

Money Matters



Summer 2005

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Understanding Power of Attorney

A power of attorney, or POA, is a document authorizing someone to act on your behalf on legal or personal matters if you're unable to act for yourself. POAs can encompass tasks as simple as having a friend write checks for you while you're on an extended vacation, or carrying out much more detailed obligations.

Wills, while a necessary part of your estate plan, function only after your death. They are no help in determining who will direct your health care or handle your finances while you're still alive.

A typical POA continues until you revoke it, become incapacitated, or die.

A durable power of attorney remains effective even if you become incapacitated. You can limit the POA to a specific time period, to accomplish a particular goal, or to perform a specific task. You can revoke power of attorney at any time, unless you're found to be without the mental capacity to do so.

A POA can cover a spectrum of responsibilities. The person you choose needs to be responsible and reliable, and ideally should live close by. If you can't find someone to match that description, you may ask a corporate trustee or your personal attorney to act as your POA. ■

Shared Branch Office Coming This Summer

In response to the difficulty our members face when visiting our Kirtland Air Force Base office, we will be opening a satellite office inside the Shared Branch location at 7517 Montgomery Blvd. NE. We will inform you of opening date and hours of operation when they become available. ■



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Welcome Our New Member Service Representative!

Sheila Sanchez joined our team on May 23rd. She has a well-rounded background and a bubbly personality. Sheila has been an office manager, administrative secretary, education director, and a bookkeeper. We are sure she will make a great contribution to our team.

Come by the office and say hello to Sheila. ■

Summer Safety Tips

Summer is prime time for vacation and fun. But be conscious about your personal safety when traveling. Consider the safety of your personal credit and debit cards. Thieves know that people are more prone to distraction and carelessness while traveling. While you may have limited liability for fraudulent use of your cards if reported in a timely manner, prevention is easier than catching thieves. Here are some tips for traveling this summer:

- Take only the credit and check cards you intend to use. Leave other cards such as department store cards at home.
- Keep your cards secure. Fanny packs have become favorite targets. Consider one of the document carriers worn under clothing.
- Be wary in crowds. Pickpockets often work in pairs; one distracting you while the other lifts your wallet or purse.
- Keep a list of your cards and the emergency replacement numbers in your hotel room. Report a loss as soon as it is discovered.
- Always check your monthly statements to verify all charges. Be especially careful after you've taken a trip. Report any unauthorized items immediately to the Credit Union.
- Only give your card numbers over the phone to legitimate businesses you know and trust.

This advice is given not to make you fearful to travel. Your credit and check cards actually give you more security than traveler's checks or cash. They afford you more protection from loss. ■

Is Shorter Mortgage Smarter?

With today's low interest rates, more borrowers find shorter-term options affordable. The monthly payment for a 15-year, fixed-rate \$100,000 mortgage at 5.00% is \$790 (principal and interest only), compared with \$537 a month for the same amount borrowed for 30 years. While the 15-year mortgage takes a bigger bite out of your monthly budget, it allows you to drastically trim the interest paid overall. In this example, you'd pay the lender about \$50,000 less in total interest with a 15-year mortgage than you would over 30 years.

If you can afford higher monthly payments, should you go for 15 years? Earlier freedom from mortgage payments and immense interest savings are two reasons for doing so. But before deciding, you need to ask yourself a few other questions:

Is there a better way to use that money? "When you put extra money into house payments, it's like earning a return on that money equal to the mortgage rate," notes Jack Harris, research



economist at the Real Estate Center, Texas A&M University. "If that amount could be invested somewhere else at no risk at a higher rate," he advises, "then you should pass on the 15-year mortgage."

Do you need the bigger tax break?

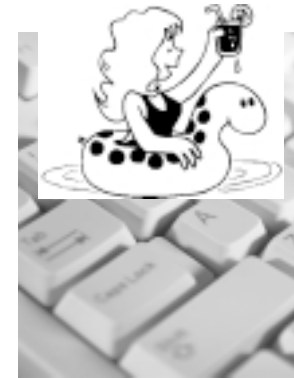
You pay off a 15-year mortgage sooner, and thus the interest portion of your payments dwindles faster than with a 30-year. Same goes for your tax deduction for mortgage interest. "But for many borrowers, the tax break issue isn't crucial and gets overplayed," Harris contends. "A lot of homeowners don't even take the tax break, because it doesn't exceed the standard deduction."

