

Biweekly plans gain attention

Continued from Page 1

A spokeswoman for Metro National Bank of Farmington said "It's not the type of lending we would normally do."

First of America, however, introduced the biweekly mortgage program in September and has found relative success with it.

"There's a lot of interest," said John Kurl, senior vice president. "It saves the homebuyer about 40 percent of the interest costs over the term of the mortgage. They begin to see the advantage after five years, when they've built up 10 percent equity."

NATIONAL BANK of Detroit is the latest lender to offer biweekly mortgages. With 10 percent down and a 10 percent interest rate, NBD estimates the buyer will shave nine years from a 30-year commitment while saving about \$47,000 in interest on a \$60,000 loan.

Investment Services of Dearborn and Troy offers a biweekly mortgage plan, but calls it the accelerated mortgage reduction program.

Company director Fran Mackey said the firm uses a computerized system to make biweekly transfers from the client's checking account into a new trust account at the bank.

Great Lakes Mortgage offers its program through whichever bank its customer deals with, Moore said. Payments are debited from the house buyer's checking, savings, or even credit union account via electronic transfer of funds. A monthly statement keeps the mortgage holder up to date.

"The jury is still out (on biweekly mortgage)," said Ray Dennis, vice president of Security Bank & Trust. "We've talked about it, we're toying with the idea, but we want to see how popular it's going to be."

STANDARD FEDERAL Bank, the largest mortgage holder in Michigan, originating \$884 million in single family home mortgages last year, is still exploring the option of offering biweekly mortgages.

"It could very well happen, not in the next couple of minutes, though," said William Yaw, marketing director for Standard Federal.

"Over time we'd like to have all

alternatives available to our customers."

Yaw, like other banking spokesmen, doesn't see much difference between buyers making double payments on a conventional mortgage or opting for the biweekly mortgage, which automatically computes twice-monthly payments.

"It's almost the same thing," he said.

Moore, of Great Lakes Mortgage, says that argument is common among lenders who don't offer the option.

He admits the mortgage plan does generate more work for the bank because of the more frequent payments involved, but he insists that the cost is not passed on to the mortgage holder.

The plan has two discount points — a 1 percent commitment fee and a 1 percent discount that equals 1 percent of the mortgage amount, he said. There is also a \$250 application fee.

The banks' gain in this type of arrangement is getting the loan paid off years in advance, he said.

"Many lenders don't want to go out on a limb for 30 years," Moore said.

GERALD BERRY, first vice president, mortgage department, of Manufacturer's Bank, thinks the biweekly mortgage is "not necessarily the product it appears to be on the surface."

"Most of the savings comes from making 13 payments a year as opposed to making half payments," Berry thinks.

Berry thinks housebuyers would be better off with a standard 15 year loan if saving interest is their intent.

"My perception is that the market is looking for an alternative to 30-year amortization. The 15-year loan costs the least. The biweekly mortgage costs more but you save \$10,000 compared to the traditional monthly payment loan over 30 years," he said.

"Candidly, two years ago I would have been more positive (biweekly mortgage) would not catch on," Berry said. "Now there seems to be more of a market for it. Even lenders not too enthused initially will have to address that share of the market."

February house sales up

After weak start in January, sales of existing houses in Michigan increased dramatically in February, according to figures just released by the Michigan Association of Realtors.

Although sales in the first two months of this year were down nearly 10 percent compared to last year, February sales were up more than

25 percent over January.

"We believe that the sharp increase in February sales indicates that 1988 will be another solid year for our industry," said Peter M. Cornell, president of the 22,000-member trade association. "It would appear that consumers have put fears of a recession behind them and are recognizing that last year's stock market crash actually had little impact

type of trust	nature of trust	advantages	disadvantages	included in estate?	qualifies for marital deduction?	recipient of income	recipient of asset
bypass (family) trust	Property not allocated to marital trust is included here	bypasses the survivor's taxable estate	surviving spouse does not have ownership of trust property	yes, subject to \$600,000 exclusion	no	personal choice	personal choice
marital trust	Surviving spouse receives all income and the right to designate the beneficiary	All income goes to spouse. This trust, plus the pour-over trust, can eliminate estate tax.	spouse does not receive property outright	no	yes	spouse	spouse's choice
QTIP trust	Trust controls the distribution of property upon death of second spouse	property owner can direct distribution of property after death of surviving spouse	surviving spouse has no control over property	no	yes	spouse	personal choice
life insurance trust	Irrevocable inter vivos trust financed by life insurance policy	proceeds bypass estates of both spouses	loss of control over policy	no (except when death occurs in three years)	no	personal choice	personal choice
charitable trust	Trust allows annual payment of fixed income to beneficiaries. Ultimately, assets pass to charity.			yes, but donations are deductible	no	personal/charity	charity/personal

*charitable remainder annuity trust: Donor receives income; ultimately, assets pass to charity
†charitable lead trust: Income is distributed to charity; ultimately assets pass to donor's beneficiary

clarification An incorrect table on trust funds appeared in an earlier issue of the business section.

Car dealers may join mall retailers

Continued from Page 1

"The busiest times are Friday and Saturday. We're open to 9 p.m., working the regular mall hours," Saks said. "On Sunday people can come in and browse. It's a very comfortable, non-rushed atmosphere."

MICHIGAN LAW prohibits the sale of automobiles on Sunday. The showroom has an elegant, intentionally understated appeal.

"The atmosphere is low key — even the salesmen are not high-pressure people," Saks said.

"Lots of people are nervous about

going into a showroom. They like this approach better. It's not the carnival-type setting."

Classic Greek columns frame the 1,550 square feet (former home of a failed submarine sandwich shop). Gray carpeting, light and dark gray walls, and a white ceiling with track lights provide the backdrop. Several framed photographs of late model cars hang on the walls.

Next month Saks hopes to begin offering a shuttle service between the mall and the dealership via minibus. It would offer round-trip service three or four times daily, he said.

Saks was inspired by the showroom-in-a-mall concept when he encountered a successful model operating in Birmingham, Ala.

"There are actually about 27 satellite dealerships around the country. In Birmingham, (Ala.) about 35 cars a month are sold in the mall. It

inspired me to try it here. So far I'm very happy."

Saks' venture was approved by Oldsmobile, which has the exclusive sales rights at the mall store.

In accordance with Michigan franchise law, Saks is within his own selling area and is at least six miles away from the nearest dealership.

State law is what prevents him from expanding the concept in virtually every suburban shopping mall in the metro area, as some shoppers have suggested he should do.

"It went through various approval processes," he said.

Saks says he hasn't encountered feedback, pro or con, from other local auto dealers.

LOCAL INDUSTRY reaction appears to be mixed.

"We've participated in a mall service where for \$600 a month we

placed a car in a mall, stationed a salesman there, and we didn't sell anything," said Bill Rooker, sales manager of Dreisbach & Sons Cadillac in Detroit.

"For the money, we'd get better response with a newspaper ad."

Bill Askew, general manager of Dick Scott Buick in Plymouth, has seen the Saks minishowroom in the mall.

"I don't know how he's doing. I imagine the overhead must be outrageous," he said. "And the location is bad. It's hard to find — off to the side. But I think in the future it might be something to consider."

Bob Sellers, owner of a Pontiac dealership in Farmington Hills, believes the concept has some merit.

"My reaction is it's worth taking a good hard look at it. If Bob Saks is successful, then others will follow suit. I'm open to new ideas to sell cars," Sellers said.

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