



Having Fun - But Not at Your Expense

# C U NOTES

Your Shares Are Federally Insured To At Least \$250,000

September 30, 2015

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

## DIVIDENDS FOR THIRD QUARTER INCREASED AGAIN

We are pleased to announce that your Board of Directors again has been able to increase the dividend rate. As was pointed out in the previous quarterly newsletter, Knoxville Teachers Federal Credit Union began the current campaign to increase dividends on April 1, 2015. Your officers have a target for dividends. That target is somewhat of a moving target since it has traditionally been the position of this credit union to pay a dividend at a level above the inflation rate. Obviously, a period of these several recent quarters was the first time we have not met that target. Once again, we are able to move in that direction. There are many contributing factors that allow your Board to make these improved dividends possible. The major factor is the cooperation between members and your managing Board to hold down costs. Your officers and management continue to appreciate that our members select functional service locations that are minimal in splendor in favor of better yields on savings. It is the wise choice. It also illustrates that our members recognize their ownership role.

The dividend for the third quarter (July 1 to September 30) was **0.57% APY** on all IRA shares and all other share deposits in excess of \$4,000. Shares below the \$4,000 level earned 0.15% APY. The tax shelter and long term deposits in the DCP 457(b) program continue to earn the premium rate of the previous quarters.

Several things prevented payment of even higher dividends over these past quarters. Interestingly, the total net cost of providing federal insurance is the major one. Along with the federal insurance on deposits come an increased level of regulatory compliance. A diversion of staff time to compliance actions drains away resources previously used for dividends. This is not unique to your credit union. Some larger banks report that thousands of employees' time is now occupied with the same compliance overhead. None of that provides a service to members of credit unions or customers of banks. No checks are written, no loans are processed nor any transaction of any kind is performed by compliance employees. These are the times we live in. You can be assured that your officers and management are doing all possible to mitigate these costs to you.

### IT'S US AGAINST THEM!

Your credit union is continually tested by a security firm. This security firm classifies Knoxville Teachers Federal Credit Union as "exceeds standards." (The best classification available.) But we can't drop our guard and neither can you. Even though Knoxville Teachers Federal Credit Union attempts to shelter members from the crooks of the 21st Century, we must have your help. When the credit union has a loss to this new class of criminals, it costs all of us. This is a member owned credit union. The losses must be absorbed by members in the form of lower dividends on savings and higher interest on loans. We must stop criminal actions when we can.

You can help hold the line on crooks by reviewing your accounts frequently and notifying the credit union of any transaction that is not authorized or conducted by you. Keep track of your ATM card. Never share your access number (PIN). We are in this together. We are doing our part. You must do your part as well.

	4th Quarter 2014	1st Quarter 2015	2nd Quarter 2015	3rd Quarter 2015	Yearly Average APY
Credit Union Premium Shares	0.500%	0.500%	0.550%	<b>0.570%</b>	0.530%
Credit Union IRA	0.500%	0.500%	0.550%	<b>0.570%</b>	0.530%
Bank 6 Month CD*	0.15%	0.15%	0.15%	<b>0.17%</b>	0.155%
Bank 1 Year CD*	0.25%	0.25%	0.25%	<b>0.28%</b>	0.258%

*(Rates are as of first of each quarter.)*

*The yield rate printed on your statement is the composite rate of your first \$4,000 and the remainder of your share deposit.*

*\*Published by [www.bankrate.com](http://www.bankrate.com)*

### WHEN ZERO REALLY MEANS NOTHING

Math teachers and others who remained awake in seventh grade know that adding a zero to the right of decimal fractions means absolutely nothing. When 1 becomes 10, that's a big change. When 0.1 becomes 0.10? No difference. Like the old saying about real estate goes, it's all about location, location, location.

We have been amused by the struggle of some financial institutions to avoid the awful truth of the current low interest rates being paid to savers. Many have resorted to adding zeros to make their pitiful rates look attractive. Knoxville Teachers Federal Credit Union didn't join in the "zero race" until a few members pointed to other institutions paying 0.100% APY as being more impressive than our 0.55%. The true fact that our 0.55% APY is actually more than five times better seemed not to overcome the perception that those worthless zeroes added. So, we joined in the zero race but want to point out that we add those only for the mathematically challenged. For all others, yes, we know it means nothing.

