

Suburban home dream fades for young

By Tom Ferguson
staff writer

Except for the picket fence, the standard dream for young couples has changed little in modern times: It's owning a house.

"But the part about owning it is in trouble."

"We see a lot of senior citizens retaining their homes here," said Terry Carroll, community development director in Garden City. "Meanwhile we see a lot of kids of empty-nesters who want to move back where they grew up; but they're not making real money and the price of housing is going up."

Carroll's assessment matches an array of signals that the squeeze on first-time buyers, already tight, is intensifying.

SIGNS OF THE TIMES:

• A state senator is giving high priority to a bill that would establish a loan fund so first-time buyers could borrow money for a down payment. "Statistics have proved that the average person can't save to buy a house these days," said Sen. Doug Cruce, R-Troy. "If you save \$5,000 over a two-year period, you've saved less than the house has appreciated. You cannot win that race."

• The Wayne-Oakland Board of Realtors, seeking to get FHA loan limits up to current levels, has petitioned to raise the maximum allowable purchase price on FHA-insured mortgages in Oakland County to \$101,250 — a \$25,950 increase. If approved, a similar request will follow in Wayne County. "We're not talking about a mansion, even at \$102,000," said Marjory Pickett, president of the Wayne-Oakland board.

• "Developers are building new housing at the upper end of the market but not at the starter end," said Pete Cornell, president of the Michigan Association of Realtors. "It's a serious problem. And it's going to have a dramatic effect in years to come."

• While home prices go up and low-cost housing disappears from the drawing boards, young adults' real income is going down. Census data reveal that, measured in 1987 dollars, median income for males ages 25-34 declined from \$24,027 to \$20,112 between 1971 and 1987. Income of families headed by a person age 25-34 declined slightly in the same period, despite an increase in two-income households.

DESPITE ALL the bad news, where there's a will and a little bit of cash there's still a way if you can find a house at the low end of the market.

John Sherer, Livonia branch manager for Fleet Mortgage Corp., said: "A lot of Realtors will tell kids, 'If

'Developers are building new housing at the upper end of the market but not at the starter end.'

— Pete Cornell
Michigan Association of Realtors

you don't have \$5,000, I can't work with you.' But on a \$40,000 house you only need \$400 plus closing costs, and that means you can get in for \$3,000 or less. People don't realize that."

Two widely acclaimed programs are designed especially to get low- and moderate-income couples into their first house. Both programs are administered by the Michigan State Housing Development Authority, called MSHDA (pronounced 'MISH-da' in the trade).

THE MSHDA Single Family Mort-

gage and Mortgage Credit Certificate programs are praised among lenders and housing officials as an innovative, effective means of keeping home ownership as an option for low-income couples. (See accompanying story for details of how the programs work.)

But because of ceilings on income and purchase price, the geographical trend of MSHDA mortgages lends weight to the disturbing proposition that moderate-income buyers are being forced out of the suburban market.

Fleet Mortgage is a MSHDA participating lender, and Sherer described the MSHDA plans as "real good programs. The only problem is the income and purchase price limitations." Asked how much of his MSHDA business is being written in Detroit these days, he estimated: "60 percent," with the remainder in the closest suburbs.

SIDNEY BLITZ, executive director of the Redford Housing Commission, confirmed that young couples can still find a starter home there. "We're finding that younger families are moving into the older subdivisions as the elderly move into nursing homes or maintenance-free apartments," Blitz said.

He noted that Redford Township has the highest percentage (91.4) of owner-occupied housing among U.S. communities with 50,000 or more residents.

But the opportunities are clearly becoming fewer and farther between, and a lot of people are becoming concerned. Realtors fear that a dwindling starter market will spread along the buy-and-trade-up chain.

Sen. Cruce's proposed Home Equity Fund is perhaps the most startling evidence of the problem. Certainly children of the Depression would be started at the concept of borrowing money to borrow money.

But Cruce said, "It's not a premise but a fact" that many young would-be buyers can handle monthly payments but not the down payment.

Cruce's bill would create a Home Equity Fund by doubling the real estate transfer fee (now 55 cents per \$500 of a home's sale price).

"In my opinion, this is the only way to have a real impact, to provide cash for the first-time buyers," Cruce said.

State has 2 plans to aid home buying

The Michigan State Housing Development Authority offers two programs for low- and moderate-income couples who seek to buy their first house. Buyers must fall within income guidelines, and there is a ceiling on purchase price.

• The MSHDA Single Family Mortgage offers 84 percent, 30-year mortgages (conventional, FHA or VA) through participating lenders. Single Family Mortgages have been offered for new houses since 1971 and previously occupied houses since 1983.

For previously occupied homes, the household income limit is \$24,600 (\$26,300 in Detroit and several other distressed communities) and the purchase price ceiling is \$40,000 (\$50,000 in distressed communities). For new homes, it's a

\$30,000 income limit and a \$70,000 price ceiling.

• The newer (1986) Mortgage Credit Certificate program, often called the Michigan Mortgage, has higher income and price ceilings. Under MCC, buyers apply for a certificate while formally applying for a mortgage from a participating lender. The MCC certificate allows the buyer to apply 20 percent of his annual interest payment as a direct credit on his federal income tax, while using the other 80 percent as a

deduction. The tax credit can amount to \$83 per month on a 30-year, \$50,000 mortgage at 10 percent. Household income limits for MCC certificates are \$28,000 plus \$4,000 overtime (previously occupied homes) and \$30,000 plus \$4,000 overtime (new homes).

Most Realtors are familiar with both programs. Lending institutions can tell you whether they are participating. Further information can be found by calling MSHDA in Lansing at (517) 373-6840.

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