

Investigate viability of FHA mortgages

MORTGAGE SHOPPING



DAVID C. MULLY

The Mortgage Timeline

In this segment of my column, I look back and compare mortgage interest rates and mortgage trends over the last 25 years. This week's Timeline question is: Which 27-month period had the most stable interest rates where the rate never went up or down more than one full percent during the whole period? Choices are: April 1971-June 1973; February 1976-April 1978 or May 1987-July 1989. (Answers appear in next week's column.)

Today's mortgage trend looks at how VA mortgages have changed. For years, VA set the interest rate and discount points that lenders charged to eligible veterans and also required the seller to pay the points. This has changed over the last few years to where the lender decides what the interest rate will be and

what points are charged, if any. Now either the buyer or seller on a VA mortgage can pay the discount points.

To buy a new home:

FHA mortgages continue to be a viable option to home ownership. This is true even more since FHA guidelines have increased the amount you are allowed to mortgage. The maximum FHA mortgage (not sales price) in Oakland County has been increased to \$134,900 and to \$135,800 in Washtenaw County. The previous maximums were \$124,000 in Oakland and \$126,350 for Washtenaw, Wayne and Macomb remain at \$116,850. Livingston is still at \$126,350. I want to emphasize the word "mortgage amount" because some people confuse this with the sales price. This is important because the sales price you are looking at the correct price range of homes.

For example, recently, while interviewing new clients who were perfect for an FHA mortgage, they wanted me to figure out their maximum mortgage amount that they would qualify for under FHA. This would give

the couple and their Realtor a price range to begin looking in. They happened to be looking in the Oakland County area. After the interview, I determined that their maximum mortgage was approximately \$130,000. I told them that the sales price range this would translate to would be \$135,000-\$140,000. The new increase in FHA mortgage maximums came at the right time for them. They were putting down less than 5 percent, and the money they were using was a gift from their parents. This would not have worked under either available conventional loan program. They had good jobs and good credit but just had not been able to save enough of their own money for the down payment. The new increase will help more people to obtain a little nicer home. This could also allow them to stay in the home longer because they were able to get that little extra square footage or that extra bathroom.

To buy a newly built home:

If you're like most people and have not looked in a long-term rate, interest rates are fluctuat-

ing while you are waiting for your home to be built. Most people seem to float the rate rather than pay extra up-front fees to lock in the rate. Even if you're already approved with a lender, you should continue to monitor the rates of other lenders. You may be surprised that the lender you selected to begin with because of their low rate is not so low anymore. Lenders typically flip flop as to who is offering the lowest rate, but some have a more-dramatic up or down swing. When your home is within 45 to 60 days from completion and you have not closed on your mortgage yet, you still have enough time to switch to another lender and possibly end up with a better rate.

To refinance your current home:

If you have had some recent payments on your credit record or if your credit problems occurred just a few years ago, there are new options available for getting mortgage approval. Non-conforming lenders continue to join the field of lenders to provide avenues for homeowners who have had credit problems.

One of the many benefits of this growth is that competition results in more attractive interest rates for the consumer. Previously, the only non-conforming lender in town would charge "an arm and a leg," taking advantage of your personal predicament. Now even though your rate will be higher than normal going rate, it will be much more competitive. The rate is typically based on just how deep your credit problems are and how recently they have occurred. The stability of your job employment plays a big role in getting you approved. The last and perhaps the most important factor may be the amount of equity you have in your home. Of course, the more equity the better. The lender will then feel more comfortable using your home as collateral and taking a chance that you will pay them in a timely manner. Keep in mind that in most cases, if you're able to pay your bills (and especially your mortgage) on time for a year or two starting from the time of your last credit derogatory, you will be eligible to refinance to the normal interest rates available to credit-worthy borrowers.

Mortgage Timeline answer from last week:

Since 1984, the highest one-year adjustable rate was actually in July 1984, when the rate reached 12.25 percent, containing a 6-percent lifetime cap of 18.25 percent. After the 1980 election, the mortgage rates took their biggest increase the following year (since keeping track started in 1971). The rates had increased by more than 4 percent from 14.21 percent in November 1980 to a 30-year fixed rate of 18.45 percent in October 1981, the highest point to date since 1971.

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, fax him at 810-380-0603 or send e-mail to gtd04d@prodigy.com. You can access Mully's previous Mortgage Shopping articles on-line at <http://econline.com/~emaryd/mully>

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Lien law seminar

The Building Industry Association of Southeastern Michigan presents a step-by-step review of the Michigan Construction Lien Law and lien procedures 8 a.m. to noon, Monday, Nov. 11, at its headquarters, 30375 Northwestern, Suite 100, Farmington Hills.

Marty Bernstein, a lawyer, will discuss protection under the law for builders, subcontractors, suppliers and trades workers.

Cost, which includes continental breakfast, is \$30 for BIA members, \$50 for nonmembers. To register, call (810) 737-4477.

U-M real estate forum

The University of Michigan's 10th annual real estate forum, Thursday and Friday Nov. 14-15, focuses on development and investment opportunities in Detroit.

A mobile workshop will explore the city via narrated bus tour with a short walking tour of some sites on Thursday beginning at Focus:HOPE.

The Ann Arbor classroom portion will be held at the U-M Business School on Friday.

Cost, which includes lunch, is \$90 for the bus tour, \$116 for the Ann Arbor segment. To register, call (313) 747-2791.

Condominium class

Robert M. Meisner, a lawyer specializing in property law and columnist for the O&E, presents a class "Condominium Operation: Introduction to the Essentials for Success."

The class runs 7-9 p.m. Tuesdays, Nov. 12 through Dec. 3 at the Bingham III Office complex on Telegraph in Bingham Farms.

Topics include legal aspects of reserve analysis and budgeting, new areas of potential liability, civil rights issues and how to run an effective board meeting.

Cost is \$75, \$60 for each additional attendee from the same organization. To register, phone (810) 471-7279.

Trammell Crow

Trammell Crow Co. of Southfield recently was involved in two commercial sales transactions.

The real estate company represented Tion Corp., the seller, on a 10.7-acre sale of land in Novi to Walsh College.

Trammell Crow also represented the buyer, Dennis and

Mary Ann Eliassen, and the seller, Morris Margulies, in a transaction involving the 17,000-square-foot Marketstreet Center in Southfield.

Membership drive

The Society of Design Administration Michigan Chapter has launched a campaign to attract new members.

SDA members work for and with architects, engineers and other design professionals and include controllers, administrative assistants, office managers and marketing professionals.

Benefits of SDA membership include continuing education programs, national support network, newsletters, publications geared specifically to design professionals and monthly program meetings. For information, contact Diane Evans at (616) 327-0077.

Mortgage workshops

Ross Mortgage sponsors a free workshop, "Avoid Tragic

Mistakes When Shopping for a Mortgage," 6:30-7:30 p.m. Tuesday, Dec. 3 at International Business Center in Novi and 6:30-7:30 p.m. Wednesday, Dec. 4, at Freedom Hill County Park in Sterling Heights.

For reservations, call (810) 968-1800.

Builders license training

Builder's Training Services offers a builder's pre-license training class to prepare for the

state exam 6-10 p.m. Dec. 2, 5, 10 and 12 at the Clawson-Troy Elks Club.

Cost, which includes a manual and textbook, is \$199. To register, call Les Vilcone at (810) 852-3073.

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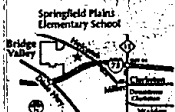
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