

Adjustable rate interest plans are becoming a fact of life

Adjustable rate consumer loans are coming. In some parts of the country loans with floating interest rates have already arrived. Elsewhere, lenders are preparing adjustable rate loan deals that may attract customers away from traditional fixed rate loans.

The public has accepted adjustable rate financing in mortgages; in the last year, more than half of the home mortgages granted carried adjustable rates. Now, lenders offer variable rate financing for cars, home improvements and personal loans.

Anyone in the market for borrowed money should understand how adjustable rate loans work and how to shop for favorable terms, according to

the North Carolina Association for CPAs.

Adjustable rate loans are a direct outgrowth of bank deregulation. With Federal law allowing banks to raise rates on deposit accounts, the cost of borrowing has also risen, explains Edwin Schmelzer, author of a book about variable rate loans published by the American Bankers Association.

"Deregulation has made interest rates more sensitive to swings in the economy," says Schmelzer. "Adjustable rate loans allow banks to lay some of the risk of fluctuating rates onto the shoulders of consumers."

Here's how they work: A lender can offer you an adjustable rate loan that is lower initially than a fixed rate loan

because he knows that if prevailing rates move up, the financing rate will be adjusted upward. But that can generate problems: Deep discounts on initial payments could attract borrowers who cannot afford to pay off a loan if interest rates increase. In addition, some lenders have been criticized for looking only at a borrower's ability to pay off the loan at the initial rate and not at an elevated rate.

When you agree to an adjustable rate loan, be prepared to pay more than your original discounted rate. For instance, a lender may offer a \$10,000 car loan for 48 months with a 12.5 percent initial finance charge. A comparable fixed rate loan may be three points higher. A borrower with an adjustable rate loan, however, should calculate the probable impact on the pocketbook if the rate shoots up to 18 percent.

The key to getting the most favorable adjustable rate loan is to shop around. Try to find a loan with lifetime "cap." That would put limits on your finance rate. A lifetime cap of five percent on a loan that begins with a 12 percent rate, for example, prohibits your finance rate from going above 17 percent. Annual caps may also

be included in a loan.

A typical adjustable rate home improvement loan for 15 years offers a 12 percent initial finance rate and is adjusted annually.

Such a loan may be a five percent lifetime cap and a two percent annual cap. In addition, the loan may have a floor on interest rates which prevents the finance

rate from falling more than five percent during the life of the loan and two percent annually, a provision that shields the lender against sharp drops in interest



Rufus Edminsten, democratic candidate for governor, was honored at a reception Sunday afternoon at the home of Willard and

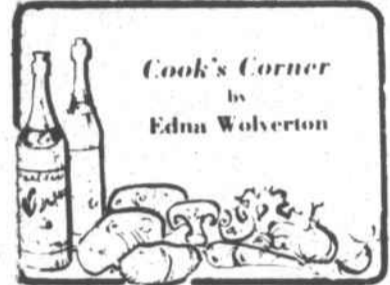
Christine Copeland in Winfall. Approximately 150 turned out to greet the candidate and enjoy the Copeland's hospitality.

Pictured are — left to right — the Copeland's son, Tony, Edminsten, Christine and Willard Copeland.

Rice dishes provide excellent nutrition

Rice is certainly a staple of the diet in the South. It's high carbohydrate value provides energy for the body. By adding cheese and other dairy products to rice, a complex carbohydrate system is created. This provides an excellent source of protein without eating meat. So apparently the two casserole dishes I am suggesting this week, are nourishing enough on their own. Add a salad of fruit or raw vegetables, or use the casserole as a side dish with fried chicken or roast pork.

Combine all ingredients and pour into a 1½ qt. baking dish. I prefer a shallow oblong dish. Bake at 350 degrees until the cheese melts. Serves four to six.



RICE VERDE

- 1 c. chopped onions
 - 1/3 c. oil
 - 3 eggs, beaten
 - 1 c. chopped fresh or 3 T. dried parsley
 - 1 c. grated cheese
 - 2 c. milk
 - 2 c. cooked rice
 - 1 t. Worcestershire sauce
 - ¼ t. garlic powder
- Saute the onion in oil until tender. Mix in the remaining ingredients and bake in a large casserole dish at 350 degrees for 40 minutes. Serves eight.

SOUR CREAM RICE

- 2 to 3 c. cooked rice
- sprinkle of red pepper
- ½ lb. sharp cheese grated
- 1 c. sour cream
- salt to taste
- ½ c. dried parsley

PROPERTY SALES (Tax Trap)

Selling property will require more care than ever under the 1984 Tax Act.

The interest rates must meet new requirements or the IRS will impute (assign) an interest rate, prior law had a fixed 9% simple interest rate that had to be charged or the IRS would impute interest at a 10% compounded rate. Now the interest rate will fluctuate with government obligations.

Sales of business property where both gains and losses are involved will now be subject to a complicated five-year netting procedure. Congress was concerned that sales of property could be alternated year-by-year to create nothing but losses in one year, and have those losses treated as ordinary loss, and nothing but gains in another year, with those gains treated as capital gains.

