## Prime time to refinance?

**By SCOTT M. VALAZAK**
Special to the Gazette

Before cutting interest rates by 1.25 percent in the last two weeks, Federal Reserve Chairman Ben Bernanke's actions had gone relatively unnoticed.

Consumers might have had their minds on keeping up with resolutions for the new year or the presidential primaries. Now with mortgage rates hitting lows reminiscent of the 2004 numbers, it might be a good time to look again at your financial objectives and decide whether refinancing is right for you.

There are several reasons why you may consider refinancing your mortgage. Here are some of the most popular:

■ To lock in a low fixed rate. Homeowners with a high rate or an adjustable rate can lock in a low fixed rate and reduce their payments. If you aren't planning to stay in your home for more than a few years, it might not pay to refinance. However, your banker can show you the costs and savings to help you decide what makes the most financial sense.

■ To consolidate debt. Credit cards, car payments and other personal debt typically carry a higher cost, or interest rate. By using equity in your home, you can pay off these debts and refinance them under your mortgage loan. Monthly cost savings can be significant in some situations. Consult your banker to see what options are available.

■ For home improvements. Have you been waiting for a reason to update your kitchen or bathroom? Is an addition to your home becoming a necessity? With current interest rates, it may be possible to make these improvements while keeping your monthly payments low. Oftentimes the interest you pay on your home loan is tax deductible. Consult your tax advisor for more information.

■ To get out of debt sooner. The idea of paying off your mortgage sooner has plenty of appeal. Shortening the term on your current mortgage can help you pay it off sooner, reduce the amount of money you spend on interest payments to the bank and improve your overall financial situation.

With rates at their current levels — locally, between 5 percent and 6 percent for a 15-year loan and between 5.6 percent and 6.4 percent for a 30-year loan — you may even be able to keep your payments similar to the one you are making now.

Refinancing may or may not be the best move for you. Remember, there are costs involved with the process, such as fees that your bank may charge; the cost of a new appraisal; and/or attorney costs. Talk to your banker or financial representative to find out if this is a good strategy to pursue.

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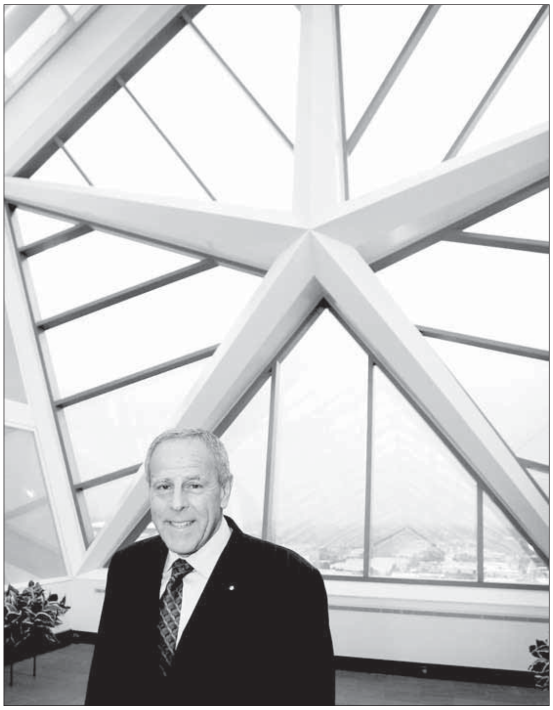

**CARLOS OSORIO**/Associated Press

**CHRYSLER** Vice Chairman and President Jim Press said trimming the number of dealers will help the automaker reduce cannibalization among its brands.

## Chrysler plans to cut back on products, dealerships

**By JORDAN ROBERTSON**
AP Business Writer

SAN FRANCISCO — Chrysler LLC President Jim Press said Friday a rejuvenation plan for the automaker could include jettisoning some dealers and cutting its product lineup by as much as half.

Press, speaking to industry executives at the J.D. Power and Associates Automotive Roundtable in San Francisco, emphasized that Chrysler's management team has not yet decided the severity of the cuts. Chrysler needs to pare down its lineup so similar models don't compete against each other, a change that will save marketing expenses and help dealers become more profitable, Press said.

Trimming the number of dealers, he added, will also help Chrysler reduce cannibalization among its brands as it embarks on a plan called Project Genesis to align the Chrysler, Jeep and Dodge brands under one roof.

The consolidation should occur within the next 4 years to 5 years, Press said, adding that Chrysler's forecasts of product cuts are based on estimates and not set in stone.

"There are no numbers. We don't know how many models we're going to have. No one knows that," he said.

A Chrysler dealer in Texas said Friday that the automaker has told dealers it could cut its number of models by as much as half, and reduce the number of dealerships selling its cars by as much as a third in an effort to boost efficiency.

"I think they're trying to get a little leaner, a little more efficient," said Alan Helfman, vice president of River Oaks Chrysler Jeep in Houston.

Helfman said it looks like a good step by the company, but he's concerned about how it might be carried out.

He said Chrysler could run into trouble with state franchise laws that in part protect dealers from going out of business.

"We have two of the largest dealerships in Houston," he said. "I'd love both of them to be ... 'Genesized,' but tell me how to do it."

Chrysler earlier this month said it was launching a new ad campaign that includes lower prices on 12 of its vehicles.

The campaign aims to cast the automaker as a company that's listening to buyers and responding with new features.

Chrysler is undergoing a restructuring after private equity firm Cerberus Capital Management LP bought a majority stake in the automaker last summer, In November, the automaker said it planned to cut up to 11,000 jobs, including 8,000 to 10,000 hourly jobs and 1,000 salaried positions.

