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How To Protect Children Online

by Ray Caples

For the past several years, while working as a detective with the Elkhart County Sheriff Department, I have had the privilege to be a presenter for the NetSmartz®[1] program. My goal is to make parents and community leaders aware of the dangers that children face while using the Internet. I have no adverse feeling about the Internet or the information contained within the World Wide Web. The concerns that I bring with this article and in the presentations are only there because there are dangerous predators who use the tool we have been given for education, communication and commerce as a method to hunt, pursue, groom and victimize young people. The information contained within this article is not my own, but a collaboration of data provided by the National Center for Missing and Exploited Children through an education web site www.NetSmartz.org. It is through this collaboration of data that I am able to provide the information in the public presentations and in this article.

The reason you are reading this article is because you are a trusted adult in the lives of your children. Whether you're a parent, guardian, grandparent, aunt, uncle, friend or community leader, you have a responsibility to help the kids with whom you have contact to be safer online.

While you know that the Internet has many benefits for them, you may be concerned about what your kids are doing and what decisions they're making. Even if you don't understand all the technologies they're using, like cell phones and webcams, you **can** learn about the issues that affect your kids online. It's important to understand that "online" doesn't refer just to computers; kids can access the Internet from all of these:

- laptops
- cell phones
- gaming consoles
- handheld gaming devices.

In this article, we are going to focus on what's important: the issues of cyberbullying, revealing too much, and predators. These issues apply to all Internet technologies.

Regardless of who you are, where you live, or what your background is, you can **all** walk away after reading this with two things:

1. an understanding of the issues kids are facing online, and
2. the resources to help you communicate with them about making safer decisions.

Within this article, I am going to give you some tips from the safety experts at NetSmartz® Workshop on how to communicate with the children in your life about their online lives.

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Welcome to NetSmartz®

One of the ways NetSmartz® introduces their internet safety program is through a character named Clicky, the NetSmartz® spokes-robot. It is his job to educate younger kids about safety issues in a way that is friendly and approachable. Clicky is **perfect** for younger kids and you can take them to NetSmartzKids.org where they can watch cartoons and play games. But NetSmartz® offers resources for every age group.

At NSTeens.org, middle and high school students will find the comics, cartoons, and real-life stories from their peers to be engaging and empowering. You can find examples of these and other videos created for your children throughout the NetSmartz® presentation, located at the NetSmartz.org web page.

And, yes, there's something for you too. At NetSmartz.org, trusted adults can find blogs about the latest trends; in-depth articles about the issues; and hands-on activities to educate, engage, and empower your kids.

What's Happening?

So trusted adults, see if these sound familiar:

- Are you worried that your child will have arthritic thumbs from texting too much?
- Does your child have a PhD in multitasking? Can they watch TV, check their MySpace®, and instant message their friends all at the same time?
- And are any of you starting to believe that your child is slowly building an army of Webkinz®?

You may think kids are so different now because of their army of Webkinz® and the cell phones glued to their hands, but they're really not. For example, you and your friends used to pass notes and now your kids are texting. They're doing the things that kids have always done—they're just doing them online.

For most kids, technology is their life. Is it all bad? The answer is "No." Here are some

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positive ways kids use the Internet. They:

- Talk to people online through AIM® and Gmail™
- Socialize with their friends on Facebook®, MySpace®, and Club Penguin™
- Research for school on Google®
- Play games like RuneScape®
- Buy music online at iTunes®

And they're taking all of this mobile with their cell phones.

And, if you haven't been on YouTube® before to see what silly videos kids are posting, you really should take a look. Just go on the Internet to www.youtube.com and search for "silly kid videos" or "Fred". As you will see, they are not just consuming the content, they're also creating it and putting it on the Web. When kids add pictures, videos, and their opinions to the Internet, it's called Web 2.0.

The Risks

Web 2.0 gives kids more choices about **what** to post online and **whom** to talk to. But sometimes they don't make the best decisions. Here are some online behaviors that are considered risky:

- "Friending" unknown people
- Posting personal information
- Embarrassing or harassing people
- Talking about sex
- Sending or posting provocative images
- Sharing passwords with friends
- And clicking on pop-ups, which can be a problem for younger kids because many of them lead to inappropriate sites.

Kids get away with these behaviors all the time, and doing just **one** of them might not get your child in trouble. But a **combination** of these behaviors, like friending unknown people and talking to them about sex, is likely to put children at greater risk for things like cyberbullying and online predators.[2]

Cyberbullying

Cyberbullying is exactly what it sounds like—bullying through technology like cell phones, the Internet, and online games. The difference between being bullied at school and being bullied online is that, online, kids cannot get away from it. When children are bullied online, they're potentially humiliated in front of a worldwide audience. There's no way to control how quickly and how far the information spreads once it's online.

Cyberbullying includes:

- Spreading rumors and gossip using technologies like cell phones and instant message programs
- Posting inappropriate pictures of someone without consent
- Stealing passwords to assume someone else's identity and adding embarrassing information to their account
- And threatening or harassing others with offensive language, which is easier to do online since there is no face-to-face confrontation.

NetSmartz® teaches kids how to handle cyberbullies with videos like *Terrible tEXt*. This NSTeens.org[3] series features comic book style characters that are easy for tweens to relate to when it comes to dealing with online issues.

In the video, Lolo talks to Keyan about her cyberbullying but your kids may not talk to you if it happens to them. Just like the bullying that happens at school, cyberbullying can have a lasting impact, so you should look for these signs. If your child:

- Suddenly stops using the computer or cell phone
- Acts nervous when receiving an e-mail, IM, or text
- Seems uneasy about going to school
- Or withdraws from friends and family.

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It may be a sign of cyberbullying.

In the video, Keyan gives Lolo great advice about not responding to the mean text messages. The good news is that most kids know not to respond when they're cyberbullied. But if the situation gets worse and they come to you for help, use these steps to handle it:

- Save the messages in case you need to report it
- Block or ban the bully
- Set up new accounts
- And report to your Internet service provider, cell phone company, or gaming website.

If it involves a classmate, try talking to your child's school to see if it can help. If you feel like your child is in immediate danger, contact your local police.

The more information that your kids put online, the more cyberbullies have to work with. And sometimes kids reveal **a lot** online. Here are some examples of how your kids might cross the line.
Picture this:

- You find out your daughter is suspended from school for writing a blog about how much she hates her teacher.
- Your son is playing an online game using a headset to talk to other players. He gives one of the players his e-mail address and is now receiving e-mails from porn sites.
- You pick up your daughter's cell phone and find a naked picture she sent to her boyfriend. After they break up, he e-mails it to every kid in their class to embarrass her.

Maybe it is hard for you to imagine your child doing these things, but each of these stories has actually happened. For example, a recent survey showed that one in five teens ages 13-19 has shared a sexually suggestive or nude image of themselves online.[4] This is called "sexting" and it includes girls **and** boys.

Sexting is the sending of sexual messages, pictures, or videos through cell phones. Even if teens take pictures of themselves, the pictures can be considered child pornography. Teens can be registered as sex offenders for sexting. It's not that these are bad kids but many don't realize the possible consequences of revealing too much.

Kids often reveal too much while socializing on the Web. You might recognize some of these sites. Research shows that **55% of teens are using social networking sites** like MySpace® and Facebook®[5]. Even more kids are involved with virtual worlds like Disney's Club Penguin™ and Nickelodeon's Nicktropolis®, or video or photo-sharing sites like YouTube® and Flickr®. These sites allow kids to create online identities and socialize with other users. An identity can consist of a screenname, a friend's list, the comments, and the images a child uploads. So now let's discuss the parts of an online identity and some safety tips for each.

Whether you're setting up an account on a social networking page, a gaming site, or a virtual world, you must have a screenname. This online nickname can reveal a lot about your child, sometimes more than they realize. For example:

- "sxcbebe", (Sexy Baby), and "NYC_pimp", (New York City Pimp), may think that their screennames are cute and funny, but other people may think they're up for talking about sex.

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- "Gangsta4lif", (Gangster for Life), might attract attention from people looking to recruit gang members.
- "kid_booz3r", (Kid Boozer), may be joking about drinking, but would you want this kid at your son's or daughter's party?

