



The Credit Union That Is Different . . . On Purpose!

C U NOTES

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

March 31, 2018

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

DIVIDENDS FOR FIRST QUARTER OF 2018 ANNOUNCED

In spite of the media's coverage of changing yields on deposits, no significant change has affected the Knoxville area. Therefore, your Board of Directors authorized a dividend on shares on deposit during the first quarter of 2018 (January 1 to March 31) that remain unchanged with shares in all IRA accounts and all regular shares over \$4,000 earning **0.58% APY**. Shares in the first \$4,000 earned **0.15% APY**. Shares in Knoxville Teachers Federal Credit Union's 457(b) continued to earn at **2.5% APY**.

What does the earning picture look like for the remainder of 2018? We expect some movement upward but we must acknowledge that we have expected an upward movement for the past eight years. Actions by the Federal Open Market Committee (FOMC) continue to get attention and coverage by all media sources. Our observation is that those highly covered actions rarely cause a real benefit for savers. Even with governmental controls, those rates paid to savers are bound to improve soon. We invite your attention to the comparison chart on this page. Because we are addressing the quarter just past, we use the rates as of the beginning of that period.

HAS ALEXA LOST ALL RESPECT FOR YOU?

The staff at Knoxville Teachers Federal Credit Union hear reports from members that range from great success stories to sad events. A recent sad story came to us from a member who reported that his Alexa had lost respect for him and had refused a command. Since more and more Americans are purchasing those wonderful electronic devices that accept human voice commands to perform tasks such as controlling the TV or making contacts by telephone by simple voice commands, we were intrigued.

This saddened member reported that he had instructed his Alexa to pay his monthly credit card balance. Alexa had tartly responded with a savage laugh, "No can do, Fred. You don't have enough cash to do it! Buzz off!" In the land of the free, no American should be treated this way. So, Fred did what other credit union members have done in the past, he reported his problem to Knoxville Teachers Federal Credit Union.

We were quickly able to analyze Alexa's problem. Fred didn't have enough in his checking account to pay his credit card off in full and, in fact, had been reclassified by his credit card company into the higher interest rate of 27% APR. We were able to offer a plan of escape for Fred. Since credit card minimum monthly payments are calculated to pay off balances in seven or more years, his loan balance would keep Fred in thrall to the credit card company potentially forever assuming that new charges would be made while payments were being made. And all of this at the 27% APR.

Our plan was to offer a three year pay off of the full balance of the credit card once and for all. As a school employee, Fred would be charged only 9% APR at the credit union. Yes, the monthly payment would be larger than the credit card's addictive low seven year payment but not by that much. Meanwhile Fred agreed to use the credit card only to the extent that he could pay the balance off in full each month and on time. By this method, the credit card rate would be ZERO.

The happy ending to this otherwise sad story is that Fred has obtained control of his monthly paycheck and has achieved an end to even his credit union loan. But most important, Fred has regained the respect of Alexa. No more sass from her.

	2nd Quarter 2017	3rd Quarter 2017	4th Quarter 2017	1st Quarter 2018	Yearly Average APY
Credit Union Premium Shares	0.580%	0.580%	0.580%	0.580%	0.580%
Credit Union IRA	0.580%	0.580%	0.580%	0.580%	0.580%
Bank 6 Month CD*	0.15%	0.16%	0.17%	0.19%	0.17%
Bank 1 Year CD*	0.24%	0.27%	0.30%	0.32%	0.28%

(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

IS THERE MONEY IN YOUR PHONE?

Of course not, but you can access money by your smart phone. Knoxville Teachers Federal Credit Union has the best and latest conveniences. Many members have been signing loan applications and getting money deposited to their checking account without leaving the classroom or home. (Unfortunately, many members don't know that this, and most other banking conveniences, are provided by your credit union.)

It has been our practice to be among the first to provide all services available. We have a gifted IT staff who are also sensitive to the wants and needs of teachers and all our members. So, we are able to provide just about everything "the big boys" can with an extra level of real life assistance of people right here in your credit union office. We have found robots to be cold and inhuman. So, until we can get a better class of robots, we will provide you 21st Century service with a 20th Century touch.

We find that both our Millennial members and those straight out of the 20th Century have discovered these services to be helpful.

Check out our web site to see what other electronic services that might be useful to you. (You will be surprised that the usual user fees that are charged by banks and other credit unions are absent.)

