

BUSINESS

THURSDAY, JUNE 4, 1992

12B(F)

SUBURBAN BUSINESS LEADERS

Michigan National Bank has announced that Jeffrey Schuman has been promoted from vice president to first vice president of the commercial mortgage division.



Jeffrey Schuman

Sally Victor of West Bloomfield has assumed the position of Marketing Director for The Sonnet Collection. In her new position, Victor will be responsible for creating a comprehensive marketing plan, utilizing market research and analysis to develop the advertising campaign and promotional events for the center.



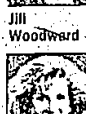
Sally Victor

Frank Ochoa of Troy has been reassigned to the position of branch manager at the credit Union ONE Troy office.



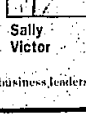
Frank Ochoa

Birmingham resident Jill Woodward has been named head of public relations for Olympia Arenas, Inc. in Detroit. The entertainment and sports facility management company operates Joe Louis Arena, Cobo Arena, the Fox Theatre and the Meadow Brook Music Festival, along with the Glenn Falls Civic Center in New York.



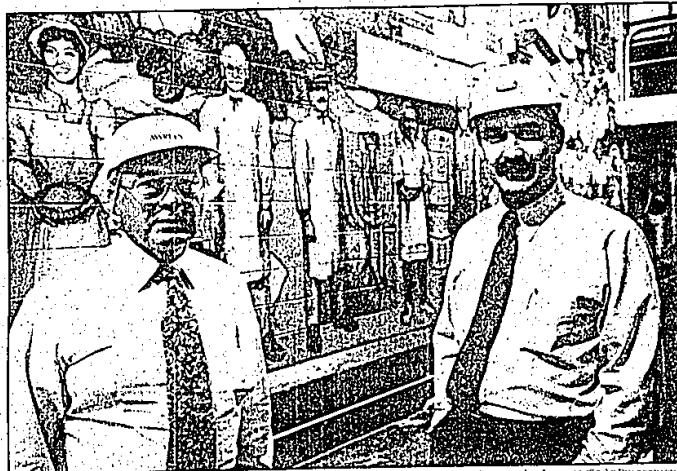
Jill Woodward

R. Kimberly Gynor, executive vice president and general manager of Bazell Detroit, the Southfield advertising agency, has announced that Rod Burton has joined the agency as management supervisor and director of new business development. Prior to joining the firm, Burton was vice president, management supervisor/business development at DDB Needham in Detroit.



Rod Burton

Please see inside for more suburban business leaders



Awrey bakers: Bob Awrey, chairman, and his son, Tom, president, have steered the family-owned bakery through some trying financial waters since last October.

Bakery eyes turnaround from sour '91

After re-establishing the Detroit retail trade, Bob Awrey is looking at boosting sales to push his factory operation to full capacity.

A new watch and a fresh start go hand in hand for Bob Awrey and the Livonia bakery that bears his name.

Awrey's wife, Betty Jean, and grown children recently gave him a new watch inscribed for 50 years of service to the company after a timepiece he had received on his 25th anniversary broke.

Earlier this year, Awrey reported a

small profit for the first three months of operations after losing \$2.5 million during a tumultuous 1991.

"We see a future in frozen food service nationally," said Awrey, grandson of the bakery's founder who now serves as chairman and chief executive officer. "We're starting to serve the vending trade, convenience stores and we have

re-established retail in Detroit."

The Livonia plant, which employs some 400, is operating only at about 55 percent capacity, Awrey said, so there's plenty of room for growth.

"It's a fact that people still like to eat sweets, that which tastes good," he said. "They talk more than they diet."

"We have a very efficient, high-quality production plant. Now we have to go out and sell more," Awrey said. "I'm a cockeyed optimist. I have a lot of confidence in people here."

That confidence placed in non-family operating managers prior to a brooming last fall turned out to be a mistake, Awrey said.

Tough times

A strategy to eliminate local retail sales and concentrate exclusively on na-

See AWREY, PREVIOUS PAGE

Reverse mortgages appeal to few individuals, banks

They're called home equity conversion mortgages -- or more simply, reverse mortgages. The loans, backed by the Federal Housing Administration, enable homeowners who are at least 62 years of age to tap into their equity to supplement income.

