

HILLSBOROUGH COUNTY FAMILY AND CONSUMER SCIENCES NEWSLETTER

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Avoid Home Equity Scams

Compiled by Lisa Leslie

Developing substantial equity in a home is a step towards financial stability. For many people the equity in their home is their greatest asset. Paying off a mortgage or at least having a large amount of equity is especially important if you would like to retire. Freedom from mortgage and loan payments can mean the difference between a comfortable retirement and having to work many years longer than you planned.

In areas with high rates of real estate appreciation, homeowners may find themselves being house rich and cash-poor. This situation can make homeowners vulnerable to home equity loan fraud. Homeowners with many debts, low credit scores, and elderly people with fixed incomes are often especially vulnerable. These homeowners often view home equity loans as an escape from their financial burdens. Before agreeing to any loan, do your research and make sure you fully understand the terms of the loan! Home equity loans allow a homeowner to borrow money against their home's equity. Equity is usually calculated by subtracting the amount you owe on the

home from the estimated value of the home. The home is the collateral that guarantees the loan. If you are unable to repay the loan, you could lose your home to foreclosure.

There are two types of loans that are secured by your home's equity. A **home equity loan** is a one-time lump sum loan, the interest rate is usually fixed and you agree to pay the loan in a fixed period of time. However, there are some variable rate home equity loans. This means the interest rate on the loan may change.

The other type of loan secured by your home is a **home equity line of credit**. A home equity line of credit (HELOC) works more like a credit card. The borrower is approved for a specific amount of credit for a certain period of time. If you borrow money from that line of credit the balance you have left decreases. As you pay back some of the principal on the loan you can again use that credit. A HELOC is more flexible than a home equity loan. However, it can be expensive if your

loan payments are only enough to cover the interest and not the principal.

If you need to borrow money, there can be some advantages to using a home equity loan or line of credit. The interest rate on this type of loan is usually lower than a credit card or non-secured loan. Depending on your specific situation, you may be able to deduct the interest when you file a tax return.

Home equity loans or lines of credit come with risks. During these times of decreasing home sales, it is hard to tell whether home values will rise or fall. If the appraised value of your home decreases, there is the potential to owe more money on your home than it is worth. This is known as being “upside down” on a home loan.

Shop Carefully

There are many financial institutions such as banks, credit unions, and mortgage companies that offer home equity loans. The cost of these loans will vary. Avoid dealing with unscrupulous lenders. Be especially careful of offers that are mass mailed to you. These loan offers often try to disguise themselves as government sponsored programs and can sound very personalized. Of course, email spam offers for refinancing should be deleted immediately.

The Federal Trade Commission warns consumers to be on guard for the following deceptive loan practices:

Equity Stripping: The lender gives you a loan, based on the equity in your home, not on your ability to repay based on your income.

Credit Insurance Packing: The lender adds expensive credit insurance to your loan, which you may not need.

Bait and Switch: The lender offers one set of loan terms when you apply, then pressures you to accept higher charges when you sign to complete the transaction.

Deceptive Loan Servicing: The lender doesn't provide you with accurate or complete account statements and payoff figures. That makes it almost impossible for you to determine how much you have paid or how much you owe.

Before you sign a loan agreement know:

- The annual percentage rate (APR). Ask if the APR is fixed or adjustable — that is, will it change?
- Points and fees. Ask about points and other fees that you'll be charged. These charges may not be refundable if you refinance or pay off the loan early.
- The term of the loan. How many years will you make payments on the loan?
- The monthly payment. What's the amount? Will it stay the same or change?
- Balloon payments. This is a large payment usually at the end of the loan term, often after a series of lower monthly payments. When the balloon payment is due, you must come up with the money.
- Prepayment penalties. Prepayment penalties are extra fees that may be due if you pay off the loan early by refinancing or selling your home.

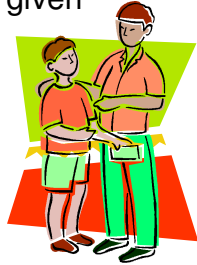
Source: Federal Trade Commission, www.ftc.gov

Rules for You and Your Adolescent

Diana Converse, Family Life Educator

1. **Consider your relationship with your adolescent most important.** Ask yourself, *“What will be more important in 10 years, the strange idea he/she is proposing or maintaining our relationship?”* Without a doubt, it will be maintaining the relationship.

2. **Listen and reflect the excitement and enthusiasm behind the idea,** proposal, new friend, new music, etc. Don't judge, or even share your ideas until you thoroughly hear what your adolescent has to say. A judgment, an argument, even an opinion, no matter how neutral, when given prior to listening and reflecting on your adolescent's feelings about the idea, will only lock them into that idea. Listening and reflecting will allow your adolescent to start to “think through” the idea, the proposed clothing or hair style, the new friend. You really have given them the opportunity to think. Encourage their thinking by listening.



3. **After you've listened, ASK rather than tell.** After you've given them their say, and you believe that you have a problem with the proposed idea, ask them, *“Why might I be worried about doing this?”* *“Why might I be concerned about this new friend?”* You've raised this child-now-adolescent. They do really know you. They can answer this question for you. Let them.

4. **Come up with some guidelines that your adolescent can use** for making decisions about potential activities together. Be sure you and your adolescent agree on this. Encourage your adolescent to think through the rules before they come to you. Here are a few hints:

- Is it legal? Obviously any activity is not OK if it is illegal.
- Could anyone potentially get hurt? If so, how badly hurt? Ask, *“If an activity could cause someone to get hurt, do you think it would be appropriate?”* Listen first. Then talk about how you would feel if your adolescent or someone got hurt.

