SHARONVIEW®
FEDERAL CREDIT UNION

VIEWPOINT

A Newsletter for Members of
Sharonview Federal Credit Union
July 2022

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CEO's CORNER

Bill Partin • President & CEO
Follow Bill on LinkedIn to receive his take on relevant financial topics!

As you might already know, I recently announced my retirement effective December 31st of this year. I have been honored and humbled to serve as President/CEO of Sharonview for the past nine years. You, our members, have been and will continue to be at the center of everything we do. I will always look back fondly on the member interactions that took place during branch visits. Hearing first-hand from members how our team helped you achieve your financial goals will stay with me forever! The growth and success Sharonview has experienced over the past nine years coincides with the growth and success of our members. Your trust in Sharonview allowed us to offer new products and services that benefit the entire membership.

It is bittersweet to have made this announcement. I have so enjoyed working with you and this amazing organization to continue to improve the lives of the membership and the community in which we operate. I will miss you. Please say hi if you see me out and about as I make my rounds to the branches in these last months of my time with Sharonview.

Thank you for the honor and privilege to serve you!

Bill Partin

Sharonview Cares in the Community

Sharonview recently teamed up with our credit card partner Elan to volunteer at Second Harvest Food Bank of Metrolina. Our volunteers worked together to fill over 1,100 backpacks with easy-to-prepare meals and snacks for school-aged children who may not have access to food over the weekends, summer vacation and holidays.

We also presented Second Harvest Food Bank with a $12,500 donation and a surprise additional $5,000 donation, for a total of $17,500 to help fund their work to end hunger. This will provide over 84,000 pounds of food to those in need!

We are delighted to work with such outstanding organizations that are committed to impacting the communities around us. Thank you, Elan and Second Harvest Food Bank!

2022 Scholarship Recipients

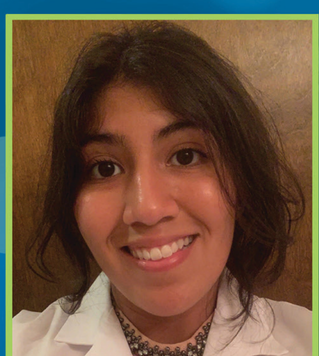
Congratulations to our 2022 scholarship recipients! We are so proud of these hardworking students!

Colin
Sharonview Team Scholarship in memory of Phil Abrams

Janiya
Sharonview Team Scholarship in memory of Phil Abrams

Arciene
Carolinas Credit Union Foundation Scholarship

Alyssa
Sharonview Cares Scholarship in memory of Paul Paliyenko



Paola
Sharonview Cares Scholarship in memory of Paul Paliyenko

WHY THE FED WANTS HOME BUYERS TO FACE **HIGHER MORTGAGE RATES**

As mortgages become more expensive, home buyers may be forced to shop for less-costly houses, which could slow the pace of home price increases and, in turn, restrain inflation.

The Federal Reserve yanked a short-term interest rate higher this week, making it more expensive to borrow money to buy a home or fix it up. All in the name of slowing inflation. The central bank raised the federal funds rate Wednesday by 0.5%, or half a percentage point. The Fed hadn't raised the federal funds rate by half a percentage point in one meeting since 2000.

The 0.5% increase is considered a "hawkish," or aggressively anti-inflationary, move. Prominent Fed officials had been hinting for weeks that they would deliver a larger-than-usual rate increase, and mortgage rates already had risen sharply in anticipation of it, climbing roughly three-quarters of a percentage point from mid-March to the end of April.

"The speeches that were happening in recent weeks were all about a much more hawkish stance, and that's really where this drive in interest rates happened," says Selma Hepp, deputy chief economist for CoreLogic, a property information and analytics provider.

THE FED'S EFFECT ON MORTGAGE AND EQUITY **RATES**

The Fed's increase will cause other interest rates to rise, some directly and others indirectly. A higher federal funds rate will directly increase rates charged on adjustable-rate home equity lines of credit. They will rise 0.5% within a billing cycle or two. These loans, also called HELOCs, are often used to pay for home renovations.

The Fed also has an indirect impact on mortgage rates, which went up steadily through March and April because the markets knew this increase was coming. Mortgage rates are likely to keep climbing, because the Fed has raised the federal funds rate just twice in this cycle and the markets expect several more increases.

