Dear Members,

During the past few weeks, Coronavirus (COVID-19) has spread into our communities and our consciousness, raising concern for all of us. As unsettling as current events are, we are confident that our communities will come back stronger than ever. We also want to assure you that the well-being of our members and employees remains our top priority. Please check updates.kctcu.org for current information on this ever-changing situation.

Even in these unprecedented times, KCT is still looking for ways to serve you. Recently, we have had a lot of interest in Mortgage Loans, Home Equity Line of Credits, and our Get Out of Debt (GOOD) Loan. We have also been looking for ways to be your one-stop financial provider and have added a full suite of life insurance products and services to our product line.

**Mortgages**

With mortgage rates falling, it might seem like a great time to refinance your mortgage. You might be tempted to move to a 15- or 20-year loan. This can save you a lot in interest payments over the term of the loan, but you need to take into account that your monthly payment may jump dramatically.

**Home Equity Line of Credit (HELOC)**

Now more than ever, having an open line of credit to draw from can be incredibly helpful. Take advantage of our low interest rates, and the financial flexibility that a HELOC allows. Borrow the amount you need, when you need it. There are no restrictions on what you use the money for; it’s completely up to you.

**Get Out of Debt (GOOD) Loan**

Our GOOD Loan rate as low as 5.99% APR has been extended until June 30! Now could be a great time to consolidate high-interest rates from credit cards and loans into one simple payment. Combine it with a debt checkup to evaluate your current situation, and we’ll help take you from where you are to where you want to be.

**Life Insurance**

Did you know that KCT now offers life insurance? Our life insurance advisors can help you determine which life insurance policy is best for you. The importance of life insurance cannot be overstated, and KCT is here to help!
With mortgage rates falling, many homeowners are rushing to refinance their 30-year mortgages into 15- or 20-year loans. Borrowers may be wondering if this is a financially sound move to make for their own mortgage.

We’ve researched it and worked out the numbers for you so you can make a responsible, informed choice.

**When refinancing can be a good idea**

The primary attraction of a shorter mortgage term is paying off your home loan sooner, typically at a lower interest rate. Refinancing to a shorter-term loan makes the most sense when interest rates are falling.

**How much money can I save?**

Let’s assume you have a fixed 30-year, $300,000 mortgage with an interest rate of 4.5 percent.

If you kept your existing mortgage unchanged for 30 years, you’d be making 360 payments of $1,520.06 a month, not including taxes, insurance and other fees. Over the life of your loan, you will have paid $247,220.13 in interest.

Now let’s explore what these payments would look like if you refinance to a 15-year fixed-rate loan at a 3.5 percent interest rate.

Over 15 years, you would make 180 payments of $2,144.65. Over the life of the loan, you’d be paying $86,036.57 in interest payments, affording you savings of $161,183.56.

Remember: These numbers may or may not translate to your own situation. These savings are calculated over 30 years, but you may be nearing the halfway point of your mortgage. Refinancing at a lower rate may still be a good idea, but your interest savings will be much less than described above. Second, your rate may not be a full point lower after a refinance, as it is in our example. This, too, will bring less savings.

**Visit HomeLoans.kctcu.org to view rates, use our refinance calculator, or begin the application process. Still have questions? Don’t worry, we’re here to help! Call our award-winning Residential Lending Specialists to discuss your situation and see if a mortgage refinance is right for you. Call us today at 847-741-3344, option 2.**
You can use your home's equity for remodeling, auto repairs, an emergency fund, paying off loans or credit card debt.

Debt is the wealth killer. You’ve heard this piece of advice repeated in a million different corners of financial news. You’ve read articles telling you to get rid of all your debt in order to build wealth and save for the future.

There’s one very notable exception, though, and you’re living in it. Debt secured by your home has low interest rates, and regular payments can do wonders to improve your credit score. In many cases, too, you can get preferential tax treatment to the interest you pay.

Money you owe on your home is often called “good debt” and there are a few ways in which it’s different than other kinds of debt. First, it’s secured. That is, your ability to repay the debt is ensured by the value of the property. Second, its effective interest rate is lower even than advertised. Your home will likely appreciate in value. The value of appreciation of real estate has been 6.4% on average nationwide. So, instead of losing you money, your mortgage just decreases your investment income. Third, creditors take the presence of installment loans, like mortgages, as signs of responsible use of credit, not to mention the consistent repayment history looks very favorable to potential lenders and credit scoring entities.