The cuts came in addition to 13,000 cuts Chrysler announced last February, including 11,000 hourly jobs and 2,000 salaried workers in the U.S. and Canada.

Press also called rumors that the company might sell off parts of its business "hogwash" and said Chrysler is committed to staying viable as an independent company.

"Our company, our owners, have said nothing to me but build an American icon ... there's no plan to take it apart."

## Tax rebates may not spur rash of spending

**By RACHEL BECK**
AP Business Writer

NEW YORK — "Just Do It," one of Nike's ad slogans, might also be something the government should use to encourage consumers to spend their expected tax rebates.

A large part of the economic stimulus plan's success will hinge on whether Americans go shopping with their newfound cash. Proponents say a surge in buying could kick start the economy from its current dismal state.

But before anyone counts on that, consider why consumers may not blow those rebate checks: Their mounting debts and worries about their economic future may lead to more saving than spending.

It's a clear sign that times are tough when the government starts looking for ways to use fiscal stimulus to prop up the economy.

While it's still unclear if a recession is upon us, there is evidence that the collapse in the housing and mortgage markets has spilled over to the broader economy. Businesses have begun to clamp down on hiring and credit conditions have tightened.

The Federal Reserve has been trying to control the situation through monetary measures, including aggressively cutting the federal funds rate — the overnight lending rate for banks — by 2.25 percentage points since September to 3 percent.

Now Washington's politicians are working on a stimulus plan that includes tax relief for businesses and consumers.

The House has overwhelmingly passed a $146 billion aid package that includes rebates of $600-$1,200 for most taxpayers. The plan would send at least some rebate to anyone with at least $3,000 in income, with more going to families with children and less going to wealthier taxpayers.

Congressional leaders have been aiming to send the measure to President Bush by Feb. 15, but that date is now in question amid the partisan wrangling in the Senate. Both Democrats and Republicans want to add expensive components to the stimulus package, which includes rebates of $500 for individuals and $1,000 for couples in the Senate's version.

The earliest the rebates are expected to reach consumers would likely be in the late spring or early summer.

This isn't the first time that tax rebates have been included in efforts to recharge the economy — they were also used in 1975, 2001 and 2003. But those lump-sum cash payments provided only a "modest stimulus to consumption," according to a study by the congressional Joint Committee on Taxation.

That view was echoed by a new paper from the Congressional Budget Office, which said "most studies of purely temporary, one-time changes in taxes have suggested that they have only a moderate effect on household consumption."

The CBO also said in a paper issued in January that "households not facing liquidity constraints will not alter consumption very much in response to a temporary change in income because it has a relatively small effect on lifetime wealth."

During the 2001 recession, one-time rebates were paid starting in the third quarter, and consumer spending rose at an 7 percent annualized rate in the fourth quarter.

That failed to offset the downturn in business investment, and the economy only grew at a sluggish 1.6 percent annual rate in that quarter, according to the Heritage Foundation. a Washington-based think tank.

By the first quarter of 2002, consumer spending slowed to a 1.4 percent growth rate, hardly enough to trigger faster economic growth.

At the same time, the personal savings rates as the rebates were given out jumped to 3.4 percent from an average of 1.2 percent in the prior quarter. Economists at Merrill Lynch characterized that as a "vivid sign that much of the rebates went into the mattress."

We could see a similar pattern today, especially given the budget pressures faced by consumers. Gasoline prices are double what they were in 2001, debt-to-income ratios are at 140 percent versus 100 percent back then and the savings rate has turned negative, according to Merrill Lynch.

Financially strapped consumers are also worried about how economic deterioration in the months ahead could affect their wallets.

The Conference Board's Consumer Confidence Survey fell in January largely due to concerns over the weakening of business conditions and the job market.

That's why Americans might not eagerly put their tax windfalls toward the kinds of purchases — buying new cars or appliances, sprucing up their wardrobes or taking big trips — that could really recharge the economy's engines.

Instead, as was the case in 2001, the tax money they don't save or use to pay down debt could find its way to restaurants, drugstores, bookstores, electronics chains and toy shops, according to Merrill Lynch.

Six years ago, lotteries and casinos also claimed some of those tax-rebate dollars. That's how some Americans bet on a brighter tomorrow.

### NEW OFFICERS

**KRISTEN KALANAVICH**/Gazette

**THE INDIANA** County Area Society for Human Resource Management recently inducted its officers and chairwomen. Pictured, front row, from left, are Gloria Bruner, programs; Michelle Peterson, president-elect; Sherry Bender, outgoing president; and Anne White, legislative. Back row, Ellen Starry, treasurer; Melissa Townsend Fisher, secretary; Mary Yarnal, work force readiness; and Stacey Bell-Leger, membership. The organization welcomes human resource professionals, business owners who are responsible for HR functions, attorneys who advise clients on HR issues, faculty who teach human relations and college students majoring in HR or labor relations.

### EMPLOYER OF THE YEAR

**JAMIE EMPFIELD**/Gazette

**THE INDIANA** Business and Professional Women's Club presented Beth Gregg, president and CEO of Environmental Service Labs Inc., with the Employer of the Year award. The award is given to a businesswoman who contributes the most to the employment, advancement and recognition of women. Pictured, from left: Joyce Coble and Tabitha Sturgeon, BPW committee members; Regina Yantis, BPW president; Gregg; Diana Onuscheck, committee chairwoman; and Leanne Phoebus, BPW committee member. The organization meets for dinner the first Monday of each month.