

Use Caution When Considering Home Equity Loans

By RON HOLLAND

The newest craze in creative financing is called the home equity loan. With the elimination of interest deductions on consumer loans under the new tax code, every bank and mortgage company in America is pushing this concept. Basically with this loan, you are converting your home equity to a single line of credit. A typical home equity loan works something like this: The bank will allow you to borrow up to 80 percent of the equity in your home, less the mortgage value, with the loan not to exceed your annual salary. You receive either a credit card and/or checks and receive monthly statements on your account. The sales pitch is that you can still

deduct your consumer interest under the blanket of your home mortgage. On the surface, the idea is attractive, but there are serious pitfalls to this credit approach.

The biggest problem with home equity loans is human nature. Take a look at how many of us utilize our credit cards. With a regular credit card, we tend to charge up to our credit limit. At that point, we arrange our purchases and payments so that a balance is maintained just below the limit. The critical point is that there is a limit.

Home equity loans have a charge limit near the equity in your home. There is no credit ceiling until your home equity, which is the major financial asset for most Americans,

is gone. What happens if the following occurs:

- You decide to buy another home and there is no equity remaining for a downpayment?
- You are laid off, and are unable to make the monthly payments on the loan?
- Interest rates rise so that the interest on the loan, which is tied to the prime rate, is no longer reasonable?
- The government changes the tax

code again so that the interest is no longer deductible?

- You get ready to retire and all of your home equity is dispersed among depreciating goods and services?
- Credit is like fire—a useful tool, but it must be handled with care. Home equity loans aren't just another type of credit card, but an entirely new type of credit. You exchange stable, appreciating home value for depreciating consumer goods and

services. The risk you run is waking up several years down the road and discovering that your home equity has been replaced with depreciating automobiles, clothes, past vacations, etc.

Home equity loans are a credit tool worth considering, but make sure you understand the dangers and have the

temperament to properly utilize the service.

Ron Holland is vice president of investments with First Tryon Securities. His financial column will appear in The News Record on a regular basis.

Ron Holland's Report

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Parking In Front Of Courthouse Now Prohibited

Folks won't be able to park in front of the Madison County Courthouse anymore — at least, not without risking a parking ticket.

The Marshall Board of Aldermen unanimously agreed last week to place "No Parking" signs in front of the courthouse, and to ask municipal police officers to enforce the regulation.

The board had received several requests for the signs because school buses and other large vehicles have had difficulty turning left onto Main Street from Bridge Street when cars are parked in front of the courthouse.

Signs with a different message also won board approval last week.

Marshall officials, after receiving complaints from nearby residents, agreed to post "No Dumping" signs on Smith Hollow Road. Residents complained that

the dumping of garbage along the road had created a haven for rats and created a health hazard.

The board agreed to ask Madison County Sheriff Dedrick Brown to enforce the regulation if the dumping continues.

In other action, the board agreed to help pay for two planters to be placed in town, and for several 50-gallon drums to be used as garbage containers.

The board meeting has originally been scheduled for April 20, but had to be postponed by one day when Alderman John Dodson failed to show up for the meeting.

Alderman Ed Niles had previously told the board he would be out of town on that day, and that left only Mayor Anita Ward, a non-voting member of the board, and Alderman Faye Reid.

Because there was no quorum, the meeting was continued until the following day.

Burnsville Man Charged With Armed Robbery, Stabbing

A Burnsville man has been charged with armed robbery and assault with a deadly weapon in connection with the weekend stabbing and robbery of a Madison County man.

Richard Marlow, who lives in the Forks of Ivy community near the Madison-Buncombe county line, was robbed of \$12 in cash and stabbed in the stomach and arm, said Madison County Sheriff Dedrick Brown.

"They knifed him in the stomach and cut his arm to the bone," Brown said.

Authorities say the robbery took place in Yancey County, while the stabbing occurred on the Madison County side of the line.

Marlow was transported to Memorial Mission Hospital and released after being treated for his injuries.

Yancey authorities have charged Carroll Penland Jr. with armed robbery, while Madison authorities have charged him with assault with a deadly weapon inflicting serious injury, Brown said.

The Madison Sheriff's Department was kept busy over the weekend on a number of drunk and disorderly calls and domestic disputes, Brown said.

Madison deputies were notified by Rutherford County authorities that two men wanted on breaking and entering and drug charges may be in the county, said Chief Deputy Dal Peek.

Deputies discovered that the men had been in Madison County, but left before Rutherford authorities had given them the message.

Madison County authorities are also looking for juvenile offenders from Crossnore, Peek said.

Bullet-Proof Vest Fund Established

A fund has been set up at First Citizens Bank in Marshall to raise money to purchase bullet-proof vests for the Madison County Sheriff's Department.

A group of concerned citizens has set up the fund, and is planning a number of fund-raising events for later in the spring.

The department is in need of five or six vests, at a cost of more than \$300 each, said Madison County Chief Deputy Dal Peek.

Weaverville Board Rescinds Ordinance

The Weaverville Town Council recently rescinded an earlier ordinance prohibiting the use of town vehicles for the purpose of transportation to and from home and unofficial business.

"We've received calls about town vehicles in West Asheville," said Alderman David Bell. "We had to do something when people call in and complain."

Weaverville Mayor Reese Lasher pointed out that the complaints were from anonymous sources.

"Those were anonymous calls," Lasher said. "If people won't give their names, how do we know if it's the truth?"

After lengthy discussion, the board agreed to rescind the ordinance, approved in March, and re-enact the old policy, which enables town officials to commute and make incidental stops when on call or official business.

The board also heard from members of the volunteer fire department who came to show support for the town's only paid fireman, Douglas Sims.

Sims was recently reprimanded by Town Manager Charles Horne for allegedly playing basketball while on duty.

According to fireman John Penley, Sims was washing the town's two fire trucks while volunteers were playing ball. Sims stopped the ball from going over an embankment and threw it back. He was then reprimanded by Horne with a letter to be placed in his personnel file for a period of 90 days.

The board agreed to investigate the matter and see that Sims is given a proper hearing to determine fault.

In other action last week:

• A public hearing was held prior to the regular meeting to discuss the proposed Community Development Block Grant. The board unanimously approved the town's participation in obtaining \$143,000 in grant funds, to be used for housing rehabilitation and demolition and sewer projects.

• A motion was approved to merge the town's sign and zoning ordinances into one ordinance so that town officials can enforce sign regulations in Weaverville's one-mile extrajurisdictional zone. That one-mile area had been included in the zoning ordinance, but not the sign ordinance.

• John Young of Youngs Auto Sales requested three parking spaces in front of his lot with 30-minute parking signs posted. The board granted his request.

• The board went into executive session to discuss personnel matters. A motion was taken, but no record was made of the discussion.

meeting last Wednesday to review Horne, the town manager.

At the continuation meeting, the board met in executive session for nearly two hours to review Horne's job performance. No action was taken at last Wednesday's session.

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