If you’ve already paid for your house, there are still ways you can reap the benefits of getting this “good debt.” You can use what’s called a home equity line of credit, or HELOC, to pay for a variety of expenses. There are a few key differences between a HELOC and your mortgage.

First, HELOC rates are far more stable. Because they’re secured by the equity you already have in your home instead of the possible resale value of your home, lenders need to charge less interest to secure the value of the loan. HELOC loans usually offer a “grace period” of interest-only payments. You can pay a smaller amount each month for as much as several years, depending on the terms of your loan.

Bear in mind, HELOC loans are not risk-free. You’re securing your purchases with your home. If you don’t pay your loans, you can face very serious consequences. You can lose your house, seriously damage your credit and still be liable for the balance of the loan. Like all debt, HELOC loans are serious financial instruments. You should have a reason for using it and a plan for paying it off.

If you’re interested in getting a HELOC, KCT can help. Let’s take a look at a few ways our members are using their HELOC to improve their lives and financial well-being.
Home Equity Line of Credit - Continued

Financing Home Improvement
This is the most common reason given for using a HELOC. It makes sense. Improvements to your home increase its value, so home improvements are a low-risk investment. Using the equity that’s in your home to finance these improvements is the cheapest way to increase the value of your holding.

Debt Consolidation
If you have a lot of “bad” debt, like credit cards, car payments or other high-interest loans, you can save a lot of money each month by paying off that debt with a HELOC. Your HELOC will have a lower rate of interest and you’ll only have to make one payment each month. Plus, you may be able to take advantage of preferential tax treatment for the interest. (Consult your tax advisor for details.)

Purchasing a Car
Unlike your home, your car is certainly going to depreciate in value. If you buy a used car then resell it immediately, you will almost certainly lose money on that transaction. This depreciation means the interest rates on auto loans will be higher than those on your HELOC. You can also get a lower price overall by buying the car outright, which will allow you to work around financing fees from the dealer.

Major Purchases
For most people, the biggest source of wealth is their home. A home loan is one of the few monthly bills that actually builds wealth instead of zapping it. If you need to make a major purchase, the biggest source of capital you’re likely to have is your house. If you want to start a business, purchase a boat or an RV, or buy rental property, a HELOC is one of the best ways to finance it.

Covering Emergency Expenses
Most financial experts recommend keeping an emergency fund that could cover you for between six months and a year if you lost your job. That’s good advice. If you don’t have the cash on hand, though, you can open a HELOC to cover medical expenses, car repairs and other unexpected costs. You should still work to build savings that can prevent borrowing in the event of a catastrophe. Opening a HELOC can provide you some security in the meantime.

If you own your home and are considering any of the above plans for your future, you should speak to a Member Service Representative from KCT today. Our friendly and knowledgeable staff can answer any questions you might have about what a HELOC is and how you can use one. They can even get started with the paperwork so the credit is there when you need it. Don’t wait until you’ve got a giant bill for remodeling or an expense you can’t cover; contact KCT about HELOC loans today!

KCT’s Digital Card App is available in the Apple Store and Google Play. Visit DCA.kctcu.org for more information and download the app today!

Building Stronger Communities Together

AMERICAN SHARE INSURANCE
Your savings insured to $250,000 per account. This institution is not federally insured.
Is your financial situation healthy? KCT’s Debt Checkup and Get Out of Debt Loan can help!

Schedule a free, no obligation Debt Checkup with KCT. Just like your physical health, it is important to make sure your financial health is in good standing. We’ll review your current loans and credit cards to ensure you’re paying the lowest rates on your debt. We will also discuss your credit score and how to improve it, if needed.

After the Debt Checkup, one of our Member Service Representatives (MSRs) will give you feedback and provide options on how you can improve your current debt situation. For example, we can help you prepare a realistic budget to manage your spending. Another solution that could be right for you is our Get Out of Debt (GOOD) Loan, which lets you consolidate your high-interest credit card debt and loans into one payment at a great rate!

Rates as low as 5.99% APR*

Rate extended until June 30, 2020

Borrow up to $10,000 for 36 months
Rate includes discount, see details.**

*Annual Percentage Rate (APR). Advertised rate is based on excellent credit history and discount. Membership and other qualifications apply. The interest rate you receive will be determined by your creditworthiness. Maximum term is 36 months, with a maximum amount of $10,000. Payment example: a $10,000 loan with a 36-month term at 5.99% APR would have 36 payments of approximately $305.25, resulting in approximately $989.01 in finance (interest) charges. Payment may vary from example if electing KCT Protection. Rates subject to change. All loans subject to approval.