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

East/Downtown
711 N. Hall of Fame Drive
Knoxville, TN 37917
(865) 582-2700

South Office
7359 Chapman Highway
Knoxville, TN 37920
(865) 582-2704

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

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

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

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

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

Carter Office
8537 Asheville Hwy.
Knoxville, TN 37924
(865) 582-2708

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

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

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

All locations are open 9-5 weekdays,
except May 28 (Memorial Day)

**Virtual Branch - <https://ktfcu.org>
24-Hour Telephone Teller - (865) 582-2800**

There are many valid reasons for banks and other financial institutions to sell mortgages. One is that immediate profits can be booked since most loans are sold at a premium. Another is that the money for the loan is released to be included in the next lending opportunity. Those lenders make a good part of their profit from the closing costs for processing the paper work which are charged at the time of the loan. Selling the loan allows the lender to recognize that profit immediately. This all looks good to share holders. However, some abuses of that system contributed greatly to the "great melt-down" that was experienced nationwide in 2008 and to the hardships that followed.

Knoxville Teachers Federal Credit Union does not expose members to any part of the secondary markets. Loans made by your credit union remain in our fire proof files until the loan is paid off or the home is sold by the member to some other homeowner. If problems or questions arise, credit union members can call or come in to discuss the loan details with management or staff of Knoxville Teachers Federal Credit Union. Often, this will be the same person who processed your original loan. Your credit union does not add a processing fee to the normal cost of purchase of property such as deed preparation and recording of documents. Thus, one can quickly see the connection of the borrowing member and the depositing member. As the borrowing member pays the loan, a portion of the payment is interest. That interest is used to pay the cost of operation and a quarterly dividend to the depositing members.

That relationship of borrower and those who put money into the credit union is the explanation to another difference in this credit union's home loans. Since the dividend rate expected by depositing members varies from time to time, the interest rate set for home loans must be subject to those variances in dividends. Currently, depositors are receiving record low dividends. Therefore, borrowers are paying record low interest. The borrowing members at Knoxville Teachers Federal Credit Union receive a clear disclosure of this at the time of application for the loan. However, your credit union has devised a way for payments to remain constant even when interest rates decline or increase. The factor that is changed is the number of months. A half of one percent increase in interest would increase the number of payments by only a dozen months or so on a twenty to twenty-five year loan. Since few home loans actually run the full term, this becomes a fairly insignificant factor. This explains why your credit union has consistently had over 60% of all lending in adjustable rate home loans. Since any fixed rate loan would have to be sold into the secondary markets, we simply don't offer that type home loan.

We continue to be different on purpose.

STILL PAYING FOR CHRISTMAS?

What about Christmas of 2016? Many people are paying for the past two or even three Christmases now. If you have a credit balance on your credit card, it is very likely that some of that balance was made in the final days of 2017 or even 2016.

The tree is gone, the wrapping paper is gone. It's time to be dying eggs and you'll be cutting your jack o'lantern before you know it.

This may be a good time to take a look at your past few credit card bills to see how much you are paying for interest charges and how slowly the balance reduces. If you see what we often see, it might be a good time to come in to discuss how you can apply for a credit card consolidation loan. There is no sure fire and easy way to get out of credit card debt but it sure won't happen unless you start on that onerous task. We'll try to help if we can.

A DIFFERENT APPROACH #4

Your credit union has long acknowledged that we are different – on purpose. This is the fourth in a series of discussion of some of the ways we seek to provide a different benefit to members.

A DIFFERENT KIND OF HOME LOAN

Knoxville Teachers Federal Credit Union began making loans to members for home purchase over seventy years ago. That was well before other credit unions made real estate loans. Because the officers and management of the credit union were teachers and not professional lenders, the attitude was, "why not?" Lending was based on the needs and requests of members and not on following some prescribed path.

One of the major differences in your credit union's real estate lending is that real estate loans made to members of the credit union are not sold into the secondary market. The secondary market is the standard process for mortgage lenders. Those loans are made and then transferred to one of the many agencies that operate at a level that no home owner ever sees or contacts except under unusual conditions. Some are operated by the government such as FannieMae or FreddieMac or even FHA. Others are operated by Wall Street firms that buy and trade groups of home mortgages. The local bank and other lenders may retain the "servicing" of the loan. That simply means that the local bank accepts and records payments. Occasionally, even this servicing is transferred to some other owner. Mortgages get sliced and diced and the home owner rarely is informed. Only when payments fall behind or other issues happen does the home owner learn that he or she is dealing with the secondary market. Calling a 1-800 phone number and pressing one for English is one of the early revelations.

Continued in next column

December 31, 2017

<u>ASSETS</u>		<u>LIABILITIES</u>	
Loans	\$103,478,683	Member Shares	\$182,605,858
Investments	97,449,892	Capital Reserves	23,399,846
Non-Interest Deposits	3,715,087	Other Liabilities	38,882
Other Assets	883,379		
Fixed Assets	517,545		
Total	\$206,044,586	Total	\$206,044,586