

REAL ESTATE

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Home sales down 'a tad'

By DOUG FUNKE
STAFF WRITER

Houses available for sale in metro Detroit as of June 1 jumped by 14 percent and cumulative listings January through May increased by 6 percent compared to last year.

Actual residential sales dipped by 9 percent, but the median sales price, half above, half below, showed a 6-percent rise.

Does this mean that the red-hot seller's market in recent years is cooling?

It may have slowed a tad, said Larry Martin, president of the Western Wayne Oakland County Association of Realtors and training director for Remerica.

"But our market is still wonderful," he said.

The reasons — gradually rising values for sellers and more inventory so buyers don't need to scramble as much to find what they want or make a snap decision to submit an offer.

"What we hate is to show a buyer a house and tell them we have to buy now, it might not be available tomorrow," Martin said. "It doesn't seem to be fair. When someone looks at a house, they shouldn't have to make a decision right away on something so important."

Dennis Anderson, a sales associate with Coldwell Banker Schweitzer in Livonia, also believes the pendulum has begun to switch direction.

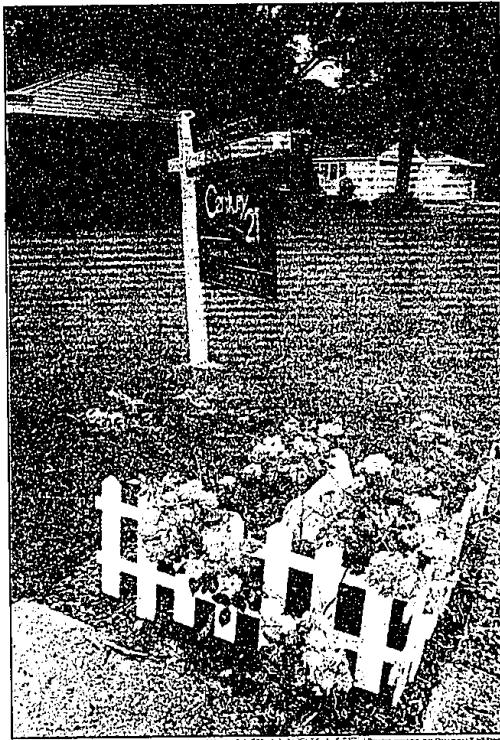
"If you weren't looking at it, though, you might not notice," he said. "They (buyers) can be a little more choosy but not a lot."

June, July and August traditionally are high-volume sales months. "Any time in summer interest rates are this low people are working, consumer confidence is up, kids are out of school — that's when people like to move and people like to buy," Anderson said.

"There are so many mortgage programs and money is available," he said.

Some 11,225 houses and condominiums were on the market here as of June 1 compared to just under 9,840 during the similar period last year. Cumulative listings through May rose to 26,365 from 24,732 in '96.

Realcomp II, a giant multi listing service including the Western Wayne Oakland County, Birmingham Bloomfield Rochester South Oakland, North



STAFF PHOTO BY SHARON LEDICER

On the market: Prospective buyers had more inventory from which to choose through the first five months of this year compared to last.

Oakland, Detroit, Dearborn and Livingston County realty boards, provided the numbers.

"I think what's happening, and it's happened before, is properties appreciated at an astounding rate and sellers thought they could add a premium," said Glenda Lagrois, a million-dollar sales producer with Century 21 Town & Country.

"The market adjusts itself. Buyers adjust and say too much," Lagrois said. Following are cumulative listings, sales and median sales price by community for the period January through May. The figures include houses and condominiums, existing and new construction.

Livonia — 975 listings, 503 sales, \$128,000 median sales price.

Westland — 845 listings, 412 sales, \$91,500 median sales price.

Canton — 819,368, \$91,500. Redford — 715, 349, \$91,000.

Flynn/Plymouth Twp. — 435, 187, \$155,500.

Garden City — 280, 129, \$91,000. Oakland County: Farmington/Farmington Hills — 1,035, 445, \$168,000.

West Bloomfield — 879, 319, \$193,500.

Southfield — 814, 406, \$121,500. Rochester/Rochester Hills — 650, 371, \$198,000.

