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Not a number.*

Interest Rates

What are Interest Rates?



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- Interest Rate is a fee charged by a lender to a borrower for obtaining a loan. This is usually expressed as a percentage of the total amount loaned.
- Most financial institutions do risk-based lending.
- Rate types
 - Daily-Average
 - Amortized
 - Simple Interest

How are interest rates determined?



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- Interest rates are typically determined by your credit score
 - Loan Type
 - Loan Term
 - Secure or Unsecured
 - Loan To Value (LTV)
-

What is a Credit Score?



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- A **credit score** is a three-digit number based on a statistical analysis of a person's credit file, that represents the credit worthiness of that person.

 - Credit scores are based on information in a person's credit report, which is provided by credit bureaus.

 - Financial Institutions and credit card companies use credit scores to...
 - ❑ Evaluate the potential risk posed by lending money to consumers
 - ❑ Determine who qualifies for a loan
 - ❑ Determine what rate to assign that person
 - ❑ Establish loan amount or limit

 - Financial Institutions are not the only ones checking
 - ❑ Cell Phone Companies, Insurance Companies, Employers, Government Departments, Hospitals
-

What is a Credit Score?



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SCORE	RANGE
A+	730+
A	680-729
B	640-679
C	600-639
D	550-599
E	549 or less

This matrix is unique to First New York FCU

What is a Credit Score?



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35%	Payment History
30%	Capacity
15%	Length of Credit
10%	Accumulation of Debt
10%	Mix of Credit

How to improve your Credit Score



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- Make payments on time
- Pay down credit cards
- Don't close credit cards
- Slow down on opening credit cards
- Have the right amount of Installment & Revolving Debt
- Do NOT borrow money from finance companies

Car Loans



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- Secured Loan
- Rates depend on age of the car
- Rates depend on your credit score & LTV
- 0% financing offered by dealerships is not necessarily the best deal

\$10,000 New Car Loan with a 36 month term



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Credit Score	APR**	Mo. Payment	Finance Charges
A+ (730+)	4.74%	\$298.54	\$747.26
A (680-729)	5.24%	\$300.78	\$828.04
B (640-679)	6.24%	\$305.30	\$990.74
C (600-639)	7.74%	\$312.16	\$1,237.44
D (550-599)	10.24%	\$323.79	\$1,656.08
E (549 or less)	14.74%	\$345.36	\$2,432.65

**Rates are listed as of 12/12/2008 and are subject to change without notice.*

** Rates are as low as*

Personal Loans



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- Secured & Unsecured Loan
 - Rates depend on your credit score
 - Rates depend on the term of the loan
 - Can be used at borrowers discretion
-

\$5,000 Personal Loan with a 36 month term



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Credit Score	APR**	Mo. Payment	Finance Charges
A+ (730+)	9.99%	\$161.31	\$806.89
A (680-729)	10.99%	\$163.66	\$891.71
B (640-679)	12.99%	\$168.44	\$1,063.56
C (600-639)	14.99%	\$173.29	\$1,238.30
D (550-599)	17.95%	\$180.62	\$1,502.22
E (549 or less)	17.95%	\$180.62	\$1,502.22

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** Rates are as low as*

Home Loans



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- Mortgage
 - ❑ Secured loan for purchase or refinance of a home
 - ❑ Rate is not entirely based on Credit Score

- Home Equity Loan/Line of Credit
 - ❑ Borrowing money against your home's equity
 - ❑ Secured loan for home improvements, consolidating other debt, school financing, etc.
 - ❑ Rate is based on Credit Score & LTV

\$10,000 Home Equity Loan



with a 60 month term at 80% LTV

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Credit Score	APR**	Mo. Payment	Finance Charges
A+ (730+)	5.75%	\$192.17	\$1,530.04
A (680-729)	6.00%	\$193.33	\$1,599.68
B (640-679)	7.00%	\$198.02	\$1,880.67
C (600-639)	8.50%	\$205.17	\$2,309.87
D (550-599)	11.00%	\$217.43	\$3,045.37
E (549 or less)	N/A	N/A	N/A

**Rates are listed as of 12/30/2008 and are subject to change without notice.*

** Rates are as low as*

Credit Cards...if you are paying off a balance



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- Look for
 - The right interest rate
 - A card with no annual fee

- Watch out for
 - Rate games
 - Steep penalty rates or fees

Credit Cards...if you never carry a balance



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- Look for
 - ❑ At least a 20 day grace period
 - ❑ A card with rewards
 - ❑ Low fees
- Watch out for
 - ❑ Usage fees
 - ❑ Expiration dates on points
 - ❑ Blackout dates
 - ❑ Minimum-spending requirements

Credit Cards...if you sometimes carry a balance, or have multiple credit cards



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- Look for
 - A card that can help organize spending
 - Some type of reward/payback

- Watch out for
 - Carrying too much credit

Credit Cards...if you have bad or no credit history



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■ Look for

□ Reasonable terms

- Rates may be high 20% and up. Avoid carrying a balance if at all possible

■ Watch out for

□ Scams!

□ Outrageous fees

- Some places may try to make you pay fees before even allowing you to use the credit card

Know where you stand



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- Get your credit report pulled from a banking professional every 6 to 12 months
- Checking your credit score can tell you if an account has been opened fraudulently under your name
- Knowing your score means you know what type of loan rates you can expect to receive