## KNOXVILLE TEACHERS FEDERAL CREDIT UNION

### East/Downtown

711 N. Hall of Fame Dr.  
Knoxville, TN 37917  
(865) 582-2700

### Farragut Office

147 West End Avenue  
Knoxville, TN 37934  
(865) 582-2701

### North Office

108 Hillcrest Drive  
Knoxville, TN 37918  
(865) 582-2702

### Powell Office

7315-C Clinton Hwy  
Powell, TN 37849  
(865) 582-2703

### Clinton Office

125 Leinart St  
Clinton, TN 37716  
(865) 582-2705

### Oak Ridge Office

304 New York Ave  
Oak Ridge, TN 37831  
(865) 582-2710

### South Office

7359 Chapman Hwy.  
Knoxville, TN 37920  
(865) 582-2704

### Halls Office

3722 Cunningham Rd  
Knoxville, TN 37918  
(865) 582-2706

### Bearden Office

410 Montbrook Ln.  
Knoxville, TN 37919  
(865) 582-2707

### Carter Office

8709 Strawberry Plains Pk.  
Knoxville, TN 37924  
(865) 582-2708

### Anderson Co. Courthouse

100 N. Main St, Room 123  
Clinton, TN 37716  
(865) 582-2709  
*(10 - 4:30, Mon - Fri)*

All locations are open 9-5 weekdays,  
except October 12 (Columbus Day)  
November 26 (Thanksgiving),  
December 24 (Christmas Eve) and December 25 (Christmas)

## CONSUMER PROTECTION

The Dodd-Frank Law includes a large open ended section on consumer protection. We say, "Welcome to the fight, boys." Consumer protection is the foundation of the credit union movement. In the first third of the 20th Century, employees and other closely knit groups formed credit unions to give some relief from the exploitation of the "little man." (We'll explain "little man" later.)

Credit unions were formed to allow the members of the group to have an "insider" advantage that had always been reserved for the well off and well positioned in prior times. Ironically, in recent years, governmental action has tried to level the playing field and have diverted credit unions from their original stance. Compliance with these efforts by the government have morphed credit unions into agencies compelled to be "in compliance" rather than to be allowed to be responsive to their owner/members.

The Dodd-Frank Law's consumer protection will further separate members from management of their own credit union. For those of us who have been in the credit union movement for many years, we have felt the shift from a member owned financial institution to one that is operated to comply with the most recent regulation.

This is written to make an announcement. Knoxville Teachers Federal Credit Union's Board of Directors (selected from members by the membership) is committed to maintain the traditional credit union philosophy as far and as much as we can, but we must ask the membership to recognize that our authority over our own credit union has been eroded by regulatory pressure and will be further eroded in the months and years ahead.

We asked for guidance from members on this matter. We asked if members wanted your management and officers to "push back" to preserve the character of the credit union. We received overwhelming letter and email responses that urged us to preserve the credit union.

We are a teachers' credit union. Yes, we take all school employees and are grateful for their participation. We have been asked by our regulators to absorb three other teacher credit unions over the past years. (Most were in adjacent counties.) Again, we are grateful for that opportunity. But, we remain a teachers' credit union. We have not sought to grow just for growth sake. (We have grown, nevertheless.)

As you observe your credit union over the next period of time, you will see that our previous stance of trying to be different when our members are different will be almost extinguished. Let's hold together to see what will happen after the oncoming flood of regulations called consumer protection. We hope for brighter days when we can treat each member as a unique member and not by a profile.

Now, about the "little man." Old credit union promotional material from the 1930's and 1940's would often show a little guy with an umbrella. The umbrella was his credit union protecting him from the storms of usury, exploitation and consumer abuse. We continue to try to be that umbrella – not for little guys but for teachers.

## DO WE KNOW HOW TO FIND YOU?

Have you moved, gotten a new phone number or changed your email address? We use all of these methods to contact members. Please make sure to include us when you make changes to your contact information, just like you do for your friends. It's important that we are able to contact you. Sometimes, it's very important. See "Abandoned" above.

## HAVE YOU ABANDONED SOMETHING?

Every so often you may notice a long list of unclaimed properties printed in the newspaper. A great part of that list is the result of a forgotten savings account or a forgotten insurance policy or some other asset that has been overlooked by the owner or the heirs of the owner.

Your credit union works hard to keep its members from being included in this list. We seek out members who have not accessed their account for a number of years. We make a phone call or write members to confirm that they are still getting quarterly reports and do recall that they have funds in the credit union. State law requires that any account that cannot be confirmed as an active account after five years must be turned over to the state as abandoned assets. We take pride in the fact that we have had to do that only twice in our over eighty years history! And in both cases, we spent a great deal of time and energy to contact the member.

Members can recover the funds, but it does add meaning to our continuing plea for members to let us know of changes in address, phone numbers or even a new name change.

If you have changed your name from James to Jenny, you don't have to abandon all your property. Just keep us informed.

## WHEN WILL RATES INCREASE?

Quick confession: We don't know. Savings rates historically have been set by some natural laws of economics. Currently, the rates on savings are being artificially set by the Federal Open Market Committee (FOMC). The idea being that it would encourage borrowing and investing. Of course, another agency has set out to make borrowing more tedious for borrowers and lenders and therefore we have had an anemic recovery from the Great Recession.

When our government or governmental agencies are involved, what could go wrong? History fact: Did you know kudzu was introduced by the government to control erosion in the 1930s? How has that worked out?