



Q: I plan to buy a second house next year. My first house will be paid off in less than five years, so I plan to combine the first home loan with the second home loan. I checked that if I use an interest-only mortgage, the interest rate is lower than for a 30-year fixed-rate mortgage. I am, however, a frugal person, so I plan to pay more every month to save on interest. Do you think this is a good idea?

—House hunting

A: I'm not sure what step in this investment you want me to validate. Do I think you're making the right move in buying a second home? I don't know enough about your local real estate market.

Do I like interest-only loans? They have their place.

Most interest-only loans are hybrid adjustable-rate mortgages, or ARMs, like a 5/1, 7/1 or 10/1 interest-only ARM. You're getting a lower interest rate on these mortgages, versus a conventional 30-year fixed-rate mortgage, because you're shouldering the interest-rate risk when the loan resets five to 10 years from now.

Should you make additional principal payments? My rule of thumb is you make additional principal payments when the after-tax return on your investments is expected to be less than the effective (after-tax) rate of return on your mortgage.

Deciding whether to prepay a mortgage depends upon what's going on in your overall portfolio of investments.

Should you combine the mortgage on your first house with the mortgage on the second home? It can make sense if it lowers your total interest expense on the homes. There may be a sound business reason to keep them separate if your second home is a rental property.

Interest-only loans make the most sense for homeowners with variable income who want some flexibility on when they pay down principal or want to buy more house than they can afford with a conventional fixed-rate mortgage. You don't appear to be in either of these camps.

— Don Taylor/
Bankrate.com

E-mail your question to askbiz@starledger.com and we'll answer the best questions. If we answer your question, we'll send you an "Ask the Biz Brain" T-shirt. Biz Brain is now online at www.nj.com/business/ledger/bizbrain/

BUSINESS

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DOW JONES	NASDAQ	S&P 500	10-YEAR NOTE	DOLLAR VS. EURO	DOLLAR VS. YEN
↑	↑	↑	↑	↓	○
12,619.27 +256.80	2,350.11 +64.07	1,364.71 +30.28	3.71 +0.11	0.6268 -0.0065	102.04 unch.

The Star-Ledger

VOICES OF INNOVATION

Video conversations with industry leaders on NJ.com/Business.
Today: John Bailye, founder, Dendrite International.
Presented by Fairleigh Dickinson University's Silberman College of Business, with James Barrood, Rothman Institute of Entrepreneurial Studies.



My Turn Max Spann Sr.

Although real estate is auctioneer's business, cows are his calling

A lot of people think Jersey cows are homegrown New Jersey natives.

But a chat with **Max Spann Sr.**, the 80-year-old chairman of Max Spann Real Estate and Auction, quickly clears up that misconception. Truth is, these golden-brown cows, with their large, deer-like eyes, hail from the Isle of Jersey, a small British island in the English Channel, off the coast of France.

Once the largest Jersey cattle importer and auctioneer in the world, the Spann family was synonymous with prize-winning cows. But in 1978, Spann decided to apply his livestock auctioneering skills to the real estate world.

Today, his son, Max Spann Jr., is continuing that legacy as president of the Clinton-based auction house that oversees real estate auctions in New Jersey, New York and Pennsylvania.

Spann Sr. sat down with The Star-Ledger's **Sam Ali** recently to talk about cattle auctions, real estate auctions and his true love: the gentle Jersey cow.



MATT RAINEY/THE STAR-LEDGER

The Isle of Jersey is a little gem. It's the garden spot in the English Channel. It is just six miles wide by 20 miles long, and that is where the Jersey cow really originated from. The Jersey men are originally from Normandy, just across the channel in France. They speak French. They were fisherman, and they used to sail from Jersey to New Finland to fish for cod, and they brought Jersey cows with them on their boats so they would have milk. She's a small, compact, little cow that gives great milk. Their milk has the highest protein and the highest calcium of any of the other breeds. The quantity is not great, but the quality is.

For me, cows are not just a hobby. They're a vocation, I guess. I know how to milk a cow before I could read and write. I learned the cattle business with a fork in my hand. You know what you do with a fork? You shovel manure. I still love them. I don't have many anymore, only 18 now. Jersey cows are smarter than the rest of them. A little quicker in the head.

My grandfather, W.R., and later, my father, Paul J., had a reputation on the Isle of Jersey for spotting the best cows. The breeders would hold their cows until the Spanns came, and they

would sell them to the Spanns first, and what was left over, they would sell to everybody else.

Animal breeding is a science, you know. A lot of people don't know that. Like begets like. My dad always told me that before you buy a heifer, you gotta look at the mother, because that is what you're going to get. He also told me that before you get married, make sure to look at the mother. I followed his advice both times.

My grandfather and father used to bring the cows over by boat from the Isle of Jersey to New York, and we would ship them in cow cars and take them to Clifton, and they stayed there for 30 days in a quarantine. After 30 days, we would load them on a boxcar and that train would come into the railroad station in Morristown. That is where the freight yard was, and we would unload the cows there and take them down South Street to our farm and keep them there for another 60 days and get them ready for the auction.

