

Borrower beware! PMI overpayment is common



DAVID C. MULLY

You may be one of the many who are currently paying premium mortgage insurance (PMI) each month in your mortgage payment, and it may be an unnecessary payment. If you put less than 20 percent down when you initially bought your home, you are most likely still paying the monthly premium mortgage insurance.

PMI does serve a useful purpose for some. It is a good thing because it greatly assists first-time homebuyers who may not have enough for a 20-percent downpayment but still want to buy their own home. Lenders will loan money to these people with as little as 3 percent down

If the borrower has PMI. Without PMI, qualified people with credit that meet all other borrowing guidelines except the 20-percent threshold would be left out in the cold.

The other side of the story is, that once these same individuals have lived in their homes for a few years and have built up 20-percent equity in their homes, they still pay monthly PMI even though it is no longer necessary. There are currently estimated to be 250,000 homeowners in our country who pay PMI premiums even though they have more than 20-percent equity in their homes.

It may be that these homeowners are not aware that they are paying PMI. In other cases, the lender currently servicing the loan may not be willing to cancel the PMI fees even after the homeowner disputes and proves that there is more than 20-percent equity.

How can you determine if you are carrying PMI insurance? In some cases, the PMI recitation is written into a lifetime contract between the lender and the borrower that is disclosed in the initial closing papers when the home was first purchased. So check in your closing papers. If you have never seen equity or more and are caught with this "lifetime contract," help is on the way.

There is presently active legislation in congress sponsored by Sen. Alfonse D'Amato that would force lenders to automatically drop PMI when the 20-percent level is reached. They would use the home's initial value estimate at the time of purchase and the national amortization schedule of the loan being paid off to calculate when the balance reaches a point that is 80-percent of the initial value estimate. This proposed bill will also build in the ability for the consumer to

request an early out for PMI if they happen to pay down the loan ahead of schedule, do home improvements or live in a neighborhood where the homes are appreciating (like most homes in metro Detroit). The decision on the proposed bill is expected in the next 60 days and has a good chance of passing if some of the bugs can be worked out.

Another important point is that the lender currently servicing your loan is bound by the investor that made the loan. Hence, the investor is the actual note holder. Before you get too upset with your lender, consider that the servicer earns no income by collecting these PMI premiums. They simply pass the fees on to the PMI companies.

If you signed a lifetime contract, your lender may not be allowed to cancel the PMI without the authorization of the investor. To get past this, you can always refinance your loan with

another lender who will look at your loan-to-value from a present day perspective and use a new appraisal to determine if PMI is required. Refinancing is a good option as long as you won't be giving up a great fixed rate you had locked in for the long term.

PMI costs can range from \$65 per month on a \$100,000 mortgage and at 96-percent loan-to-value ratio to \$130 per month for a \$200,000 mortgage. So you can see that if 250,000 people are paying PMI who do not really need to, that can add up to millions of dollars in excess expenditures by consumers that PMI companies are profiting from. For advice on your particular situation, feel free to call me at 1-800-405-3051.

Correction: In the Mortgage Shopping column dated 2-20-97, the telephone numbers for the credit reporting agencies were incorrect. The correct telephone numbers are as follows: TRW: 1-800-951-5814, Transunion: 1-321-408-1400, Equifax: 770-612-2685. If you have been denied credit, you may receive a free copy of your credit report.

Editor's Note: Dave Mully will

be a guest speaker at the upcoming 70th annual International Builders Home Flower and Furniture Show, which begins March 15 and runs through March 23. He will be talking about "Mortgage Shopping" and how to save money on your mortgage. Mully will be appearing every day at 3 p.m., starting with Monday, March 17, through Friday, March 21, with additional appearances on Friday, March 21, at 6 p.m., Saturday, March 22, at 5 p.m. and 6 p.m. and Sunday, March 23, at 2 p.m.

