

Lenders set rules on qualifying for a mortgage



DAVID C. MULLY

self by paying an application fee and actually applying for the mortgage. However, keep in mind that lender pre-qualifications are only "ballpark" ranges

of your buying power and don't obligate the lender to approve your loan. Only you can decide how much you feel comfortable borrowing - and what type of mortgage is best for you.

You may have heard that if you can pay rent and have cash to afford to buy. You may have also heard that most individuals or families can afford to borrow up to 2 1/2 times their gross annual household income (income before any deductions are made for taxes, etc.) Following this rule of thumb, a couple with a combined annual income of \$30,000 should be able to borrow up to \$75,000.

Like other rules of thumb, this one is handy, easy to calculate, and give you a ball-park guess of how large a mortgage you can afford. But, because it is so simple, it doesn't take into account many other pieces of information that help

determine whether you'll feel comfortable with this financial obligation.

All mortgages have two features in common. The first feature is the mortgage principal, which is the actual amount of money you borrow. So, if you take out a \$70,000 mortgage, your mortgage principal is \$70,000.

The second feature is the mortgage interest, which is the money you pay for use of the money you borrow. The interest you pay on your mortgage can be deducted from your taxes, which is one of the many benefits of homeownership.

How much money do you have saved for a downpayment? You may have more than you know. Use the following list as a guide to prepare a list of all your present assets.

A. Assets available for a down payment: savings account, checking account, cash value of insurance, proceeds from sale of current home, if applicable, gift

from relative, other assets that can be sold to obtain funds.

B. Upcoming new home expenses: moving expenses, new home repairs, home decorating, major appliance purchases, estimated closing costs at settlement (usually 3-6 percent of your loan amount), other major purchases in next six months unrelated to new home (car, etc.). Subtract A-B to get your Total Down Payment Available. Remember, lenders may require you to have two months of mortgage payments in reserve when you go to closing. Be sure to consider this in your cash needs for the next six months.

Lenders use two guidelines to determine the amount of money they will lend. The first guideline says that a household should spend no more than 28 percent of its gross monthly income (income before taxes) on monthly housing expenses. Monthly housing expenses include mortgage principal and interest, hazard insurance, real estate taxes and

private mortgage insurance, if applicable. Lenders do not include monthly utility bills in your monthly housing expense ratio. The second guideline says that monthly housing expenses and other long term debts combined generally should not be more than 38 percent of total monthly income. That means that your monthly mortgage principal and interest payments, real estate taxes, hazard insurance, car loan, credit card payments, and other long-term debts combined generally may not exceed 38 percent of your gross monthly income.

Using this information as a starting point, you can determine how much home you can really afford which, in turn, will help you direct your housing search to the home in the right price range for your and your budget.

This week's question:
Q: Where do I look for mortgage loans?
A: Mortgage loans are avail-

able from a number of sources, including: mortgage companies, savings and loans associations, commercial banks, federal credit unions and other financial institutions. The real estate section of your local newspaper often includes comparative mortgage rate charts and may even offer a mortgage rate hotline that can be very helpful in your search. Your real estate agent will also know about local mortgage lenders and the mortgage products they offer. In addition, my company, Mortgage Search offers free recommendations for area lenders who will best meet your specific mortgage financing needs.

Write David Mully at P.O. Box 485, Novi, MI 48376-0485. Mully is president of Mortgage Search, a free one-stop mortgage shopping service. If you have questions or would like free assistance with your mortgage search, call Mully's 24 hour mortgage hotline at 1-800-405-3051 or fax at (810)380-0603.

Moulding gives ceilings elegant touch

"Moulding provides elegance, surprise, unexpected detail," said New York designer Stan Hura. "It's like pearls... it dresses up a room."

Affordable and easy to install, hardwood mouldings transform an ordinary room into one rich in character, depth and definition. A touch of moulding establishes mood, emphasizes architecture and creates a focal point.

"Mouldings are an easy way to add character and they don't have a traditional look," said Atlanta designer Charles Gandy. "I just designed a bedroom with traditional moulding, but I let it float away from the ceiling to create a space for cover lighting."

Mouldings and decorative woodwork direct the eye, add pleasing changes in scale within a room and can unify or divide a space.

"Setting off one area with different mouldings can give your definition between rooms where you may not have any walls," says Chicago interior designer Marlene Rimland. "All it may take is a change of moulding on the ceiling or at floor level."

When shopping for hardwood moulding, you'll find a wide range of choices for any budget. You can custom order decorative hardwoods through your architect, contractor or interior designer or through millwork houses, specialty shops and custom cabinet shops. You can find them, too, at local lumberyards and home centers or through mail-order specialty catalogs.

Oak, alder, ash, beech, birch, cherry, maple and walnut are among the most popular choices for hardwood mouldings. Poplar is a particularly option, since it's painted easily to flatter the wall color, window treatments or upholstery.

Moulding choices depend of the size and scale of your room. Crown mouldings, for example, work best in rooms where the ceilings are 8 feet or higher. Choose narrower mouldings for smaller rooms, wider ones for larger rooms.

Mouldings should be widest at the floor level, becoming progressively narrower as they approach the ceiling.

If you want visual continuity and flow, continue the same moulding pattern in adjacent rooms - especially if there's an uninterrupted view from room to room. For example, extend the entryway mouldings to your formal living room.

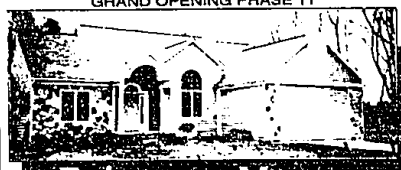
Hardwood mouldings add a touch of class even to a plain drywall ceiling. For example, crown moulding in classic dentil design embodies sophistication and elegance.

Running from 32 to 42 inches above the floor, chair rails protect walls from chair backs and can signal a change in wall covering. For instance, the upper half may be painted while the lower half is wallpapered.

Go ahead and mix grain patterns, tones and colors in your mouldings, flooring and furnishings. A variety of woods and finishes adds drama to a room.

For free information on decorating and caring for solid hardwood furnishings, call 1-800-373-WOOD or write to Hardwood Manufacturers Association, Dept. ME23-05, 400 Penn Center Blvd., Suite 530, Pittsburgh, PA 15235.

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