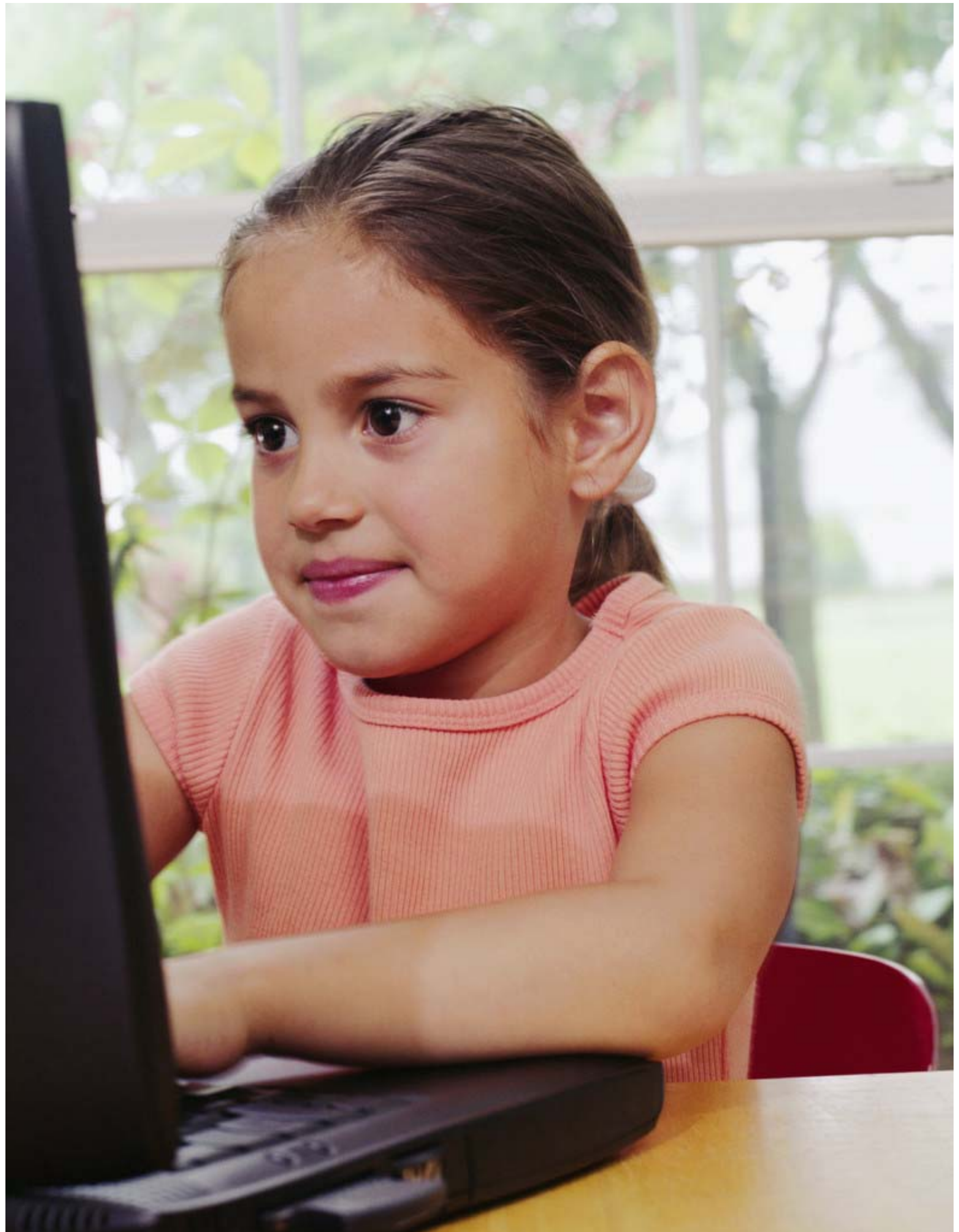
Many kids create inappropriate screennames because they're trying to be funny or cool but not everybody will see it that way. Prevent your children from giving the wrong impression by helping them to create screennames such as, "ZeldaWiz", "gato-gordito", "b@seball_jok". They indicate sports, hobbies, and interests, but are not sexy, violent, or offensive.

Smart screennames are only part of keeping your children from revealing too much. If they're using a social networking site, you also need to check their privacy settings.

For example, on Facebook®, there are several levels of privacy. Some people may be allowed to see your child's whole page but others may be blocked from seeing specific parts, such as their pictures and videos. Every site has different rules, so ask your children what sites they're using and check the rules for those sites.

Setting your page to private is a good step, but it's not a license to post anything you want. Anything your children reveal online can be saved, copied, and posted somewhere else by anyone on their **friends list**. A friends list is a list of online contacts. It's the list of people that your child talks to on social networking sites, IM, chat rooms, and online games. Some kids accept **all** friend requests in order to appear more popular. So you should talk to them about not adding just anyone.

Even kids as young as six are socializing online. In the NetSmartzKids®[6] video, "The Boy Who Loved IM: A Lesson in Instant Messaging", Clicky teaches the cybersiblings, Nettie and Webster, that it is risky to add unknown people to a friends list. This video teaches children an important lesson: be careful about whom you talk to and what you say. You can visit the NetSmartz.org web site to view this video.



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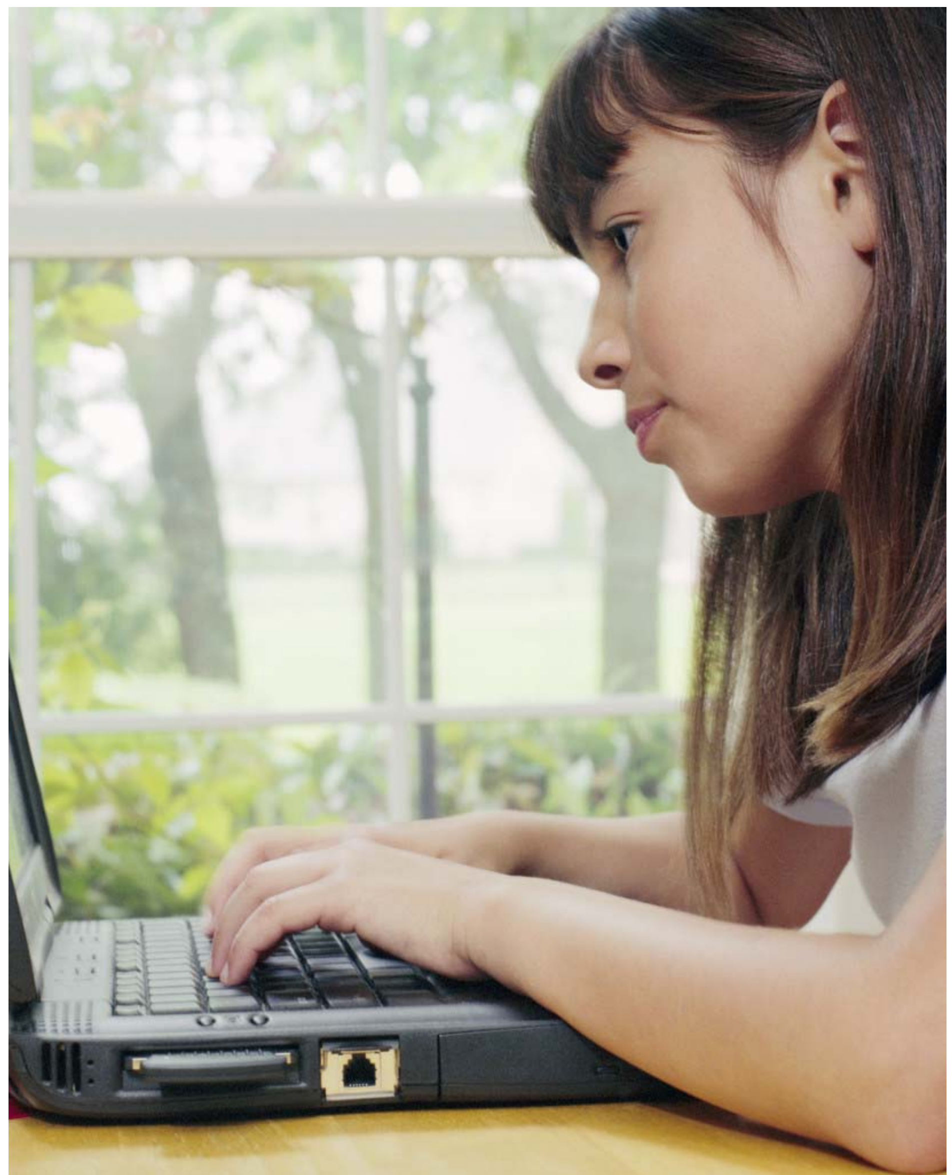

Kids are posting on message boards, sending instant messages and e-mails, and blogging about their days. Sometimes what they reveal gets them into trouble. Listen to this story. Under a picture of a potted marijuana plant, a teen boy posted the comment "My Mary Jane that's growing in my closet right now." This tipped off police who investigated and arrested him.

Some sites for younger kids have built-in filters that block many inappropriate comments. But as your kids get older, they'll be on sites without these restrictions, so help your children learn how to filter their own comments.

Online Predators

So far, we've talked about cyberbullying and revealing too much. But some of you may be most concerned about online predators. If you remember, Webster, from "The Boy Who Loved IM", demonstrated some of these rules for dealing with potential predators:

- Block them
- Delete their messages
- Don't accept them as a friend
- Don't meet them offline
- Tell a trusted adult

These rules apply to kids of all ages and the majority of them follow these rules. But it's the kids engaged in a combination of risky behaviors who are most vulnerable to predators. Kids who share sexy photos and hang out in chat rooms talking about sex with unknown people are more likely to be groomed by a predator.

What is grooming? It is the process that predators use to manipulate their victims. In the video, "Exchange", from the NetSmartz.org web site, you can see what a predator does to get the girl to trust him. The girl in the video was looking for attention and affection and the predator used this to manipulate her into trusting him.

In addition, here are some other signs of grooming to look for. You should check if your child is:

- Receiving gifts through the mail, like bus tickets, cell phones, and webcams
- Making calls to unknown numbers
- Turning away from friends and family in favor of spending time online
- Getting upset when he or she can't get online
- Minimizing the screen or turning off the monitor when you come into the room.

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If you see any of these signs, don't ignore them. Talk to your children; check out what they're doing online and who they're talking to, and get help if you suspect something is wrong.

You may have a preconceived idea of what you think the typical grooming victim looks like. However, a victim may be of any race, gender, status, or location. You're used to hearing stories about predators like those you saw in the video, who groom children over time. And it does happen.

It's important to learn how predators operate but that won't completely protect your kids online. There are also many cases involving kids who meet adults willingly for sex. If you're involved in your children's lives, then they won't feel they have to turn to someone online for attention and affection. Predators focus their attention on kids who respond to them. That's why it's so important to talk with your children about not responding. If **you** don't talk to your kids, you don't know who will.

Most people think that girls are the only victims of predators but 25 percent of victims are boys.[7] The NetSmartz.org web site has a video to help kids realize that boys can be victims too.

"Survivor Diaries" is a true story about two boys who were sexually assaulted by people they met online. What happened to these boys was horrible but that wasn't the end of their story. **They told someone about their victimization.** Encourage your kids to do the same and tell a trusted adult if they are ever victimized online.

If this should happen to your child, you can report the situation to the National Center for Missing & Exploited Children's CyberTipline®, which acts as a liaison between you and the police. Report:

- Anyone who sends your child photos or videos containing obscene content
- Anyone speaking to your child in a sexual manner
- And anyone who asks your child to meet in person

If you have any additional questions about predators, visit the parent helpdesk NetSmartz411® for more information.