Troy — 635, 359, \$180,000. Clarkston/Independence Twp. — 359, 157, \$173,350.

Lake Orion — 348, 176, \$150,000. Birmingham — 294, 167, \$185,876.

Oxford — 174, 70, \$158,450. Starter, more affordable houses, not available in every O&E community, always seem to do well.

"Anything from \$60,000 to \$100,000 is selling just great, and 100 to 130 and 136 is moving great," Martin said. "There's a lot more buyers (in that range)."

"The more expensive, custom, the house is, the more you limit your market," Anderson said.

Houses at the upper end of the price spectrum tend to move slower. But when one does sell, it generates several sales down the chain.

The advice? "If you're a buyer today and see a property what you're looking for in good condition, go right back to the office and make an offer if it's priced within a range of other sales in the neighborhood," Lagrois said.

"And sellers, don't get greedy, she added.

"People shop real close to what they plan to pay. If it's too high priced, you're not getting the right kind of buyer into your house," Lagrois said.

U.S. households by age group

A household is any population unit — family, individual, or two or more unrelated individuals — that occupies a housing unit. Age is determined by head of household on census data.

Ages	Million
Under 25	5.4
Age 25-29	8.8
Age 30-34	10.8
Age 35-44	24
Age 45-54	19
Age 55-64	12.4
Age 65-74	11.6
Age 75+	9.8

Source: U.S. Housing Markets

HELEN FURCER/STAFF ARTIST

How to buy home with low down payment

MORTGAGE SHOPPING



DAVID C. MULLY

Two weeks ago I discussed in this column the potential for obtaining low-down-payment loans and the types of mortgage insurance that make it possible to get a mortgage loan with less than 20 percent down. Today's column will continue on that topic of low-down-payment loans. But now, let's focus our attention on how to qualify for these loans.

Qualifying for a low-down-payment loan is much like applying for a regular loan. To be considered, you generally need to have:

- sufficient income to support the monthly mortgage payment
- enough cash to cover the down payment

- sufficient cash to cover normal closing costs and related expenses
- a good credit background that indicates your payment history or "willingness to pay"

- sufficient appraisal value, which shows the house's value is at least equal to the purchase price
- in some instances, a cash reserve equal to two monthly mortgage payments

Closing costs, or settlement costs, are paid when the home buyer and the seller meet to exchange the necessary papers for the house to be legally transferred. On average, closing costs run about 2-3 percent of the home price. This percentage may vary, depending on where you live.

Closing costs include the loan origination fee (if not already paid), points, prepaid homeowner's insurance, appraisal fee, lawyer's fee, recording fee, title search and insurance, tax adjustments, agent commissions, mortgage insurance (if putting less than 20 percent down) and other expenses. Your lender will give you a much more exact estimate of your closing costs.

So how much of a mortgage can you afford?

There are two basic formulas commonly used by lenders to determine how much of a mortgage you can reasonably afford. These formulas are called qualifying ratios because they estimate the amount of money you should spend on mortgage payments in relation to your income and other expenses. The following ratios may vary from lender to lender and are just guidelines. There are many affordability programs, both government and conventional, that have more lenient requirements for low- and moderate-income families.

Generally speaking, to qualify for conventional loans, housing expenses should not exceed 28-28 percent of your gross monthly income. For FHA loans, the ratio is 29 percent of gross monthly income. Monthly housing costs include the mortgage principal, interest, taxes and insurance, often abbreviated PITI.

For example, a \$100,000 mortgage can be obtained at 7.75 percent with two points or 8.25 percent and no points. The lower interest rate cuts the mortgage payment about \$35 a month but demands an additional \$2,000 (mortgage points) at closing.