Is your income variable? If so, you may want to avoid locking into higher monthly payments. You could fall short some months, risking default.

No matter which way you decide, visit our loan officers to help you with your mortgage. They have the tools to get you the best loan for your financial situation. ■

Vacation Convenience Online

Going away on that long-awaited vacation? Worried about the bills that might come due while you are away enjoying yourself. Leave the worries behind. Lie on the beach and forget about



the hassles of conducting everyday financial chores.

If you haven't already heard, our new website leads you right to accessing your accounts. And adding BillPay to your service means you can set your bills in advance to be paid when you want. Online BillPay is safe, secure and simple. Once you've tried it, you'll never go searching for your checkbook again. Just call us to sign up today! ■

What's Your Score? What Does it Mean? Get a Credit Report Free

The credit industry is keeping score. Every time you apply for a credit card, a mortgage, insurance, or perhaps even a job, your application is judged in part by your credit score. Ranging from 300 to around 900, the number is used by lenders to objectively measure your creditworthiness. The higher the score, the more likely you are perceived to repay credit. Consumers with scores less than 600 usually are categorized as higher risk and may pay a higher interest rate or be denied credit.

Fair Isaac & Co. (FICO) is the largest creator of credit scores. While most lenders use FICO scores, there are many different kinds of credit scores, and some lenders even create their own scor-

ing models. Thus, your credit score could vary by 30 to 100 points because lenders weigh credit factors differently.

Factors that affect your credit score include payment history, amount of debt you carry, length of credit history, whether you frequently apply for new credit, and your credit mix (credit cards, retail cards, mortgage, and personal loans). The best advice is to pay bills on time and only charge as much as you can afford to pay in-full when the bill is due.

Consumers can access Equifax, Experian and TransUnion credit reporting agencies websites or by a toll-

free number to order a free annual credit report. If you live in one of the eligible 13 western states, beginning December 1, 2004 you can visit www.annualcreditreport.com or call 877-322-8228. After September 1, 2005 all other states will be included in the free annual report service area. The Federal Trade Commission has published a new brochure explaining why you should review your report at least annually. You can find the report on our website at www.nmenergyfcu.org.

To reach the credit reporting agencies by phone: Equifax 800-685-1111; Experian 888-397-3742; TransUnion 800-888-4213. ■

Avoid Credit Card Traps

Credit card issuers are setting hidden traps that can cost you hefty fees and trigger sharp interest rate hikes.

Here are some you should watch for:

- **Universal default penalties** — Some banks will jack up the interest rate on your credit card account if you're late with payments on other accounts. Interest rates can run as high as 30%, according to industry analysts.

- **Shorter grace periods and skyrocketing late fees** — Credit card companies are shortening the interval for making "on-time" payments without incurring interest or late fees, and late fees at large issuers are as high as \$39.

- **Late payments and interest rate hikes** — Some issuers raise your interest rate significantly if you miss a payment, and if you're late two or three times, the rate may go up again.

- **Over-the-limit fee triggers** — An issuer typically charges an over-the-limit fee only if an account exceeds its limit at statement date. However, some

issuers charge the fee if your balance has exceeded the limit at any time during the billing cycle.

- **Hidden fees along with low introductory interest rates on balance transfers** — Issuers may charge fees as high as \$50 to cut the check that pays off your old balance. New purchases and cash advances may incur high interest rates, and your payments may be applied to the high-rate balances last.

The answer?

- Read the fine print on your credit card agreement so you understand your account's terms and conditions.
- Pay promptly and stay within your credit limit.
- If your issuer raises your interest rate, call immediately to negotiate a lower one.
- Move your balance to a credit union account with competitive rates and no hidden fees or traps. ■



The Incredible Shrinking Grace Period

You already know that credit card costs can add up quickly if you carry a large balance or if your payment is late. But are you aware of some of the other ways credit card companies are putting the financial squeeze on customers?

- Grace periods are shrinking. A grace period is the time between when a purchase is made and when the company begins charging interest on that purchase. Many card companies used to offer a 30-day grace period.

- Grace periods slowly have been whittled down to 25 days or even 20 days for some cards.

