

# RESOURCE MONTHLY

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## HOW TO KEEP HOME LOANS FROM GOING THROUGH THE ROOF!

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### COOL TIPS ON:

- Keeping those mortgage rates manageable
- Sprucing up your business with some marketing ideas
- Being prepared for an emergency

Consider a fixed-rate loan even if adjustable-rate mortgages (ARMs) carry a lower initial interest rate. A fixed-rate loan adds certainty and stability to a big part of your loan payment, which can provide peace of mind, especially given that other housing costs — such as real estate taxes, insurance and home upkeep — are likely to rise in the future. ARMs generally start with a lower interest rate, but remember that an ARM rate can go up, sometimes significantly. It may be worth shopping around because you may be able to obtain a fixed-rate mortgage with payments comparable to an ARM and not have to worry about future rate increases. "If you are thinking about an ARM, make sure you know how much and how often the interest rate and payment could go up before you sign on, and be comfortable that you can meet those higher monthly payments," cautioned Janet Kincaid, FDIC Senior Consumer Affairs Officer. "Don't let a low teaser rate lure you in; you may be surprised later."

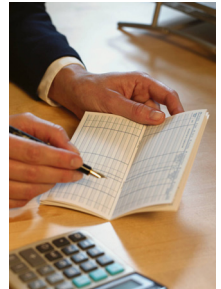
**Mortgages that involve little or no documentation of your income or assets may mean higher costs.** While these mortgages can save you time and are attractive if your source of income is unpredictable, the lender generally charges a higher interest rate. "If you have income that's easy to document, such as regular statements from your employer or a monthly Social Security payment, it's probably not worth paying extra over the long term of the loan just to save a few days during the application period," said Mira Marshall, an FDIC Senior Policy Analyst on consumer issues. "Be sure to ask about full documentation loans and compare the costs."

**Look into paying off your mortgage sooner rather than later.** A mortgage with a long repayment term (30 or even 40 years) is very appealing because the monthly payments are relatively small, which can put a more expensive home within reach. However, the downside of this strategy is that you'll have a much smaller amount going to pay off your loan each month, and that can dramatically increase the total interest costs.

You can save tens of thousands of dollars in interest — depending on the amount of your loan and the interest rate — by choosing to reduce the length of your mortgage. Many people pay off their 15- or 30-year mortgage loan faster by sending in extra payments — say, an additional \$50 or \$100 each month or one large payment once a year. If you can't afford the extra payments and don't have other uses for the money, "this is an easy way to pay off the loan and save thousands of dollars in interest charges without incurring the cost of refinancing," said Marshall. There are pros and cons to the different strategies, so you may wish to consult with a financial or tax advisor about what is best for you.

**Borrowing money from your home's value can be low-cost but also risky.** Many people take out low-cost loans based on their equity in the house. The equity refers to the difference between what is owed the mortgage lender and the current market value of the property. If you owe \$100,000 on your mortgage but your home is worth \$250,000, your equity is \$150,000.

Home equity products can be used for many purposes, including home improvements, college tuition and car purchases. They also can be low-cost loans because the interest rate is usually lower than for credit cards, and the interest paid is often tax deductible (check with your tax advisor). But — and this is important — the big risk with home equity products, as with a mortgage loan, is that *you can lose your home if you can't make your payments.* "Home equity products can be fine for many people but, because you would be putting your home on the line, these loans are not to be taken lightly," Kincaid stressed.



Management of your account is key to avoiding overdrafts

<http://www.fdic.gov/consumers/consumer/news/consum07/home.html>

## MARKETING TIPS FOR SMALL BUSINESSES

There are several ways small businesses can spur new business through marketing without going over budget.

### 1. If it ain't broke...don't fix it: WOW it!!

Don't just use standard marketing tools every time all of the time. Look for some unique marketing methods your competitors are snubbing. You can avoid the competitive track and find new ways to lure customers. Attend local BBQ's and give away prizes, try direct mailing your new ads to those in your target market, offer small parties to exclusive clients. The list goes on and on! You can generate a flood of sales leads for a very small cost.

