

February 2022 Issue

Community News

What do Rising Rates mean for Personal Loans?

The Federal Reserve is expected to raise interest rates to slow inflation. Hikes to the federal funds rate tend to make borrowing more expensive, 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 impending 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.

Visit westerlyccu.com/personal-loan to learn more about how you can consolidate debt and save money with WCCU.

Article adapted from 'What Do Rising Interest Rates Mean for Personal Loans?' February 3, 2022 By Jackie Velling, nerdwallet.com



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the
LOVE!

Comment on our **#MemberMonday** posts in February & be entered to **WIN a \$5 Amazon Gift Card***



*To enter, leave a comment on the #MemberMonday posts in February. Two (2) winners will be randomly selected from all responses and notified via social media by the end of business each Friday during the month of February. Winner will receive one (1) \$5 Amazon Gift Card. Limit one (1) entry per person. Promotion ends 2/25/2022. WCCU Employees, Board of Directors, and Committee Members are not eligible to win. By submitting a comment, the entrant agrees to release their first name, and comment for advertising or other purposes in media or format, online or offline, now or hereafter known without further compensation, permission, or notification.

What's New at WCCU!

WCCU Awards Grants to Local Teachers

WCCU is proud to announce we recently awarded (19) WCCU Teacher Grants, totaling over \$9,000. Congratulations to all recipients in the following School Districts!

Visit westerlyccu.com/grant-recipients to learn more!

Coventry



Adam Knight



Kelly Kramer



Kristin Pires



Lisa DelBove & Jennifer Jendzejec



Patricia Maxwell

Chariho



Kristen Anderson



Mary Ellen Sposato



Karen Festa



Krystal Uricchio

Narragansett

Exeter West-Greenwich



Christopher Massed



Gregg Charest



Anna Stuart-Vieira



Carrie Kelly



Martha Barbera

South Kingstown

Stonington



Marika Heughins



Noreen Elliot



Ann Marie Doyle



Bea Lukens



Leanne Liguori

Westerly

Welcome to #TeamWCCU

Richard Champ has joined WCCU as Director of Business Lending. He has 29 years of experience in the banking industry. Rich is responsible for credit, sales, and directing all activities of the Business Lending Department.



Scott Francis has joined WCCU as a Financial Service Manager of the Coventry Branch. He has 8 years of experience in the banking industry. Scott is responsible for overseeing all branch operations, staffing and helping our members with their financial needs.



Visit westerlyccu.com/news to learn more!

Complimentary Virtual Seminars

WCCU members have unlimited access to complimentary seminars covering a variety of topics to increase financial awareness. Below is a schedule of upcoming topics:

Tuesday, Feb. 9: Income for Life

Tuesday, Feb. 22: Women & Investing

Tuesday, Mar. 8: Rollover Planning

Register at westerlyccu.com/seminars



Save money this Presidents' Day!



Lower your current payments or secure a new **auto loan** with rates as low as

1.95% APR

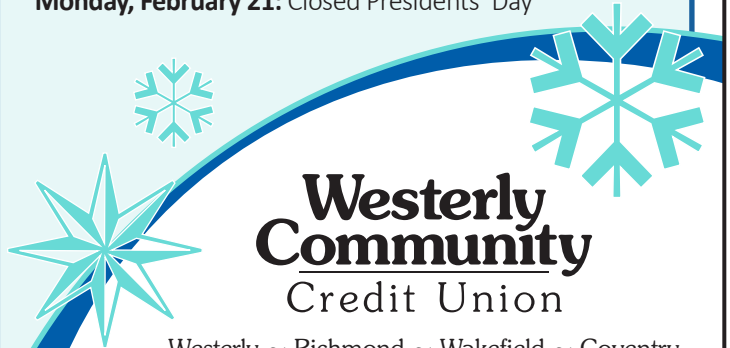
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*Annual Percentage Rate (APR) as of 2/1/2022. Monthly payments per \$1000 borrowed would depend on number of months chosen for car loan, for example: 60 months at \$17.51. Use our loan calculators on our website to calculate yours. Rate shown is for New and Used Car Loans 2017 or newer, terms up to 60 months, and is for members with an "A" credit score of 680 or above. Rate also reflects a 0.75% point interest rate reduction for automatic loan payments deducted from an "active" WCCU checking account ("active" checking is 6 transactions or more per month and direct deposit) which must be scheduled at the time of loan closing. If the above requirements are not met, discount will not apply, and 0.75% will be added to the rate. Refinancing for new loans only. Rates subject to change. Other rates and terms available.

Holiday Hours & Dates to Remember

Monday, February 21: Closed Presidents' Day



Westerly Community Credit Union

Westerly ~ Richmond ~ Wakefield ~ Coventry

www.westerlyccu.com

401.596.7000



Insured by NCUA.
WCCU NMLS ID#: 518892