

Consumer News & Views

Published twice monthly

May 1, 2012



This issue is sponsored by



and



In this Issue...

- **Consumer Debt Falling, but Spending Remains Sluggish.**
- **Financial Resources FCU and Randolph Brooks FCU Help Consumers with Scholarships and Low Loan Rates.**
- **Consumer Confidence Continues its Slow Rebound in April.**
- **Student Debt Reaches \$1 Trillion. Can They Repay It?**
- **Apply for the 2012 Green CSM Certification Program.**

Consumer Debt Falling, but Spending Remains Sluggish.

Based on an Article written by Paul Davidson, USA Today

The latest figures show that while consumers are reducing their debt, spending on all but the most important items remains sluggish. According to Paul Davidson of USA Today, households have whittled down the massive debt they racked up in the mid-2000s credit bubble, but apparently not enough to nudge them into a spending binge that could jump-start the recovery, some economists say.



Household debt is closely watched by economists because consumers burdened by big monthly payments for mortgage, credit card and student loan obligations are less likely to splurge on clothing, furniture and travel. And consumer spending makes up about 70% of the economy.

The government reported this week that the economy grew at a moderate 2.2% annual rate in the first quarter. Consumer spending rose a robust 2.9%.

One reason consumer purchases have not taken off even more is high debt. Consumers have worked hard to pay off credit card, mortgage and other debt in recent years. Total mortgage and other consumer liabilities have fallen from a record 123% of disposable income in late 2007 to 105% in the fourth quarter, according to the Federal Reserve and IHS.

Yet the decline masks key areas of concern. Student loan debt increased \$117 billion last year to a record \$1 trillion, according to the Consumer Financial Protection Bureau. Many Americans are staying in school or returning to bolster their skills amid a bruising job market.

Mounting student loans are burdening young workers who are key to overall spending, says IHS's Chris Christopher. Rising debt, as well as poor job prospects, have prompted many to put off marriage and live at home longer, dampening household formation and furniture purchases.

More than 80% of 18-to-34-year-olds who took out college loans still have a balance, and more than a third of those owe more than \$20,000, says a CouponCabin.com survey released this week.

Mortgage debt, meanwhile, has dropped more than 7% since early 2008. But consumers who owe more than their homes are worth are still burdened by high debt and have cut spending as a result, according to a report last month by the Brookings Institution.

Credit card spending picked up late last year, helping fuel strong holiday sales. But with wage growth still tepid, such purchases declined in January and February, Christopher says.

Financial Resources Federal Credit Union Offers 3 Scholarships and Low Loans to its Members!



**Need money for college? Enter Financial Resources Annual Scholarship Contest!
Three \$1,000 Scholarships will be awarded!
Deadline: May 31, 2012**

Financial Resources Federal Credit Union is pleased to announce its annual scholarship contest. If you are currently enrolled as a high school senior and a member of Financial Resources, or reside in the NJ counties

of Somerset, Hunterdon or Middlesex, you're eligible to apply. The scholarship is to be paid jointly to the winning student and the student's chosen accredited educational institution. The scholarship must be used for tuition or textbooks and only at an accredited educational institution (2- or 4-year college, university, or technical school). The entries will be judged by Financial Resources Federal Credit Union and will be based on academic performance, community service/involvement, teacher references and personal goals.

Interested in applying? Visit: <http://www.myfinancialresources.org/home/about/foundation/annual> for the student application. Only one entry per student is allowed and entries must be postmarked no later than May 31, 2012. Good luck to all applicants!

About Financial Resources:

Financial Resources Federal Credit Union, formerly the Ethicon Employees Federal Credit Union and the Raritan Federal Credit Union, is a federally-chartered credit union that was formed over 75 years ago. The Credit Union offers complete financial solutions to its members, anyone who lives, works, goes to school or worships in the communities of Flemington and the greater New Brunswick/Somerset area, and business services for its member companies and organizations. Financial Resources is regulated by the National Credit Union Administration, and savings are federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government. The Credit Union is headquartered in Bridgewater, NJ.