Lawrence Yun, chief economist for the National Association of Realtors, noted that the rate on the 30-year mortgage has risen far more this year than the federal funds rate. "This implies that the market is already pricing in around eight to 10 rounds of [Fed] rate increases this year," Yun said in an email. "If inflation turns higher, then the Fed will need to be even more aggressive, and this will further bump up mortgage rates."

HOW EXPENSIVE MORTGAGES SHRINK **INFLATION**

Typically, the Fed raises the federal funds rate 0.25% at a time. But no one would call today's economy typical. The Consumer Price Index, a gauge of inflation, hit 8.5% in March, its highest level in more than 40 years. The Fed is demonstrating its seriousness about reeling in inflation by hoisting the federal funds rate by twice the usual increment.

"We really are committed to using our tools to get 2% inflation back," Fed Chair Jerome Powell said April 21 during a panel discussion presented by the International Monetary Fund.

You might consider raising home buying costs an odd way to wrangle control over runaway price increases. But higher mortgage rates could slam a lid on fast-rising house prices, because many home buyers shop with a monthly payment in mind. As mortgages become more expensive, home buyers may be forced to shop for less-costly houses, which could slow the pace of home price increases and, in turn, restrain inflation.

Take the hypothetical example of someone who can afford $1,700 a month for mortgage principal and interest, and who began shopping for a house in February. Back then, the 30-year fixed-rate mortgage averaged around 4%. Let's say our house hunter finally made a successful offer in late April, when the 30-year mortgage had risen to around 5.25%. Here's how the rate increase affects the amount this buyer can afford to borrow:

- At 4%, the buyer can afford to borrow $356,100.
- At 5.25%, the buyer can afford a $307,900 mortgage — a loss of $48,200 in borrowing capacity.

Higher interest rates affect more than home buyers. They change the math for HELOC borrowers and home sellers, too. Interest rates on variable-rate HELOCs are tied to the prime rate, which moves in lockstep with the federal funds rate. Homeowners with balances on their HELOCs may see their interest costs rise as the interest rate goes up. For every $50,000 owed on a HELOC, a 0.5% interest rate increase raises the monthly interest by $20.83.

Home sellers must keep in mind that higher mortgage rates reduce affordability. It might be worthwhile to check whether buyers' preapprovals are based on current mortgage rates instead of the lower rates of a few weeks ago.

And with fewer people able to afford homes at today's higher mortgage rates, sellers may discover that they no longer can count on attracting multiple offers. This situation is worth taking into account when setting an asking price.

MAY MORTGAGE RATES **FORECAST**

Mortgage rates are more likely to rise than to fall in May, because the Federal Reserve might send signals that it will continue to raise short-term interest rates in half-a-percentage-point increments at its June and July meetings. If the central bank pursues that sort of aggressive approach to monetary policy, then mortgage rates will almost certainly rise to keep up. If, instead, mortgage rates fell, the most likely cause would be a geopolitical crisis.

WHAT HAPPENED IN **APRIL**

At the end of March, I predicted that mortgage rates would keep going up because they weren't done rising. This forecast was equivalent to looking out the window of a plane three minutes after takeoff and predicting that the plane will keep climbing for a while. In other words, I didn't base the prediction on deep analysis. I metaphorically looked out the window. I guessed correctly. Mortgage rates skyrocketed. The rate on the 30-year mortgage averaged 5.09% in April, up from March's 4.37% average.

Holden Lewis ◆ May 4, 2022

This article was written by NerdWallet and was originally published by The Associated Press.

Mortgage rates are likely to keep climbing, because the Fed has raised the federal funds rate just twice in this cycle and the markets expect several more increases.

Branches and Corporate Office Closed:

Labor Day
Monday, September 5, 2022

Columbus Day
Monday, October 10, 2022

Veterans Day
Friday, November 11, 2022

Thanksgiving
Thursday & Friday,
November 24-25, 2022

Christmas (Observed)
Monday, December 26, 2022

WHAT DO RISING **INTEREST RATES** MEAN FOR **PERSONAL LOANS?**

Hikes in overall interest rates can impact personal loans, but factors under your control can also influence the cost.

