WiSe Up Teleconference Call
November 30, 2006
Becoming Credit Smart, Part II
Questions and Answers

Jane Walstedt: And I’m going to ask Julie, our operator, to remind us how to ask a question.

Julie--

Coordinator: Yes.

Once again, if you would like to ask a question, please press *1. You will be prompted to record your first and your last name.

To withdraw your request, press *2.

One moment, for our first question.

Jane Walstedt: Julie, do we have a question?

Coordinator: One moment.

Jane Walstedt: Julie?

Coordinator: Yes, I’m here. It takes a minute for them to record their name.

Jane Walstedt: Okay.

Coordinator: Our first question comes from Ann Lindsay.

Your line is open.
Ann Lindsay: Hi. I was wondering if you can refinance an equity line on your house.

Jane Walstedt: Who would like to take that question?

A.W. Pickel, III: This is A.W. I can take it.

Jane Walstedt: Okay.

A.W. Pickel, III: Yes, you can. It depends on your equity line loan-to-value [ratio]. If you got an equity line...there are several out there. Some go to 90% of your home’s value, some go to 100%, some go to 115%, and some go-- believe it or not--to 125%.

It is much more difficult to refinance the 125%, the 110% or 115%; the 100% is a little easier; 90%, of course, is a lot easier. If you need refinancing from one home equity line to another, yes, you can do that as well.

My first call would be to the home equity line company first and see if they’ll simply convert it to a fixed rate at no cost.

Ann Lindsay: Okay, great. Thank you.

A.W. Pickel, III: Uh-huh.

Jane Walstedt: Thank you, A.W.

Julie, do we have another question?

Coordinator: Once again, to ask a question, please press *1.

Jane Walstedt: Go ahead, Gail.
Gail has a question.

Gail Patterson: Yes.

I think it was Lisa. Lisa, you said if you went online -- the Yahoo!...

Lisa Feathergill: Yes.

Gail Patterson: …to refinance that cuts out the lender fee. Is that what you said?

Lisa Feathergill: No, no, no, no. I just…it’s the easiest… it’s the easier way to do the research, to access the lenders who might not be in your area.

Gail Patterson: Okay. Thank you.

Jane Walstedt: Julie, do we have another question?

Coordinator: At this time we have no further questions.

Jane Walstedt: So let me ask one then, for those who don’t have--this is to Paul--for those who don’t have a mechanical background, how do they determine if a used car is going to last?

Paul Maghielse: One of the best things you can do when you’re buying a used car is to have a professional mechanic go over the car with you. And it’s just sort of like a home inspection in that area. You’re going to pay this person probably $50 to $100 to go over the car, and you can get a lot of information about the car.

Basically, every used car that I’ve purchased or advised people to purchase, they have this service done, and you end up saving more than it cost you by…
you can go back to the dealership or the person that you’re buying the vehicle from and negotiate a lower price or have the item corrected that you don’t care for.

Jane Walstedt: Thanks, Paul.

Julie, do we have another question?

Coordinator: Yes, we do. Brenda Dublin, your line is open.

Brenda Dublin: Yes. I wanted to know… I have a home equity line of credit in the amount of $30,000, and I wanted to know… I’m contemplating refinancing again, but I wanted to know is that a wise thing to do if you’re planning retirement, say within the next six months to a year?

Presently, I am…let’s just say $15,000 out of that $30,000 that I have used or transferred over to an account, and I presently have an outstanding balance of let’s just say, $10,000 or $11,000. Which is my best course of action?

Jane Walstedt: Lisa or A.W., do you…would you like to take that question?

Lisa Featherngill: A.W., do you want to take it?

A.W. Pickel, III: Sure, but I’d like you to jump in on the financial planning side.

Ma’am, may I ask a question? Do you have a first mortgage on your house as well?

Brenda Dublin: I anticipate being through with that at the end of January of ‘07.

A.W. Pickel, III: Congratulations.
Brenda Dublin: Yes.

Lisa Featherngill: Good timing.

A.W. Pickel, III: Compliment on that.

Well, if you’re planning on retiring, I guess the thing that I would consider is that you’ll have a fixed income, so I wouldn’t try to do anything that would have an adjustable [rate].

You don’t owe a lot of money on that, and I don’t sense, quite frankly, ma’am, that even if your adjustable [rate mortgage] is at 9%, if you look…if you found someone to give you one at 7%, that [that] would save you that much money, without running the numbers.