Membership is open to consumers who are ACC members (visit: www.americanconsumercouncil.org) as well as employees, retirees, associates, and their family and household members of almost any company or organization who would like to become a member of Financial Resources Federal Credit Union. Financial Resources has almost 25,000 members and total assets of over \$300 million. To become eligible for membership, visit: <http://www.myfinancialresources.org/home/personal/member/joinacc>

Financial Resources has a 9-member volunteer Board of Directors elected by the membership. The Board of Directors retains a president & Chief Executive Officer, Lena Matthews, to oversee the daily operations. An independent CPA auditing firm as well as the NCUA conduct annual reviews of Financial Resources.

Keep Your Membership & Accounts Active:

As long as you maintain at least \$10 in your Membership Savings account, you can take advantage of all the banking benefits available with your Credit Union Membership.

Your \$10 represents the par value of each share for each member. Should your Membership Savings balance fall below the \$10 minimum requirement, we give you up to six months to make up the difference.

Also, remember to make at least one transaction by transferring, withdrawing or depositing funds into each of your accounts during the course of a year so your account isn't classified as "dormant" by State Regulations and be subject to a "dormant account fee." The current fee is \$10 per month. It's as easy as using an ATM, making a transfer online with WebBranch at www.MyFinancialResources.org, calling AccountLine24 (800.933.3280 press 2), using your Web-enabled mobile device, or by visiting a branch.



Randolph-Brooks Federal Credit Union is Among the Strongest in America with Loan Auto Rates!

Ranked among the top 25 of nearly 7,700 financial cooperatives, Randolph-Brooks is one of the strongest credit unions in the country with more than 325,000 members and total assets exceeding \$4 billion.

Recognized for financial stability, our credit union consistently receives the highest ratings of "Five Star" and "Superior" from two respected organizations that rate financial institutions in the United States.

As a member-owned, not-for-profit financial cooperative, Randolph-Brooks Federal Credit Union is committed to serving our members' financial needs. Our mission is to help improve our members' economic well-being and their quality of life.

Brief History:

Originally chartered in 1952 to serve personnel at Randolph Air Force Base, Randolph-Brooks has expanded to include employees and associates at more than 1,900 select groups and eight underserved communities in the San Antonio and Austin areas.

Locations:

We have 37 locations across South Central Texas including Austin, Boerne, Buda, Floresville, Gonzales, Kerrville, Live Oak, Lockhart, New Braunfels, San Antonio, San Marcos, Schertz and Seguin.

We do more than conduct business in the communities where our branches are located. We become a member of the community and share our philosophy of "people helping people." We provide assistance to hundreds of local charitable organizations including Children's Miracle Network, Society of St. Vincent de Paul, USO, American Red Cross, and the Fisher House Foundation.

One More Reason to Love RBFCU:

As a member, you may already know about *Really Free Checking*. You're familiar with our low-rate loans and credit card fees.

You've interacted with our outstanding branch staff. You use RBFCU Mobile to stay connected.

There are hundreds of reasons why you love RBFCU. And, now, you have one more reason to be proud of your credit union. *RBFCU was named the top credit union in the nation when it comes to soundness and security.*

That ranking comes courtesy of IDC Financial Publishing, an independent ratings company. IDC recently released its analysis of credit unions with more than \$2 billion in assets, and RBFCU topped the list. RBFCU has been ranked as "superior," the highest ranking offered by IDC, since 1985.

Credit union leaders are especially proud of this ranking because it symbolizes dedication to our principles – to serve members and to put their best interests first. It means that whatever other products and services we offer, and whatever else we do to help you save time, save money and earn money, RBFCU has your best interests at heart and is working to protect your financial well-being.

Others agree with IDC in ranking RBFCU among the best of the best. Weiss Ratings recently awarded RBFCU an A+ rating as one of only 33 credit unions in the nation to receive this designation. In addition, RBFCU has been ranked as a five-star financial institution for 87 consecutive quarters (more than 20 years) by Bauer Financial.