5. **When your adolescent has made a decision that has turned out less than perfect (and they will) – first – reflect how they feel.** Then ask what they've learned. Repeat what they've told you they've learned and then reflect the feeling they've expressed. *“You're pretty disappointed it turned out that way.”* Help them plan a more successful attempt for the next time: *“What do you suppose you could have done differently so that it would have turned out the way you wanted?”* Encourage them if they can't think of anything right then – *“Knowing you, I'm sure you'll be able to come up with something to help you next time.”*

6. **Stop and think** when you are feeling exasperated with your adolescent. Think about the time when your child will be leaving home. Think about the pride you will feel knowing that your son or daughter is ready to face the world, to make sound decisions, and to learn from decisions that go awry. Remember that you're just frustrated. Give yourself some time away from the problem at hand. Give yourself and your child a “fun break.” *“I think we've been discussing this problem long enough. Let's do something fun together to help us get our creative juices flowing. We can settle this later.”* Laugh and have a good time.



Social Intelligence

By Joe Pergola Regional Family Life Extension Faculty

Possessing a high IQ – or abstract intelligence – can help people better understand concepts and abstract ideas, but does not predict how well a person can relate to others. This we call Social Intelligence – a set of social skills for interacting successfully with others.



Karl Albrecht, in his article for *Training Magazine*, suggests five key dimensions for Social Intelligence.

1. **Situational Radar.** This is the ability to read situations, understand the social context that influences behavior, and choose behavioral strategies that are most likely to be successful.
2. **Presence.** Also known as bearing, presence is the external sense of self that others perceive: confidence, self-respect and self-worth.
3. **Authenticity.** The opposite of being phony, authenticity is a way of behaving which engenders a perception that one is honest with oneself as well as others.
4. **Clarity.** This is the ability to express oneself clearly, use language effectively, explain concepts clearly and persuade with ideas.
5. **Empathy.** More than just an internal

sense of relatedness or appreciation for the experiences of others, empathy in this context represents the ability to create a sense of connectedness with others, to get them on your wavelength and invite them to move with and toward you rather than away and against you.

If you like acronyms, you may find that the initials of these five factors – SPACE –

form a useful construct: The ability to understand the social space and navigate effectively within it. This SPACE formula suggests the toxic behaviors cause others to feel devalued, inadequate, angry, frustrated or guilty. Nourishing behaviors cause others to feel valued, capable, loved, respected and appreciated. People with high social intelligence, those who are primarily nourishing in their behavior, are magnetic to others. People with low social intelligence, those who are primarily toxic to others, are repellent.

All adults, in their careers and personal lives, need to be able to present themselves effectively and earn the respect of the people with whom they interact. Social Intelligence should become a developmental priority in early education, public schooling, adult education, and employer-sponsored learning. Children and teenagers need to learn to win the fellowship and respect they crave. College students need to learn to collaborate and influence others effectively.

Managers need to understand and connect with the people they're appointed to lead.

High-tech professionals need to understand social context and achieve their objectives by working from empathy.



Social intelligence can reduce conflict, create collaboration, replace bigotry and polarization with understanding, and mobilize people toward common goals. Indeed, it may be the most important ingredient in our survival as a species.

Source: Karl Albrecht, *Author of the Social Intelligence Profile*
Training Magazine, December 2004, p. 27-31

Caution - Supplements Are Not Harmless

Mary A. Keith, PhD, LD/N, Foods, Nutrition and Health Agent

Is it because they claim to be “natural” that we seem to think herbal supplements are safe for everyone and anyone to use? That would be nice if it were true. Unfortunately, it’s not.

Recent surveys find that between 10 and 15% of adults are taking one or more supplements that are not vitamins or minerals, and one found that as many as 89% of people were taking supplements. Up to 70% did not tell their doctor about the supplements they were using. Yet 30% of the supplements they reported are known to have potentially dangerous interactions with prescription medications.



If you are scheduled to have surgery, your doctor will tell you to stop taking aspirin and NSAID pain-killers several days before the date. This is because these drugs can cause excessive bleeding during surgery. But you need to stop taking garlic, ginkgo biloba and chondroitin before surgery for the same reason. If you need emergency surgery, the doctor needs to know you are taking these supplements so he or she can prepare for excessive bleeding.

Chondroitin is commonly used for arthritis. Glucosamine is also used for arthritis. Both can affect diabetes medications, making it harder to control blood sugar or speeding up the development of diabetes.

Ginkgo biloba, borage oil and evening primrose oil are often used by women to reduce menopause symptoms. But they also react with anticonvulsants, possibly making them less effective. Another common herbal, St. John’s Wort, can react with other medications to affect your blood pressure or your mood.

Herbs and Cancer

Still another set of illnesses that can be affected by herbal supplements are cancers. Many cancer patients take herbals in addition to or instead of usual cancer drugs. Some are desperate for help. Others want something to ease their reactions to the chemotherapy.

What most do not realize is that some herbals can actually make the side effects worse, or can make the medications less effective. For example, ginger tea is often used to stop nausea. But too much ginger increases the risk of internal bleeding. Garlic does the same thing.

Echinacea might stimulate the immune system. But too much, or too long use, can suppress the immune system. It can also cause liver damage. Other herbs that stimulate the immune system can actually stimulate a cancer of the blood such as lymphoma.

Ginkgo biloba interferes with the effects of chemo and radiation treatments. St. John’s Wort also changes the way cancer drugs operate in the body, making them less effective. And its effects can continue for weeks after you stop taking it.

Of course the good side is that one common herbal, milk thistle that was once thought to be dangerous, is now considered harmless. It has mild side effects, but does not affect medications.

Must you stop using herbal supplements? Not necessarily. But you do **need to tell your doctor**



and pharmacists what you are taking. Ask if there are interactions with your medications. And stop if they suggest you should.

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