REAL ESTATE NEWS

Know debt limits before applying for mortgage

With interest rates at their lowest level in more than a decade, and housing prices not appreciating as rapidly as in the past, housing is more affordable today than at any

more attordable today tran at any time in the past 12 years. Finding the right house may seem like the easy part when compared to arranging the financing for it. Here's some tips from the Mortgage Bank-

ers Association of America on shop-ping for a mortgage.

Talk with your real estate agent or broker. Real estate professionals are normally in the best position to learn about financing opportunities. Lenders regularly call agents to alert them to financing packages. Agents are motivated to help obtain financing for their buyers because

without a suitable loan, a sale can't proceed.

Shop for mortgage quote rates by telephone. Call five to 10 lenders for rates and terms on fixed and adjustable rate mortgages.

One of the first questions asked is how large a mortgage a lending the stitution will ofter. That depends on your income and the cost of your

cwners gross monthly income.
For Federal Housing Administration (FHA) loans, this figure is not to
exceed 29 percent of the buyers'
gross monthly income. With loans
guaranteed by the Department of
Veterans Affairs (WA), lenders measure homebuyers with "residential
monthly and the state of the state of the
measured against geographical
and family size data to qualify the
borrower.
Lenders usually define long-term

anu tamity size data to quality the berrower.

Lenders usually define long-term debt as monthly expenses extending more than 10 months into the future. These expenses should not exceed 33-36 percent of the homeowner's gross monthly income. VA and FIIA mortage lenders define long-term cebt as monthly expenses extending six months or more into the future and look for these expenses plus housing expenses not to exceed 41 percent of the homeowner's gross monthly income.

Keep in mind that mortgage pack-

Keen in mind that mortgage pack-

ages consist of more than Interest rates. They consist of a quoted rate, plus point, pre-paid interest assessed by the lender at settlement, or the meeting when the property legally changes hands) and other fees, plus a full range of terms — including adjustability versus lixed rates, low down payment versus high down payment, they presence or absence of prepayment penalties.

one way to evaluate loans, is by examining the annual percentage rate. The APIR can help you compare different types of mortages. It indicates the "effective rate of interest" paid per year. The figure includes points and other charges and spreads them out over the life of the loan. While the APR provides you with a common point, for comparison, look at the whole product before deciding which mortgage to get. Pick the one with the rate, payment schedule and other terms that suit your particular situation.

Contract provision protects association

You recently suggested that the management agreement should designate the person at the management should designate the person at the management and the state of the state of

circumstances to repay one rate?

It is clear that every contract must have some latitude with respect to performance by the expective parties. But the threst of my one of the rate of the parties are the parties of the parties are the parties of contracted. For example, we had situations in Michigan

where a management company was bought out by nother management company without a change in the name of the company, and the association was saddled with the responsibility of dealing with an entirely, new east of individuals without the latitude to terminate the management agreements.

Also, there have been situations where one person representing a ranagement firm makes a proposal and promises to attend the meetings and then delegates the responsibility to someone else when the contract begins. My intent in recommending that a contractual provision provide some protection to the association is to ensure that the person designated by the management company will make reasonable efforts to attend meetings on a regular basia absent legitimate excusses or unforeseen circumstances. It is for the protection of the association that the management person designated to ensure that it gets the benefit of its bargain that was represented to it to the



queries Robert M.

Meisner

management company to induce the association to enter into a management agreement.

Our management company wants to include an indemnification clause in the management agreement. I

to include an indemnitication clause in the management agreement. I have some vague motion of what it is but our attorney has also done work for the management company. Having represented it, he says he doesn't want to be involved in the mrnagement agreement unless the board says it is OK. What should we do? I am a new director. An indemnitication clause generally provides that if the management company is sued or its fundiliable as a result of its acts or omis-

sions on behalf of the association that the association will have to pay the bill, so, to speak, including perhaps, attorney fees and costs. This basically a blank check gives to the management company in terms of potential liability it may incur that will utilimately be the responsibility of the association. This is obviously a disflavored provision which should be the subject of interest company and the subject of interest company and the control of the subject of interest company and the control of the subject of interest company and the control of the subject of interest company and the control of the subject of interest is signed.

If the association is willing to run this risk, it should ensure that it has adequate insurance coverage to deal with the indemnification clause. If the association's attorney is not in a position to give advice on this issue without being involved in a conflict of interest. You should engage independent counsel to review the management agreesment on behalf of the association as well as other matters.

REDFORD MANOR

Wolfe sponsors seminar

Thomas Ervin, syndicated real estate columnist, and CPA: Richard Dickshott will speak at a free real estate seminar on "Buying and Seli-ing in '92." spensored by The Prudential Harry S. Wolfe Realtors. Seating is lumited for the seminar to be held 2-4 p.m. Saturday and again 7-9 p.m. Monday at the Wolfe office, 32398 Five Mile, cast of Farmington Road, Livonia. To reserve a seat, call 421-5660

Wolfe, begun in 1925, is believed to be the oldest business still operato be the oldest business still opera-ting in Livonia. The city comprises 43 percent of the company's total sales volume, an increse over last year, according to Gerald Wolfe, as-sociate broker and grandson of the founder.

Wolfe operates three offices with 47 agents in the city. It became affil-lated with The Prudential in 1949.



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