

Appraisal isn't everything

MORTGAGE SHOPPING



DAVID C. MULLY

Mortgage Timeline answers from last week: From 1979 all the way to 1985, 30-year fixed mortgage rates never once dropped into single digits. During this time, they ranged from 10.39 percent in January 1979 to 18.45 percent in October 1981 and back down to 11.26 percent in December of 1985.

Buying existing home:

The appraisal can affect private mortgage insurance (PMI) requirements by the lender. When you (the buyer) and the seller agree to a sales price, the next step is to complete the mortgage process.

One of the first steps is to have an appraisal completed by an appraiser who is representing the buyer's mortgage lender. The lender wants to make sure that the house is worth the amount of the agreed sales price. When there is a large downpayment (more than 30 percent or so), this is not a very crucial step in the mortgage process. But, when the downpayment is less than 30 percent, it becomes more important that the lender's appraiser agree that the sales price is equal to or greater than the actual value he or she feels it is worth.

Appraisers base their decisions on the available data of recent comparable home sales in the immediate area. As an example, let's say a buyer agreed to pay \$150,000 for a home and was going to make a 20-percent downpayment. That would make the mortgage amount \$120,000.

But, assume the appraiser put the value at \$145,000. The mortgage lender always uses the sales price or appraised value, whichever is lower, to calculate the loan-to-value (LTV) ratio. In this case, the \$120,000 divided by \$145,000 would produce a LTV ratio of 82.7 percent.

This would mean that the buyers would have to either pay a monthly PMI fee (approximately \$32 per month) or put down an additional \$4,000 to reach a 20-percent downpayment on the \$145,000.

You may ask why a buyer would go through with the purchase if the value came in lower by the appraiser. Perhaps having fresh paints and wallpaper that you like and won't have to spend money changing make the home worth more to you.

Buying a new home:

If you have an existing home to sell before you can buy your new home, you may be considering a bridge or equity loan. But there may be an easier and less expensive way to handle the problem than borrowing more money, paying more interest and having two house payments.

dent of First Financial Mortgage Corp. in Northville, about this very issue, and he brought up an interesting point.

He said, "When my customers are considering a bridge or equity loan to be used to complete the purchase of their new home because they have not sold their present home, I point out the cost involved in making this compared to dropping the sales price on their present home and maybe selling it faster."

He went on to explain: "If they had to make two or three double house payments (current and new mortgage payments) and bridge to equity interest payments while waiting to sell and close on their current home, this could be much more expensive than if they just dropped the sales price and sold their home quicker."

Depending on your situation, this could make a lot of sense. Let's say your current house payment was \$1,000 and your new house payment was \$1,500. Multiply this by two or three, and you can see how it adds up quickly, not to mention the interest on a bridge or equity loan you would be paying. Maybe a drop in the sales price saves you money in the long run. And it is certainly something to consider.

Refinancing your home

Attention veterans: Refinancing your current VA loan is easier than you may think. It is called a "VA Streamline Refinance" and is designed for veterans who have an interest rate that is higher than what is offered for today's VA mortgage rates. The current 30-year VA fixed rate (established by the lender of choice, not the VA) is at 8.0 percent or below. The 15-year VA fixed rate is 7.75 percent. If you have a VA ARM rate or a fixed rate above 8.5 percent, you should talk to a lender to see if it makes sense for you to refinance. Also, it may be a good idea to refinance to a 15-year fixed mortgage and cut off some years from your 30-year program.

The VA has made the process of refinancing easier for veterans with this VA streamline program. The paper work is simpler, and you may get additional credits. If you would like more information and some recommendations on VA or FHA mortgages, call me at 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, fax him at 810-380-0603 or send e-mail to cgbs04d@prodigy.com. You can access Mully's previous Mortgage Shopping articles on-line at <http://loonline.com/~cmordmully>

Recently, I talked with Mike Gruley, presi-

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WEST BLOOMFIELD

Sharp 2,700 sq. ft. home on cul-de-sac has 4 bedrooms, 2 baths, 2 levels, great room with fireplace, formal dining room & gourmet kitchen. Finished lower level with rec room & 5th bedroom. \$284,888. MMS2

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FARMINGTON HILLS

A wooded, lovely lot surrounds this updated contemporary home that has 3 bedrooms, 2 baths, living room & dining room, family room with fireplace, library, new kitchen, finished lower level & heated garage. \$219,900. IN289

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FARMINGTON HILLS

This lovely updated 4 bedroom colonial has living room & family room with fireplace, library, 1 1/2 baths, patio, 2 car garage & more. \$183,900. BR300

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ROYAL OAK

Updated to perfection, this lovely colonial has living room with fireplace, formal dining room, 4 bedrooms, including master suite with bath & VIC, library, basement, deck with 7 person Jacuzzi & more. \$219,900. PL931

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BINGHAM WOODS

Dramatic view of wooded area sitting. Wonderful 3 bedroom, 2 1/2 bath townhouse features great room with fireplace, dining room with view to deck, huge master suite with fireplace, balcony-deck, 1st floor laundry, finished basement, 2 car attached garage, much more. \$269,900.

