

Number of mortgage lenders spurs rate tracking business

By Marilyn Fitchett
staff writer

If necessity is the mother of invention, then dissatisfaction may be the mother of entrepreneurship.

In 1983, Steve Conaway was a real estate agent for ERA First Federal Realty in Livonia, finding himself making dead-end phone calls to mortgage lenders, trying to get mortgage rate information for his clients.

Today he publishes that same information for lenders, real estate agents, CPAs and the public in the form of the Weekly Mortgage Reporter for his company, Residential Mortgage Consultants.

"I had identified an area that was a fairly big problem, at least for me," Conaway said from his home office in Northville's Highland Lakes subdivision. "There were a lot of programs out there that could help people get into a home but few knew about them. And I felt a responsibility as an agent to help my clients find a mortgage."

"I spent many hours on the phone getting ahead of people who didn't know what I was talking about and weren't very well versed in mortgages even though they worked for a mortgage company. It was costing me a lot of time. I knew if I could help my client, it was going to make a more solid transaction, which was to everyone's benefit."

With a partner, he started a service listing the mortgage rates of 30-35 lenders while continuing his real estate sales. When his partner took another job offer, Conaway left real estate as an agent to concentrate on running the business by himself.

He now covers 81 of about 100 lenders in the tri-county area, listing mortgage rates, points and a weekly average trend. In addition to selling the service to professionals in the mortgage and real estate fields, he also sells a six- and 13-week subscription to the public. Lenders are charged to list their mortgage rates, which are updated each Monday. Observer & Eccentric also carries the listing, rotating the local lenders carried as space permits. This week's listing is on Page 5.

REASONS BEHIND Conaway's frustration in tracking down mortgage rates as a real estate agent helped him carve a niche for his business.

"Six or seven years ago, you really didn't have a shop for a mortgage — everybody's rate was the same. Now there's at least 100 lenders and there's a wide variance of as much as a 1-percent

spread among lenders from week to week."

Conaway also blames the advent of points for muddying the mortgage waters. A point is 1 percent of the mortgage amount that is due at closing. For the sake of simplicity, Conaway lumps charges such as origination and discount fees into the points category for his listing.

"Two points is the normal rate. Anytime it's more, you're paying for a buydown (reduction in interest rate), which is maybe something you want."

Conaway's rule of thumb is: On a 30-year fixed rate mortgage, it takes six points to buy down 1 full percent. On a 15-year fixed rate, it takes four points to come down a full percentage.

But he cautions that the complexity of points and other fees is something that potential buyers take seriously.

"It behooves anyone who's shopping to compare rates carefully. They can save anywhere from a few hundred dollars at closing in points to thousands of dollars over the life of the mortgage."

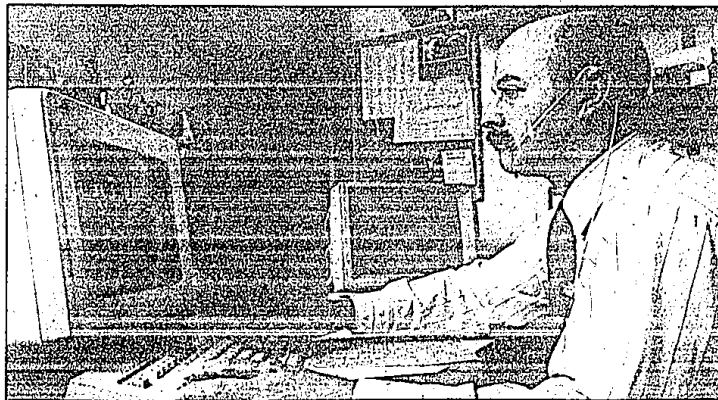
FIXED-RATE mortgages get the nod from Conaway over adjustable rate mortgages (ARMs). "If you were talk to a bank, they'd say the adjustable rate is very popular. But I'm in disagreement with ARMs. There are a couple of instances when it's a good program. One is if you're going to be in the house two years or less. Then even in the worst-case scenario, it would average out to less than today's interest rate for a fixed-rate mortgage."

"The second is for young couples or others who can't qualify at fixed rates. But in general, fixed rates are a better program because ARMs can go up as much as 9 percent."

Although Conaway has been tracking the mortgage scene for six years, he has been unable to devise a formula for predicting the rise and fall of rates.

"I would say it's totally unpredictable. You can't even take it from month to month. There's no rhyme or reason because there are so many factors involved. It can be anything from (Federal Reserve chairman Alan) Greenspan's speeches saying he's going to tight credit, to the rate of Treasury Bills to the bond market. Inflation is also a key factor. If the CPI (Consumer Price Index) goes up, it sends mortgage rates up."

"But it's very hard to predict, and I stay as far away from it as I can."



Steve Conaway calls mortgage lenders for their rates each Monday.

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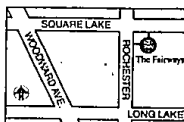
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