Although you can never completely protect your kids online, there are many ways you can prepare them to use the Internet safely. Many of you may already safeguard your computer with filtering applications, anti-virus, and monitoring software. **But technology won't solve everything; nothing replaces a parent's or a guardian's involvement in helping to safeguard children online.**

[1]www.netsmartz.org; Copyright© 2001—2011 National Center for Missing & Exploited Children. All rights reserved. Animated Characters Excluding Tad Copyright © 2001—2011 National Center for Missing & Exploited Children and Boys & Girls Clubs of America. All rights reserved.
[2]Wolak, J., et al. *Online "Predators" and Their Victims: Myths, Realities, and Implications for Preventions and Treatment.* American Psychological Association, 2008.
[3]www.nsteens.org; Copyright© 2001—2011 National Center for Missing & Exploited Children. All rights reserved.
[4]*Sex and Tech: Results from a Survey of Teens and Young Adults.* The National Campaign to Prevent Teen and Unplanned Pregnancy and CosmoGirl.com, December 2008.
[5]Lenhart, A., et al. *Teens and Social Media.* Pew Internet & American Life Project, December 2007.
[6]www.netsmartzkids.org; Copyright© 2001 – 2011 National Center for Missing & Exploited Children. All rights reserved.
[7]Wolak, J., Finkelhor, D. & Mitchell, K.J. *Internet initiated sex crimes against minors.* Journal of Adolescent Health, 2004.

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Is Your Homeowners' Insurance Keeping Up With the Times?

By Barbara Chapin, CCCE/MPCE

Despite all the recent problems in the mortgage industry, we Americans continue to place homeownership at or near the top of our priority list. We see our home as a place to raise our families and as an investment in our future.

To secure that "roof over our heads" and to protect our monetary investment, we turn to homeowners insurance. Most of us lump the payments into our monthly mortgage payment. If we no longer have a mortgage, we pay the insurer directly, routinely writing a check when the renewal notice arrives in the mail.

What many of us don't do, however, is review our homeowners insurance policy annually and update it, if needed. If you wait until a disaster strikes to look at your policy, you may find that you do not have sufficient insurance to cover your losses. You may even discover that you don't have any insurance to cover the particular type of damage that struck your home.

It is true that, annually, your insurer will automatically increase your amount of insurance coverage based on the movement of an inflation index. The additional cost is reflected in your premium renewal. Keep in mind, however, that changes you make to your property—such as adding a deck or buying a home entertainment center with a big-screen TV—will not be reflected in this automatic increase for inflation.

Make certain to tell your insurance agent about any changes you make to your property that may affect its value. No one likes to pay a higher premium but we can't afford to live in a Pollyanna "it won't happen to me" world.

I would, however, hazard an educated guess that the primary reason most people don't review their homeowners insurance coverage annually is that they don't feel competent to do so. Taking a "let it ride" attitude seems easy but, in reality, you are putting your future at risk. It's a big gamble that no one should take.

Let's take the confusion out of homeowners insurance so that, when you sit down with an insurance agent, you will feel confident in making the right decisions to protect you from incurring large out-of-pocket expenses should your property be damaged or someone is injured while on your property.

What Homeowners Insurance Covers

A homeowners insurance policy includes two main kinds of coverage in one policy: property and liability. Generally, the property portion covers:

- physical damage to your home and structures attached to it, such as a porch or garage, as well as unattached structures on your property that are not used for business or rented to others, such as a tool shed.
- personal property in your home, such as furniture and clothing. It also covers personal property you take with you while away from home, such as a laptop computer.
- living expenses if your home is uninhabitable due to a covered loss. The amount of living expense coverage is either a dollar value or may be limited to actual costs for up to 24 months.

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The policy's personal liability portion provides:

- payment for medical expenses, up to the policy limits, for people who are on your premises with your permission and are accidently injured. It also extends to people accidently injured by your activities.
- protection if someone makes a claim or brings suit against you for bodily injury or property damage for which you are found responsible. In some policies, it may pay defense and court costs.

It is your responsibility to select personal liability limits that are high enough to protect your assets. Your insurance agent can provide guidance.

Does Homeowners Insurance Cover All Damage to Home and Property?

There are some coverage exceptions of which you should be aware. For example, mold damage is not covered. Water damage is generally covered if the water comes from within the home but, in most cases, is not covered if it comes from outside the home.

Also, while coverage for damage caused by the backup of water, sewer and drain is available, it is not automatically included in homeowners' policies. You must specifically ask that it be added.

Most motorized and recreational vehicles are not covered under a homeowners policy, unless they are used to maintain your property. A lawn/ garden tractor, for example, would be covered.

Your policy also may not cover an unattached building on your property that is used for a business, an occupation or a hobby that generates income. The same is true for tools, equipment, supplies or inventory used in a business, occupation or income-producing hobby. Discuss this with your insurance agent.

Also, be certain to ask your agent about any special payment limits that apply to certain types of personal property. These include money, bank notes, coins, stamps, collections, home computers, jewelry, furs, firearms, and silverware. Antiques, fine arts, paintings and similar articles that cannot be replaced by new articles are limited to their market value. The same goes for property no longer useful for its intended purpose. In some cases, you may be able to purchase additional insurance to cover some of these items.

It is important that you document the value of personal property so that you get the amount of coverage you need and that, in the event of a claim, you will receive a proper value payment.

Take photos and keep purchase receipts of your valued items. If you have jewelry, furs, silverware, antiques, fine arts, paintings and other such valuables, you would be wise to have a qualified person appraise them. Keep these documents in a safe place away from your home. A bank safe deposit box is a good option.

What Type of Policy Fits Your Needs?

Today, most insurers use seven standardized homeowners insurance forms that were created by the Insurance Services Office (ISO). It is important for you to know which type of policy you have because coverage varies among them. Let's review them.

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Special Form Homeowner Policy (HO3): This is the most comprehensive form used for single-family homes and the one most often used. It provides "all risk" coverage on the home. The term "all risk" means that it covers all perils that are not specifically excluded in the policy. Typical exclusions are earthquakes and floods. Read the "all risk" policy carefully to determine if you need to purchase additional coverage for excluded perils.

Premier Homeowner Policy (HO5): This form covers the same as HO3 but, in addition, it covers the contents on an open peril basis. As long as the cause of loss is not specifically excluded in the policy, the contents of your home will be covered for that cause of loss.

Broad Form Homeowner Policy (HO2): This provides coverage on a home against 17 listed perils. It is usually called a "named perils" policy because it specifically lists the events that would be covered.

Basic Form Homeowner Policy (HO1): This is a basic policy that provides coverage on a home against eleven listed perils. Contents are generally included in this type of coveragebut must be explicitly spelled out.

Older Houses (HO8): This "modified coverage" form is for the owner-occupied older home whose replacement cost far exceeds the property's market value. This policy is likely to pay only actual cash value for damages rather than replacement value.

Condominium Policy (HO6): This form is designed for the owners of condos and includes coverage for the part of the building owned by the insured and for the property housed therein.

Renter's Insurance (HO4): This policy covers personal property against the same perils as the contents portion of the HO2 or HO3. It also may include exceptions, such as floods and earthquakes.

Take time to discuss these options with your insurance agent, who can answer your questions and help you choose the policy that is best for you.

Do You Need Flood or Other Special Coverage?

Damage caused by flooding, earthquakes and hurricanes often is excluded from the standard policies we have discussed. You can buy special policies to cover damage from these perils. If you live in a flood plain, on an earthquake fault or within a hurricane-prone area, however, such insurance can be expensive. You will need to weigh the pros and cons of purchasing such riders, if they are available. You can discuss this with your insurance agent.

Flood insurance is something you should consider getting, regardless of where you live. Flooding can occur even in low risk areas. Just a few inches of water can cause considerable damage. If your community participates in the National Flood Insurance Program (NFIP), you can purchase a flood insurance policy from the federal government or a participating insurance agency. Keep in mind that flood insurance policies have a 30-day waiting period before coverage takes effect.

How Much Coverage Do You Need?

You want to have enough insurance coverage to replace your losses if your house and

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your personal property within it is damaged or destroyed. In order to do this, you first must determine the replacement value of your home and its contents.

Keep in mind that the replacement value of your home generally is less than its market value, which includes land and location. To find out exactly how much your home is worth, you should have it appraised by a qualified appraiser. You can also get an estimate from a builder. In addition, your insurance agent can give you an estimate, using formulas from your insurance company. For comparison purposes, you can get a rough idea of your home's replacement cost at www.building-cost.net. You'll want to compare your findings with those of your insurance agent, to be certain you are comparing "apples to apples."

Insurers offer different types of replacement coverage. These are:

Guaranteed replacement: the insurer will replace the damaged property exactly as it was. This type of coverage is expensive and not easy to get.

Extended replacement cost: the insurer agrees to pay a certain percentage over the limit in the policy if needed to get the job done. This is important, since construction costs increase over time. They can also go up if the demand for construction work suddenly increases, which can happen if, for example, a large area has been damaged by a tornado or flood.

Modified replacement: insurers often offer this on older homes. It may not promise to put things back the way they were.

Your insurance policy also includes loss settlement provisions. The options available on your home are:

Replacement cost—similar construction: Your insurer pays the cost to repair or replace damaged property with similar construction materials.

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Replacement cost—common construction: Your insurer pays the cost to repair or replace damaged property, including obsolete, antique, and custom-built property, with construction techniques and materials commonly used by the building trades in standard new construction.

The loss settlement options for personal property are:

Limited Replacement Cost: Your insurer pays the cost to repair or replace damaged property at the time of loss, if actually replaced, up to the limit of liability.

Depreciated Loss: Your insurer pays the cost to repair or replace damaged property, less depreciation at the time of loss, up to the limit of liability.

Here's an example of how this works. Your five-year-old television is destroyed in a fire. With depreciated loss coverage, you would be paid only the depreciated cost of the television. With limited replacement cost coverage, your insurer would cover the cost of replacing your television, up to the limit of liability. Your deductible applies with either loss settlement option.

How Do You Determine Your Deductible?