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BIRMINGHAM

Classic center entrance 4 bedrooms, 2 1/2 bath colonial, on a beautiful lot in great location, offers 2 fireplaces, 2 car attached garage and many updates. One year home warranty. \$349,900.

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WATERFORD TOWNHOUSE

Stunning 3 bedroom, 2 1/2 bath condo features great room with fireplace, skylights, high ceilings, view of Lake Clair. Many more amenities. \$164,900.

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Charming village cape cod features 4 bedrooms, library, finished basement, Florida room and more. Nearly 2,500 square feet for only \$146,900.

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WEST BLOOMFIELD



BLOOMFIELD HILLS BORDNER BUILT home on magnificent 1.5 acre site with pond & river. Marble foyer with double oak staircase and dual balconies. Three story atrium, 4 fireplaces and features too numerous to mention. \$2,750,000 664335CAR



ALL SPORTS SYLVANWATER LAKES! Gorgeous canal front contemporary with dramatic cathedral ceilings & extensive lake-view windows. Four bedrooms, 2.5 baths - over 3,000 sq. ft. Three car attached garage, sea wall & dock. \$329,000 6594408EV



ORIGINAL OWNER Beverly Colonial. Newer kitchen, four bedrooms, 2.5 baths, family room with fireplace. First floor laundry, central air, two car attached garage. Birmingham Schools. Immediate possession. \$228,000 648045WAL



GREAT CHARACTER HOME. Hardwood floors, fireplace, remodeled kitchen and deck off second floor set this hard to find Royal Oak Tudor apart. \$164,900 663570WOO



VINTAGE ROYAL OAK BEAUTY with custom oak accents, wood floors and natural fireplace, newer roof, plumbing, siding, furnace, etc. Three bedrooms, beautiful bath, spacious dining room and living room. Close to town. \$109,900 659347GAR



UPDATED TWO BEDROOM, north Royal Oak condo. New carpet, paint, hardwood floors, California closets. Full private entry, unfinished basement for storage. All excellent study. \$84,900 659022ESS



GORGEOUS TRADITIONAL HOME on three acres in Ranch Estates. This custom built home has four bedrooms, five full baths and vaulted ceilings in the master bedroom and family room. \$200 sq. ft. \$125,000 641566RAE



GREAT BLOOMFIELD HILLS LOCATION. Gracious home on beautiful lot, rimmed with greenery for complete privacy. Fantastic floor plan with hardwood floors, 3 fireplaces, enclosed porch, patio & a first floor bedroom with full bath. \$425,000 645771EA



FABULOUS BLOOMFIELD QUAD LEVEL. Custom designed free form in ground pool, four bedrooms plus library/study. New kitchen with built-ins, formal dining room, loft overlooks two story living room. \$329,900 660737VIC



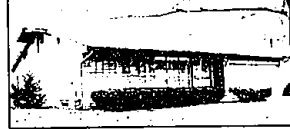
IN-TOWN CHARMER. It starts with a full width front porch, updated kitchen with refrigerator, microwave, CA & many new windows, hardwood floors, walk-up 3rd floor attic. Beautiful landscaping. \$289,900 660141WAL



HARD TO FIND CONDO in city of Bloomfield Hills. This first floor unit has three bedrooms, three baths, security system, attached garage and great storage. Look at all offers. \$185,000 655348WOO



IN-TOWN BIRMINGHAM. Great investment opportunity. 271 ft. deep lot. Add on to existing 1,000 sq. ft. or tear down and build new. Great rental potential as well. \$185,000 663452WAL



NICELY DECORATED RANCH with open kitchen overlooking family room with fireplace, 3 bedrooms, rec room and basement office or 4th bedroom. Located on quiet street, close to shopping & expressways. \$124,900 6642559ER



GREAT HOME WITH CONVENIENCE to downtown and schools. New roof just stripped to wood and redone three bedrooms, dining room, newer bathroom, two car garage, back porch. Good size lot. \$115,000 663754MOH



FIRST TIME BUYER OR QUALITY INVESTMENT. rental. Double corner lot, fenced yard, two & 1/2 car garage, vinyl siding, finished basement, newer replacement windows. \$67,000 664779BER



OWNER RETIRING. Fantastic location for retail business. Currently is a party store. \$85,000 658695HIL