

How do elections impact rates?

MORTGAGE SHOPPING



DAVID C. MULLY

In this segment of my column, I look back and compare mortgage interest rates and mortgage trends over the last 26 years. Last week we looked at when the highest 30-year fixed-rate occurred. This week, let's look at when the lowest 30-year fixed-rate occurred. Do you know what the rate was and in what year it occurred?

With the presidential election coming up, I thought it would be interesting to look at what interest rates have typically done after an election. Looking back to the 1988 and 1992 election years, do you think rates went up or down after the election? (Answers are at the end of this column.)

To buy an existing home:

Most have heard about the supposed hassles lenders put us through when applying for a mortgage. But, simply by documenting the way you manage your assets before you buy a home, you can avoid some of these hassles. For example, when you know you are getting ready to move and purchase a home in the near future, make sure you save your three most recent bank or asset statements. If you move any of your assets from one account to another, preparing for the purchase, simply keep records of these transactions. Often, people don't think of this. When applying for a mortgage, the lender may notice a large deposit in a particular account and ask for an explanation. It becomes

difficult to verify where the deposit came from if you do not keep accurate records.

You may ask why lenders even care where the money comes from if you are making a large down payment. But, they do care because they have to verify that these funds were not borrowed. Because lenders generally sell loans in the secondary market, they need verification for their buyers of all funds used in the transaction. Even if you're receiving a gift from a relative of have money under a mattress, you're best to have the money in your bank account at least three to four months before you buy. If this is not possible, simply keep a record of any deposits you make and where the money came from. What lenders want to avoid some of the hassles others have gone through because they did not keep records.

To buy a newly constructed home:

My advice here is to always read your purchase agreement with the builder. Specifically, be aware of what the Michigan State Transfer Tax will cost on new construction purchases and whether the builder (seller) is paying it or passing the cost on to you, the buyers.

Recently, in talking to senior loan officer Vivian Johnson from Old Kent Mortgage, she shared the experiences of two of her customers who recently bought new-construction homes. She said, "They were not aware that the fine print in their contract with the builder stated that they were to pay the Michigan Transfer Tax." The Michigan Transfer Tax normally is paid by a seller when selling a home. Builders are considered the seller in new construction transactions. Therefore, they pay the transfer

tax or sometimes, as in this case, they pass it on to the purchasers.

Where it was confusing for these customers, according to Johnson, was "It was not pointed out or even estimated as to how much the cost would be to my clients until the time of closing. This caused a problem in that the purchaser ended up needing additional funds to close which they were not prepared to pay." Even though the builder disclosed this in the contract, they did not include the tax amount in their estimate of cost to the purchaser. Make sure you ask up front who is paying for this tax and how much the cost will be. According to Johnson, "Make sure you give this information to your loan officer so they may include this cost in your total estimate needed." This helps you have a better understanding of how much you need for the closing and helps the lender do an accurate verification of funds needed to close.

To refinance your home:

With interest rates still very low and close to the lowest levels in the last 24 years, many homeowners are still refinancing. One large segment of home owners refinancing currently are those who took out a one-year adjustable mortgage originally and had their rate increasing, causing their payment to increase. Other homeowners may see the adjustment date creeping up and don't want to wait for the upward adjustment to occur so they refinance before this can happen to them.

It can make sense for some of these homeowners to consider another one-year adjustable mortgage (with no prepayment penalty). In most cases, I have found that the cost to

refinance can easily be recouped in a matter of months. So, depending on your opinion of where rates are going and how long you plan on staying in your home, it may be the right decision for you now.

Mortgage Timeline answers:

In October 1993, the 30-year fixed-rate was at a 25-year low; it bottomed out at 6.83 percent. Before this time, the previous 25-year low was in April 1972 with a 30-year fixed rate of 7.29 percent. Compare this to today's rate of 8.0 percent and you can see that we are still very close to some of the all-time 25-year lows.

After both presidential elections in 1988 and 1992, interest rates went down. In November 1988, the 30-year fixed-rate was at 10.27 percent, falling slightly to the high 9 percent range by mid 1989. In November of 1992, the 30-year fixed rate was at 8.31 percent, falling all the way to the 25-year low of 6.83 percent in October 1993.

I am now offering a confidential mortgage pre-qualification and up-to-the-minute mortgage rate update report, compliments of the Observer & Eccentric Newspapers. Call me anytime on my direct toll-free number: 1-800-405-3051.

David Mully has been writing his weekly "Mortgage Shopping" column for the Observer & Eccentric Newspapers since June 1995. He has been involved with residential mortgage lending in the Detroit area since 1988 and is a senior loan officer. For information about a new mortgage, call Mully toll-free at 1-800-405-3051 or fax him at 810-380-0603. You can access Mully's previous Mortgage Shopping articles on-line at <http://oeonline.com/~emoryd/mully>

Find a new home without leaving home



Visit our web page at:

<http://oeonline.com/realnet.html>

and connect to:

REALnet

YOUR HOMETOWN NEWSPAPER'S NEW HOME SELECTION SERVICE.

You're going to love the range of listings. With a click of your mouse you can find just what you're looking for—from location to number of baths. This is a service that definitely is worth a browse!

And if you don't have software that will get you there, we can help with that, too. Just call us today and ask about O&E On-Line!

OBSERVER & ECCENTRIC

On-Line!

313-953-2266

An electronic service of The Observer & Eccentric Newspapers

It won't be long now!

Yes, we realize that you haven't enjoyed the wonderful fall colors or raked all those leaves, but the Holiday season really is just around the corner.

And if you've promised yourself that 1996 will finally be the year that won't find you frantically searching for those last minute gifts, we're here to help.

Watch your hometown newspaper for two of the best holiday guides to the fine art of gift-giving.

The first will be delivered on Thursday, November 28 and the second on Thursday, December 12. They'll be filled with exciting gift ideas for everyone on your list.

No ordering with your fingers crossed from places hundreds of miles away. Just make a shopping list from these two terrific supplements and then buy your holiday surprises directly from local merchants who are looking forward to your visit.

Or, if you are really an incurable last-minute shopper, isn't it nice to know where you can go to find some wonderful gifts?

THE
Observer & Eccentric
NEWSPAPERS

To advertise in these super holiday supplements, call
313-953-2121 in Wayne County
810-901-2500 in Oakland County