After you review your insurance policy and coverage, you need to take a look at your deductible. There are two factors to consider:

- The amount you are willing to pay to share in a loss
- The amount you are willing to spend in premium dollars to protect against loss.

This is because the amount of your insurance premium goes down as the amount of your deductible goes up. You need to strike a balance based on your financial comfort zone.

In some states, percentage deductibles are available. With this type of deductible, you agree to pay a specific percentage of the coverage on your dwelling. For example, if you have $110,000 coverage on your house and a one percent deductible, your deductible would be $1,100 on any given loss. If this option is available to you, be sure to discuss the pros and cons with your insurance agent.

A Final Word of Advice

Take time each year to read your homeowners policy from front to back and to discuss it with your insurance agent. It may seem boring and a nuisance but, if disaster strikes your home, it will turn out to be the most valuable use of your time.

Barbara J. Chapin, CCCE/ MPCE, is a licensed resident producer in property, casualty, life and health in the State of Michigan. She is currently employed by David Giesen State Farm in Jackson Michigan. This was her retirement job from the financial sector.

She started her career in banking in 1971 and held management/ supervisory positions for a local bank and credit union until starting her career in insurance.

Barbara has been a member of Credit Professionals International since 1971. Her local association is in Jackson Michigan. She has held all offices on the local, district and international levels and has chaired many of the committees at all levels. She has 38 years of perfect attendance. As a Past President of Credit Professionals International,
Barbara is currently serving as chairman of the Budget Committee. Barbara achieved her society designation in 1984 as a Certified Consumer Credit Executive and in 2000 her CPI designation of Master Professional Credit Executive. She is also a member of the Career Club.

Barbara is married and enjoys reading, golfing with her husband and friends ,and watching college basketball and football.

Serving CPI members through:

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AND

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Raise Workplace Morale Without Spending a Dime

Use the Power of Praise to Build a Stronger Team

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If your organization were a vehicle, employees would be the engine, driving progress. That "engine" runs on a mix of fuels, including resources, pay and benefits. The engine, however, relies on one simple thing to stay lubricated and running at peak efficiency: appreciation.

When you offer employees appreciation, including sincere praise, you reduce friction and allow the various pieces to work together. Yet in today's organizations, employees often lament "I don't think anyone even notices—much less appreciates—the things I do around here."

Don't let lack of appreciation grind your organization to a halt. You do not need to go around patting everyone on the back all the time. You can show your appreciation by taking note of the efforts people make and the results they deliver. Then show that you appreciate what you see. In other words, when an employee does something well, say so.

Personalized and Sincere

Although most employees will respond well to positive feedback of any kind, concrete compliments mean the most and last the longest. Superficial praise will not motivate your staff, and generic praise can actually discourage them.

For example, if you tell every employee "You are doing a great job," they will wonder if you really notice them as individuals. They may think: "If the boss says the same think to everyone, that must mean my efforts are not standing out. Why should I bother, if no one notices how hard I am working?"

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Better: Say, "Karla, you made a terrific presentation this morning. I especially liked the charts you used to illustrate the budget choices we are facing. That really helped me make sense of a complicated issue, and I appreciate the work you put in."

Praise like that leaves listeners in no doubt that you notice and appreciate them. What makes the difference? Effective praise is true, sincere, deserved and meaningful. Make sure that your praise works by building it around these elements:

- **Timeliness.** Time dilutes praise's power, so deliver compliments as soon after the praiseworthy event as possible. If the example above had referred to a presentation made last month instead of this morning," it would be almost meaningless.
- **Specifics.** General praise may deliver a shot of motivation, but it does not deliver a lasting effect. Be sure to tell the person exactly what was praise-worthy. Saying "I am proud of you" is too general. Saying "I liked the way you did____" lets the person know what behaviors you would like to see repeated. Specific praise includes the following components:
  - The person's name.
  - The time of the praise-worthy event. (Example: yesterday, Friday, this afternoon)
  - The behavior you appreciate.
- **Feelings.** Talk about how the staffer's efforts made you feel. "I am delighted that you cleaned up the break area" is more effective than "Good job cleaning up." Let the person know how his or her effort affected you personally, to emphasize the individual nature of your praise.

When—and How—Not to Praise

Praise is a powerful tool. But like most tools, it works best when you wield it properly. Follow these guidelines:

- **Don't overdo it.** If you praise employees too frequently or for every little thing, your words lose their impact. Of course, you shouldn't be too stingy with your praise either. Set a goal of offering each employee sincere praise at least one time each month. Note how your staff responds and whether morale improves, and then adjust accordingly.
- **Don't praise adequate performance.** If you praise everyday events, employees will receive the message that everyday effort is good enough to please you. Save praise for truly outstanding events.
- **Understand the difference between praising success and praising effort.** If someone makes a valiant effort yet the effort fails, you can say "I am proud to see that you worked so hard to come up with a creative solution. I know that we can learn from your efforts in that area."
- **Don't mix it with criticism.** Here's a truly cringe-worthy line: "You did a great job, but…" Employees instantly forget what came before the "but," and so the compliment is lost. Keep criticism separate from praise.
- **Don't wield praise like a stick.** Your aim in praising employees is to raise morale in your workplace, not to set employees in competition against one another. Do not say some-thing like: "Great job, José. I wish the rest of the group had put in the same kind of effort." By all means, praise the employee whose efforts deserve praise; just don't sow discord by adding a dig aimed at the rest of the team.
- **Don't focus only on the stars.** Some employees do their best day after day but never produce outstanding results. Such workers are easy to ignore. You know that you can count on them to do their best. You do not need to gush over such true-blue performers, but don't overlook them entirely. Let them know that you notice and appre-ciate the little things: "Hana, thank you for keep-ing the supply closet so neatly organized. Every time I get ink for my printer, I'm reminded of what a fantastic job you do."

Accept Praise Gracefully

People who refuse to accept their own fair share of praise can bring down the workplace

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mood. So when you are the one on the receiving end of a compliment, accept it graciously. If you deflect or refuse praise, you make the person extending it feel uncomfortable. Accepting praise is an important part of making it a part of your organization's culture.

Don't respond to praise by saying something like:

- "Oh, it was nothing."
- "Really? I didn't think it was very good, but I'm glad you liked it."
- "I'm sure I could have done a better job."

Instead, accept the praise simply and graciously. Examples:

- "Thank you."
- "Thanks. I'm pleased that you like what I did."
- "Thank you. I'm glad you feel I did well, because I worked hard on it."

Be sure that your body language and nonverbal actions convey assurances. If you can offer a sincere compliment in return, do so, but take care that your response doesn't seem forced or insincere.

Reap the Benefits

Offering more—and better—praise to your employees costs you nothing but a little time and attention. The return on that minimal investment can be enormous. When you succeed in making praise a part of your workplace routine, expect to see the following benefits:

- **Morale rises.** When employees have tangible evidence that someone notices and appreciates them, they start to feel better about coming to work each day.
- **Camaraderie grows.** Employees who feel good about being at work tend to spread the joy. Because their moods are elevated, they make others feel good whenever they come into contact. That includes coworkers and customers.
- **Performance improves across the board.** You may not notice it immediately. However, the effect that praise has on your workplace is exponential. Carry out the practice long enough and you will notice the difference.

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How to Lose Your Best Customers in Three Easy Steps

By Jan Ferri-Reed, Ph.D.

As the customer service team filed silently into his office for an emergency meeting, John Tedesco was fuming. As the Vice President of Operations for a large west coast mailing service provider, he was proud of his firm's reputation for outstanding customer service. Now he was afraid that reputation was about to evaporate.

Tedesco had just received an angry phone call from an important client.

The customer—– a large non-profit organization—was furious because an important fundraising mailing had gone out very late, potentially causing a loss of income to the charity.

The customer's call had been really unpleasant, replete with threats of lawsuits and promises to take their business elsewhere. Tedesco gave assurances that he would personally get to the bottom of the issue for the customer. He realized that losing this client could cost his company several hundred thousand dollars per year!

Although he was angry about the debacle, Tedesco questioned the customer service team patiently. The team members could barely look John in the eye as they painted a picture of unanticipated problems, poor follow-through, lack of accountability and miscommunications. But Tedesco's stomach began to sink as he realized that this customer service disaster might well have been *his* fault.

Just a few months previously, Tedesco had promoted a bright young supervisor to take the place of the retiring Customer Service Manager, a twenty-year veteran. The young man, who had been outstanding supervising the shipping department, was enthusiastic about taking on the Customer Service Manager position. By now, however, it was woefully apparent that he hadn't really been ready for the promotion. Tedesco found himself wondering, "Just what could I have done to make sure I had the right person for this job?" He had a feeling that this was going to be a lesson learned—perhaps a very expensive lesson!

Unfortunately, Tedesco's dilemma isn't all that uncommon. Many organizations only come to realize they are lacking in good customer service after a nasty run-in with a valued customer.

On the other hand, there are also numerous cases of organizations that only begin to suspect a customer service problem when they confront declining business. In both cases not only is that too late, it is way too costly. The time to

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fix your customer service problems is actually before they occur (which, strange as this may sound, doesn't require a time machine).

The Costs of Poor Customer Service

In today's increasingly competitive economic environment, customer service is more important than ever. How your employees treat your customers—good or bad—has a direct impact on the bottom line. And, even in non-profit organizations, the ability of frontline employees to deliver services effectively can impact that organization's funding and growth. No matter how you slice it, customer service is a vital ingredient in *any* organization's success.

To put it another way, effective customer service is a competitive advantage in the marketplace.

Truth be told, this article isn't really about "how to lose your best customers." That's just a facetious way of making my point. But you sometimes wonder if some organizations don't go out of their way to promote bad customer service. How often have you found yourself complaining to a friend or coworker about a bad customer service experience, only to have that person jump in with his or her own bad experience from the same source? I won't name names, but we all know of certain organizations—even certain industries—that are famous for bad service!

