

## REAL ESTATE NEWS

# Gulf War military may be eligible for VA loans

By Doug Funk  
staff writer

You have the capacity to handle monthly mortgage payments, but don't have the cash for a down payment to buy a house.

A Veterans Administration guaranteed loan may be a way out of your quandary.

A veteran who has served on active duty and has received an honorable discharge can buy for zero money down.

By law, a veteran who finances with a VA mortgage may not pay any points charged by a lending institution for the loan. The seller, typically, or another third-party — usually pays.

Current rate on VA mortgages for up to 30 years is 8 1/4 percent. Finan-

cial institutions here charge 1 to 2 1/2 points on such loans, so it pays to shop around on points and other closing costs.

A veteran can borrow up to \$150,000.

"Many people in these days and times can afford homes but can't raise the down payment," said Stan Brown, VA loan guaranty officer for Michigan. "They qualify to make the payments, but not the 10, 15, 20 percent commercial banks want for a down payment. Our VA loan wouldn't run into that."

VA MORTGAGES also are assumable by subsequent buyers whether they're veterans or not.

"On purchases, VA is the greatest thing there is," said Jeffrey Marshall, a mortgage officer in the government loan department at First Federal of Michigan.

The VA closed slightly more than 4,000 mortgages in Michigan from Oct. 1, 1990 through Sept. 30, 1991, Brown said.

Marshall said his savings and loan closed four in a recent week.

Metro MLS, the home listing service of the Western Wayne Oakland County Association of Realtors, reports that the number of existing home sales currently financed through VA loans are about two-thirds higher than a year ago.

"VA loans helped fuel much of the housing boom that took place following World War II," said Allen C. King, Metro MLS president. "Many of these homeowners used the loans as a start and have continued to move up the housing ladder as their successively grew in income."

"THERE'S NO reason more recent veterans can't enjoy the same

benefit," King said.

Reservists and National Guard members who served during the Persian Gulf conflict, activated on or after Aug. 2, 1990 and who served at least 90 days, are eligible.

Jay Hughes, co-owner of Mayfair Realty in Livonia, said there is no great push for VA financing now, but he's seeing more inquiries this year than last.

Even though the law has changed to allow third parties instead of sellers to pay discount mortgage points, some sellers are reluctant to accept a purchase offer based on VA financing.

"The seller is probably looking at the bottom line — how much am I going to realize from the sale," Brown said. "Whether VA points are 1% or 2, they (sellers) don't want to pay the costs."

Some sellers also are concerned about VA appraisals and repairs required at their expense for a deal to close.

Many of those concerns are misplaced, Hughes said. "It's been our experience the VA has not conditioned property to any great extent. Some minor things or a severe crack in the cement they may make you replace," he said.

While veterans get some breaks in financing with a VA loan, they won't get something for nothing.

They must still pay a 1.25-percent funding fee to the VA and can be required to pay a loan origination fee up to 1 percent to the lender in addition to appraisal fees, credit reports and title insurance.

Applicants must still qualify with a lender. General guidelines — the mortgage not to exceed 28 percent

of gross pay and all debt not to exceed 36 percent — apply.

Veterans can also refinance an existing VA mortgage with another VA loan. Since there's no outside seller, vets can pay the points in those cases. However, it may be cheaper to refinance with a conventional mortgage.

A couple of short forms must be completed, but no application fees are required to apply through the VA, Brown said. Realtors in transactions usually help a veteran buyer through the process.

One more thing, VA purchasers must live in the houses and not use them as investment properties.

Counseling for VA mortgage applicants is available in Suite 1100 of the McNamara Federal Building, 477 Michigan Ave., Detroit. Call 226-4277.

# Insurance may not protect board members from liability

Our managing agent is frustrated with several board members because they fail to recognize their personal liability and are not willing to spend sufficient funds to build an adequate reserve and to get their bylaws amended. As a board member, what can I do to prove to them that they are running a substantial risk even though they have directors and officers liability insurance?

Have your insurance agent provide them with statistical surveys of lawsuits brought against directors and officers of condominium associ-

ations around the country that resulted in skyrocketing insurance rates. Have your association attorney address the board in regard to the potential liabilities of directors, notwithstanding the fact that they may have insurance coverage.

Also remind them that there are many instances where the insurance companies may deny coverage for various reasons and even if there is coverage, they may still be subjected to the embarrassment of having to be a party to litigation brought against them for their acts or omis-

sions.



condo queries

Robert M. Melsner

Consider enrolling them in a condominium operation class or other seminar that is directed toward the education of directors and officers so that they may be better informed

as to their legal responsibilities and liabilities.

I am a former member of the board of directors of our condominium association and am irate at the fact that the board has covered up various deficiencies that we have in some of our buildings including rodent infestation and termite infestation. The board apparently was concerned that if the homeowners found out about it, they would panic, and the values of the condominiums would go down. What can I do to remedy this situation? I have

brought it to the attention of the board. They ignored me, so I resigned.

Presuming that the board has a responsibility to deal with the extermination of pests, it would appear that the board is remiss in discharging its responsibilities. In addition, the board's unwillingness to deal with these problems could have a deleterious effect on the safety and, therefore, the habitability of the condominium residents. I would strongly recommend that you write a letter to the board warning it of the

ramifications should it fail to deal with these problems in a forthright manner. Failing same, I would seriously consider writing the members of the association to advise them that you resigned because of the failure on the part of the board to address serious issues. If that does not elicit a response, you should consider commencing legal proceedings against the association with the expectation that the board will be ordered to take whatever measures are necessary to deal with what appears to be a very serious problem.

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