

Mortgages can be more expensive than they seem

In the past, home mortgages had fixed interest rates and monthly payments running 20, 25 or 30 years. Now, interest rates fluctuate and monthly payments are far above rates common a short time ago.

That's why over half the homes sold today include some form of adjustable, so-called "creative financing." Not all of these adjustments offer comparable benefits, and some may not be as inexpensive as they first seem.

One common solution is to assume the seller's mortgage. A pitfall of assumable mortgages might be a large down payment. If you don't have the necessary cash, you might need a second mortgage, which could put the house out of reach. Also, assumable mortgages are not usually welcomed by the banks involved, because of low interest rates they sustain.

Another problem with assumable mortgages is their legality. Although all VA- and FHA-guaranteed mortgages and many written prior to the early 1970s are assumable, others carry "due on sale" clauses. However, there are court suits in over 20 states on the legality of these clauses.

Costly mortgages result from high interest rates. To pay the interest to depositors, banks raise loan charges. Because inflation leads to volatile interest rates, lenders lose money with fixed mortgages.

Still available are low mortgage rates guaranteed for a few years, but a refinancing agreement would be at a higher rate. However, if you will have the lump sum when it falls due, these short-term loans may be your best bet.

Despite this, if you finance, compare the long-term loan, compare the differ-

ent graduated mortgage rates offered. A graduated payment mortgage may define exactly when and how much your payments increase over the years. An adjustable rate mortgage (ARM) or adjustable mortgage loan (AML) usually ties the mortgage rate increase to an economic index.

Because of the restrictions on national banks, ARMs can rise no more than 1 percent every six months. AMLs from savings banks are not restricted at all. However, this could also work against you. If an index rises beyond the allowed rate increase, the difference may be tacked on to your principal.

Some mortgages offer lower rates but require the loan to be paid back sooner. There are options, like the rollover mortgage, where the loan may be refinanced at the end of a determined period which can be as short as three years.

The new mortgages may seem simpler than they are. For example, if a rate is adjustable, how often will it be changed, how often can it be changed and by how much?

Short-term indexes are usually more volatile, and some tend to rise more than others, so know what index pertains. If you use a mortgage that requires balloon payments or has to be refinanced every few years, know how much money is due and when.

In addition to adjustable mortgages, there are other ways to hold down costs, such as a lease purchase agreement. You rent the house until you decide either to move or buy. In some cases, rent can be applied against the price. Or you might be able to buy the house but rent the land it sits on.



RANDY BORST/staff photographer

The Barber home can be seen from both the north and southbound lanes of I-275. A new banner for the side of the house is planned for the near future.

Noise annoys homeowner

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No dice, says Mrs. Barber. She wants a noise abatement wall just like the noise-abatement wall that stands a few miles north of her home.

That kind of response leaves MDOT officials "kind of stymied," says DeFalin.

The MDOT official says he's trying to be helpful. He was instrumental in getting the historic designation for the farmhouse. He admits there is a noise

problem that needs some type of remedy short of a sound barrier.

"The noise is something that is a problem," DeFalin concedes. "The fact that it's there 24 hours a day makes it worse. Once you're living under those conditions, every defective truck that goes roaring by bothers you more."

"Trying to communicate with someone outside her home is very difficult. You have to practically yell. So, I'm in perfect agreement that the noise levels are high. They're loud."

Buying co-ops and condos can affect borrowing ability

Thinking about buying a cooperative or condominium?

If you are, then you should know how the two differ, what effect those differences have on your ability to borrow, and the tax incentives they might offer.

Tax incentives are a major reason why condos and co-ops are a fast growing segment of the housing industry. But taking advantage of the tax opportunities entails some careful decision making.

The main difference, is that you buy the condo unit itself whether it's an apartment, townhouse or separate residence. But when you buy a co-op, you only buy shares in the cooperative managing the building. This affects your financing and tax deductions.

Buying a condominium is less complicated than paying for a co-op. For example, with a condo you figure out your down payment, then apply for a mortgage to cover the balance. Those interest payments and any property tax are tax-deductible.

Because you don't actually purchase a co-op, there's no mortgage. A portion of the monthly payments is applied to the mortgage interest and tax payment of the co-op. The money applied to these expenses is tax-deductible.

AN ALTERNATIVE method of financing is often available for both co-

op and condo buyers from developers willing to help you finance to help sell units. The money they use is loaned to them by the project's sponsor, such as a bank, pension fund or private company.

Low interest rates they advertise are possible, in part, because they are not paying an individual's interest rate and, sometimes, because neither the rates nor the mortgage are guaranteed for extended periods of time.

Prospective owners should understand what's contained in a financing agreement.

If you finance through a developer, note the term of the mortgage and the length of the guarantee for proper planning. Today it might be necessary to borrow the money at an adjustable mortgage rate or to take a short-term loan expecting to refinance in a few years.

Another financing aspect to investigate is tax deductibility.

THE DEDUCTIBLE percentage of the monthly payment depends upon what percentage constitutes interest, your tax bracket, and how the money is used. If the seller mentions that a certain percentage is tax-deductible, ask if that is contingent on your tax bracket or because so much of the payment is interest and taxes.

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