The Observer & Eccentric

business

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Mortgages: safety, yield

Many people don't realize that some good, safe mortgages backed by federally related agencies currently yield 1 percent or more above good, safe bonds, such as 10-year U.S. Treasuries. Three agencies continually buy up mortgages on houses and apartments to keep money flowing back to lenders for use for new loans.

GOVERNMENT NATIONAL Mortgage Association (Ginnie Mae). Ginnie Mae is a part of HUD, and it provides money for financing residential housing progams where established home-financing facilities are inadequate.

GNMA's credit is backed by the full faith and credit of the U.S. government, and it is authorized to borrow from the Treasury to insure timely payments of principal and interest on securities guaranteed by it.

Three types of GNMA securities are available, all of whose interest payments are fully taxable at the federal, state and local levels.

- GNMA Mortgage-backed Securities are backed by a pool of FHA or VA-insured mortgages that have been issued by other government organizations and guaranteed by GNMA.
- GNMA Participation Certificates are issued primarily against the assembled loan assets of several government agencies whose mortgage management and liquidation functions were taken over by GNMA in 1968.
- The third type of GNMA issue, officially called GNMA Modified Pass-Through Securities, has several unusual features. The securities are created when a mortgage banker assembles a pool of at least $2 million worth of FHA or VA-guaranteed mortgages of the same coupon and maturity and deposits them at a custodian bank.

GNMA then issues securities against these mortgages, with interest and principal payments made monthly to the investor regardless of whether it has been collected on time from the mortgagee (i.e on a modified pass-through basis).

FEDERAL NATIONAL Mortgage Association (Fannie Mae). The Fannie Mae raises money to buy residential mortgages from savings and loan institutions, banks and insurance companies, in order to provide additional liquidity to the mortgage market in periods of tight credit when normal capital flows to this sector diminish.

The FNMA issues several types of securities of varing forms and maturities, all of which are subject to federal, state, and local income taxes. Another type of security issued by FNMA includes their mortgage-backed bonds, which are secured by mortgages and by the GNMA and thus have the backing of the U.S. government.

FEDERAL HOME Loan Mortgage Corp. (Freddie Mac). Freddie Mac raises money for buying residential mortgages from federally insured savings institutions, such as savings and loan associations, when they need more money to finance new housing in periods of tight money. The mortgage-backed bonds range in maturity from 12-25 years and are guaranteed by the GNMA.

Here are the ways by which you can buy the mortgages discussed above.

- Direct participation. You can buy certificates backed by GNMA mortgages from large brokers. Minimum purchase is $25,000, with additional increments of $5,000. Large banks offer participations that include securities based on Ginnie Mae, Fannie Mae, and Freddie Mac mortgages.
- Unit Trusts. These are pools of large numbers of certificates set up by brokers who then sell units to investors. Once the trust is set up, there is no turnover or replacement of certificates. Minimum investment varies, but usually is $1,000, with increments of $1 above that.

finances and you
Sid Mittra

- Mutual Funds. Several no-loan funds invest in mortgage-backed securities. Not all mutual funds dealing with these securities deal with all of them. You may find more information on mutual funds by writing to them directly.

EDUCATIONAL SEMINAR: The Observer & Eccentric Newspapers and I will conduct our next financial planning seminar 8-9:30 p.m., Monday, Oct. 3, at the Michigan State University Management Center, Troy. Subjects may include: Budget analysis, children's education, tax shelters, stocks and bond investments, wills and trusts, financial independence, inflation problems, interest rates, mutual funds, and estate planning. The seminar is free, but registration is required. For more details, *call 643-8888.*

Sid Mittra is president of Coordinated Financial Planning Inc. in Troy and a professor of economics and management at Oakland University, Rochester.

marketplace

August was the second best sales month ever for Real Estate One's Detroit area offices. Sales were 33 percent higher than the best previous August.

Scott Gregory, a designer store, opened Sept. 1 at Northland Center in Southfield. The 3,600-square-foot store also carries accessories and shoes. The store is at the southeast end of the mall between Hudson's and Penney's.

Midwest C.O.M. Systems Inc. of Southfield has changed its name to Midcom Inc.

Macauley's Office Supply Inc. has bought the office supply division of Suburban Office Services of Rochester and opened it as the 14th Macauley's. The store is at 434 Main in Rochester.

Shelf World Inc. of West Bloomfield has opened at 6609 Orchard Lake Road. Shelf World offers all types of trees, flowers, bushes and potted plants, all made of washable fabric. The telephone number is 626-4602.

Hurwitz Enterprises advertising agency of Southfield has added two clients: Californial Comfort Systems and Le Grande Parfums.

J. Lee Hackett Co. of Farmington, one of the nation's oldest distributors of machine tools, is celebrating its 60th anniversary this year. The company was founded in Detroit in 1923 as a distributor of wood-working machines.

Eight professionally trained mediators formed Mediation Resources of Southfield. The purpose of the firm is to provide an alternative method of conflict resolution for families undergoing divorce. The background of the eight mediators include lawyers, psychologists, social workers and therapists. Mediation Resouces is at 28200 Southfield Road. The telephone number is 557-1235.

Michigan Medical Service Inc., a subsidiary of Blue Cross-Blue Shield, has changed its name to Diversified Technologies Inc.

W.B. Doner and Co. of Southfield and Manufacturers National Bank have teamed up to celebrate the bank's 50th anniversary *by recreating banking of the 1930s in television commercials.*

The 22-year-old Pontiac Mall is being renamed to reflect the $1 million renovations under way. Late next month, the enclosed mall will be renamed Summit Place.

The Haven, Oakland County's shelter for victims of domestic violence and their children, has received $42,000 from the Oakland County Circuit Court judges and the Oakland County Board of Commissioners.

All 32 stores of the West Bloomfield Plaza are raising money Thursday-Saturday for the Bruce Sharp Fund. Bruce is a 2½-year-old boy who needs a liver transplant. Activities planned include two hot-air balloons, a calliope, a Moon Walk ride, a fashion show, clowns, mimes and appearances by TV, radio and sports personalities. The mall is on Orchard Lake Road, one-quarter mile south of Maple.

Van Arnem Financial Services Inc. and H.L. Van Arnem of Birmingham have acquired Briergate Apartment Complex in Indianapolis, Ind.

Barbara L. Corbett, president of Corbett Advertising Inc. in Rochester has been named as a Prominent Woman in Advertising for 1983-84 by the H. Whitney McMillan Co.

Growth & Goals Inc. has selected the Berline Group of Birmingham as its public relations counseling firm.

TO AVOID a shine when pressing woolen materials use a damp cloth between the iron and material to be ironed. Be sure to iron on the wrong side. On the wrong side of a bill collector? Get quick cash with an Observer & Eccentric Classified Ad.