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Banking & Finance

Rent or Buy: Six Questions Millennials Should Consider When Shopping for Property

illennials looking to make their next housing move face a tough decision – to rent as prices continue to soar but with the flexibility to come and go, or to commit to the world of homeownership and all of its demands while interest rates are near historic lows. The American Bankers Association Foundation recently shared six questions for millennials to consider when deciding to rent or buy.

"Millennials should weigh a number of factors before committing to any lease or mortgage," said Corey Carlisle, executive director of the ABA Foundation. "With the cost of living continuing to rise, they must be prepared to handle the demands of their housing choice – whether that's a rental property or homeownership."

The ABA Foundation suggests considering the following questions when deciding whether to rent or buy:

1. HOW MUCH MONEY DO YOU HAVE SAVED UP?

Start with an evaluation of your financial health. Figure out how much money you have for a down payment or deposit on a rental. Down payments are typically 5 to 20 percent of the price of the home. Security deposits on rentals are usually about one month of rent and more if you have a pet. But be sure to keep enough in savings for an emergency. It's a good idea to have three to six months of living expenses to cover unexpected costs.

2. HOW MUCH DEBT DO YOU HAVE?

Consider all of your current and expected financial obligations like your car payment and insurance, credit card debt and student loans. Make sure you will be able to make all the payments in addition to the cost of your new home. Aim to keep total rent or mortgage payments plus

utilities to less than 25 to 30 percent of your gross monthly income. Recent regulatory changes limit debt to income (DTI) ratio on most mortgage loans to 43 percent.

3. HOW LONG WILL YOU STAY?

Generally, the longer you plan to live someplace, the more it makes sense to buy. Over time, you can build equity in your home. On the other hand, renters have greater flexibility to move and fewer maintenance costs. Carefully consider your current life and work situation and think about how long you want to stay in your new home.

4. WHAT IS YOUR CREDIT SCORE?

A high credit score indicates strong creditworthiness. Both renters and homebuyers can expect to have their credit history examined. A low credit score can keep you from qualifying for the rental you want or a low interest rate on your mortgage loan. If your credit score is low, you may want to delay moving into a new home and take steps to raise your score. For tips on improving your credit score, visit aba.com/consumers.

5. HAVE YOU FACTORED IN ALL THE COSTS?

Create a hypothetical budget for your new home. Find the average cost of utilities in your area, factor in gas, electricity, water and cable. Find out if you will have to pay for parking or trash pickup. Consider the cost of yard maintenance and other basic maintenance costs like replacing the air filter every three months. If you are planning to buy a home, factor in real estate taxes, mortgage insurance and possibly a home owner association fee. Renters should consider the cost of rental insurance.



6. LOCATION, LOCATION, LOCATION

That's the adage most familiar to those interested in home buying, but renters also need to factor transportation costs into choosing where to live. Studies suggest for every dollar a family saves on housing in an area that is more affordable, they spend 77 cents more in transportation. Think carefully about your commute and how much household income will be required to meet both housing and transportation costs.

The American Bankers Association is the voice of the nation's \$16 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$12 trillion in deposits and extend more than \$8 trillion in loans. For more information, visit aba.com/housing.

First-Time Homebuyers: Six Tips to Save for the House of Your Dreams

A ccording to a 2015 BMO Harris report, 52 percent of Americans plan to buy a home in the next five years. Saving for a down payment, typically between 5 to 20 percent of the home's value, is one of the biggest challenges for those aspiring homebuyers. Last month, the American Bankers Association Foundation is highlighting six tips to help consumers cut costs and start saving.

"A down payment is often the largest single payment a consumer makes in their lifetime and saving for it isn't easy," said Corey Carlisle, executive director of the ABA Foundation. "However, with a few changes, consumers can put themselves on track to make their homeownership dream a reality."

The ABA Foundation offers prospective homebuyers these saving strategies:

• Develop a budget & timeline. Start by determining

how much you'll need for a down payment. Create a budget and calculate how much you can realistically save each month – that will help you gauge when you'll be ready to transition from renter to homeowner.