Clearly, losing sales is a costly price to pay for bad customer service. But, losing sales due to a bad reputation? How costly is that? Consider these facts from Profiles International:

- The average un-happy customer will tell 8 to 16 people about it.
- 91% of unhappy customers will never purchase service from you again.
- It costs five times more to attract a new customer than to keep a current one.
- If you make an effort to remedy customer's complaints, 82 to 95 percent of them will stay with you.

However, smart customer service managers know that it's also unwise to ignore "silent customers." You know the ones I am talking about—those customers who don't raise a fuss or bother to complain after a bad experience. They just don't come back! Experts at the University of Florida estimate that for every customer complaint you receive, there are another 25 unregistered complaints. So, even if you are tracking customer experiences closely you may not really know the depths of customer dissatisfaction.

Managers also have to contend with the impact that bad customer service may have on morale across the board. Imagine belonging to an organization that produces outstanding products or excellent services, only to have that reputation tarnished due to poor customer service.

Three Critical Factors that Drive Excellent Customer Service

Fortunately, customer service managers can readily get a fix on those factors which may be

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causing customer service problems. What it really comes down to is making sure you have the right person in the right job at the right time, along with making sure you know how your customers or clients perceive your organization. There are three key factors to consider:

1. Determining Best Fit
Making sure you have the best qualified employees in your customer-facing job positions is vital to good customer service. The best way to assure a good fit is to assess each individual's personality, behaviors and skills. Obviously individuals with poor communication skills or a negative attitude would seem like unlikely candidates for close customer contact. Sometimes overzealous employees (those who may be extremely detail-oriented, for example) can also be a poor fit for customer service. So, too, individuals who don't deal well with pressure may be poor candidates. That's why it's best to assess your customer service candidates against the job requirements to determine best fit. Well designed, validated assessments provide the best, most accurate information available to managers today.

2. Assessing Customer Service Beliefs and Expectations
Sometimes the standards of your individual customer service employees may not line up with your organization's standards. This is easy to understand since many times employees don't necessarily see "the big picture" when it comes to service. Nonetheless it's critical to make sure that your customer service representatives reflect the same expectations as your organization. Leaders are wise to assess employees' views as to what constitutes good customer service and compare those to the management's views of what is expected. For example an employee may be inclined to give extra service to appease a customer but management is concerned about the hit on profitability.

3. Understanding Customer Loyalty
Of all the metrics organizations can use to measure progress, one of the most important gauges of success is customer loyalty. **If you're not in sync with your customer's needs and expectations it won't be long before you lose your precious revenue streams.** With a firm handle on your customer's loyalty you can readily position your organization for growth and success. Your customers may be satisfied with your service, but are you at risk of losing them to a competitor? That's why it is necessary to survey your top customers to assess who is at risk.

Gathering Customer Service Intelligence

Sir Francis Bacon famously said, "Knowledge is power." Indeed, in today's competitive world the value of information is unquestionable. But it's surprising how many organizations are willing to settle for fuzzy or inadequate information when it comes to their customer service functions.

If you are serious about serving, retaining and growing your customer base you must take steps to conduct a comprehensive analysis of your employees, your expectations and the needs of your customers. After all, had John Tedesco assessed his customer service employees' skills and values, coupled with an assessment of his customers' loyalty, he may not have had to face the prospect of losing one of his biggest accounts.

*Jan Ferri-Reed is a seasoned consultant and President of KEYGroup®, a 30-year international speaking, training and assessment firm ,and co-author of **Keeping the Millennials: Why Companies are Losing Billions in Turnover to This Generation and What To Do About It.** Jan has presented a variety of programs to thousands of managers and employees in a diverse range of organizations across the globe. Jan's work focuses on creating productive workplaces and retaining talent while increasing the bottom line. She does executive consultation, facilitation of senior level, planning and team building retreats and keynoting at corporate and association events.*

Publications and media that have called on Jan and KEYGroup® for advice and guidance include Industry Week, TIME, Diversity Executive, NPR and Forbes, to name a few.

For more information visit: www.keygroupconsulting.com

Changes and Challenges for the Mortgage Industry

By Gordon Todd White, CMB

Over the last few years, the mortgage industry has begun implementing changes that are designed to prevent another financial crisis like the one that occurred in 2007. Everyone agrees that what we have been through in both the mortgage market and in the housing market during the last four years is not something we hope to go through again but many disagree on the best way to stabilize the markets in the future.

In situations like these, it is easy to overreact and put new rules and regulations that solve the problem but often have unintended consequences. The challenge for lawmakers and regulators is to create regulations that limit risk to consumers and businesses without stunting economic recovery. That is an enormous challenge and one that will take a few years to accomplish.

HVCC Changes

Other than simple guideline changes such as lower loan to value limits, lower debt ratios and tighter appraisal underwriting, the first major change came to the rules surrounding the property appraisal. The Home Valuation Code of Conduct (HVCC), enacted on May 1, 2009, for all loans sold to Fannie Mae or Freddie Mac, changed the way mortgage lenders order and receive appraisals.

Under HVCC, no individual involved in loan origination is allowed to order an appraisal or have any influence on the assignment of the appraiser. The appraisal must be ordered by someone who is completely removed from loan origination and the appraiser must be chosen by random selection. On the surface, this is a good idea and one that is embraced by the Mortgage Bankers Association. It is the unintended consequences that cause the most challenge for lenders.

Due to their inability to separate the appraisal ordering process from the origination process, many lenders are forced to use appraisal management companies and, by doing so, lose any control of quality and time they might have had otherwise. So, while overall the change was the right decision, it has caused mortgage lenders all across the country to develop completely new processes to comply and has ultimately raised the cost to the consumer.

GFE Changes

The most sweeping change in the last 20 years came in the area of RESPA reform and, more specifically, around the Good Faith Estimate (GFE). As of January 1, 2011, all lenders

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are required to use the new three-page GFE developed by HUD. This change not only created an entirely new form but also the rules regarding use of the form.

Under the new GFE guidelines, there are three types of charges: lender charges, third party charges and the uncontrollable charges. Once the lender issues a GFE, the lender charges are not allowed to go up unless there is a qualified "change of circumstance", as defined by HUD. Also, the third party expenses are not allowed to go up more than 10% in the aggregate unless there is a qualified "change of circum-stance" as defined by HUD.

The intent of the new GFE is to hold the lender accountable to the cost it quotes initially, which it does by requiring the lender to waive any charge that was not included on the initial GFE, even if it was an honest mistake acknowledged by both the lender and the borrower.

The unintended consequence here is that the cost of financing has gone up for every-one, as lenders add additional staff needed to comply. At some point in the future, the new form and new process will be reviewed and changes will be made that will improve this situation for borrowers.

Loan Officer Compensation

Loan officer compensation was a hot topic in 2010 and continues to be in 2011.

In March 2010, the Department of Labor ruled that mortgage loan officers should be paid hourly, therefore making them subject to overtime. This ruling overturned a ruling made in 2006, which stated that they could be exempt from hourly under an administrative exemption.

Under the March 2010 ruling, loan officers must be paid hourly, rather than a salary, and can also receive a commission in addition to the hourly rate. The challenge is that, when the loan officer is paid commission, the lender is required to pay overtime based on the hourly rate plus commissions. As you can see, the new hourly rate can be extremely expensive in months of high production. Not only can the cost increase but there is quite a bit of confusion around what qualifies as paid time versus non-paid time in the area of mortgage origination.

Typically, mortgage lenders spend time outside their offices doing things to help their business that may or may not be required by their employer. For example, some lenders may be active in a civic group, which helps them become more widely known in their community and which would increase their chances of obtaining home loan applications from people in the community. If their employer does not require them to do this, is that time considered for pay or not for pay?

In response, the Mortgage Bankers Association, under the Administrative Procedures Act (APA), filed suit against the U.S. Department of Labor (DOL) in the United States District Court for the District of Columbia on January 12, 2011.

The suit seeks to set aside DOL's Wage and Hour Division Administrator's interpretation that reversed and withdrew a 2006 opinion from DOL to MBA. The 2006 opinion inter-preted DOL's own regulations as permitting typical loan officers to be exempt from Fair Labor Standards Act (FLSA) requirements for overtime pay-ments under the administrative exemption." Since 2006, the mortgage lending industry has relied on this interpretation.

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The MBA is now asking the court to set aside the March 2010 ruling. If the court does so, the effect would be to require the DOL to issue a proposed rule for public comment, if it wants to reverse the 2006 ruling. If the DOL were to do that, we are confident it would find that the existing ruling providing an administrative exemption for loan officers from overtime should remain.

The Federal Reserve has also written a rule about loan officer compensation that is effective April 1, 2011. It is this rule that has drawn the most concern from banker and brokers alike.

Basically, this rule will not allow a loan originator to be paid based on the terms of the loan. These terms can include, but are not limited to, interest rate, loan to value, loan type and profitability. The desired result is for the loan originator to be paid the same on all loans, with no regard for the price or loan type. This, in effect, eliminates any incentive for a loan originator to steer a customer to one loan type over another. While it is hard to argue with that logic, the unintended consequences are where the challenges come.

If a loan originator desires to get paid less in order to allow a lower rate for the borrower, he or she would no longer be allowed to do so. If a loan originator makes a mistake, causing the company to take a loss on the loan, the company is no longer allowed to pay a reduced commission to offset the loss. When changes are made to a person's pay, there is generally a time of panic but many times, after an initial adjustment period, both sides find room for improvement and make changes.

The Dodd-Frank Act was signed into law by President Obama on July 21, 2010. The Act is over 2,000 pages long with 16 titles, which will require regulators to create 243 rules, conduct 67 studies and issue 22 periodic reports, by one firm's count. To say it is complicated is the understatement of the year. Most of the rules are yet to be written, even though many have deadlines that loom in the near future.

Dodd-Frank also established the Consumer Financial Protection Bureau (CFPB) inside the Federal Reserve. The CFPB will be given very broad authority over many area of consumer finance, including mortgage lending. One of the main concerns or disappointments around the CFPB is that, rather than simplifying consumer protection regulation by creating one uniform national standard, it will only serve as a floor, with states free to set additional standards. This will further complicate the process and raise the cost of borrowing for everyone. With so much of this act yet to be written, we are in a wait-and-see mode, in hopes that the final product will be one that is good for both consumers and businesses.