David Mully has been writing his weekly "Mortgage Shopping" column for the Observer & Eccentric Newspapers since June 1995. He has been involved with residential mortgage lending in the Detroit area since 1988 and is a mortgage consultant. For information about a new mortgage, call Mully toll-free at 1-800-405-3051, fax him at 810-380-0603 or send email to dmully11@juno.com. You can access Mully's previous Mortgage Shopping articles on-line at <http://www.observer-eccentric.com/realstate/mullyarchives.html>

Internet homepage: <http://www.interest.com/observer> Survey Date 3/10/97

Observer & Eccentric

MORTGAGE MARKET

ITEM	RATE	PT/PT	CM	PMI	LOCK	APR	COMMENTS
AMERICAN FINANCE & INVESTMENT 800-562-5674							
30 yr FIX	7.375	2.75/2.55	5%	45 days	7.74		24 hr Refinance 1-800-889-2562. http://www.finance.com
15 yr FIX	7.175	2.875/2.55	5%	45 days	7.54		
7/23 Balloon	6.625	2.35/2.15	10%	45 days	7.24		
30 yr Jumbo	7.5	2.5/2.55	10%	45 days	7.84		
AMERICAN HOME FINANCE 800-440-1940							
30 yr FIX	7.875	0/290	5%	45 days	8		Large Apartment buildings. No Cash Loans. No Co-Signers. Fee: Sun 102.
15 yr FIX	7.375	0/290	5%	45 days	7.75		
7/23 Balloon	7.5	0/290	5%	45 days	7.83		
31 yr ARM	6.875	0/290	5%	45 days	7		
APPROVED MORTGAGES, INC. 313-455-2219							
30 yr FIX	7.125	2.25/2	5%	45 days	7.4		Equity in mortgage less 10%.
15 yr FIX	7.125	2.25/2	5%	45 days	7.4		Competitive Jumbo pricing, low fees.
1 yr ARM	5.825	2.25/2	10%	45 days	8.37		Equity Loans to 100%, & we also bridge.
31 yr ARM	6.825	2.25/2	10%	60 days	8.32		Cash Loans. One & weekend appts. avail.
FIRST ALLIANCE MORTGAGE CO. 810-433-9620							
30 yr FIX	7.375	2.25/2	5%	45 days	8.02		Open 7 days a week. Debt consolidation & Refi for credit problems, bank turndowns we make it possible.
1 yr ARM	5.5	2.25/2	5%	45 days	5.78		
1 yr ARM/Jumbo	5.5	2.25/2	5%	45 days	5.78		
JMC MORTGAGE CORP. 810-489-4020							
30 yr FIX	8	0/300	20%	45 days	8.04		We offer Debt Consolidation, Jumbo, and 1st Time Homebuyer Loans. If you have bad credit - We can try to help you too!
15 yr FIX	7.625	0/300	20%	45 days	7.65		
7/23 Balloon	7.625	0/300	20%	30 days	7.65		
7/23 Balloon	7.375	0/300	20%	30 days	7.41		
MORTGAGE INFORMATION AT YOUR FINGERTIPS 24 HOURS A DAY							
CALL HOME 1-800-889-2562. PRESS 3 FOR 30 YR. PRESS 4 FOR 15 YR. PRESS 5 FOR 7/23. PRESS 6 FOR 1 YR. PRESS 7 FOR 1 YR ARM. PRESS 8 FOR 31 YR ARM. PRESS 9 FOR JUMBO. PRESS 0 FOR MORE INFO.							

WASHINGTON (AP) - Sales of previously owned homes edged 2.1 percent higher in January after a banner year in 1996, spurred by moderate economic growth and relatively low mortgage rates.

Single-family homes sold at a 3.94 million annual rate last month, up from a 3.88 million rate in December, the National Association of Realtors said today.

"Warm temperatures and low rates kept people in the market," said Russell K. Booth, the Realtors' president.

For all of 1996, existing home sales totaled 4.08 million, the best in 18 years.

By region in January, sales rose 8.4 percent to a rate of 900,000 in the West and 3.6 percent to 1.45 million in the South. They fell 1 percent to 1 million in the Midwest and 4.8 percent to 590,000 in the Northeast.