- Establish a separate savings account. Set up a separate savings account exclusively for your down payment and make your monthly contributions automatic. By keeping this money separate, you'll be less likely to tap into it when you're tight on cash. If you received a tax refund, consider putting all or a portion into this account.
- Shop around to reduce major monthly expenses. It's a good idea to check rates for your car insurance, renter's insurance, health insurance, cable, Internet or cell phone plan. There may be deals or promotions available that allow you to save hundreds of dollars by adjusting your contracts.
 - Monitor your spending. With online banking,

keeping an eye on your spending is easier than ever. Track where most of your discretionary income is going. Identify areas where you could cut back (e.g. nice meals out, vacations, etc.) and instead put that money into savings.

- Look into state and local home-buying programs. Many states, counties and local governments operate programs for first-time homebuyers. Some programs offer housing discounts, while others provide down payment loans or grants.
- Celebrate savings milestones. Saving enough for a down payment can be daunting. To avoid getting discouraged, break it up into smaller goals and reward yourself when you reach each one. If you need to save \$30,000 total, consider treating yourself to a nice meal every \$5,000 saved. This will help you stay motivated throughout the process.

For more information, visit aba.com/housing.

Banks See Increased Demand for Commercial Real Estate

Regulatory burden a primary concern for the market

ighty-two percent of banks plan to increase capital concentration in commercial real estate, according to the American Bankers Association's first annual Commercial Real Estate Lending Survey. The banks cited strategic planning and demand as the biggest driver in growth. Nine percent of the surveyed banks have 300 percent or more capital concentration in CRE lending, and 19 percent reported 100 percent or more capital concentration in construction lending. According to the survey,

multifamily, office and retail represent the most active types of CRE lending.

"The CRE market is seeing both an increase in demand and management decisions to grow CRE exposures," said Robert Davis, executive vice president, mortgage markets, financial management and public policy. "As the market expands, it's not surprising that regulators are focusing on more guidance and oversight."

Thirty-five percent of respondents said demand is higher than one year ago. Other market characteristics – including capital rates, underwriting standards, interest rates and liquidity – have remained largely unchanged since last year, according to the survey.

Due to the high level of demand, most of

the 136 respondents see competition from other banks, particularly regional and community banks, as the biggest challenge in CRE lending.

Most banks identified regulatory burden as their primary concern for the CRE industry looking forward into 2016 and beyond. About 65 percent indicated that recent regulatory guidance on CRE risk management will cause a measureable reduction in credit availability.

"Despite the regulatory atmosphere, CRE lending remains attractive to many banks," said

Half of the banks surveyed currently have outstanding loans classified as high volatility commercial real estate, or HVCRE, and of those, more than one-third increased pricing to

Most banks identified regulatory burden as their primary concern.

reflect additional capital costs resulting from the classification.

The survey was conducted from Feb. 4 to March 21, 2016, and in most cases reports calendar year or year-end results.

Seventy-seven percent of the respondents were commercial banks and 23 percent were savings institutions. About 60 percent of the participating banks were less than \$1 billion in assets.

Seven Tips to Help Seniors Live at Home Longer

A ccording to the U.S. Census Bureau, approximately 80 percent of individuals age 65 or older own their home. A Georgetown University survey found that a vast majority of these older Americans wish to remain in their homes as they age. In recognition of American Housing Month, the American Bankers Association Foundation is providing older homeowners with seven tips to help them prepare to "age in place."

"Older Americans make up the largest share of homeowners in the country," said Corey Carlisle, executive director of the ABA Foundation. "In order for them to stay in their homes as they age, families and caregivers must plan ahead to ensure the elderly have all the resources they need to be safe, independent and financially secure."

The ABA Foundation suggests these tips to help seniors "age in place:"

Take a hard look at your finances. Arrange a meeting with a trusted family member or friend and a banker. It's critical to understand your financial resources, how long they'll last and what housing options are the most cost effective for you. Be sure to consider all costs

associated with aging in place, including:

- Home modifications
- Transportation to medical appointments, shopping and other errands
- In home caregiver for house upkeep and medical purposes

Carefully consider a reverse mortgage. Though not for everyone, a reverse mortgage

I hough not for everyone, a reverse mortgage loan can provide monthly cash payments based on your home's equity.

• Shop around. Be sure to check with multiple lenders. You can use sites like www.reverse-

mortage.org, sponsored by the National Reverse Mortgage Lenders Association, to find lenders in your area.