### 2. Bare-Bones products

Not all customers are the same. Discount airlines have figured this out. When certain people want to fly from point A to point B they don't care about the frills, they just want to get there. A lot of customers are not willing to pay the asking price for a product or service, so why not offer them something the ARE willing to pay for? Try stripped down versions of your products or services at discounted prices.

### 3. Fancy-Schmancy

Let's reiterate: Not all customers are the same! While some customers want bare-bone products and services, others are willing to pay a higher price to get a premium product or service. Add a little something to your current product or service line for those willing to pay a bit more.

### 4. Strategic Alliances work!

Get a hold of a few non-competing small businesses serving the same potential customers in your market. Offer to publicize their products or services to your customers and vice versa.

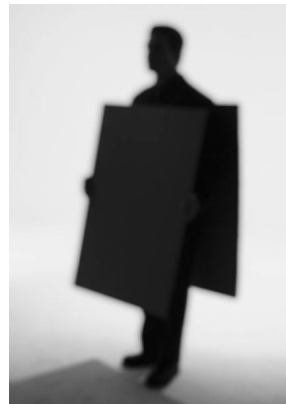
### 5. Word of mouth works!

Your best sales person is a customer. An endorsement from someone currently doing business with you is more effective than any ad. Create incentives for them to tell friends about the value of your products or services.

### 6. Think SMALL. If you are a small business, you don't need to advertise like the "big boys"

Name recognition is important, but many small business can afford to spend precious ad dollars on repetitious advertising. Small business need to create business and spur sales. A simple and effective way to do this is by enticing customers through various offers. When you do make an ad, offer something they can use, a coupon, for example, works great!

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## TIPS FOR MORTGAGES AND OTHER CREDIT

Here are ways to save money by refinancing — by paying a loan off "early" with a new, better loan.

**Know when refinancing a mortgage makes sense.** According to the *Consumer Action Handbook* published by the Federal Citizen Information Center, "Consider refinancing your mortgage if you can get a rate that is at least one percentage point lower than your existing mortgage rate and if you plan to keep the new mortgage for several years." Also consider the extra fees for the new mortgage.

**Be smart about dropping one credit card for another.** Transferring an outstanding balance to another credit card can give you a lower interest rate, but find out how long the new interest rate will last and how it will change. Also see if there's a balance transfer fee.

**Consider refinancing an auto loan if you expect to make payments for several more years.** It may be

harder to find a better interest rate because your car has probably depreciated in value. But if the savings from a lower interest rate more than offsets any closing costs, refinancing can make sense.

**If you have multiple student loans, look into the potential benefits of consolidating them into one new loan at a lower interest rate.** Compare the rates, terms and costs. "It may not be worth consolidating if it means losing a good fixed-interest rate, giving up a long grace period before loan payments are due, or running up other costs that would exceed those on your existing loans," said Sam Frumkin, a Senior Policy Analyst in the FDIC's Division of Supervision and Consumer Protection. Here are ways to save money by refinancing — by paying a loan off "early" with a new, better loan.

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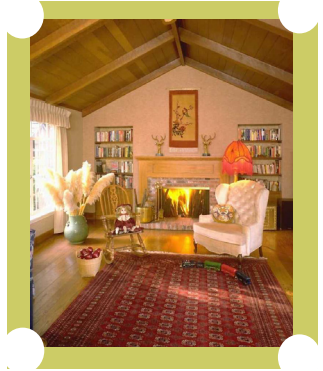
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**Consider refinancing an auto loan if you expect to make payments for several more years.** It may be harder to find a better interest rate because your car has probably depreciated in value. But if the savings from a lower interest rate more than offsets any closing costs, refinancing can make sense.

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<http://www.fdic.gov/consumers/consumer/news/csum07/refinancing.html>

## FINANCIAL TIPS TO PREPARE FOR AN EMERGENCY FROM ICBA

September is National Preparedness Month and the Independent Community Bankers of America (ICBA) has some tips to help individuals put their banking and financial documents in order to prepare for an emergency or unexpected event.

"While the first priority is the physical safety and well-being of you and your family, having your banking and financial papers in order can lighten your burden during a time of duress," said James P. Ghiglieri, Jr., ICBA chairman and president of Alpha Community Bank, Toluca, Ill. "Experience tells us that families need to be ready with a financial preparedness plan and pulling one together is something you can do now."

