

# Never co-sign if you can't make the payments yourself

When times are good, some people still struggle to keep up with their credit and debt payments. In a downturn, bad gets worse because for some, there's less money to devote to debt.

In a recent online discussion, about a fourth of the questions I received had to do with debt issues. This gave me a window into how some unemployed folks are getting by and how others are fighting to hold onto their good credit name.

Here are some of those questions:

**Q: I'm in a tough situation. My dad and I co-own a home. My dad has the first mortgage, and I took a second mortgage based on the home's equity to improve the house since my credit was much better. My dad pays for the second mortgage too. Because of the economy, my dad may declare bankruptcy and the house will be foreclosed. I can't afford to pay the second mortgage. Does this mean my credit is shot?**

**A:** Unfortunately, one of the downsides to co-signing



## The Color of Money

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is that if the loan goes into default, all that bad payment history gets reported on the co-signer's credit report. So yes, in all likelihood your credit is and will be shot.

This is why time and time again I warn people about co-signing. As economic conditions continue to deteriorate, a lot of people who co-signed will learn this lesson the hard way.

When you co-sign you are not agreeing to be a backup,

you are agreeing to be equally and wholly responsible to pay back the loan.

In the case of the second mortgage, you were completely responsible if your dad didn't co-sign. Never take a loan for anyone if you can't make the payments yourself.

If you want to try to avoid completely trashing your credit, negotiate with the second lien holder either to settle the debt for less or to lower the payments to an amount you can afford. Because it isn't likely you'll be able to sell the home under these market conditions for a price that would even cover the first mortgage, you actually have some leverage.

**Q: I'm using my tax refunds to pay my credit card bills. I want to wipe clean my credit card debts before I go on maternity leave. My income will be cut in half while I'm out. But even with the tax refunds, I'm still a couple of thousand dollars short. Should I take it out of my savings?**

**A:** It's great that you have an emergency fund. Typi-

cally in such a case, I would recommend you take all the refund money and pay down the debt. However, I'm a little concerned about your income being cut. Be careful about paying down debt until you get a handle on what it's like to live on half your income during your maternity leave.

If you have at least three to six months saved in your emergency fund, that will help cover household expenses you need to pay while your income is down. With the savings in place, you could go ahead and use the tax refunds for the debt. But keep your savings until you return to work full time.

**Q: I'd like to change employers. Although I have a bachelor's degree, I've found I need to get an MBA. My family currently has about \$32,000 in debt (credit cards and student loans). Should I just get a loan for graduate school? I don't want to wait four to five years when our debt will be eliminated to start school.**

**A:** I have two words for

you: delayed gratification.

You need to wait. You don't need to change jobs, you want to change jobs.

You need to pay off that \$32,000 instead of irresponsibly sinking your family into more debt, especially in this economy.

**Q: I recently lost my job. I have run out of money in my savings account and must now either start using my home equity line of credit, credit cards or IRA in order to pay monthly bills. I have enough credit to last almost three years so I'm not hurting. What's the best short-term source of money until I find a new job?**

**A:** The best short-term source of money is a job. Any job. Or apply for unemployment insurance if you're eligible.

Unless you are in dire conditions, you certainly shouldn't touch a tax advantaged IRA. Between the income taxes you have to pay and the 10 percent penalty for early withdrawal, you could end up taking a 30 percent to 40 percent hit on that money.

As for using the home equity line and credit cards, you should do everything in your power to avoid tapping that debt for your everyday living expenses.

Let's just say conservatively your monthly expenses come to \$3,000 a month. After three years of living on credit, you would have racked up more than \$100,000 in debt. In just six months, you would have \$18,000 in debt.

You are hurting if your backup plan is to live off debt.

Listen to Michelle Singletary discuss personal finance every Tuesday on NPR's "Day to Day." To hear her reports online go to [www.npr.org](http://www.npr.org). Readers can write to her c/o The Washington Post, 1150 15th St., N.W., Washington, D.C. 20071. Her e-mail address is [singletarym\(at\)washpost.com](mailto:singletarym(at)washpost.com). Comments and questions are welcome, but due to the volume of mail, personal responses may not be possible. Please also note comments or questions may be used in a future column, with the writer's name, unless a specific request to do otherwise is indicated. © 2009, Washington Post Writers Group

# Tubac homebuilder seeing green with new products, learning center

A glum economy hasn't stopped Dorn Homes from seeing green. The homebuilder recently launched One World, One Chance, in La Entrada de Tubac.

The environmental learning center provides customers with rotating hands-on exhibits about our connections with the Earth, as well as a retail area featuring green products and toys from around the world. Speakers from the sustainable energy movement will make regular appearances.

Inside the store, customers will also find an interactive model of a Dorn Homes house that demonstrates high-performance, energy-efficient living. The model shows how solar panels make a significant

impact on both the environment and traditional electricity costs, and how reclaimed water can be utilized for later use.

At One World One Chance, visitors can learn about the newest environmentally safe insulation and its cost-effectiveness.

The retail section includes more than 600 items that fall into four categories: educational, recycled, fair trade and environmental. Books, DVDs and magazines on the environment; solar backpacks and beach bags (that charge devices such as iPods); baskets and purses made from recycled materials such as license tags and newspapers; and hand-made products from around the world are among the many samplings.

"As a company that prides itself on its commitment to the environment, we felt compelled to share our passion for the Earth with others," said Dave Grounds, CEO of Dorn Homes.

In April, Dorn Homes made history with the launch of Arizona's largest solar-powered residential development initiative. The company introduced its Solar Smart Homes concept in Tucson, Green Valley and Tubac, where homes include solar panels and other energy saving standard features aimed at drastically reducing energy consumption.

One World, One Chance is at 2221 E. Frontage Road, B103 in La Entrada de Tubac, just north of the main entrance to the village of Tubac. Information: (520) 398-9590 or [www.dornhomes.com](http://www.dornhomes.com).

## Local briefs

### Exchange students need host families

Exchange students coming to this area for the upcoming high school year or semester are in need of host families.

The students are 15-18 years old, conversant in English, eager to learn about this country, fully insured, will bring own spending money and expect to share household chores as well as being included in normal family activities. ASSE International Student Exchange Programs is officially designated as an exchange fisor program by the State Department. Information: 1-800-733-2773.

### KUAT's Buckmaster to talk journalism

Bill Buckmaster, host of KUAT-TV news magazine "Arizona Illustrated," will appear March 5 in Green Valley to ask, "What Does the Future Hold for Print Media and Public Broadcasting?"

He will interview *Sahuarita Sun* and *Green Valley News* editor Dan Shearer and lifestyle reporter/editor Regina Ford.

Shearer was a senior editor at the *Arizona Republic* before moving to the Green Valley-Sahuarita area in January.

The event is set for 10 a.m. March 5 at Canoa Hills Center, 3660 S. Camino Del Sol, Green Valley.



**We will be CLOSED on Friday, February 27th**  
News and Advertising Deadlines will be advanced

**For Sunday, March 1st:**

- Display Advertising Deadline - Wednesday, Feb. 25 at 10:00 am

- Classified Advertising Deadline - Thursday, Feb. 26 at Noon



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