- Make sure to read all loan documents carefully. There are a number of actions that could cause the loan to become due. It is imperative the borrower continues to live in the home, pay property taxes and homeowners insurance, and keep the home in good repair.
- The U.S. Department of Housing and Urban Development requires counseling for any

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Bank Economists See Rebound After Slow First Quarter

he U.S. economy is expected to overcome a sluggish start to 2016 and turn in a steady full year performance, according to the Economic Advisory Committee of the American Bankers Association. The group forecasts inflation-adjusted GDP growth of 1.9 percent this year and 2.1 percent in 2017.

"Ill winds from the East hindered the markets and the expansion at the outset of the year," said Carl Tannenbaum, chairman of the group and chief economist of Northern Trust. "But moderating turbulence from emerging markets and the sustained thrust of American consumers should put the U.S. economy back on course."

The committee, which includes 16 chief economists from among the largest North American banks, believes that a rising dollar and slackening global trade lowered real GDP growth in 2015 but expects this force to be less of a drag this year.

"Low oil prices, slower international sales and an elevated level of global uncertainty have led many firms to cut back on capital expenditures," noted Tannenbaum. "This will be a limiting factor for the economy this year, but should lead to catch-up investments that stimulate growth in 2017."

The group forecasts a sluggish 0.4 percent increase in capital investments in 2016, but anticipates a recovery to 3.1 percent growth next year.

"Fortunately, consumption will keep us going," Tannenbaum said. "Spending has proven resilient throughout the current expansion."

The group expects consumer spending growth to slow from 2.7 percent last year, but to hold at 2.2 to 2.4 percent this year and next.

This maintains a positive contribution to GDP, mitigating an expected moderation in inventory accumulation throughout the economy.

"Households are fundamentally healthy thanks to rising income, job gains and stronger balance sheets," Tannenbaum said.

The group expects that 2.2 million jobs will be added this year, pushing wages up 2.6 percent and the national unemployment rate down to 4.8 percent, very low by historical standards.

Housing is expected to be another driving force, according to the group. With rising home prices and still-low mortgage rates, residential investment is expected to rise 8.5 percent this year and 4.6 percent next year.

According to the group, diminishing labor market slack will cause inflation to converge to the Fed's 2 percent objective. The core PCE price index is not expected to exceed this level before the end of 2017. This should allow the Federal Reserve to implement a gradual series of increases in the federal funds rate.

"Although the economy is growing near its long-run potential and inflation is headed toward the 2 percent objective, persistent consumer and business uncertainty is likely to keep the Fed from raising rates aggressively," said Tannenbaum.

The group expects the Federal Reserve to raise its federal funds target zone two times over the course of 2016, from 0.25-0.50 percent at present to 0.75-1.00 percent.

The bank economists expect the measured pace of Fed rate hikes and continued global demand for U.S. government bonds to keep long-term interest rates low. The group's consensus is that the 10-year Treasury rate will rise from 1.8 percent at present to 2.1 percent at year-end,

and that mortgage rates will increase from 3.6 percent to 3.9 percent over the same period.

While the consensus calls for sustained growth, the committee sees risks to the outlook as skewed toward the downside.

"The largest threats are developments globally and the impact these could have on exports and financial markets," said Tannenbaum.

The committee sees sustained strength in the quality and availability of bank loans. Delinquency and charge-off rates will remain near historical lows. Consumer bank credit is expected to grow 6.1 percent and business bank credit 9.0 percent over the course of this year.

"Banks are in an excellent position to support continued expansion," Tannenbaum said.

AVOID ONLINE

Internet fraud continues to be a growing problem in the U.S. According to the FBI's Internet Crime Complaint Center, in 2014, the agency received approximately 270,000 complaints from consumers who were exposed to online fraud — up from nearly 263,000 in 2013.

These tips will help keep you safe:

Keep your computers and mobile devices up to date. Having the latest security software, web browser, and operating system are the best defenses against viruses, malware, and other online threats. Turn on automatic updates so you receive the newest fixes as they become available.

Set strong passwords. A strong password is at least eight characters in length and includes a mix of upper and lowercase letters, numbers, and special characters.

Watch out for phishing scams.

Phishing scams use fraudulent emails and websites to trick users into disclosing private account or login information. Do not click on links or open any attachments or pop-up screens from sources you are not familiar with. Forward phishing emails to the Federal Trade Commission (FTC) at spam@uce. gov – and to the company, bank, or organization impersonated in the email.