As you can tell, you're in great hands with RBFCU. We appreciate the many accolades from industry experts because they show that we're strong, secure and taking good care of you. And, even more, we appreciate the praise and word-of-mouth recommendations you share with your friends and family. Our strength and security is all about you, and serving you is what keeps our credit union strong and focused on a secure financial future.

Consumer Confidence Continues its Slow Rebound in April

Confidence among American consumers hit a 14-month high in April reflecting their optimism about the prospective strength of the economy and rising expectations on business conditions, employment and income. The Thomson Reuters/ University of Michigan final index mounted to 75.3 in April, just ahead of 76.2 in March and substantially above last April's dismal 69.8.



The increase in confidence over the past six months has been substantial with the Sentiment Index climbing above the recession average of 69.3 -- but still well below the average of 88.1 for non-recessionary periods.

Student Loans Reach \$1 Trillion. Can They Repay It?

2012 will be remembered for many things. But one of the more unpleasant statistics is the number related to student loans. As of April, student loans have reached \$1 Trillion – an extraordinary amount considering the fragile state of the nation’s economy and the lack of lucrative jobs available to graduates. What burden does this place on an indebted generation? And, can they repay it?

According to *USA Today*, students and workers seeking retraining are borrowing extraordinary amounts of money through federal loan programs, potentially putting a huge burden on the backs of young people looking for jobs and trying to start careers.



Photo by Butch Dill, AP

The amount of student loans taken out last year crossed the \$100 billion mark for the first time and total loans outstanding will exceed \$1 trillion for the first time this year. Americans now owe more on student loans than on credit cards, reports the Federal Reserve Bank of New York, the U.S. Department of Education and private sources.

Students are borrowing twice what they did a decade ago after adjusting for inflation, the College Board reports. Total outstanding debt has doubled in the past five years - a sharp contrast to consumers reducing what's owed on home loans and credit cards.

Taxpayers and other lenders have little risk of losing money on the loans, unlike mortgages made during the real estate bubble. Congress has given the lenders, the government included, broad collection powers, far greater than those of mortgage or credit card lenders. The debt can't be shed in bankruptcy.

The credit risk falls on young people who will start adult life deeper in debt, a burden that could place a drag on the economy in the future.

"Students who borrow too much end up delaying life-cycle events such as buying a car, buying a home, getting married (and) having children," says Mark Kantrowitz, publisher of FinAid.org.

"It's going to create a generation of wage slavery," says Nick Pardini, a Villanova University graduate student in finance who has warned on a blog for investors that student loans are the next credit bubble - with borrowers, rather than lenders, as the losers.

Full-time undergraduate students borrowed an average \$4,963 in 2010, up 63% from a decade earlier after adjusting for inflation, the College Board reports. What's happening:

- **Defaults.** The portion of borrowers in default - more than nine months behind on payments - rose from 6.7% in 2007 to 8.8% in 2009, according to the most recent federal data.
- **For profit-schools.** The highest default rates are at for-profit schools that tend to serve lower-income students and offer courses online. The University of Phoenix, the nation's largest, got 88% of its revenue from federal programs last year, most of it from student loans.

"Federal student loans are like no other loans," says Alisa Cunningham, research chief at the Institute for Higher Education Policy. "The consequences are so high for making a mistake."

Green CSM Certification Accepting Applications for 2012 Summer Cycle:

If your company or organization would like to increase its credibility with consumers, you should consider applying for the **Green CSM Certification**. Applications for the 2012 Summer cycle are now being accepted through August 31, 2012.

It's a proven fact that consumers want to do business with companies that are eco-friendly and practice Corporate Social Responsibility (CSR). The process is straight-forward and all applicants are recognized by ACC and the Green USA Institute.

All applicants complete the criteria and submit their responses to ACC's Green Consumer Council for review, assessment and feedback. Program details and the **Green CSM Certification** criteria can be viewed at ACC's website located at:

<http://americanconsumercouncil.org/greenc.asp>

