

REAL ESTATE NEWS

Fewer FHA loans processed as market changes

By Marilyn Fitchett
staff writer

The president of the Mortgage Bankers Association is saying increased regulation governing FHA loans, saying that by keeping low- and middle-income Americans out of the housing market, the government is disrupting "the beginning of the housing chain."

According to Angelo Mozilo, keeping first-time buyers out of the market prevents or delays the possibility

for trading up to more expensive housing.

"FHA is at the beginning of the housing chain, and when that begins to unravel, the whole system is disrupted," Mozilo said last week on a trip to the area.

The number of loans being insured through the Federal Housing Administration has fallen nationally to its lowest level in six years, MIA said. In July FHA raised its down payment requirement from a minimum of 2.5 percent to 3 percent and added a mortgage insurance premium of

one-half percent for 10 years.

But locally, lenders are saying that although fewer FHA loans are being processed, they have not seen as sharp a fall-off as in other areas of the country.

Michael Lubig, manager of the mortgage department at Standard Federal Bank, the area's leading mortgage banker, believes fewer people are applying for FHA mortgages for a couple of reasons.

"In the past five years, the percentage of FHA mortgages written

by Standard Federal has steadily declined," Lubig said.

"There are two reasons — most recently the increased cost of FHA mortgages and the fact that private mortgage insurance companies have become very aggressive and filled the void."

"There are several conventional programs available that fit the needs of people quite nicely and are cheaper than FHA mortgages. FHA has priced themselves out of the market."

Lubig said that so far in 1991, 98 percent of the loans written by Standard Federal were conventional; 2 percent FHA. This is a sharp reversal in the past 15 years when the majority of loans written by Standard Federal were FHA loans, he said.

PETER DOTSON, Rose Mortgage Co. assistant vice president, said he has seen a 5-10 percent drop in FHA mortgages since the new requirements have gone into effect.

"There has been some falloff but not much," Dotson said. "FHA has

not been as big. For some people it's more advantageous to go to a 5-3 percent-down conventional mortgage. But there still is a market for FHA loans because of the downpayment of 2 percent less" (than a conventional mortgage).

"People seem to have more of a struggle with property taxes than they do with coming up with a downpayment."

Caps on FHA loans differ by county. In Oakland, the maximum is \$101,250. In Wayne, it is \$85,150.

Common areas should be void of Christmas decorations

We are thinking about having a Christmas tree in the clubhouse at our condominium but several persons on the board believe that it may not be a good idea as some of the members of the association are not of the Christian faith. Do you see any problems in having a decorated tree in the condominium complex?

It appears imprudent to place a Christmas tree in the clubhouse to the extent that it may offend anyone. The association is not a religious institution and it may not be a good idea to create an issue among the members of the association concerning the propriety of maintaining a tree, particularly in light of all of the rumors that as has been in connection with the public display of Christmas decorations on municipal buildings in various communities. It is proba-

bly best to have each co-owner exhibit Christmas in his or her own fashion inside of his unit and refrain from decorations that technically affect the common elements and may offend some members of the association.

Please explain to me what is generally provided in the way of a remedy for a purchaser who finds that the seller of the house has failed to honor his or her commitments. We are in the process of drafting our own purchase agreement and want to know how to protect ourselves. There is no broker involved.

The best advice I can give is to have a competent legal adviser review your purchase agreement before it is submitted to the seller to insure that you have complied with Michigan law sufficient to insure that the purchase agreement is bind-



condo queries

Robert M. Meisner

ing and enforceable in addition to protecting your legal rights. Those rights should include a provision that in the event of a default by the seller you have a right to recoup your earnest money deposit and seek damages because of the seller's default or, in the alternative, to force the seller to literally sell the house to you by way of a specific performance proceeding. Other areas of concern are whether you have any recourse in the event the seller does not vacate the premises on the date provided in the purchase agreement

and whether the contingencies regarding the binding effect of the agreement such as inspections and mortgage approval are removed and how.

I am buying a house with cash. The seller does not have a broker and has prepared the purchase agreement. The seller says that he will give me a break in the purchase price if I don't require him to get a title insurance policy. He said I must free to go check the title if I want. What do you think?

Title insurance policies are relatively inexpensive and are absolutely necessary to insure that there are no defects or encumbrances in the title to the property being given to you. I would certainly not accept anything less than a full and complete title policy without exceptions to insure that your rights are pro-

ected as a purchaser. I would be extremely suspect as to why the seller has offered this provision and hope that it was purely out of naivety.

A developer who is refusing to sell units in the condominium project now wants to serve on the board of directors even after turnover claiming that he still owns 10 percent of the units that he is offering for sale. How can we best deal with the situation?

One way is to challenge the developer's right to designate a representative including himself to serve on the board if, in fact, he is not making a good faith effort to sell at least 10 percent of the units in the condominium that he owns or that might be built. You should do this only after consulting with the association's attorney to confirm that you have the legal basis to challenge the develop-

er's right to seat a director. You might also wish to remind the developer that he is potentially getting into a conflict of interest situation, particularly if there has been acrimony between the association and the developer regarding alleged defects or abuse alleged against the developer pertaining to the development or administration of the condominium project.

Robert M. Meisner is a Birmingham attorney concentrating his practice in the areas of condominiums, real estate and corporate law. You are invited to submit topics you would like to see discussed in this column by writing Robert M. Meisner at 30200 Tolar Road, Suite 407, Birmingham Farms 48025. This column provides general information and should not be construed as legal opinion.

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