In an effort to slow inflation, the Federal Reserve is increasing interest rates and has indicated that more increases are expected throughout 2022. Hikes to the federal funds rate tend to make borrowing more expensive for consumers, but not all types of financing are affected the same. While it's possible personal loans may see an uptick in average interest rates, the cost of borrowing with a personal loan is still heavily influenced by factors under your control, including your desired loan amount and term, credit score and existing debts.

FIXED-RATE VS. VARIABLE-RATE LOANS

Most personal loans are fixed-rate loans, meaning the annual percentage rate, which includes interest and any fees, doesn't change over the course of the loan. This distinction matters because unlike variable-rate loans, such as home equity lines of credit, fixed-rate loans aren't as dependent on market conditions, says Michael Shepard, senior vice president of direct consumer lending at U.S. Bank. "Variable-rate loans tend to be aligned very much with the federal funds rate," he says. "With shorter-term fixed-rate loans, it's a factor, but it's not really a one-for-one correlation." Harry Zhu, senior vice president and chief retail lending officer at Alliant Credit Union, believes personal loan rates will go up, especially if the Fed raises the federal funds rate multiple times this year. How much rates increase is less clear, he says.

IS IT A GOOD TIME TO GET A PERSONAL LOAN?

If you're already planning to apply for a personal loan in the coming months, getting one now could save you from a slightly higher interest rate. Rates for personal loans have been relatively low since the start of the pandemic, and even small increases can make a substantial difference in the amount of interest you ultimately pay. For example, a $15,000 personal loan paid over five years at a 10% interest rate costs $4,122 in interest. The same loan at 12% interest costs $5,020. Given the rising rate environment, taking out a personal loan now makes sense, according to Zhu. "If you have a need, I think it's a good idea to lock in a relatively low rate," he says. Borrowers who aren't sure about getting a loan shouldn't let rate hikes rush them into a decision they're not ready to make, though.

Dan Herron, a certified financial planner based in San Luis Obispo, California, urges caution around taking out personal loans, especially if there's a chance you could default. "As an advisor, I want my clients to make sure they fully understand the ramifications of this loan and what happens if you don't pay it off in a certain amount of time," he says.

PERSONAL LOANS FOR RISING CREDIT CARD RATES

Borrowers looking to consolidate credit card debt — a common use for personal loans — may want to pay special attention to upcoming rate hikes since the interest rates on credit cards, a type of variable-rate financing, will likely increase. If you qualify for a lower rate on a debt consolidation loan than the rate you pay on your credit cards, you can save money on interest, lower your monthly payment and potentially get out of debt faster. While consolidating debt at a lower rate is generally a good idea, says Herron, make sure you've resolved any circumstances that led to debt in the first place.

HOW TO GET THE MOST AFFORDABLE PERSONAL LOAN

Trends in overall interest rates are just one factor that make up the rate you receive on a personal loan. Here's how to maximize your chances of getting the cheapest loan possible.

Check Your Credit: Your credit score and credit history have a big impact on your personal loan rate. Build your credit before applying for a loan, and look for any errors on your credit report that could bring down your score.

Pay Off Other Debts: Lenders will evaluate your other debts when assessing your loan application. If you can pay down any debts before applying, this can lower your rate.

Reduce Your Loan Amount And Term: Larger loans may come with a steeper interest rate, since they represent more risk to the lender. And the longer the repayment term, the more interest you'll pay. To reduce costs, ask for the lowest loan amount that still covers your expense and choose the shortest term with monthly payments you can afford.

Add Collateral: Tying collateral like your vehicle or an investment account to your loan application helps guarantee the loan, leading to a more competitive rate. However, if you default, the lender can seize the asset.

Add An Applicant: Joint and co-signed loans can mean lower interest rates if the additional applicant has a higher credit score or income than you do. This applicant will be held equally responsible for loan payments.

Choose The Right Lender: Shop around for the most affordable personal loan you can find. Banks tend to offer the lowest rates on personal loans for borrowers with good and excellent credit (690 FICO or higher). Credit unions also offer affordable loans and will generally consider borrowers with lower credit scores. Online lenders serve borrowers across the credit spectrum, but rates may be higher. Pre-qualifying with multiple lenders is one of the best ways to check potential rates without hurting your credit score, but not all lenders offer this feature.

Jackie Veling ◆ May 3, 2022

This article was written by NerdWallet and was originally published by The Associated Press.

