

IDAHO'S *Two Cent Tips*

Changing the financial lives of Idahoans, two cents at a time!

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Laws of Financial Freedom

1. **Manage Spending**
2. **Prevent Financial Emergencies**
3. **Become Debt Free**
4. **Prepare For Retirement**
5. **Teach Kids About Money**
6. **Pay Off Your Home Early**
7. **Build a Legacy**

Just Say No to Cold Rib-eyes and Calls!

(Law 2)

By Lyle Hansen

Imagine, you have just sat down for dinner and it is something delicious like a rib-eye steak cooked medium rare and an Idaho baked potato soaked with butter and sour cream and a green salad! You are just about to cut into your rib-eye when all of a sudden you hear the phone ring! Who could it be? Chances are it is a stranger selling something or trying to get you to upgrade your phone service or something you don't want or need. It is known as the "cold call." The sad thing is that it is truly a cold call because unfortunately your dinner also gets cold! On the serious side, cold calls not only annoy most people but sometimes cause serious concern and financial loss to unsuspecting victims. Consumers are pressured or scammed into buying a bad investment, an unneeded product, or whatever service the cold caller is selling.



There is hope for a hot rib-eye steak. The National Do Not Call Registry was

established by the Federal Trade Commission and the Federal Communications Commission to give Americans a way to avoid getting telemarketing calls at home and to keep their rib-eye steaks warm! This is a free service and adding your home or cell phone number to the list is easy. There are two ways to register your numbers on the National Do Not Call Registry:

- ◇ Go online at www.donotcall.gov: To use this option, you need is a working email address because shortly after you sign up to have you phone number(s) removed, you will receive a confirmation email. The email from donotcall.gov contains a link and you have 72 hours to click the link to complete the registration or your phone number will not be registered.
- ◇ Use your phone: All you have to do is call toll-free to 1-888-382-1222 from the phone number you wish to register.

Receive Idaho's Two Cent Tips every month by sending an email to lhansen@uidaho.edu with the word "subscribe" on the subject line.

Did you know?

-1 out of every 207 households filed for bankruptcy in Idaho in 2006.

-1 in every 949 houses will be foreclosed in 2007 in Idaho.

-Idaho foreclosures have more than tripled since 2006.

-1 in 4 will experience ID theft sometime in their lifetime.

- There were 718 ID theft victims in Idaho in 2006.

- Most millionaires drive used cars.

- The average millionaire will save 10-20% of their income to invest for future needs.

- Most millionaires live in average sized homes, but have them completely paid off.

Once you have registered using one of the above methods, your home or cell number will remain on the National Do Not Call Registry for five years. Make sure and document what date and year you registered your number so you can sign up again after the five years. Some of you reading this might have registered your number over five years ago and need to go register again for another five years.

Having your home or cell phone number on the National Do Not Call Registry will stop most cold calls, but you may still receive calls from:

- Political organizations, charities, and telephone surveyors.
- Companies with whom you have an established business relationship.

This could be your phone service provider, bank, or mortgage provider. Companies you have provided written permission to make telephone contact. If you signed up for a sweepstakes or prize give-away, the fine print on the card probably stated you are allowing the company to contact you. If such a company calls after you have signed up on the National Do Not Call Registry, just politely ask to be transferred to their do not call department so you can be removed from their cold call list.

Signing up to have your phone or cell number on the National Do Not Call Registry is quick, easy, and painless. It will stop most companies from cold calling and most important it will allow you to enjoy that warm medium rare ribeye and Idaho baked potato dinner without being interrupted.

For more information visit <http://extension.ag.uidaho.edu/jerome>.

Source: <http://www.sec.gov/investor/pubs/coldcall.htm>, and Bessie the cow (for the ribeye).

The Subprime Market Meltdown (Law 6)

By Luke Erickson

Sounds more like a subplot from "The Hunt for Red October" (Get it? Subplot!). I can imagine Sean Connery's earnest warning spoken with a thick Russian/Scottish brogue, "Be careful Ryan, some things in this sub(prime market) don't react too well to bullets!"

For those of you who haven't watched a news channel, or cracked a newspaper since June, in other words you college students, we are in the middle of some shenanigans dubbed the subprime market meltdown. The roots of this crisis were born somewhere amidst the depths of economic theory and the abyss of insanity. In a nutshell here are the underlying bright ideas that got us here:

A bunch of guys slapped together some high-cost home loan products and



sold them to people who couldn't afford them. Once they did this they wrapped up all those loans into pretty little packages and sold them on Wall Street where investors from all over the world bought them like they were going out of style. The money these guys earned from selling the pretty packages went right back into the high cost home loan factory to make more little packages which were also sold on Wall Street, and so on and so on. For a good little while everything was hunky dory and house prices rose incredibly while the market tried to make room for all these new homeowners. Because those who already had houses were seeing their values rise higher than my roommate's cholesterol (see July's article) from the spike in demand, other's who weren't even thinking about buying a home also wanted in as a get-rich-quick investment. Again this caused house prices to spike upwards, and builders ordered forests of trees and mountains of nails and built millions of homes to keep up with the insane demand.

BUT Wall Street investors peeked inside their pretty little packages before Christmas and realized what they bought *really* was out of style and very overpriced; try a \$1,000 moth-eaten pink corduroy suit from 1973 with satin lapels, as a visual . . . oh boy. Now investors won't buy any more pretty little packages, and so lenders can't sell high-cost home loans to people-who-can't-afford-them anymore. Without this package making business, over 150 major U.S. subprime lenders have already imploded just over the past several months (see <http://ml-implode.com/>). As adjustable rate mortgages rise, and balloon payments come due, millions of homeowners will look to refinance as they have been doing for years, but the problem is credit will be much tougher to come by. Foreclosures will spike, and home values will likely plummet in many areas.



What does this mean to you? Well it depends on who you are.

If you have an adjustable rate, balloon, or interest only mortgage: You will probably have a more difficult time refinancing when the time comes, sadly for many this will mean foreclosure.

If you want to sell your home sometime in the near future: As those-who-cannot-afford-them lose their homes to foreclosure or short sales, etc, they will go back to the rental, and some, to the homeless market. Home investors, and get-rich-quickers will also leave the market because there is no longer huge profits to be made. There are also millions of vacant, newly constructed homes on the market. All this means far fewer people will be shopping, while you, as a seller, will have far more competition as foreclosed homes and newly built homes continue to flood the market. Additionally, if you live in a neighborhood with high rates of foreclosure, the value of your house will correspondingly decline. Prices will be leveling off and dropping depending on your local area, and it will be difficult to get the price you hoped for, if you can even sell it at all.

If you are looking to buy your first home: House prices are likely to level off or drop over the next several years, but interest rates might also rise during this period. Through all of this it is important to keep this tidbit in mind: Your success as a homeowner is influenced much more by the state of your personal finances than the whims of housing or stock markets. If you wait to become a homeowner until you have achieved the first 5 laws of financial freedom, you will be much better off in spite of any market whirlwinds that may blow in the mean time.

Who can we blame? Well, someone had to make it, someone had to distribute it, someone had to buy it, and someone had to allow it to happen. Lenders, investors, borrowers, and even the government all contributed to this perfect storm. Without even one of these parties it never could have been possible. How can we prevent this from happening again? There are many answers, some political, some moral. Suffice it to say, that most of this could have been prevented with a little financial responsibility and a little know-how on the part of the borrowers, something taught by Lyle and myself regularly in classes, workshops, podcasts, newsletters etc. Decide today to take control of your financial future instead of letting others do it for you. Start by visiting <http://extension.ag.uidaho.edu/madison/> to learn more.