, and so on. Generosity is a virtue, but personal loans can easily transform into personal financial losses for the lender. If you must loan money to a friend or family member, mention that you will charge interest and set a repayment plan with deadlines. Better yet, don't do it at all. If your friends or relatives can't learn to budget, why should you bail them out?

**#2: Spending more than you make.** Living beyond your means, living on margin, or whatever you wish to call it – it is a path toward significant debt. Wealth is seldom made by buying possessions; today's flashy material items may become the garage sale junk of the future.

**#3: Saving little or nothing.** Good savers build emergency funds, have money to invest and compound, and leave the stress of living paycheck to paycheck behind. If you are not able to put extra money away, there is another way to get some: a second job. Even working 15-20 hours more per week could make a big difference.

**#4: Living without a budget.** You may make enough money that you don't feel you need to budget. In truth, few of us are really that wealthy. In calculating a budget, you may find opportunities for savings and detect wasteful spending.

**#5: Frivolous spending.** Advertisers can make us feel as if we have sudden needs; needs we must respond to, or ones that can only be met via the purchase of a product. See their ploys for what they are. Think twice before spending impulsively.

**#6: Not using cash often enough.** No one can deny that the world runs on credit, but that doesn't mean your household should. Pay with cash as often as your budget allows.

**#7: Thinking you'll win the lottery.** When the headlines are filled with news of big lottery jackpots, you might be tempted to throw a few bucks at a lottery ticket. It's important, though, to be fully aware that the odds in the lottery and other games of chance are against you. A few bucks once in a while is one thing, but a few bucks (or more) every week could possibly lead to financial and personal issues.

**#8: Inadequate financial literacy.** Is the financial world boring? To many people, it can seem that way. The Wall Street Journal is not exactly Rolling Stone, and The Economist is hardly light reading. You don't have to start there, however. There are great, readable, and even, entertaining websites filled with useful financial information. Reading an article per day on these websites could help you greatly increase your financial understanding.

**#9: Not contributing to retirement plans.** The earlier you contribute to them, the better; the more you contribute to them, the more compounding of those invested assets you may potentially realize.

**#10: DIY retirement strategy.** Those who save for retirement without the help of professionals may leave themselves open to abrupt, emotional investing mistakes and other oversights. Another common tendency is to vastly underestimate the amount of money needed for the future. Few people have the time to amass the knowledge and skill set possessed by a financial services professional with years of experience. Instead of flirting with trial and error, see a professional for insight.

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## Employee of the Quarter, Summer 2019

**Patty Munoz**



Congratulations to Patty Munoz, the 2nd quarter 2019 Employee of the Quarter. Patty is a Senior Teller at our Edinburg Branch. She was nominated for EOQ because she always goes above and beyond to assist our members in the most friendly and courteous way possible. She has the confidence to do her job exceptionally well. She is a leader and an awesome team player. Patty is an asset to the Edinburg Branch and to the credit union as a whole. Way to go, Patty!

## HOLIDAY CLOSINGS

**Thursday, July 4** in observance of Independence Day  
**Monday, September 2** in observance of Labor Day  
**Monday, October 14** in observance of Columbus Day



# Mortgage Rates Are Dropping; Should You Refinance?

**Refinancing a mortgage is essentially paying off the remaining balance on an existing home loan and then taking out a new mortgage loan, often at a lower interest rate. It may sound like a no-brainer, but there are many factors to consider before moving forward with a refinance.**

## Is it a good time to refinance?

Mortgage rates have been falling steadily over the last few months. During the last week of March this year, rates took their biggest one-week nosedive in more than a decade, and mortgage applications rose 39%, as thousands of homeowners sought out their lenders for a refinance.

However, the downward trend has already reversed as of the beginning of April, when rates hit 4.29 percent. That's up from 4.17 percent just one week prior. If you're thinking of refinancing in the near future, it's best to do move quickly so you can lock in the lowest possible rate. You may be able to save hundreds of dollars a month if you refinance a loan that currently has a relatively high interest rate.

## Is a refinance right for you?

While this is definitely an excellent time to take out a new mortgage, that doesn't mean a refinance is the right fit for everyone.

Here are two reasons a refinance might be a good fit for you:

1. Your credit is strong and you'd like to lower your monthly payments  
The first, and most obvious, reason homeowners refinance their mortgage is to take advantage of a lower interest rate. The drive behind this reason might be a change in finances, personal life or simply the desire to save money. As mentioned, the current mortgage rates make this an excellent time to refinance into a lower interest rate.

Don't try a refinance unless your credit is in good shape, though. Taking out another mortgage with a less-than-desirable credit score can mean getting hit with a high interest rate, even if national rates are dropping.

Aside from reducing your monthly payments, a lower interest rate can also help you build more equity in your home sooner.

2. You'd like to shorten the life of your loan  
People sometimes choose to refinance their mortgage because they want to finish paying off their loan sooner. If you have a mortgage that has a really high interest rate but you can easily meet these payments, consider refinancing into a shorter-term option. You may be able to pay off your loan in half the time without changing your monthly payment much at all.

When refinancing your mortgage is a bad idea

In the following three circumstances, refinancing your mortgage may not make sense.

- A. You're in debt.  
If you're looking for the extra stash of cash each month to pull you out of debt, you probably shouldn't be refinancing. Most people who refinance for

this reason end up spending all the money they save, and then some. Without making any real changes to your spending habits, giving yourself extra money is only enabling more debt. While the intention is rooted in sound logic, unless you make an equally sound change in your spending habits, you'll be right back to your present situation in very little time.

- B. A refinance will greatly lengthen the loan's terms.  
If you've only got 10 years left on your mortgage and you want to refinance to stretch out those payments over 30 years, you won't come out ahead. Any money you save on lower payments will be lost in the cost of the refinance and the extra 20 years of interest you'll be paying on your mortgage.
- C. You don't plan on living in your home much longer.  
If you plan on moving within the next few years, the money you save might not even come close to the costs of a refinance.

## How much will it cost?

Homeowners are often eager to get started on a refinance until they see what it will cost them.

Remember all those fees and closing costs you paid when you first bought your house? Prepare to pay most of them again. Broker fees will vary, but a typical refinance will cost anywhere between 3-6% of the loan's principal.

Before proceeding with your refinance, make sure you'll actually be saving money. You can do this by procuring a good faith estimate from several lenders. This will give you your projected interest rate and the anticipated loan price. Next, divide this price by the amount you'll save each month with your anticipated new rate. This will give you the number of months that will have to pass before you break even on the new loan. If you don't plan on staying in your home for that long, or you can't afford to wait until then to recoup your losses, refinancing may not make sense for you.

Rates are still low, and if your finances are in good shape, a refinance can be a great way to put an extra few hundred dollars into your pocket each month. If you're ready to talk to a home loan expert about refinancing, call, click or stop by Greater Texas | Aggieland Credit Union today to ask about getting started on your refinance. We're always happy to help you save money!

Sources:

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\*Terms and conditions apply. Average annual savings based on countrywide survey of new customers from 8/1/16 to 8/1/17 who reported savings from prior premiums when they switched to Liberty Mutual. Savings comparison does not apply in MA. © TruStage Insurance Agency 2018.

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