Hitting Your Home For A Loan

HARRISBURG (Dauphin Co.) — It wasn't supposed to be this way. They told us before the contractors started digging the foundation, this was the "starter home." But when the family began to grow, so did home values and remodeling proved easier than finding a decent house to buy.

You're not alone. Home values are increasing at a record pace across the country, prompting many homeowners to reinvest that newly gained equity back into their homes rather than relocate. But what's the best way to raise cash for the contractor?

Home Equity Loans

The practice of borrowing against the value of a home has gained in popularity over the last 10 years. According to the National Home Equity Mortgage Association (www.nhema.org), home equity loans will hit $500 billion this year compared to $34 billion 10 years ago. There are three key reasons for this surge: escalating home values, low interest and tax deductibility.

There are two ways to tap into the home equity of your home. The right choice for you depends on your needs. If you're looking for a fixed, lump-sum amount, perhaps for a major home improvement project, you're better off with a home equity loan. With a home equity loan, the term, and usually the interest rate and monthly payment, remain the same over the life of the loan.

If you want the convenience of drawing against your credit line as the need arises, a home equity line of credit — also known as a HELOC — is more likely to meet your objectives. Instead of borrowing a fixed amount of money, you qualify for a certain amount of credit. You then can borrow up to your credit limit whenever the need arises. The money is accessible instantly, usually by writing checks assigned to the amount or by using a credit card issued by the lender.

Regardless of the route you take, shop lenders to get the best rate and terms. Include the following questions when considering a home equity product and lender:

• What am I paying in interest?

Interest rates vary among lenders, so query several and compare the annual percentage rate (APR). Remember, the APR is based upon the interest rate alone. For a true comparison of credit costs, compare other charges, such as points, fees, and closing costs. If the lender is offering an introductory "teaser" rate, be sure to find out what rate you will be paying after the promotional period ends.

• What is the index based on and how often can it change?

The interest rate on a variable-rate loan must be based on a publicly available index. Most lenders use the prime interest rate. In today's market, you should look for a lender that offers the prime interest rate for the life of your loan. In any case, you shouldn't have to pay more than two points above prime. It's also important to know how often the lender adjusts the rate.

• How much can the rate increase?

Under current law, all variable-rate plans must have a cap on how high your interest rate can climb over the life of the plan. Most variable-rate lines of credit also have a cap that limits how much and how often the rate can change during the course of a year.

• What are the closing costs?

Closing costs, which may include (but are not limited to) a title search, appraisal, attorney fees, recording charges, and notary fees, also vary from lender to lender. With financial institutions vigorously competing for the home equity market, you should be able to negotiate waiving some or all of the closing costs. But shop carefully, as some lenders impose a fee for each time you access the account, and others charge for not using it.

• What are the repayment terms?

Usually, you repay the loan in regular installments. Paying more than the minimum monthly payment will pay off the loan faster and reduce your costs. Check your terms, though. Early repayment may have a penalty attached. Unless it is absolutely necessary, avoid interest-only repayment options in which you pay on the interest during the term of the loan and the balance is due at the end of the term. This option can prove much more costly.

Ida's Notebook

by

Ida Risser

Last week I mentioned that we were going to fly to Indiana to visit our daughter and her family. She had her third baby boy last month — he is our fifteenth grandchild.

Well, the trip ended up being an adventure! We got up at 4 a.m. to fly out of Harrisburg. Our son drove us there as we'd be gone five days. We landed in the Cincinnati Airport which is in northern Kentucky. Then we flew to South Bend which is in Indiana. But, instead of landing there, the pilot announced that he could not land, due to weather conditions, and so he was going to fly us back to Cincinnati.

What!!

We were given a seat on a later plane to South Bend, but then it too was cancelled before it left the ground.

Next we were told we would fly to Kalamazoo in Michigan and then be bussed back to South Bend. We sat on the plane one and one-half hours before it took off and then had a rough hour ride on an old small bus to South Bend where our daughter who expected us at 9 a.m. finally met us at three in the afternoon. She had to run back and forth between her home and the airport several times with her tiny baby.

We had nice weather for our visit in her big, beautiful home. They live on a lake in a wooded area. She took us for a ride on their pontoon boat. Later she drove us to Lansing, Michigan, where my sister lives. She too had a new home which we had not seen before, as they moved into a new community.

Soon our daughter's two-month leave will be over and she will go back to work. She gave us a tour of the fruit juice plant where she works. Everything is very automated and we saw very few people. They send many truckloads of juice out of the plant everyday.