A borrower can choose from among five distribution plans. Unlike a traditional home equity loan, where monthly payments begin immediately, a reverse mortgage is repaid in one lump sum after the owner or his estate sells the property.

And applicants don't have to qualify as to income or assets.

But few doors are open to prospective borrowers.

Just one lender, Reverse Mortgage Co., a subsidiary of Unity Mortgage Corp. based in Georgia, offers the FHA-insured reverse mortgage in metro Detroit.

That office opened in Southfield last month.

"The individual the program is geared for is an older adult who finds himself in a house-rich, cash-poor situation," said Brigit Green, branch manager for Reverse Mortgage Co. "Most likely, they're living on a fixed income supply that's not keeping up with the cost of living."

The U.S. Department of Housing and Urban Development established a pilot program nearly three years ago to insure some 25,000 home equity conversion mortgages around the country.

Basic requirements

Applicants must own their homes free and clear or nearly so and actually live there, Green said.

A formula taking into account an applicant's age, the value of the house and prevailing treasury bill interest rates determines how much someone can borrow.

Normally, borrowers can tap a

'The individual the program is geared for is an older adult who finds himself in a house-rich, cash-poor situation. Most likely, they're living on a fixed income supply that's not keeping up with the cost of living.'

Brigit Green
Reverse Mortgage Co.

third to half of appraised value with an FHA mandated maximum of \$101,250 for Oakland County properties and \$85,150 in Wayne County, Green said.

"The borrower's age is the most important element," she said. "The older the borrower, generally the more equity you can tap into."

Interest accrues on the outstanding balance based on the rate of one-year treasury bills at closing. As of Tuesday, it was 5.87 percent, not to rise more than 2 percent a year or 5 percent over the life of the mortgage.

Borrowers don't include mortgage proceeds as income and don't deduct accrued mortgage interest on annual tax returns, Green said.

The FHA charges mortgage insurance -- 2 percent of the appraised home value up front that can be rolled into the mortgage and one-half percent annually on the outstanding balance.

Reverse Mortgage Co. charges a 2 percent origination fee and traditional closing costs like survey, title insurance, appraisal and credit report.

Borrowers or their estates never have to pay back more than what they get at sale even if the property loses value in time.

A session with a HUD-approved counselor is required of all applicants so they fully understand what they're getting into and to cover other personal finance options.

Why no action?

Lack of knowledge about the program and a hesitation to make a major financial move deter many prospective borrowers, Green said.

"When you're working with an older adult, their home -- their greatest asset -- in most instances, people are very skeptical and inquisitive to what it's all about," she said.

No one besides Reverse Mortgage is in the game here yet.

"I understand there's a demand. We think it's such a small part of the market we prefer to let other players fill that niche," said Michael Lubig, manager of the mortgage department for Standard Federal Bank, the largest mortgage lender in the state.

NBD is trying to launch a pilot program in the Chicago market, said Paul Swan, first vice president at the bank.

"It's a complex product. It takes a lot of time and effort explaining the complexity of the program to the customer base," he said. "Conceptually, it has a lot of appeal. Practically, the market doesn't seem to be there."

"We think it's a loan that incorporates more risk than we're willing to take," said Al Marshall, manager of business development for First Federal of Michigan.

"We've never offered this product primarily because of involved accounting requirements necessary," said Ariadne Magoullas, spokeswoman for Michigan National Bank.

NO
ANNUAL
FEES.

NO
HIGH
INTEREST.

NO
KIDDING.

INTRODUCING THE NO ANNUAL FEE VISA® CLASSIC AND GOLD CARDS FROM STANDARD FEDERAL BANK.

At Standard Federal Bank, we're constantly looking for ways to help you get more for your money. Like our new VISA Classic and VISA Gold.

And for those of you who carry a monthly balance, you'll pay less interest than you would with many other cards, which save you even more.

With a standard federal VISA Classic or Gold card, you pay no annual fees -- nothing -- not a dime.



Just stop by or call any of our convenient Banking Centers for more information and an application.

Standard Federal Bank
Savings/Financial Services
1-800-643-9600



© 1992 Standard Federal Bank