I just…[with] a small loan amount, the payment doesn’t change that much, and oftentimes the fees that you will incur, even on a home equity line…. And it’s the hot product out there right now, and Capital One is trying to convert all their cardholders to secured equity lines because it’s more security for them--

I…you know, based on the details you gave me so far, I probably wouldn’t do anything.

Brenda Dublin: And may I ask another question or do I need to…

Jane Walstedt: Go ahead.

Brenda Dublin: All right.
Jane Walstedt: …unless Lisa has anything she wants to add to your first question.

Brenda Dublin: All right.

With that statement that I’ve just made, that present home equity [loan] is now at 8.75% [interest rate] and it’s also [an] interest-only [loan], and I really don’t understand very well about the interest-only, and someone has asked me would I be interested in the fixed [rate loan] if I could get it. Initially, when I took it out, I was told that the fixed rate was not available, only the interest-only.

Jane Walstedt: A.W. or Lisa, do you have a comment on that?

A.W. Pickel, III: Lisa, go ahead.

Lisa Feathergill: I guess I would ask how did…did you get an interest-only [loan] to manage the payments?

Brenda Dublin: Well, at that time I was anticipating retiring much sooner.

Lisa Feathergill: Right.

Brenda Dublin: And I did not want to be shackled with a high payment.

Lisa Feathergill: Right.

I agree with A.W. that it may not make that much of a difference usually to refinance on a $30,000 equity line, but if you’re paying 8.75% now, it sounds like you're probably tied to [the] prime [rate] somewhat. [The prime rate is the interest rate that commercial banks charge their most creditworthy borrowers.]
Brenda Dublin:   Yup.

Lisa Featherngill: You’re not paying any of the principal down. That may or may not be a problem. I mean, for some people, they don’t care if they pay down any of the principal, and especially if there’s a lot of equity in the home.

But 8.75% is a pretty hefty rate in today’s fixed market. So it may make sense to talk to somebody and see what your options would be.

Brenda Dublin:   All right then. Thank you.

(Crosstalk)

A.W. Pickel, III:   Yeah. One other thing you could check into -- and your best bet here is a local bank -- what I would look into is I would go to a local bank and say, “I would like a no-point, no-cost loan at a fixed rate.”

And because…the thing is, with $30,000, most banks have to charge about a thousand bucks some way or another to make their money. And if you can say, “Look, all I want is I want the same principal balance [I have] today tomorrow.” So if you owe $27,232 [today], tomorrow you want your $27,232 on a fixed rate, fully-amortizing loan. In that way, you’ll begin paying it off.

You could also pay this one off, ma’am, just by paying more than the interest-only portion.

Brenda Dublin:   Okay.

A.W. Pickel, III:   And it will pay off. It’s functional. It’s acting like a fully-functional credit card for you.
And like Lisa said, some people never pay those off. You know, at some point in time, you may want to consider—it’s another world, another story—a reverse mortgage. There are some downsides to that. There are some good sides to it. Don’t jump into that just because I mentioned it now, but you may want to look into that. [For more information on reverse mortgages, please refer to the Federal Trade Commission’s publication “Reverse Mortgages: Get the Facts Before Cashing In On Your Home’s Equity” available at http://www.ftc.gov/bcp/conline/pubs/homes/rms.htm.]

Brenda Dublin: All right.

A.W. Pickel, III: I would go to a local bank and say, “Look, refinance this. Don’t charge me a penny.”

Brenda Dublin: Very good.

Lisa Feathergill: Would you refinance it as a mortgage or as a non-secured loan? [A non-secured loan is a loan that is not backed by assets belonging to the borrower in order to decrease the risk assumed by the lender.]

A.W. Pickel, III: Well, if they’ll give her a non-secured loan, I’d take that any day of the week.

Lisa Feathergill: Yeah.

A.W. Pickel, III: Because I’d like to keep her house free and clear, but they probably won’t since it’s already tied to the house.

Brenda Dublin: Yeah.

A.W. Pickel, III: But if she has a friend at the bank, you might be able to…
Brenda Dublin: Thank you very much.

Jane Walstedt: Thank you.

Julie, do we have any other questions?

Coordinator: Once again, to ask a question, please press *1.

Jane Walstedt: If there aren’t any in the cue, I’d like to ask a second one, and I’d like to ask it of Paul, and that is “What are some of the hidden costs of leasing - in leasing - - and how does the person figure out if leasing is the right way for them to go, if it’s the right way for them to go in terms of filling their transportation needs?

