

Leverage Builds Up Fortunes In Real Estate

"Leverage" is a very appropriate term for the process used by most people who have built a fortune through real estate. It means using a little to accomplish out-of-proportion results. A 150-pound man can move a 50,000-pound freight car by leverage. All he has to know is how much of a fulcrum to apply, and in what direction.

Fortunes in real estate get moving the same way.

A \$35,000 triplex will probably require \$5,000 down. There's your ful-

crum. For every dollar's weight you own, you are controlling seven.

Now, how to apply it? You have a \$30,000 mortgage at, in today's market, 9% for 25 years. That requires a monthly payment against principal and interest of \$251.70. Add \$100 for taxes and insurance, and you need an income of \$352 a month to have the triplex pay for itself.

THERE WILL BE upkeep and a vacancy factor to consider, so add \$35 a month for those contingencies, bringing the total to \$387 a month. You charge rent of \$130 for each apartment, yielding a monthly income of \$390.

During the first year, you will collect \$4,689 in rents and pay \$2,700 in interest on the \$30,000 mortgage. This

leaves you a gain of \$1,980 the first year, giving you a return on your original \$5,000 investment of 40%.

Your fortune is rolling, but wait. Let it accumulate for five years. At that time, inflation and a rise in property values have added some 6% a year to your investment if it's normal, making it worth \$45,000.

Your equity, taking the \$10,500 increase in market value into account, becomes about \$12,300. Make a tax-free exchange through a Realtor or associate familiar with that technique, applying your equity, less commission, and you can own an \$80,000 apartment building. This assumes it requires a 20% down payment and you arrange for a land contract to make up the remainder.

LET'S SAY at prices five years from now that will be a six-unit property. The relationship of an 80% loan on income property in good repair with that many units is such that the owner can expect it to pay for itself in about 12 years. It could be improved here with figures from a computerized investment analysis, but would take too much space.

In 15 years, then the investment of \$5,000 has pyramided itself to about \$80,000.

'To Buy Or Not' Is Big Question For Home Seeker

By Realtor Weldon E. Clark

Shall I wait for interest rates to come down? Will home prices come down? These are the questions a home buyer asks at this uncertain time.

Home mortgage interest rates are coming down, but slowly. VA and FHA rates remain at 8½%, and the expectation is that they will drop within sixty days, probably to 8%.

Conventional mortgage rates and terms have eased slightly. The range in interest rates is all the way from 8¼% to 9% depending on the quality of the property, the strength of the buyer, and the percentage of down payment.

Down payments on conventional mortgages with M.G.I.C. insurance run as low as 15%. It appears that the downward trend in interest and the general easing of mortgage terms will continue, but too slowly to have much effect on buying decisions in the near future.

THE ANSWER to the second question, "Will home prices come down?" shows experts are agreed that rather than a drop, a rising price trend is inevitable.

This conclusion is based, first, on the great shortage of single homes in relation to the number of families who desire to occupy single homes.

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