The median price of an existing home was \$120,500 last month, up 5 percent from a year earlier. The median is the midpoint, meaning half sold for more and half for less.

By region, the median price was \$168,000 in the West, up 3.6 percent from a year ago; \$103,500 in the South, up 4.4 percent; \$102,900 in the Midwest, up 6.2 percent; and \$141,500 in the Northeast, up 3.9 percent.

Home sales edged up in January

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By region in January, sales

BIRMINGHAM, TROY, ROYAL OAK
1424 S. Woodward
645-2500

Cranbrook REALTORS

BLOOMFIELD HILLS, FRANKLIN, WEST BLOOMFIELD

THE MOST SPECTACULAR In-town location of 8'Ham's gold coast! Panoramic vistas of ravine and river just steps from restaurants and shops. Comfortable home with many door walls & upstairs balcony. Master bedroom with dressing room. \$625,000 705790WIL

OUTSTANDING LOCATION! Bingham Woods condo centrally located to everything! Three bedrooms, 2.5 baths, breakfast nook, romantic marble faced fireplace in master suite. Master updates throughout. Two car attached garage. Very clean. \$259,500 705997OAK

CHARMING BRICK BUNGALOW in Beverly Hills-Royal Oak area. Hardwood floors, large kitchen, new furnace, A/C. Large cozy family room. Two car garage. Well maintained. Must see. \$175,000 710812ARP

MUST SEE! Paint, deck, furnace, plumbing, electric service, strip roof, windows, doors, all new. Kitchen updated. Partially finished basement. \$114,000 707220PRI

BLOOMFIELD HILLS GEORGIAN COLONIAL w/master suites on 1st & 2nd floor. Great room, 1st floor laundry, lower level maid's quarters, walk-out basement, Florida room, rear room, central air & deck. One acre lot. \$599,000 700694DUN

AN IN-TOWN BIRMINGHAM CHARMER Tastefully renovated inside and out. Kitchen with quality appliances and greenhouse window. Fireplace in living room. Family room has built-ins with door wall to large deck. \$228,000 704011HAZ

GREAT INVESTMENT OPPORTUNITY on all sports lower level & covered ceiling. Mechanical equipment in room kitchen with breakfast area. One car attached garage. \$129,000 709850NEW

WELL MAINTAINED BUNGALOW Hardwood floors, plaster walls & coved ceilings. Mechanical equipment in room kitchen with breakfast area. One car attached garage. Great rental potential. \$35,500 708553GVE

PRICE REDUCED! A quiet, private setting on over an acre of property. Updated kitchen, 4 bedrooms, 3.5 baths, library and full basement with wet bar. \$480,000 701866WIG

HARD TO FIND condo in city of Bloomfield Hills. This first floor unit has 3 bedrooms, 2 baths, security system, attached garage and great storage. Look at all offers. \$175,000 653348WOO

SOLID FIRST TIME BUY or income property. Brick three bedroom with half bath in basement. \$59,000 704844ARG

FABULOUS BLOOMFIELD QUAD LEVEL - Custom designed free flowing ground floor, four bedrooms plus library/study. New kitchen with built-ins, formal dining room, loft overlooks two story living room. \$329,000 705233VVC

WHAT A HOUSE! Newer Troy brick ranch with cathedral ceilings, skylights and 1000 square feet of living area downstairs. Don't blink! \$249,900 711186MEA

BRICK RANCH in popular Pembroke subdivision. Open flowing floor plan. Good size rooms, freshly painted interior, hardwood floors, wet plaster walls, natural fireplace in living room. Finished basement w/wet bar. \$187,900 702599DOR

IMMACULATE BRICK RANCH - over 1/2 acre tree lot. Birm. flowing floor plan. 4 bedrooms, 3.5 baths, finished basement with fireplace and in-law suite. Hardwood floors, wet plaster & coved ceilings. Lots of closet & storage space. \$169,900 704216THI

BANK OWNED. Full brick home. Attached two car garage. Updated electric and water heater. Fireplace. Three bedrooms, one and half baths, family room. \$82,500 711483EVE

JUST LISTED!