As you can see, 2011 will not be a boring year. As we learn to accept and implement regulations from 2010, we will now be faced with a mountain of new regulations to implement in 2011. Not only must we deal with Dodd-Frank and loan officer compensation but also with the implementation of S.A.F.E. and a challenging housing market. With the refinance share predicted to fall to approximately 36% and total originations forecast at 966 billion, we will be asked to find additional market share.

There is good news! If you are reading this, then you most likely have survived the crisis. If that is the case, then you face less competition and less pricing pressure than in any time over the last 20 years. Now is the time to talk about quality and doing things right as your unique selling proposition. Consumers want a good deal but they only want to do business with people they know and trust.

G. Todd White, CMB, is Senior Vice President of Arvest Mortgage Company. Todd began his mortgage banking career in 1985. As the Production Manager at Arvest Mortgage Company he leads the sales efforts of over 140 mortgage lenders throughout Arkansas, Oklahoma, Kansas and Missouri.

He currently serves the Mortgage Bankers Association on the Board of Directors, the Residential Board of Governors (RESBOG) and is the Chairman of MORPAC, the political action committee for the mortgage banking industry for 2011 and 2012. He was awarded the Certified Mortgage Banker designation in 2007.

Todd is the past president of The Mortgage Bankers Association of Arkansas and the past president of The Mortgage Bankers Association of Northwest Arkansas.

He and his wife have four daughters and live in Fayetteville, Arkansas.

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Reflections on the Past
Visions of the Future

Can You Spot a Scam?

Test your knowledge of common frauds and their warning signs by taking this quiz prepared by the Federal Deposit Insurance Corporation

Con artists are very good at tricking consumers into parting with money or divulging personal information that can be used to steal funds or run up thousands of dollars in fraudulent credit card charges. How good are YOU at telling a scam from a legitimate offer or advertisement?

FDIC Consumer News frequently publishes articles about common frauds to avoid, but here we want to put your knowledge to the test.

1. You agree to sell your valuable collection of superhero comic books from the 1960s to a complete stranger who mails you a cashier's check. Because you want to be sure the check is "good" before you part with your prized possessions, you should:

a) Confirm that the dollar amount and your name on the check are correct. Apart from that, cashier's checks are always safe to accept.

b) Deposit the check into your bank account and wait at least two business days before letting go of the items.

c) Contact the bank that issued the cashier's check to make sure the check is legitimate.

2. You agree to rent your vacation house to a far-away stranger who sends you a check as a deposit, but when the check arrives, it's for more money than you agreed upon. The person apologizes and asks you to deposit the check and wire back the difference. This is:

a) Safe for you to do because you'll be depositing a check for more money than you expected anyway.

b) Safe for you to do because, if there's a problem, money sent by wire is very easy to recover.

c) Likely to be a scam.

3. You post your resume on a Web site for job seekers and soon you receive an offer to work at home. The deal could be a scam if you are:

a) Promised a lot of money for doing very little work.

b) Asked as part of the job application for your bank account and Social Security numbers.

c) Told you will "process payments" for a foreign company.

d) All of the above.

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4. You've just realized that your ATM/debit card has been lost or stolen. To get the maximum legal protection against losses from unauthorized withdrawals, you should notify your bank:

a) Within two business days of discovering the card missing.
b) Within 10 business days.
c) Before your next statement arrives, even if that is weeks later.

5. A company offering to rescue your home from foreclosure may be running a scam if it:

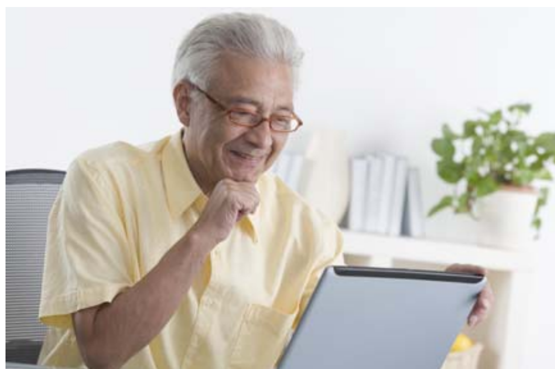
a) Says it will stop the foreclosure from taking place.
b) Suggests that you transfer ownership of the home to the company so you can rent and buy the property back from them.
c) Advises you to stop talking to your lender, lawyer or housing counselor.
d) All of the above.

6. If you get an e-mail from a federal government agency such as the IRS or the FDIC asking you to confirm or verify personal financial information, it's always safe to do so.

a) True.
b) False.

7. Your credit report may suggest that you have been a victim of identity theft if it shows:

a) You have a credit card, loan or lease in your name that you know you don't have.
b) A company you never tried to do business with has requested a copy of your credit report.
c) A home address for you that you never had.
d) All of the above.



QUIZ ANSWERS

1(c) There's been explosive growth in all forms of counterfeit checks, including cashier's checks. Crooks also know that consumers trust cashier's checks, money orders and other official checks.

Although federal rules require that the funds from most deposited checks be available for withdrawal within two business days (unless the bank provides a written notice to the contrary), that does not mean there isn't a problem. If you simply deposit the check into your account and a week later it is returned unpaid, your bank will deduct from your account the original deposit amount, even if you've already spent the money, and you could also be held responsible for any fees triggered by your reduced account balance. Not only that, you will no longer have your valuable collection of comic books.

So, when presented with a cashier's check by a stranger, "you need to confirm that the check is legitimate," said Michael Benardo, Chief of the FDIC's Cyber-Fraud and Financial Crimes Section. He says that your best strategy is to contact the bank the check is drawn on or take the check to your bank's branch manager (to contact the other bank on your behalf) to have the check authenticated. You can also ask how to safely proceed.

For more tips on avoiding scams involving fraudulent checks, visit www.fakechecks.org, a website from the National Consumers League in collaboration with the U.S. Postal Inspection Service and private organizations.

2(c) "Be suspicious any time you receive a check for more money than you are due," warned Benardo. "And be especially skeptical if you're asked to deposit the money and wire back some or all of it, because if you comply and the check is fraudulent, the scam artist will have your payment and you'll probably owe your bank the amount you took out of your account."

Benardo also explained that money sent by wire is very difficult, if not impossible, to get back. "Wired funds move instantaneously and the

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criminals can be waiting on the receiving end to make a quick cash withdrawal," he said. "Before you know it, the crooks and the cash will be long gone and they'll both be very hard to find."

3(d) Thieves prey on individuals who have lost their jobs or need extra cash by offering attractive, but bogus, opportunities to work at home. Their goals include tricking victims into divulging personal or financial information (such as bank account and Social Security numbers), sending money (perhaps for supplies that will not arrive) or wiring funds from their account.

One variation on the work-at-home fraud is the "mystery shopper" scam. This involves fake part-time jobs evaluating retailers' products and/or money-transfer services. As a result, they require recruits to wire money from their own checking accounts.

Another is an offer to serve as a money transfer agent—someone who would collect electronic payments in his or her bank account and wire the money overseas after deducting a "commission." In many cases, the incoming payments are unauthorized electronic withdrawals from other peoples' bank accounts. If you participate in this activity, you could be suspected of being part of a crime ring and charged with a crime.

A good rule of thumb is to review your checking account and credit card statements promptly and report unauthorized transactions to your bank

"Steer clear of any offer to work at home if it involves processing checks or electronic payments," cautioned David Nelson, an FDIC fraud specialist. "Some payment-processing scams involve realistic-looking employment applications, contracts, written procedures, and even Web sites with payment-tracking software."

4(a) Under the Electronic Fund Transfer Act (EFTA), if your debit card or ATM card is lost or stolen, your maximum liability is limited to $50 if you notify your bank within two business days of discovering that the card is missing. If you wait more than two business days but no more than 60 days after receiving a bank statement that includes an unauthorized transfer, you could be liable for losses up to $500. But if you wait longer than that, the law doesn't require your bank to reimburse you for any unauthorized transfers made after the 60-day period, even if that would clean out your account. Note: After you report a lost or stolen card, under most circumstances you will limit your liability for unauthorized transactions from that point on.

However, to promote the worry-free use of debit cards and ATMs, some banks may voluntarily waive all liability for unauthorized transactions if the cardholder took reasonable care to avoid fraud or theft, but consumers must still report errors promptly.

A good rule of thumb is to review your checking account and credit card statements promptly and report unauthorized transactions to your bank as soon as possible. While you may have time under the law to report a suspicious transaction and limit your liability, you should always try to nip these problems in the bud. The sooner you act, the faster your bank and law enforcement authorities can help keep you and other consumers from being victims.

Even a very small unauthorized transaction should immediately be reported to your bank or credit card company. "A major fraud could begin with small purchases as a test," said Benardo. "If that small transaction goes through without being rejected by the bank's computer system, it may be followed by multiple trans-actions that can clean out a checking account."

In one recent case, the Federal Trade Commission (FTC) charged identity thieves with placing more than $10 million in bogus charges on consumers' credit and debit cards in amounts ranging from 20 cents to $10. "Most consumers either didn't notice the charges on their bills or didn't seek chargebacks because of the small amounts," the FTC said. To learn more about avoiding identity theft, visit www.ftc.gov/idtheft.