Keep personal information personal. Hackers can use social media profiles to figure out your passwords and answer those security questions in the password reset tools. Lock down your privacy settings and avoid posting things like birthdays, addresses, mother's maiden name, etc. Be wary of requests to connect from people you do not know.

Secure your internet connection.

Always protect your home wireless network with a password. When connecting to public Wi-Fi networks, be cautious about what information you are sending over it.

Financial Traps New College Graduates Should Avoid

As college seniors across the nation graduate and start their careers, their financial lifestyle should be top of mind. ABA has highlighted six traps new college graduates should avoid to fortify their finances as they transition from the dorm to the office.

"Now is the time for college grads to get their financial life started on the right foot," said Corey Carlisle, executive director of the ABA Foundation. "When it comes to managing your finances in the real world, pulling an all-nighter isn't the best strategy. Forming positive financial habits today will set you up for lifelong success."

According to ABA, new college graduates should avoid the following financial traps:

• Not having a budget. Don't spend more

than you make. Calculate the amount of money you're taking home after taxes, then figure out how much money you can afford to spend each month while contributing to your savings. Be sure to factor in recurring expenses such as student loans, monthly rent, utilities, groceries, transportation expenses and car loans.

- Forgoing an emergency fund. Make it a priority to set aside the equivalent of three to six months' worth of living expenses. Start putting some money away immediately, no matter how small the amount. A bank savings account is a smart place to stash your cash for a rainy day. Use your tax refund for this instead of an impulse buy.
 - Paying bills late or not at all. Each

missed payment can hurt your credit history for up to seven years, and can affect your ability to get loans, the interest rates you pay and your ability to get a job or rent an apartment. Consider setting up automatic payments for regular expenses like student loans, car payments and phone bills.

- Racking up debt. Understand the responsibilities and benefits of credit. Shop around for a card that best suits your needs, and spend only what you can afford to pay back. Credit is a great tool, but only if you use it responsibly.
- Not thinking about the future. It may seem odd since you're just beginning your career, but now is the best time to start planning for your retirement. Contribute to your employer's

401(k) or similar account, especially if there is a company match. Invest enough to qualify for your company's full match – it's free money that adds up to a significant chunk of change over the years.

• Ignoring help from your bank. Most banks offer online, mobile and text banking tools to manage your account night and day. Use these tools to check balances, pay bills, deposit checks, monitor transaction history and track budgets.

For more tips and resources on a variety of personal finance topics such as mortgages, credit cards, protecting your identity and saving for college, visit aba.com/Consumers.

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borrower taking out a reverse mortgage. Find an approved reserve mortgage counseling agency by visiting www.hud.gov.

• For more information on reverse mortgages, visit aba.com/consumers.

Assess your home and determine what modifications are necessary. While staying in your home is preferable for many, there are often design changes that must be made to ensure it's also safe and comfortable.

- Make sure there is at least one step-free entrance to your home.
- Update lighting inside and outside of the house so that all walkways and stairs are well lit. Clear pathways throughout house and

firmly secure all carpets to the floor to prevent tripping.

- If a bedroom and bathroom does not or cannot exist on the first floor, consider installing an elevator or chairlift. At a minimum, make sure you have handrails on both sides of your
- Install grab bars in the bathtub, shower, or near the toilet.
- For more information about suggested home modifications as you age, visit www.cdc. gov/homeandrecreationalsafety.

Make security a priority. Older Americans are often targets for scams and other criminal behavior. Be cautious about who you allow in your home and disclose sensitive information to

• Install up to date and easy to use locks. Make sure your front door has a peep hole or a security monitor so you can see who is outside.

• Consult someone you trust when hiring a contractor, financial advisor, etc.

Look into community resources. If mobility is limited, look in to services offered in your area. Many communities have established non-profit programs that offer transportation and food delivery to assist older Americans at a reasonable cost.

Be prepared for possible emergencies.

- Keep a list of all emergency contacts on your refrigerator or by a phone.
- Falls are leading causes of injuries for the elderly. Talk to your healthcare provider and

find a balance and exercise program that's right for you.

• Have your address number visible from the street so emergency responders can easily identify your home

Reevaluate every six months to make sure all needs are being met. As you age, your needs inevitably change. Take time twice a year, or as needed, to sit down with your trusted family or friend and make sure your current living situation is still the right one.

For more information on housing and finance, visit aba.com/housing.

Information for this article was provided by the American Bankers Association.