

Monday money

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Signing up for trouble

IF someone said to you, "Can I borrow your house but you might not get it back", you'd tell them to go jump.

Yet that is exactly the sort of risk you take if you act as guarantor for someone else's loan.

Many people go guarantor on a loan for a loved one in the mistaken belief that it is a formality to help them get credit.

In fact, nothing could be further from the truth and agreeing to go guarantor is a big responsibility.

You are not giving a character reference, you're agreeing to take over the debt or repay the full amount if the original borrower defaults.



BY PAUL CLITHEROE

And you could end up losing everything, even your own home.

In a tighter lending market, banks and other financial institutions are always on the lookout for new ways to entice people to borrow.

There are several home loans available these days that let first time homeowners borrow 100 per cent of a property's value.

It may sound generous but lenders tend to be a cautious bunch, and many of these loans require a guarantor, usually from an older, more established parent.

All parents are keen to give their kids a helping hand, but in the case of a 100 per cent, or "no deposit" home loan, there is no equity buffer.

In other words, if the value of the property falls, the guarantor could end up owing more than the home is worth on the open market.

And in a worst case scenario, that could mean having to sell off some of your own assets to meet the shortfall.

Agreeing to act as guarantor isn't limited to parents and children.

It's a major cause of what's termed "sexually transmitted debt" between couples.

One partner asks their other half to sign a bank document, often implying it is a mere formality and not fully explaining that by signing the documents they are a guarantor.

Now this can happen for business or personal loans, but the outcome is the same — you are agreeing to take on someone else's debt.

And if that person for whom you are acting goes bankrupt, the creditors will start chasing you.

Before you agree to act as guarantor for anyone, take a good look at the copy of the credit contract, get some

independent advice and if you have any doubts, decline the offer.

Lenders have become more aware of the traps facing people unknowingly agreeing to go guarantor, and have lifted their game when it comes to explaining the obligations.

But lenders ask for a guarantor only if they have any doubts about the primary borrower's ability to meet the repayments. And if a financial institution has concerns, so should you.

● Paul Clitheroe is a founding director of financial planning firm Ipac, chairman of the Financial Literacy Foundation and chief commentator for Money magazine.

Ford in a mass cut of factory workers

NEW YORK: Ford Motor Company expects to shed 22,000 to 24,000 jobs in North America by the end of next year as part of its turnaround effort, according to a published report.

The Detroit News, citing company sources, reported the carmaker is also likely to exceed its goal announced in January of cutting up to 30,000 workers.

A Ford spokeswoman Marcey Evans said she could not discuss estimates for how many jobs might be cut by the end of next year because Ford only has released estimates through the end of this year.

"I think that we are doing quite well."

Ms Evans said Ford expects 10,000 to 11,000 of workers to take early retirement or payout offers this year.

About 5750 workers have taken payouts.

Ford is six months into a North American turnaround plan that involves shutting 14 plants by 2012 and cutting up to 30,000 workers.

While tens of thousands of Ford workers are being offered payout and early retirement packages, the carmaker did not follow General Motors' lead in offering the deals to all of its US factory workers.



● Eddie DeRivera and his team have won two accolades for their engineering projects, including at the Norske Skog paper mill in Albury and an award for work at a copper mine in Zambia. Picture: RAY HUNT

Engineering a winning performance

BY BREANNA TUCKER

THE staff at engineering firm MIPAC Pty Ltd are on top of the world after receiving two awards at the 2006 Process and Control Engineering Zenith Awards presentation at the Sydney Opera House.

The company was named winner of the Best Project in Mining, Aggregates and Cement for its work at Mopani Copper Mines, in Zambia.

MIPAC worked with five vendors from four countries to replace the core

smelting technology and install an oxygen plant, acid plant, electronic holding furnace and other services in a project worth \$232million.

MIPAC was highly commended in the Automotive and Manufacturing category for its upgrades of the Norske Skog paper mill in Albury.

The company replaced several separate systems, some of them 20 years old, with one large system that automated the entire paper machine operation.

Regional manager Eddie DeRivera

said the accolades were a huge achievement for the company because it was reasonably small.

"We have only 45 staff, with 10 in our Albury office and the rest in Brisbane," he said.

Norske Skog Albury mill manager Guy Mycroft said MIPAC completed the upgrades without closing down operations and finished 15 hours ahead of schedule, saving Norske Skog more than \$250,000.

"The team at MIPAC is first class," he said.

Foxtel concern at fuzzy reception for pay TV in media deal

FOXTEL chief executive Kim Williams says he is sceptical about the Federal Government's media reforms that give no certainty to pay TV operators.

The Communications Minister Helen Coonan last week unveiled the Government's plan for reshaping media regulations, lifting restrictions on foreign and cross media ownership and setting out plans for the move to digital television.

Mr Williams said the announcement had given free to air television a lot of certainty about its future but left pay TV operators like Foxtel hanging on for more detail.

"There is clarity and certainty for the terrestrial networks where they know they're not going to have a fourth network competitor at least before 2013," he said.

"They know they're going to be given, gifted additional services, on spectrum, which was

gifted by the Government — and we have a review.

"Until we actually have clarity on that, you'll forgive me, I'll remain sceptical."

Foxtel is disappointed the package did not bring more changes to the anti-siphoning list, which presently gives free-to-air TV networks first pick of rights to broadcast a number of major sport events.

Mr Williams said the deal singled out pay TV and had to be changed to allow Foxtel to

compete with the internet, which was unregulated in relation to sport rights.

"Unless there is change in sports regulation, we clearly ... have our backs to the wall," he said.

Senator Coonan said she understood some media companies, including Foxtel's 25 per cent owner News Corp, had concerns at anti-siphoning.

"The anti-siphoning list is set till 2010 but what we are

doing is having a really good look at whether that needs to be pruned and to introduce a use it or lose it scheme from the first of January next year," she said.

"I understand the thrust of (News Corp head Rupert) Murdoch's arguments but it is important that we have a balanced package that delivers a measured response and gets us to a deregulated environment in an appropriate framework."

Leading media buyer Harold Mitchell said most companies would benefit from the Government's reforms and that the freeing up of ownership restrictions had already driven up share prices.

"There's plenty of winners in this, not too many losers," he said.

"I think probably Kim Williams and Foxtel are amongst the people that didn't win quite what they wanted but they're not real losers."