Now I better finish picking the pole limas as there are quite a few still on the vines. There is always work to do around our home.

'User-Friendly' Ozone Ready To Become Latest Tool For FoodSafety

PALO ALTO, Calif. — It leaves no taste, odor or flavor. But by passing the Food and Drug Administration's (FDA) initial review in an extremely rigorous process, it has the potential to become the next major tool for the safe treatment, storage and processing of nearly every type of food, including meats, poultry, fruits and vegetables, in the U.S.

With scientists continually studying ways to ensure the ongoing protection of the food supply, for the past several years EPRI's (Electric Power Research Institute) Agriculture and Food Technology Alliance (AFTA) has coordinated an effort to review the use of ozone as a food safety additive, and then to obtain formal federal authorization for this additive.

Though ozone has been used in other countries in food processing, and in the U.S., for water treatment, FDA regulations never listed it as an approved food additive. Despite the designation of ozone in 1997 as "Generally Recognized as Safe" (GRAS) by an independent panel convened by EPRI, this still meant federal approval of ozone use required an extensive petition for consideration by the FDA, which already has accepted it, filed it, and designated it for expedited review — a major hurdle to pass since only one out of every 10 to 12 petitions makes it to the filing stage. Final action on the petition is expected by no later than next February.

"Although the food safety system has worked well, it's important to get ahead of the curve, and the use of ozone as an antimicrobial agent can help the industry do that," said Dr. Chuck Sopher, director of EPRI's AFTA, which is based in Washington, D.C.

"Consumers view microbial — meaning germ and bacteria contamination as their highest food safety concern, and the organisms responsible for diseases continue to mutate. Ozone is an extremely "user-friendly' agent the represents another weapon in the arsenal to help assure the long-term safety of the U.S. food supply."

According to Dr. Dee Graham, manager of EPRI's AFTA Food Office, ozone works as an oxidant to damage the cell walls of harmful microorganisms, thus killing them and leaving only oxygen — but no tastes, odors or flavors — as a by-product. Also, because of ozone's short half-life, it leaves no residual in the food (unlike chlorine).

Appreciating Depreciation: The Invisible Cost Of Vehicle Ownership

HARRISBURG (Dauphin Co.) — When considering the costs associated with purchasing a new vehicle — insurance, maintenance, loan interest — don't forget to factor in depreciation. You won't find it on the sticker price, nor will you be billed for it. You may not even notice it until the time comes to sell your car. Still, depreciation can cost you big money over the years.

In the first year you own a new car, the vehicle may lose 20 percent of its original value due to depreciation, according to IntelliChoice (www.intellichoice.com), based in California, which provides consumers with data about the true cost of owning cars and trucks. By the end of the fifth year, the value drops by an average of 35.1 percent.

It's not only buyers who pay the price. Depreciation also affects the cost of leasing as well because leasing payments are based in part on what a vehicle will be worth at lease-end. The more it depreciates, the less value it will have at lease-end. So, you can lease a vehicle with the same sticker price as the one your neighbor's leased but pay a higher monthly lease payment if yours depreciates at a faster rate.

You can't stop depreciation, but you can lessen the impact it will have on your wallet. Here are a few points to consider from Home & Family Finance Magazine:

• Some makes and models depreciate faster than others. Accurately predicting depreciation is difficult because so much depends on a vehicle's continuing popular appeal. But you can get a rough idea how much it will depreciate. Consult a "blue book" or other pricing guides to find out how well previous years' models have held their value. The Credit Union National Association Web site has a depreciation calculator. Go to www.cuna.org and select "calculators."

• The pace of depreciation levels off after five years. Hanging on to a vehicle for at least that long minimizes the impact of depreciation on the overall cost of ownership.

• It's smart to pick options that will appeal to the next buyer. Vehicles with air conditioning, automatic transmissions, sunroofs, and convertible tops tend to hold their resale value better. Lesser known models, "luxury" or "limited edition" models, and those with odd colors or features tend to depreciate faster.

• Vehicles that change dramatically in style from one year to the next tend to lose resale value faster. Last year's model quickly becomes outdated and loses its attraction to potential buyers. Choose a vehicle from a manufacturer that makes only subtle style changes each year.

• Depreciation can deal a substantial financial blow to the owner of a new vehicle. But it can work to your advantage if you're in the market to buy or lease one that is used. A model that depreciates considerably in its early years may be an excellent deal as a used car.

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