Paul Maghielse: Sure.

One of the things that you can do--if you’re thinking about leasing--is there’s a lot of good information again on the Internet. The FTC [Federal Trade Commission] site has quite a bit. There’s an article entitled “Look Before You Lease.” “The Keys to Vehicle Leasing” is another one out there. [Both are] available at www.ftc.gov/autos.

But one of the things you can get into with leasing is all those hidden costs. You tend to not realize the excess mileage charges that you’re going to end up paying at the end of the lease, you know.

If your lease is set up where you can drive 12,000 miles a year on it, so at the end of the three-year lease, if you have more than 36,000 miles on the vehicle, you’re going to have to pay a charge of some type, and that should be written right into the lease.
And one thing you want to do with leases is everything in that lease is negotiable. The price of the car which…in leasing, there’s all these terms that are…can be very confusing to people, where they say cap cost and cap cost reduction. So it’d be really good to get yourself informed before you went down that avenue.

But there are a lot of hidden costs. Gap insurance is another one where you’re going to have to take out a bigger insurance policy that covers…in case you…if the car gets stolen or you damaged it where it’s unrepairable.

You’re going to have to return that vehicle to the lease company, and if you don’t have something to return, you’ve got to have insurance to cover that. So, gap insurance is going to run you a little bit more than it would for a conventional new car buy.

Jane Walstedt: Thanks, Paul.

Julie, do we have any more questions?

Coordinator: We do have a question from Virginia Ngai.

Your line is open.

Virginia Ngai: Thank you.

Hi. This question is for Paul.

I just want to ask…-I have a car that’s three years old. It was a brand new car at the time of purchase, and it’s at 40,000 miles right now. You did mention that every…I guess every car, in the first three years, is when it depreciates
the most, and I just wanted to know at what point should one start thinking about selling their car?

Paul Maghielse: You know, at this stage, that car has 40,000 miles on it. It’s not uncommon for people to get over 100,000 miles on their vehicle and the vehicle still has value, it still is in decent shape.

Virginia Ngai: Uh-huh.

Paul Maghielse: So, you know, it looks like you were…-you’ve driven that car about 12,000 to 15,000 miles a year.

Virginia Ngai: Correct.

Paul Maghielse: So, you know, if you were going to - the vehicle was going to--get to 100,000 miles, you’ve got quite a few years left on that vehicle.

Virginia Ngai: Uh-huh.

Paul Maghielse: So if you’re satisfied with how that vehicle is performing for you and it’s meeting your needs in terms of transportation and what you need out of a car, I certainly would stick to that vehicle as long as you could now because…

Virginia Ngai: Sure.

Paul Maghielse: …you’ve gotten down to the flatter part of the curve, so you might as well ride that out to minimize your cost.

Virginia Ngai: I see. Okay.
And then, actually, my boyfriend has a car that’s almost three years old and it’s at 115,000 [miles]. Do you think he should start thinking about selling his car?

Paul Maghielse: Again, three years and it’s 115,000?

Virginia Ngai: Right. He drives a lot.

Paul Maghielse: So he drives a lot.

Virginia Ngai: Yes.

Paul Maghielse: And every mile is different on a car, so he’s probably driven a lot of freeway miles on there. Is that…

Virginia Ngai: Uh-huh.

Paul Maghielse: …correct?

Virginia Ngai: Right. That’s right. Uh-huh.

Paul Maghielse: Yeah. So the wear and tear on the vehicle is quite a bit less…

Virginia Ngai: Uh-huh.

Paul Maghielse: …when you’re driving on the freeway.

Virginia Ngai: Okay.
Paul Maghielse: So, not every mile is equal. So in terms of his car compared to yours, he might only really, in reality, sort of have 50,000 miles if you kind of think of it, it’s like dog years or whatever.

Virginia Ngai: Oh I see. Uh-huh.

Paul Maghielse: So, the value of that car…the market perceives that car though as having that high mileage on it.

Virginia Ngai: Uh-huh.

Paul Maghielse: So if he goes to sell that car, he’s not going to be able to get, really, value out of it.

Virginia Ngai: I see. Uh-huh.

Paul Maghielse: It hasn’t depreciated more than your car has.


Crosstalk

Virginia Ngai: I’m sorry. Okay, thank you for your information.

Jane Walstedt: Thank you. Julie, do we have another question?

Coordinator: This time we have no further questions.