**Receive a 0.25% discount on an approved Get Out of Debt Loan when you setup or have an existing automatic deposit into your KCT Checking account of at least $500.00 per month with automatic loan payment. If at anytime the automatic deposits discontinue in the duration of the GOOD Loan term, the discounted rate will no longer apply and the rate will adjust accordingly. Offer valid thru June 30, 2020.
Having sufficient life insurance is important. And yet, so many of us buy into popular misconceptions, convincing ourselves we don’t need to bother purchasing a policy.

But don’t be fooled. Here are seven of the most widespread life insurance myths that are easily debunked.

**Myth #1: I’m single and I have no dependents. There’s no reason for me to get life insurance.**

Actually, there is good reason for you to have life insurance as a single person. First, every person should have enough funds to cover their funeral costs and end-of-life medical bills. You don’t want to leave your family or executor with a legacy of debt and unpaid bills. Second, purchasing a life insurance policy is the best way to be remembered for your generosity. You can choose your favorite cause to be the beneficiary of your death payout, helping improve the lives of others after you’re gone.

**Myth #2: I’m a stay-at-home parent who doesn’t earn an income. My partner needs life insurance; I don’t.**

Unless you sit at home twiddling your thumbs all day, the tasks that fill your time will need to be outsourced to hired help if you suddenly pass on. Your better half may need to pay for cleaning help, a cook or a nanny – or maybe all three! All that costs money, and that money can come from the insurance payout from a homemaker’s policy.

**Myth #3: Why would I waste my money on an insurance policy when I can invest that same money and earn higher returns?**

Are you sitting on millions? Unless you can honestly answer that with a “yes,” you’re better off putting your money somewhere safe with a guaranteed payout — like a life insurance policy. Investments are never 100% safe, and you don’t want to leave your dependents with an iffy source of funds. The only exception to this rule is for the truly wealthy who have more than $1 million in liquid assets and have their funeral costs and medical bills covered. For the rest of us mere mortals, though, life insurance is the way to go.

**Myth #4: Life insurance is too expensive. I can’t afford it!**

The idea that that life insurance is too expensive is just hogwash. A recent Life Happens study revealed that 80% of uninsured people who claimed life insurance was too expensive had overestimated its cost. A 20-year level term policy for a healthy 30-year-old usually falls in the ballpark of $150 a year. That’s peanuts compared to the benefits of having life insurance and the security of knowing your loved ones will be taken care of after you’re gone.
Myth #5: I’m too young to worry about life insurance.
Actually, there’s no better time to purchase a life insurance policy than when you’re young and healthy. The premiums are far less expensive for those under age 35, and most people in that stage of life do not have sizable assets to pass on to their dependents. The longer you wait to buy a policy, the bigger chance you have of developing a medical condition that will significantly raise your monthly premiums. Most importantly, dependents of the 25-35 age group will definitely be too young to be financially independent and will need the death payouts for basic survival.

Myth #6: My children are independent adults. Why would I need life insurance?
There’s an old bit of advice claiming that parents of adult children should keep their mouths shut and their purse strings open. It always feels good to provide for your children, regardless of their stage of life. Leaving your children with an inheritance that helps them purchase a home, start a business or even put some money away for a rainy day will keep you in their thoughts long after you’re gone.

Also, you don’t want to burden your children with funeral expenses and medical bills when they’re grieving. Just the cost of a funeral and burial can top $8,000! It’s always best to have these expenses covered before it’s too late.

Myth #7: My job offers a life insurance policy for all employees. If I leave my job, I can always take the policy with me.
Unfortunately, this is false. Most employer-offered life insurance policies are not portable. If you leave your job, for whatever reason, you’ll also be leaving your life insurance plan. No one can predict the future, and there’s no way to know you’ll remain at your current workplace forever.

That’s why it’s best to purchase a separate life insurance policy, even when your employer provides you with one. Plus, buying your own policy will allow you to choose one that best suits your needs.

It’s never fun to think about what will happen after we’re gone. Taking the time to plan for end-of-life expenses, though, and leaving loved ones with enough to live on when we’ve passed, is the responsible thing to do. Don’t let a life insurance myth keep you from buying a policy!

Want to learn more? Get a free copy of the eBook, “What you need to know about life insurance” at kctcu.org/protect/life-insurance