- The grace period disappears if the cardholder already has a balance on the card.

- Some cards have no grace period at all, which means interest is added after each and every purchase.

Read the fine print of your credit card agreement, or contact the issuer to find out more about your card's grace period. Contact any of our staff members; we likely have a better deal on a credit card for you. ■

Making Sense of Plastic Promos

There's a battle raging. And we're not talking the Dark Side of the Force vs. the Jedi Knights. We're talking about the battle for consumers' wallets and for survival in the credit card market. That's why some 7,000 credit card issuers are deluging you and other consumers with their latest, greatest, got-to-have, must-see credit card offerings.

What's a shopper to do?

- **Fall back on the basics** — What's it going to cost you to use the card? A lot depends on how you use the card. If you carry over a balance, a card with a low annual percentage rate (APR) is what you're after. Credit union variable-rate credit cards charge an average APR currently more than one percentage point lower than bank credit cards.

If you always pay your balance in full, interest rate isn't an issue so choosing a card with no, or the lowest annual fee, makes sense. Fewer credit unions than banks charge annual fees to begin with and, of those that do, the average fee is more than \$2.25 less than the annual fee on the average bank credit card.

- **Check out fees** — With all the attention surrounding interest rates, especially short-term teaser rates, it seems many card issuers have switched tactics to rely more heavily on fees as their moneymaker. According to the U.S. Public Interest Research Group, government data show credit card fee income is one of banks' fastest-growing sources of income.

In particular, late fees on bank credit cards are soaring, with the most exorbitant topping out at \$39. To add insult to injury, some issuers are charging a penalty interest rate on top of a late fee. A relatively new cash cow, the penalty rate hikes a card's interest rate permanently, above 20% once the cardholder misses a payment due date. Ouch!

And watch for shortened grace periods; some have shrunk from 25 days to 20, leaving cardholders with an even narrower window of opportunity for mailing payments on time.

For the straight scoop about the NM Energy FCU credit card program, contact us today. And stop paying more for credit than you have to. ■

Retirement: How Much Do You Need to Save?

Do you know how much you can expect from Social Security in retirement or from any pension plan you have? Do you know how much you need to save to make up the shortfall in your desired retirement income?

Gather information about any traditional pension and other retirement plans you have. Request a benefit summary plan, including when and how you'll receive your payments. For an estimate of your future social security benefit, watch your mail for the annual statement now sent automatically to all workers age 25 and older.

Then estimate your retirement expenses. In general, you'll need about 70% to 80% of pre-retirement expenses. But these traditional formulas may leave you short, due to longer life expectancies, active retirement lifestyles, higher medical expenses, long-term-

care costs, and higher property taxes. So to be safe, over estimate what you will need in retirement. There will be unexpected spending and factor in annual cost-of-living increases between now and the time you retire, as well as throughout retirement.

A financial adviser, retirement planning software, or Internet calculator can help you calculate how much you need to save to make up the shortfall in your desired retirement income. Remember that even the best advisers and software can provide only an estimate of your needs. Your results will change based on actual investment returns, inflation rates, tax law changes, changes in social security, and how long you live, among other things. If asked, choose a low return on investment rate to ensure your calculations are conservative. ■

Holiday Closings

- **Independence Day**
Friday, July 1 - Close at 3:00 PM
Monday, July 4 - Closed
- **Labor Day**
Friday, Sept. 2 - Close at 3:00 PM
Monday, Sept. 5 - Closed
- **Columbus Day**
Friday, Oct. 7 - Close at 3:00 PM
Monday, Oct. 10 - Closed

2006 Model Vehicles Are Here



It's still 2005, but the 2006 model vehicles have already hit the showrooms. If you are in the market for a new set of wheels, take advantage of current low rates to get a great deal on a 2006 model car or truck. Don't forget to stop by your New Mexico Energy Federal Credit Union to get the best rates possible for auto financing. ■

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Lobby Hours

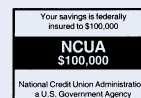
Monday
 8:00 AM to 3:00 PM
Tuesday through Thursday
 9:00 AM to 3:00 PM
Friday
 9:00 AM to 4:30 PM
Closed on Federal Holidays

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All Individual Retirement Accounts are insured separately to an additional \$100,000.