The cost of borrowing with a personal loan is still heavily influenced by factors under your control, including your desired loan amount and term, credit score and existing debts.

Branch Locations

South Carolina

Bluffton
3 Clark Summit Drive

Florence
1921 West Palmetto Street

Greenville West End
712 South Main Street, Suite A

Hilton Head
1036 William Hilton Parkway

RedStone
9695 RedStone Drive Suite 100

Simpsonville
710 Fairview Road

Spartanburg
1855 East Main Street, Suite 7

Wade Hampton
1324 West Wade Hampton Boulevard

North Carolina

Bladen County
16616 US 87W

Carmel
7422 Carmel Executive Park, Suite 100

Fayetteville
2844 Freedom Parkway Drive, Suite 2

Gaston
2508 East Franklin Boulevard

Park Rd.
4418 Park Road

Rea Farms
9825 Sandy Rock Place, Suite B

Salisbury
403 North Main Street

Shelby
1108 East Dixon Boulevard, Suite 2

Steele Creek
10922 South Tryon Street, Suite A

Wilmington
3212 Oleander Drive

University
8944 JM Keynes Drive, Suite 320

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Financial Literacy for Kids

By GreenPath Financial Wellness

GreenPath financial wellness

When we think about financial literacy for kids, it simply means sharing concrete steps to manage money. When kids get a peek into how to effectively manage household finances, handle debt, create a budget, and build savings, they are set up for success in the future.

Each of us can use our experience to help guide the younger generation, or anyone with less experience handling money, by modeling positive financial management behaviors.

When it comes to sharing financial literacy basics, it's about providing support, modeling positive money habits and serving as a living, breathing example of financial wellness. Remember, it's never too early to start teaching kids about money. Good skills, that are learned at an early age, can have a lasting impact on the rest of your child's life. In fact, this is one of the most important areas where you can truly change the course of your child's life. Financial literacy for kids can be fun. Educating your children about financial wellness will help them build healthy spending habits for the future. Offered below are several resources parents, parent figures can use to enhance financial literacy.

1. Play Games That Involve Money

One of the best ways to teach a lesson is by doing so without your child even realizing they are learning. Play games that include a financial component like Monopoly or Life and help your child strategize during the game. This will help your child learn the importance of budgeting and planning for the future, all under the guise of play.

2. Make a Wish List With Your Child

An important part of financial literacy is creating a set of priorities. We can't have everything we want all at once, but if we plan ahead, we can hit our goals over time. This is a lesson that children can learn. Sit down with your child and have them list 10 things they want. Then have them rank them from most important to least important. Once the list is created, strategize with your child about how they can achieve their wishes.

3. Teach While You Shop

Take your child shopping and actively explain your decision-making process. When you arrive at the store, tell your child how much money you have to spend and what your priorities are. Show your child why you are picking one item over another and explain things like discounts and coupons. Additionally, give your child small amounts of money to spend themselves. You'll be surprised at how happy your child will be to spend $2 on anything they want! They'll also learn the importance of spending with a limited budget.

4. Link Allowance to Chores

To teach your child that money is earned through work, make sure the connection between allowance and chores is clear. You can do this by only giving your child an allowance after his or her chores are completed. When your child does an exceptional job, you can even pay them a bonus as a reward for good performance. This will instill the lesson that you have to earn money—it isn't owed to you.

5. Split Money into Categories

Get a piggy bank that splits money into spending, saving, and giving. Teach your child about what each section represents and how they are permitted to use the money in each section. Every time you give them their allowance, talk them through how they plan to allocate their funds. Place the piggy bank next to your child's wish list, so that their spending and saving goals are clear to them. Also, talk through the causes your child thinks are important, and when they hit a giving goal, donate the money to that cause in your child's name.

In short, teaching children about finances can be easier than it might seem. It just takes a bit of forethought, a little patience, and some creativity. Once your child learns the basics of finances, you can increase their financial responsibilities by upping their allowance or bringing them into the conversation about family financial matters. And remember, a financially literate child grows into a financially responsible adult!

GreenPath is Here to Help

At GreenPath Financial Wellness, we are working to make it easier for everyone to achieve financial health. We can help you gain a better understanding of your spending habits, and work with you to create a budget to achieve your dreams. Our financial coaches are kind and caring. We can help you understand your finances and make a plan to meet your goals. It's free, confidential and no pressure!