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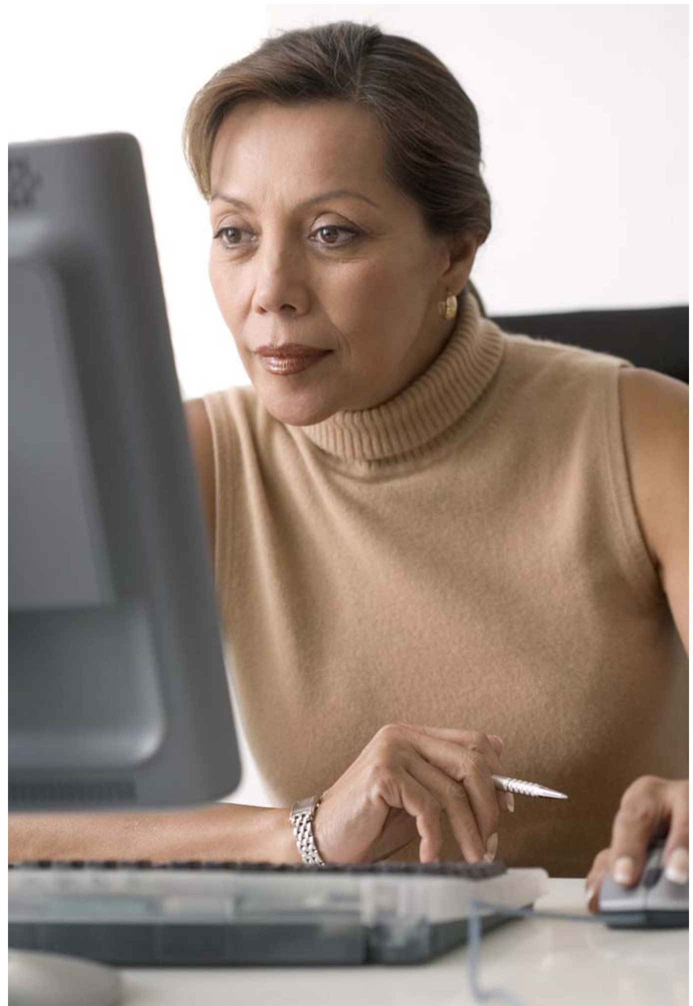
5(d) Many homeowners having difficulty making their monthly mortgage payments are being targeted by criminals who falsely claim they can rescue a home from foreclosure, then charge large upfront fees and fail to deliver on their promises. In some of the worst cases, homeowners are tricked into signing away their ownership of a house.



If you're having trouble paying your mortgage, contact your lender or loan servicer immediately, perhaps with the help of a reputable housing counselor. If a company advises you to cut off communications with your lender or another advisor, that's another warning sign of a scam.

For information from the FTC on avoiding a variety of credit-related frauds, including foreclosure rescue scams, start at www.ftc.gov/credit. Credit-based scams on the Internet have grown so much that, for educational purposes, the FTC recently created a fake Web site at www.wemarket4u.net/esteemed for the fictional company Esteemed Lending Services. Anyone drawn in by the site's attractive offers of "guaranteed" loans is soon warned, "If you responded to an offer like this one, You Could Have Been SCAMMED!"

6(b) Just because an e-mail or Web site looks like what you'd expect from a government agency, convincing copycats are out there. Remember that the FDIC or another government agency (not to mention your bank or credit card company) would never contact you asking for personal information such as account numbers and online passwords and usernames.

"Cyber criminals also have gotten even sneakier by sending e-mails that appear to be from businesses or government agencies but contain attachments which, if opened, load spyware onto your computer and record your keystrokes and collect confidential account numbers and passwords," said Nelson. "Once the criminals have that information, they may make changes to your account information and transfer money out of your account."

7(d) There are many good reasons to frequently review your credit reports, and one is to look for warning signs that an identity thief has been or is trying to obtain loans or commit other fraud in your name. "The most important warning sign of ID theft in a credit report is a credit card, loan or lease in your name that you know nothing about," said Benardo. "Any one of these may indicate that someone has learned enough information about you to be able to steal your identity and conduct business acting as you." Also pay close attention to the "inquiries" section of the report that shows who has requested a copy of your credit history. That's because thieves sometimes falsely claim to represent a company with a legitimate right to obtain credit reports and then use the information to commit fraud.

The Facts About Reverse Mortgages

By Gayle Spillman

Not all reverse mortgage programs are created equally. Unscrupulous lending practices from some providers are still making headlines, but what isn't often mentioned is that reverse mortgages are highly beneficial to some seniors. In fact, in a recent survey by AARP, satisfaction ratings for the product stand at 93%.

The truth is that senior homeowners have an exclusive opportunity to supplement their incomes using a reverse mortgage.

A reverse mortgage, or home equity conversion mortgage (HECM), is a government-backed program for seniors, which enables them to withdraw some of the equity in their home (i.e., provides them with tax-free cash by using their home's equity as collateral).

How to qualify?

To qualify for a reverse mortgage, borrowers must be at least 62 years of age or older, and they must own their home outright or have a small balance that can be paid-off at closing with the proceeds from the reverse mortgage.

Additionally, borrowers must continue to maintain their property in good condition and pay their property taxes and homeowners insurance. And finally, because a reverse mortgage is a primary residency product only, borrowers must also live in their home and cannot use the product for second homes or rental properties.

Most seniors are drawn to a reverse mortgage because, unlike other mortgage products, there is no income or credit qualifying requirements, which can be difficult to do with only Social Security or a small retirement income.

How much can a borrower borrow?

The amount a person can borrow on a reverse mortgage basically comes down to the value of the home verses the amount of equity available, less any mortgages owed against the property.

In addition, the home must be appraised by a HUD approved appraiser and meet FHA guidelines. In most cases any outstanding liens against the home can be paid off through the closing of a reverse mortgage, if there is enough equity in the home to do so.

In general, the percentage of available equity needs to be approximately 50% or higher, depending upon the age of the youngest borrower, so with a reverse mortgage, the older the borrower is, the more equity he or she can access.

Fees

The fees associated with a reverse mortgage are similar to other mortgage-related fees

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except for a 2% Mortgage Insurance Premium (MIP), which is a required HUD fee specific to reverse mortgages.

Because reverse mortgage products are controlled by a set of regulations that prohibit the sale of products that don't meet HUD's requirements, the basic structure of all reverse mortgage products are the same.

Over the past year, the industry has focused on reducing the cost of reverse mortgages. With that focus came the elimination of a cost called a Service Set Aside Fee, which was a loan servicing fee that was charged to the borrower on a monthly basis and resulted in a reduction of the overall equity available to a borrower at closing by $3,000-$5,000. By eliminating this fee, borrowers are able to borrow more money and pay lower costs.

The Facts About the Options

One of the advantages of a reverse mortgage is that there are several types to chose from, including fixed rate, adjustable rate, and the Saver, a new product just introduced by HUD.

The fixed-rate option ensures that rates will not change throughout the life of the loan (all loans are amortized to age 100, using the youngest spouse). The amount of money disbursed is usually higher with a fixed-rate reverse mortgage.

One of the cons of this type of product is that the borrower must take the entire disbursement in a lump sum.

The adjustable rate product has a 10% Cap which adjusts monthly. So, if the rate starts at 2.5%, it could conceivably go to 12.50% at some point in time.

The advantage of an adjustable rate option is that the borrower can have a line of credit from which he or she can draw as often as necessary, with a 72-hour window for most lenders. The borrower is only paying interest on amounts drawn, which is a good option for someone who doesn't need a large amount of money.

The Saver is a new product just introduced by HUD. Not only does the Saver eliminate the 2% Mortgage Insurance Premium, which reduces closing costs, but it also allows borrowers to get a smaller amount of money if he or she wants a fixed rate.

The fixed rates on the Saver are approximately .25% higher than the Standard HECM. The Saver also offers an adjustable rate option.

Additional Protection

Before anyone can get a reverse mortgage, he or she must receive HUD-approved counseling prior to proceeding with the loan. Through the counseling session, which typically lasts 45 minutes to one hour, an advisor will review all of the options available, including assisting with a post reverse mortgage budget. Once the counselor feels the homeowner has a good understanding of a reverse mortgage and how it works, the counselor will issue a counseling certificate that allows a lender to proceed with their loan.

In addition, after a borrower closes on a reverse mortgage, there is a required three-day right of recession, which allows him or her time to make sure

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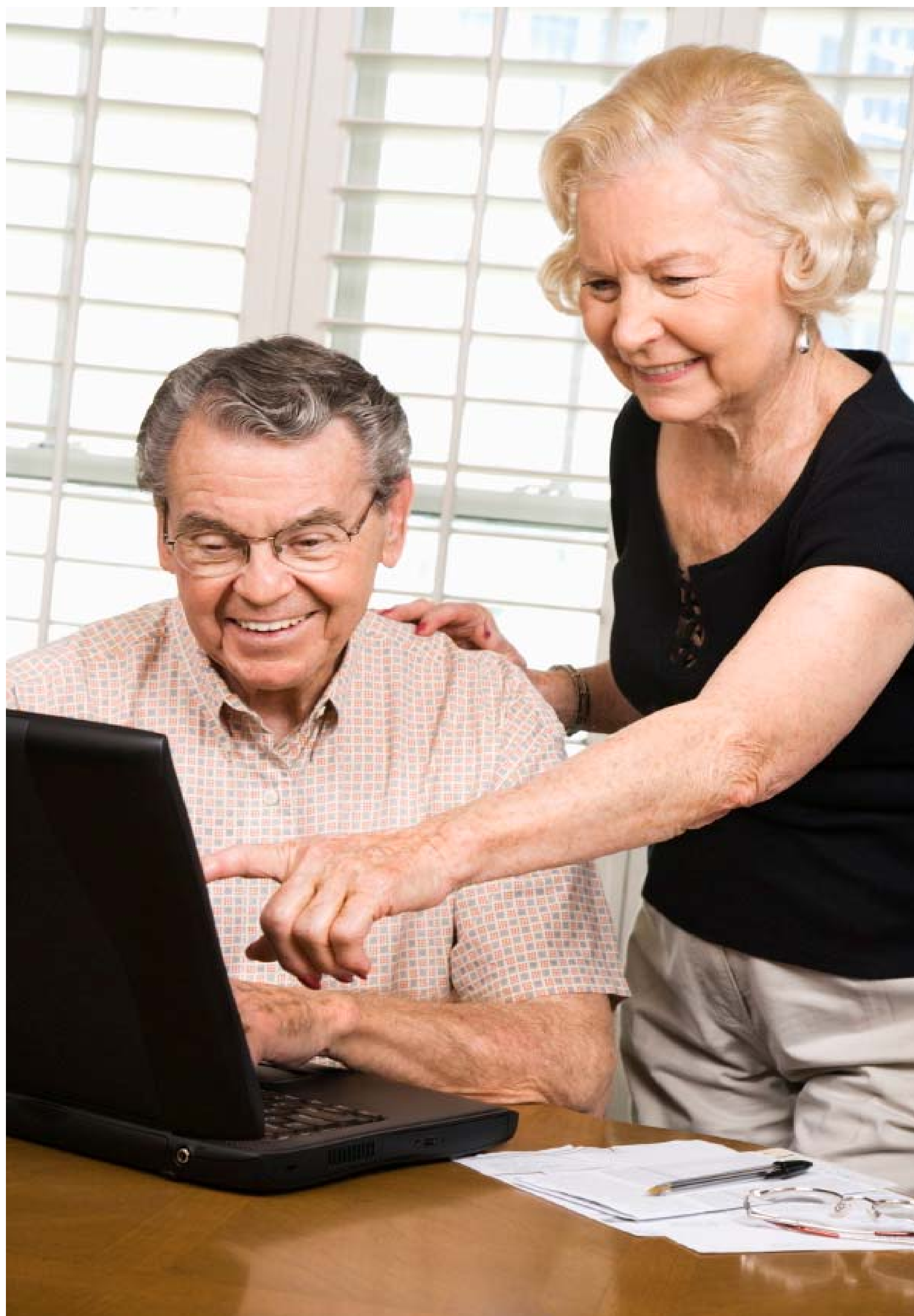
he or she is comfortable with the choice to do a reverse mortgage. If a borrower chooses not to proceed, the only cost incurred would be the cost of the appraisal.

