Lenders adapt to larger-sized mortgages



Mortgage Timeline

A trend that has been devel-oping for some time now is that

of mortgage ben has been increasing overy year. Because of this, I enders have changed how they establish interest rates for different loan amounts and how they set their approval guidelines for higher mortgage loans.

When lenders decide on what interest rate to charge, they all have their own philosophy. Some lenders charge the same rates on "conforming mortgages" (generally loan sizes of less than \$214,600 as they would charge on "non-conforming mortgages" (usually from \$214,600 to \$1 million). Other lenders charge higher rates for loans over the conforming loan size. Most all lenders will charge a higher rate on loan amounts of more than \$500,000. on loan amounts of more than \$500,000.

The competition for the larger loans has gotten much stronger in recent years. Therefore, the interest rates have gotten much better. This is particularly true for loans between \$200,000 and \$500,000 because there are many more loans of this size today than even five years ago. In addition, the approval process has been simplified for higher loan sizes because the demand for them has increased, making them more common. Because of this, lenders now have a much larger database of "jumbo" loans, which makes it easier for them to judge the performance of such loans. With this data, they can feel more comfortable relaxing some of the stringent requirements of the past.

Buying a existing home

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I have been getting questions
lately on what criteria lenders
use when approving loans. There
are several factors, but one of the
most important is the "ratios"
they use.
When buying a home with an
FHA mortgage, the lender will
allow 41 percent of your total
gross family income to be used
for the monthly total of revolving

debts and monthly house payments. If you have no debts, FHA allows a maximum of 29 percent of gross income for the house payment, including property taxes, homeowners insurance, mortgog insurance (if applicable) and condo association dues (if applicable). For VA, the ble) and condo association dues (if applicable). For VA, the lenders allow up to 41 percent for both debts and house pay-ments. Even if you have no debts, they still allow the 40 per-cent maximum.

debta, they still allow the 40 percent maximm.

When buying a home with conventional financing, the ratios depend on the downpayment. With a downpayment fless than 20 percent, the lenders generally allow 36 to 38 percent of total documented gross family income for combined monthly house payments and 28 to 30 percent if you do not have any debts. With more than 20 percent down, the lenders get more flexible if the loan makes sense of flexible if the loan makes sense Generally, you can see lenders go Generally, you can see lenders go as high as 40 percent or some-times even higher, depending on the circumstances.

As always, there are excep-tions to these ratios, but you can

use this as a guide. If you feel you have a unique situation that may warrant higher ratios, explain it to the lenders. You may be surprised how understanding they can be. After all, they want loans, and good lenders have creative ways to approach leans they really want. approve loans they really want to make.

Buying a newly built

when you are 60 days away from completion of your dream home, it's time to start comparing mortgage rates with different lenders. You have time to apply and be approved for the mortgage when you're 30-60 days from completion. If you already applied for your mortgage and have been approved but not closed, you, too, may want to continue shopping as long as you have not spent more than an application fee with the lender. Gaining a better rate or closing cost with another lender may more than make up for losing an more than make up for losing an application fee.
Lenders will always be more

aggressive for your business when you are close to closing on

your mortgage. You are now more of a reality to them. Use it to your bargaining advantage. If you are not required by your purchase agreement to apply fory your mortgage right away, why not wait? At the point of 60 days before completion, you still will have plenty of time to apply and lock in a mortgage, and you may save an application fee.

Refinancing

Refinancing

Everyone is looking to make the best use of their money, right? You may consider asking your financial planner if you should refinance for the purposes of taking equity out of your home and investing it. You may find that in today's low mortgage rate environment, you can carn more on investments than you're paying in interest. I am not an expert on investments, so please talk to a financial planner. If you want a referral, call me, and I will be glad to give you a name of someone you can talk to.

I can comment here that lenders generally will lend up to 75 percent of the appraised value (not assessed value) of your home, and some lenders will go up to 80 percent but may

charge private mortgage insurance for what they call a "cash" out refinance." You need to also consult an accountant if you'd decide to do this for investmential because (depending on what you'd borrow) some of the interest from the mortgage may not be tax deductible. This is true specifically if your new loan amount is higher than what yout originally borrowed when you first bought the home. Call me if you would like further explanations or see my previous column dated Sept. 26, 1996 under the refinance heading for more informations or see my previous column. 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 belifre at 1800-403-3051, fax him at 810-380-0803 of send e-mail to cybod-deprodicy.com. You can access Mully's previous Mortgage Shopping articles on-line at http://leon.line.com/-emoryd/mully

Sellers must disclose use of lead paint in their homes

As of Friday, home sollers/landlords must disclose known lead-based paint hazards in a dwelling and provide buyers/renters reports available from lead tests that were performed before the sale or lease. This applies to residential housing built prior to 1978, the year lead was outlawed in household resist.

lead was outlawed in household paint.
Federal legislation was passed to protect families from exposure to lead from paint, dust and soil. Approximately three-quarters of the nation's housing stock built before 1978 (about 64 million dwellings) contains some leadbased paint. When properly maintained and managed, this paint poses little risk. However, 17 million children have bloodlevels above safe limits, mostly due to exposure to lead-based paint hazards, according to the National Assopiation of Realters.

ors.

Lead poisoning can cause per-nament damage to the brain and

This holiday season, camcorders everywhere will be
whirring as festive family
get-togethers are preserved
on videotape. But once those
memories are recorded, how
does a family organize and
edit those videotapes into
something fun to watch?
The perfect gift for a family
that loves its camcorder is
Sony's H-Fi Sterco VCR
with VideoDirector Home.
This VCR can be used with a
personal computer to edit
camcorder tapes quickly and
easy. Nearly every clan has
access to a PC, so family

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many other organs and causes reduced intelligence and behav-ioral problems. Lead can also cause abnormal fetal develop-ment in pregnant women. In addition to the disclosure

include

• Sellers and landlords must give buyers/renters the pamphlet, developed by the EPA, HUD and the Consumer Product Safety Commission (CPSC), titled Protect Your Family from Lead in Your Home

• Home buyers will get a 10-day period to conduct a lead-based paint inspection or risk nasessment at their own expense. The rule gives the two parties flexibility to negotiate key terms of the evaluation.

• Sales contracts and leasing agreements must include certain notification and disclosure language, and

• Sellers, lessors and real estate agents share responsibility for ensuring compliance. Sellers and landlords must

VCR, computer edit tapes

The law does not require any lead paint testing, removal or abatement, nor does it invalidate leasing and sales contracts. Its intent is to inform the public of lead-based paint risks and gives them an opportunity to have an inspection. If a buyer, seller or landlord chooses to have a lead inspec-

have a lead inspec-tion, it is recommend-ed, but not required,

and, he is recommended, but not required, that the inspector be EPA certified.

This gives the public a yardatick by which to measure the qualifications of those performing the inspection.

The state of Michigan does not have a certification program in place, however, certification obtained from other certifying states is recognized in Michigan.

Over the past six months, the Michigan Association of Realtors and its 51 local associations have been training and educating the more than 24,500 Realtors in the state on this new legislation and

the role and responsibility the real estate agent has to sellers/buyers and landlords/ tenants regarding lead-based paint disclosure.