Using the installment sale method to sell depreciated property may leave you paying more income tax in the year of sale than you actually receive as down payment. In tax law there is "depreciation recapture" when property is sold. Depending on the type of property sold, the seller generally is required to treat some or all of the sales proceeds as ordinary income rather than capital gain. In the past when property was sold on the installment basis, the seller did not have to report as ordinary income more dollars than he actually received during the year. The seller must now recognize all depreciation recapture as ordinary income in the year of sale, regardless of the dollar amount actually received. You may want a larger down payment in order to fund your taxes due in the year of sale.

Check with your tax advisor before selling property.

Timberlake & Sykes, P.A., CPAs — 101 W. King, Edenton, N.C. 28541 • 110 W. Market, Hertford, N.C. • Call us — we understand financial concerns — personal, Corporate, Estate & inheritance tax returns • Audits • Tax & Financial planning • Financial Statements Management Advisory • Micro-computer assistance.

Soup-to-Nuts SAVINGS



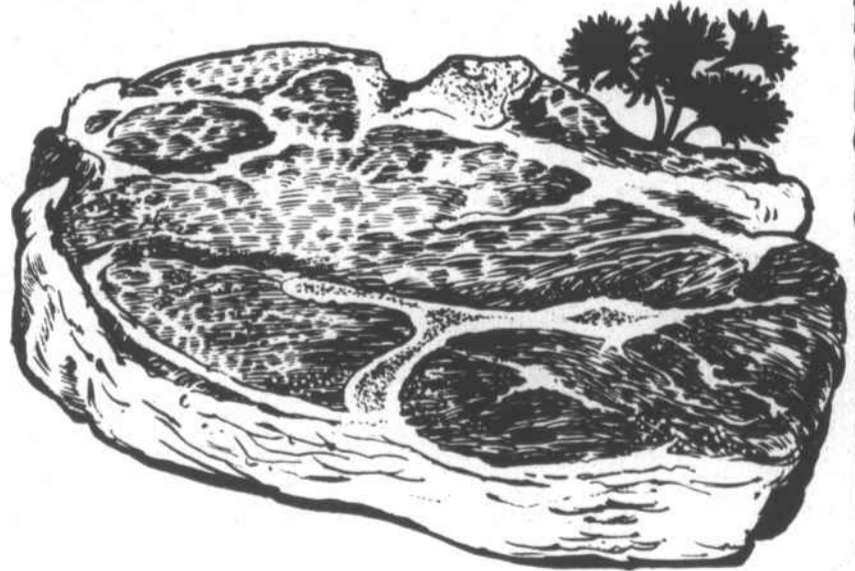
FRESH GROUND BEEF
1.39 LB.

GWALTNEY BACON
12 OZ. PKG.
1.29

PILLSBURY FUDGE BROWNIES
29 OZ.
1.29

NEW YORK STRIPS
WHOLE - BONELESS
\$3.79 LB.

- TURKEY WINGS **35¢** LB.
- TURKEY NECKS **19¢** LB.
- PORK LIVERS **49¢** LB.
- PORK FEET **29¢** LB.
- PORK NECKBONES **29¢** LB.
- PORK TAILS **39¢** LB.
- LEAN STEW BEEF **1.89** LB.



BANQUET PIES
20 OZ.
99¢

JACK RABBIT DRIED NORTHERN BEANS
1 LB. PKG.
29¢

RICHFOOD SUGAR
5 LB. BAG **1.59**



CAMPBELL'S TOMATO SOUP
10.75 OZ.
4/\$1.00

RICHFOOD SHORTENING
3 LB. CAN. **1.99**

PARKAY SOFT MARGARINE
16 OZ. **89¢**

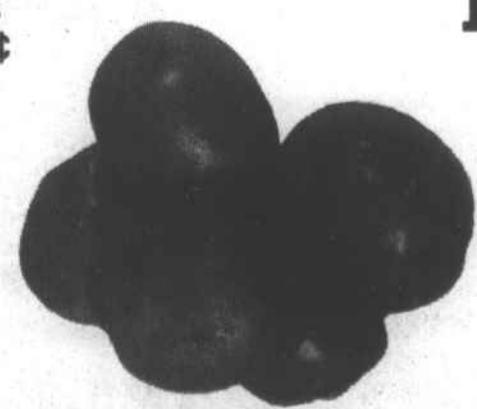


WHITE CLOUD BATHROOM TISSUE
4 ROLLS **99¢**

SWEET POTATOES
19¢ LB.

- RICHFOOD FRENCH FRIES 32 OZ. **89¢**
- BAMA PARTY PIE SHELLS 7 OZ. **59¢**
- OLD SOUTH ORANGE JUICE 64 OZ. **1.29**
- VINTANGE COLA 2 LITER **49¢**

COLLARDS **39¢** LB.
CABBAGE **15¢** LB.



WHITE POTATOES
10 LB. BAG **1.29**

WINFALL SUPERMARKET

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