In the act of full disclosure, all seniors are shown all of the available options on each of the current reverse mortgage products. These options are explained and defined and the pros and cons of each are presented, so that borrowers can select the correct and most appropriate product.

As an added layer of protection, once someone gets a reverse mortgage, he or she will also receive a monthly statement from the lender indicating the amount of interest and mortgage insurance accrued.



The Bottom Line

Reverse mortgages are not for everyone, but there are a vast number of seniors who simply cannot survive on their Social Security or retirement income. The reality is that when planning for retirement, we don't plan for certain obstacles that might come along, including a recession causing a loss of retirement income or unforeseen medical bills. We all wish for a peaceful, serene retirement, but not everyone will be fortunate enough to fall into this category.

Most people who consider a reverse mortgage have really thought it through and done their research. They know the repercussions associated with this type of mortgage, and it is not a snap decision. The truth is that most seniors just want to live out the remainder of their lives in the home they raised their families in, where old memories remain and new ones are created. And a reverse mortgage may be the option necessary to make their dream a reality.

Gayle Spillman has been with Southwest Business Corporation for 22 years. She has 30+ years experience in the Mortgage industry with the last 5 years dedicated to Reverse Mortgages.

For more information on Reverse Mortgages you can contact Gayle at 210-477-7777 or 866-907-4888 or visit the website at reversemortgages.swbc.com.

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How To Protect Money for Your Heirs in FDIC Insured Accounts

This information provided by the Federal Deposit Insurance Corporation

Among the many reasons people put significant sums in FDIC-insured deposits is to keep that money safe—for themselves and for their heirs. While the FDIC doesn't recommend particular financial products or strategies for achieving your estate-planning goals, we can describe different types of deposit accounts that can be used to pass funds on to heirs and explain how to make sure your money is fully insured if your bank fails.

Revocable Trust Accounts

Some of the most popular deposits for estate-planning purposes are "revocable trust accounts." These trusts are called "revocable" because, unlike other types of trust accounts, the depositor has the right to change the terms of the inheritance or cancel the trust agreement entirely. You most likely know these accounts by other names. Here are the two main types: payable-on-death (POD) accounts and living trust accounts.

Payable-on-death (POD) accounts, also referred to as "in-trust-for" accounts, are trust deposits that typically can be set up at a bank with a simple written declaration in the bank's records that, upon death of the depositor, the named beneficiaries will become the new owners of the money.

If properly titled, a traditional certificate of deposit (CD), savings account or even a checking account can be set up as a POD account. Because of their simplicity, the FDIC sometimes refers to PODs as "informal" revocable trust accounts.

"A payable-on-death account is usually established when the owner's estate planning is simple—with the sole objective of leaving a specified amount of cash to a beneficiary," said

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the death of the depositor, the

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Martin Becker, an FDIC Senior Deposit Insurance Specialist. " If the owner wants to name multiple beneficiaries on a single POD account, each beneficiary typically receives an equal share or amount of the funds when the account owner dies."

Living trust accounts are deposits tied to a legal document typically called a living trust or a family trust that is often drafted by an attorney. The FDIC describes these accounts as "formal" revocable trust deposits.

"Formal revocable trusts provide more detailed information about how the owner's estate is to be distributed," Becker explained. "For example, formal trust agreements can be used to describe special conditions that need to be met for a beneficiary to receive funds, and in situations in which the allocations to beneficiaries are unequal or complex."

For various reasons, living trusts may not be for everyone. Having a living trust prepared can be expensive and sometimes the potential benefits may not outweigh the costs, especially depending on your state's inheritance laws and your financial situation.

In contrast, "the simplicity of the payable-on-death account makes it the most common type of revocable trust account," said FDIC Supervisory Counsel Joe DiNuzzo. "A POD account has no trust agreement—the only documentation is in the bank records on which the owner designates the beneficiaries."

Also, the Federal Trade Commission (FTC) has warned that some people and businesses have exaggerated or misrepresented the benefits of living trusts, often in advertisements or seminars, to sell trusts or other products to people who don't need them.

(*For additional guidance, see "Living Trust Offers: How to Make Sure They're Trustworthy." (Available at www.ftc.gov or Federal Trade Commission, 600 Pennsylvania Ave. NW, Washington, DC 20580. Phone: 202-326-2222)*

Under FDIC rules, a depositor's combined interests in all revocable trust accounts at the same bank are insured up to $250,000 *for each unique beneficiary named*. That means a revocable trust account is insured for up to $250,000 if there is one beneficiary, $500,000 if there are two, and so on up to five different beneficiaries.

So if you name five different eligible beneficiaries, your revocable trust account(s) at the same bank will be insured to $1.25 million (five times $250,000), regardless of how much money each beneficiary is to receive. And if two depositors own the account(s), the insured amounts would be doubled, up to $2.5 million.

However, Becker noted that if the depositor is attempting to insure more than $1.25 million and there are six or more different beneficiaries that are to receive different shares, the deposit insurance rules change and understanding the coverage can be more complex. In those situations, he recommends calling toll-free 1-877-ASK-FDIC (1-877-275-3342) to speak with an FDIC deposit insurance specialist.

Also under the rules, almost any named beneficiary—

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including relatives, friends, charities and nonprofit organizations—will qualify the owner to receive $250,000 deposit insurance coverage for each different beneficiary.

Other Accounts, Other Coverage

There are also other bank accounts that can help transfer funds to heirs. These include jointly-owned accounts with no beneficiaries listed; irrevocable trust accounts; and certain retirement accounts

Jointly owned accounts with no beneficiaries listed. In the most common examples, these would be checking accounts, savings accounts or CDs that two or more people own. Typically, there is a "right of survivorship," so, if one of them dies, the survivor(s) will automatically become the sole owner(s) of the funds.

Under the insurance rules, each person's share in all joint accounts with no beneficiaries is protected up to $250,000, separately from other accounts at the same institution. So, if a husband and wife have joint accounts at a bank and there are no beneficiaries named, that money is covered up to $500,000.

It's also important to remember that the FDIC defines a joint account as being owned by two or more people with no named beneficiaries. Joint accounts are separately insured from accounts that are co-owned but do have beneficiaries, which are considered revocable trust accounts and are insured as described previously.

What happens to the insurance coverage of a joint account if one of the owners dies? The FDIC will continue to insure the joint account as if the deceased co-owner were still alive—for up to six months from the date of death. That means coverage of up to $500,000 if there were two owners. The grace period is intended to give the survivor time, if necessary, to ensure

that all of the funds are fully insured by restructuring the accounts or moving some funds to another insured bank.

Irrevocable trust accounts are tied to trust agreements that the owner cannot cancel or change. These accounts usually total no more than the basic FDIC insurance limit ($250,000) because of contingencies in the trust agreements. An example of a contingency might be that children listed as beneficiaries cannot receive any money until they earn a college degree.

It is worth noting that you can also have revocable and irrevocable trust accounts at the same bank. The revocable trust accounts would be insured up to $250,000 for each eligible beneficiary, as described previously, and the irrevocable trusts with at least one beneficiary named would be separately insured up to a minimum of $250,000 in total.

Certain retirement accounts include Individual Retirement Accounts (IRAs), Keogh accounts (for the self-employed) and "401(k)" accounts.

Under the FDIC's rules, a person's deposits in certain retirement accounts at the same bank are added together and insured up to a maximum of $250,000 per owner per bank. While beneficiaries often are named for retirement accounts such as IRAs, these accounts—unlike POD and living trust accounts—do not qualify for extra coverage by adding the names of beneficiaries.

Also remember that the FDIC can help you understand your deposit insurance coverage. For more information, visit www.fdic.gov/deposit/deposits or call 1-877-ASK-FDIC (1-877-275-3342) and ask to speak to a deposit insurance specialist.

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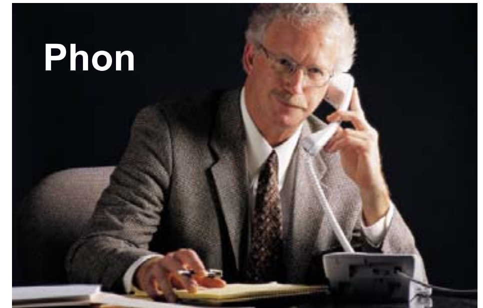

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