ICBA offers the following tips to help consumers prepare before an emergency occurs:

Keep marriage and family records, including adoption papers, property deeds, birth certificates, wills, insurance policies, passports, social security cards, immunization records, credit card account numbers, car titles or lease contracts, bank and investment account numbers, and three years of tax returns in a safe-deposit box. Place each document in a plastic bag that can be sealed to keep out moisture. Safeguard *official* copies of critical documents such as birth certificates, adoption papers, marriage certificates and the deed to your home with an attorney or in a safe deposit box. Inventory and keep a list and photographs of household valuables.

Start and regularly contribute to an emergency fund that can cover at least three to four months of expenses. This fund should be separate from your savings or investment account.

Stash extra cash with your emergency kit, which should in-

clude a three-day supply of water and food, first-aid kit, can opener, flashlights, radio and extra batteries, or a battery-free radio.

Notify a trustee, close relative or attorney where important financial information is located.

Identify the records that you keep only on your computer. They may not be available if electrical power fails, so make a printout and safeguard them.

Keep names and contact numbers for executors, trustees and guardians in a safe place, possibly in your safe deposit box or with a close relative.

The Internet can serve as a supplement to paper copies. Scanned or other electronic documents can be attached to e-mails and stored in your e-mail account, or with secure online backup services.

National Preparedness Month is a nationwide effort marked each September to encourage Americans to take steps to prepare for emergencies at home, at school and at work. For more information and resources visit the consumer education and resources section of [www.icba.org](http://www.icba.org) or [www.ready.gov](http://www.ready.gov).

<http://www.icba.org/news/newsreleasedetail.cfm?ItemNumber=37269&sn.ItemNumber=1733>



Always store a bit of extra cash with an emergency kit

We are on the Web!

[www.fmsbank.com](http://www.fmsbank.com)



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**FALL IS NEAR!**

And it's about that time to get ready for our annual pie competition. Get your best pie recipes and ideas ready. We will solidify a date soon and keep you posted!



## THE LAST WORD ...

### HOW CAN YOU MAKE SURE YOUR CHILD WILL GET A GOOD CREDIT SCORE??

College can be a scary thing for a lot of young people: it's their first time away from home, they have to pay their very own bills for the first time, manage school and work, while facing debt and other challenges. As many students head off to college, their parents are sitting at home chewing their nails off hoping their children don't amass too much credit card debt. Here are a few statistics gathered by the Nellie Mae 2004 credit cards study ([http://www.nelliemae.com/library/research\\_12.html](http://www.nelliemae.com/library/research_12.html)):

- The average outstanding balance on undergraduate credit cards was \$2,169, a reduction of 7% from 2001 when the average balance was \$2,327, and the lowest average balance reported since 1998.
- Undergraduates reported freshman year as the most popular time for obtaining credit cards, with 56% reporting having obtained their first card at the age of 18.
- As students progress through school, credit card usage swells. Ninety-one percent of final year students have a credit card compared to 42% of freshmen. Fifty-six percent of final year students carry four or more cards while only 15% of freshmen carry that many. Final year students carry an average balance of \$2,864 while freshmen carry an average balance of \$1,585.
- Undergraduates reported direct mail solicitation as the primary source for selecting a credit card vendor; the second most common source was referral from parents.
- 74% of undergraduates reported using credit cards for school supplies (paper, notebooks, etc.), the number one reported use of cards
- 21% of undergraduates with credit cards reported that they pay off all cards each month; 44% say they make more than the minimum payment but generally carry forward a balance; 11% say they make less than the minimum required payment each month.
- Students from the Northeast region had the lowest outstanding average balances while students from the Midwest had the highest balances.

The best way for a student to develop a good credit report is by getting a credit card, charging a small sum each month and then paying off the balance (in full). Often times, parents may co-sign the card (since their child has no credit history and will be dutifully rejected otherwise). If your child has already managed to mangle themselves in bad debt, they should consider obtaining a card that is secured with a small sum of money up front. No matter what, you always want to read the fine print and ensure that the fees are decent.

