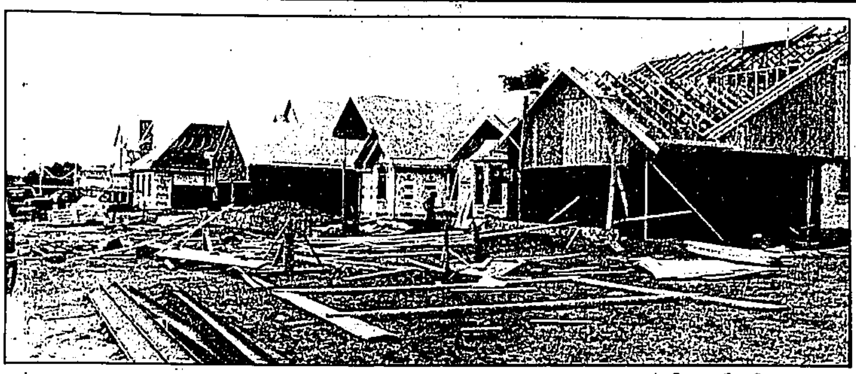

ART EMANUELE/STAFF PHOTOGRAPHER

Down times: *Analysts, blaming uncertainties in the federal tax and spending policies, are significantly lowering their predictions for new homes and apartment construction.*

Building slump baffles experts

AP — Construction of new homes and apartments leveled off in June despite the lowest mortgage rates in two decades.

Analysts said construction, which had rebounded in April and May from a winter slump, was being hampered by continued weakness in the labor market and by uncertainties over federal tax and spending policies and the Clinton administration health care package.

But the Commerce Department said last week that housing start activity was mixed, rising in the Northeast and West and falling in the South and the rain-soaked Midwest.

Overall, starts in June were unchanged from May's 1.25 million seasonally adjusted annual rate.

After reaching 1.29 million in December, starts fell to a 1.12 million rate by March, largely because of severe weather including a late-winter blizzard in much of the East and Southeast.

But they rebounded 7.3 percent in April and 4 percent in May — even more than the department's initial 2.4 percent estimate — before leveling off in June.

Although many analysts predict moderate growth during the second half of the year, they are revising downward their forecast for the year after what some described as a disappointing first six months.

"I'd be surprised if we can get to 1.3 million for the year," said economist David Lereah of the Mortgage Bankers Association, who earlier had forecast construction of 1.32 million units in 1993.

David Seiders of the National Association of Home Builders was even more pessimistic. He lowered his forecast to 1.26 million, from 1.29 million.

Still, that would be an improvement over 1992, when 1.20 million units were built. So far this year, however, housing starts are up just 1.1 percent over the first six months of 1992.

"It's disappointing in terms of where we expected this market to be," Seiders said. "With interest rates the lowest in two decades, we would expect something better than this."

According to the Federal Home Loan Mortgage Corp., fixed-rate, 30-year mortgages averaged 7.16 percent last week, the lowest since it began keeping records in April 1971.

"The housing markets need a lot more" than low interest rates, Lereah contended, noting low consumer confidence, weak job growth and uncertainty about the effects of economic and health care legislation.

That uncertainty and expectations of continued low rates and stable prices curbed any sense of urgency, Seiders added.

However, Seiders said a survey of home builders in early July indicated sentiment was "perking up," at least in the single-family sector, which had fallen 2.8 percent in June, to a 1.08 million rate.

Building permits, often a barometer of future activity, suggested improvement may not be immediate, however. They fell 1.3 percent, to a 1.11 million rate, after advancing 1.8 percent in May.

Seiders also said the 21.5 percent jump in the multi-family sector, a 175,000 rate, could not be sustained and would fall back in July.

Regionally, the Northeast posted a 16.2 percent increase in starts, to a 136,000 rate. Starts were up 4.4 percent in the West, to 307,000.

But they dropped 4.6 percent in the South, to 534,000, and 2.1 percent in the Midwest, to 277,000.

Refinancing parade continues

AP — Homeowners planning for a child's college education or a comfortable retirement streamed into mortgage institutions last year to take advantage of sinking interest rates that dipped as low as 7 percent.

One year later, they are doing it again.

A refinancing boom that began in early 1991 when mortgage rates fell below 10 percent is still drawing customers as rates continue to drop, loan officers say. Some are refinancing for the second and third time.

"Last year was a record-breaking year for us and we are ahead of that pace this year," Kathleen Clancey, vice president of marketing for Troy-based Standard Federal Bank, said Tuesday.

The leading mortgage lender in southeastern Michigan, Standard Federal closed 24,437 mortgages in the first six months of this year, a 12 percent increase from the 21,700 closings for the first half of 1992.

Refinancing accounts for half its mortgages, bank officials said.

William and Andrea Briggs of Walker plan to close on a new mortgage this week, their second refinancing in 30 months.

Two years ago, the Briggses traded in their 30-year mortgage with a rate of 10.25 percent for a 20-year mortgage at 9.75 percent. Now that loan is being exchanged for a 15-year mortgage at 7.125 percent, chopping $40 off their monthly payment.

"Fifteen years from now, our kids are going to be starting college and it would be great to have the house paid off," says Mrs. Briggs, whose children are ages 1 and 3. "And you can't beat the interest rates right now."