

Published based on [Long-Term CD Rates Continue to Decline](#)

# Long-Term CD Rates Continue to Decline

There have been several times in the last couple of years that I thought we may be nearing a bottom of CD rates, but unfortunately, rate cuts continue. Two popular internet banks just did rate cuts to their long-term CDs. Ally Bank reduced its 5-year CD APY from 1.84% to 1.79%. Discover Bank reduced its 5-year CD APY from 1.90% to 1.80% and its 7-year CD APY from 2.10% to 2.05%.

At least Discover Bank didn't cut its 10-year CD rate. That remains at 2.50% APY. Discover tends to change this 10-year rate less often than the shorter-term rates, but when it changes, it can be a big drop. For example, before the yield was cut to 2.50% in September, it had been 3.00% for almost a year.

So if you had been holding off opening a CD, these latest rate cuts are something to consider. It's another sign that CD rates continue to trend down.

Rates are holding up better at credit unions. You can see how long-term CD rates at two popular credit unions compare to Discover Bank's 10-year CD in my post [Comparing the Best CD Rates After Early Withdrawal Penalties](#). I think it's likely that we'll see more rate cuts at these credit unions. Police and Fire Federal Credit Union (PFFCU) in Philadelphia had a good explanation in January how they were able to offer such competitive rates and why those rates had to fall. Here are excerpts:

Because our members have more deposits with us than loans, every new dollar deposited in PFFCU is currently added to our investment portfolio. We are very conservative in our investments, choosing only those investments that have a government guarantee. These guaranteed investments are currently only earning between 0.25% and 1.0%.

[...]

We made investments in 2008 and 2009 that are earning 4%. As these investments mature in 2010 and 2011, we must re-invest this money in the same safe investments discussed above that are only earning 0.25% to 1.0%. Our deposit rates have to reflect what PFFCU can earn on its investment portfolio so that PFFCU remains financially sound.

I believe this explanation is applicable to all banks and credit unions, and it shows why rates may continue to fall when Treasury yields are so low (Current 5-year and 10-year Treasury yields are 0.88% and 1.93% respectively).

To find the best CD rates, please refer to our CD rate tables. CDs can be filtered by state and by investment amounts. Please refer to this post to learn how to use the filter feature.

### [Deposit Accounts](#)

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