At the auction, we would have a big tent and we would have a party and invite people from Texas and California and New

[See **MY TURN**, Page 68]

Who he is

Title: Chairman, Max Spann Real Estate and Auction, Clinton

Birthdate: June 20, 1928

Residence: Washington, N.J.

Education: B.S., agriculture, Rutgers College of Agriculture

Hobbies: Traveling, agriculture

Family: Wife, Virgene, and four children, Theresa, Elizabeth, Max Jr. and Louis

Last book read: "L.L. Bean: The Making of an American Icon," by Leon Gorman

Favorite food: Roast chicken

Favorite vacation spot: Lake George, N.Y.

Biggest challenges: Getting enough done and helping more people

Words to live by: "God helps all of us."

Trump to back EnCap

May replace key investor of Meadowlands project

BY MAURA McDERMOTT
STAR-LEDGER STAFF

Donald Trump is in talks to buy out the biggest investor in the long-troubled EnCap golf and housing development in the Meadowlands, the real estate mogul's attorney said.

Trump is "in substantive conversations with Cherokee to acquire their interest in the Meadowlands site," attorney Michael Cohen said last night. North Carolina-based Cherokee Investment Partners is EnCap's main backer.

The deal would call for "a capital infusion by Mr. Trump personally," as well as funds from "major lenders," Cohen said.

A Cherokee spokesman confirmed yesterday Trump and Cherokee are in talks about a potential "capital commitment" by Trump.

"Cherokee has invested millions of our own funds, helped to attract other private financing and brought in the Trump Organization to lead the project's day-to-day operations," spokesman David O'Neill said in a prepared statement. "Cherokee is very pleased with the Trump Organization's progress at the Meadowlands, and we want to do all that we can to see this progress continue and to

[See **ENCAP**, Page 69]

Crude-oil price jumps to \$115

Summer gas-supply fears spur the latest record

BY JOHN WILEN
ASSOCIATED PRESS

NEW YORK — Crude futures made their first foray past \$115 yesterday, propelled to a record by concerns about how much gas will be available during the peak summer months.

Inventories of gas fell 5.5 million barrels last week, according to the Energy Department's Energy Information Administration, a much bigger decline than forecast by analysts surveyed by Dow Jones News-wires. Light, sweet crude for May delivery responded by rising as high as \$115.07 on the New York Mercantile Exchange, and later settled up \$1.14, at a record \$114.93 a barrel.

The report said crude inventories fell 2.3 million barrels last week, compared with the gain analysts expected.

Oil prices also were boosted by the falling dollar, which declined to a new low against the euro. Many investors buy commodities such as oil as a hedge against inflation and a falling greenback. A weaker dollar also makes oil cheaper to investors overseas.

But the market was torn and traded sharply lower at times due to data deeper in the report showing that the country's

[See **OIL**, Page 68]

BUSINESS 101 STUDY HALL

This month, we are profiling the economic reports most likely to captivate the market — and the Federal Reserve. Tuesday: Existing-home sales.

By Mary Yanni, The Star-Ledger

Today: Index of Leading Economic Indicators

RELEASED BY: The Conference Board, the same nonprofit business research group that brings us the Consumer Confidence Index.

WHEN: Around the 20th of the month.

WHAT IT TELLS US: Designed as an early-warning system, it can tell us when we are headed into recession. It has historically done a pretty good job, but it also has given plenty of false signals.

IMPACT: Little, really, but it has an irresistibly geeky charm.

★☆☆☆☆

Questions? E-mail askbiz@starledger.com.

THE HEADLINE NUMBERS: This is a weighted index made up of a number of economic indicators. "Leading" refers to indicators that tend to change direction before the economy as a whole. Three consecutive months of decline is supposed to signal recession — but it doesn't always hold true.

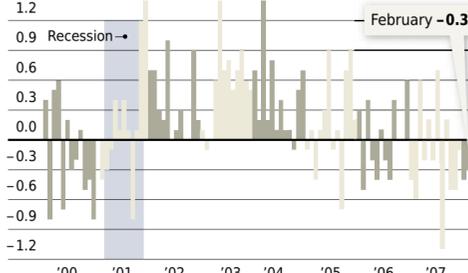
BEHIND THE HEADLINES: A crash course on the "leading" indicators, in order of importance: the difference between the federal funds interest rate and the 10-year Treasury note (when this number is negative, it's a solid precursor to recession); the M2 money supply (which forecasts inflation — the more money in circulation, the more demand for stuff); average workweek in manufacturing; manufacturers' new orders for consumer goods; S&P 500; average weekly initial unemployment claims; the vendor performance component of the Institute for Supply Management index; housing permits; consumer expectations; and manufacturers' new orders for nondefense capital goods.

FYI: The index is watched more carefully when it's on the downswing, but can be useful on the upside of the economic cycle, too. Runaway growth can raise concerns about inflation.

THE STORY SO FAR ...

The leading index has been signaling recession for a couple of months now. We may get some relief today.

LEADING INDICATORS INDEX (percent change)



SOURCES: Moody's Economy.com; the Conference Board

How to reach us: To speak with a member of The Star-Ledger Business Department, call (973) 392-4229, after 9 on weekday mornings. The department's e-mail address is business@starledger.com.