Please see MULLY, G6

HOME SEEKER'S CHECK LIST

- SELLER DISCLOSURE STATEMENT (REQUIRED BY LAW)
- LEAD DISCLOSURE STATEMENT (REQUIRED BY LAW)
- HOUSE SPEC SUMMARY SHEET (ROOM DIMENSIONS, ETC.)
- SCHOOL DISTRICT SERVICING NEIGHBORHOOD (WHERE EXACTLY ARE BUILDINGS, BUS PICK-UP)
- AGE OF MAJOR MECHANICAL/STRUCTURAL COMPONENTS (FURNACE, HOT WATER HEATER, SHINGLES, ETC.)
- APPLIANCES INCLUDED?
- PROPERTY TAXES (BASED ON SELING PRICE, NOT CURRENT RECORDS)
- MUNICIPAL SERVICES PROVIDED (TRASH COLLECTION, LEAF PICK-UP, SNOW REMOVAL, LIBRARY)
- CONDITION OF NEIGHBORING PROPERTIES

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REAL ESTATE QUERIES



ROBERT M. MEISNER

Q. How do I go about taking my son's name off of the ownership of a home? I am thinking of selling and moving South, but I want the full value the government gives on the profit. I have been here 35 years.

A. Men is happy to do it because in four years he will be 55 and plans to retire and sell his house. He is out of state.

At the time of the sale, does it make any difference as to the number of years that his name is off? Please help.

A. To answer your question, if you choose to remove your son's name from your deed, you should ask him to execute a quit claim deed conveying to you whatever interest he has in the property. Whether or not this will relieve you of any tax liability upon the sale of your home is another question, however, and it may depend on a number of factors including whether another home is purchased by you and when.

You are well advised to consult with your CPA regarding the tax ramifications of selling your home when not buying another home within a certain period of time and whether in fact it makes a difference if your son had been off of the deed for several years and whether you elect to take a lifetime exemption regarding the sale of your home or "transfer" the profit to your next home, if any.

Robert M. Meisner is an Oakland County area attorney concentrating his practice in the areas of condominiums, real estate, corporate law and litigation. You are invited to submit topics that you would like to see discussed in this column, including questions about condominiums, by writing Robert M. Meisner, 30200 Telegraph Road, Suite 407, Birmingham Farms MI 48025. His email address is meisner@mich.com and his web site is <http://www.meisner-law.com>. This column provides general information and is not a legal opinion.

What to expect at new home closing

Closing on a new home should be an exciting time. But to some, it ends with a big — often unwelcome surprise. According to a recent study conducted by Management Consultant Dove Associates, one out every four home buyers is surprised during their closing. About 65 percent of the surprise comes due to unexpected cost increases.

"Closing costs are one of the least understood aspects of the home buying process," said Sandy Robertson, regional vice president for the Livonia area of Norwest Mortgage Inc., the nation's leading provider of home mortgages. "However, a good lender will take the time to answer questions and walk you through the process."

Closing costs tend to vary from lender to lender, but are generally considered any costs associated with the purchase of a new home. Today, these costs range between 2 percent and 7 percent of the home's purchase price and include three basic categories: out-of-pocket expenses, prepaid items, and

that goes into these accounts is based on the first year's premiums, plus an additional amount to build the account for future premiums.

Prepaid expenses are difficult to determine because they vary with the type of property and the time of the closing.

Mortgage points You decide before the closing whether you want to pay points. If you don't want to, you will pay a higher interest rate on your mortgage loan. A mortgage point is equal to one percent of the mortgage loan amount and is actually an adjustment to yield that helps reduce the interest rate. The more points you pay, the lower your interest rate will be.

Out-of-pocket expenses Out-of-pocket expenses are fees for appraisals, attorneys, credit reports, deed recording, tax services and other miscellaneous expenses. These fees are for services usually performed by a third party and directly charged to the borrower.

Most out-of-pocket fees are necessary and legitimate," Robertson said. "However, whenever the borrower sees a fee that he doesn't understand, he should ask about it."

Prepaid items Homeowner's insurance, mortgage insurance and costs to set up an escrow account are considered prepaid expenses. Escrow accounts allow you to accumulate annual insurance premiums and various taxes as part of your monthly mortgage payment. The lender will withdraw money from your escrow account and pay the appropriate expenses as they come due. Most mortgage loans require an escrow account. The amount

For FHA loans, the ratio is 29 percent of gross monthly income. Monthly housing costs include the mortgage principal, interest, taxes and insurance, often abbreviated PITI.

For example, a \$100,000 mortgage can be obtained at 7.75 percent with two points or 8.25 percent and no points. The lower interest rate cuts the mortgage payment about \$35 a month but demands an additional \$2,000 (mortgage points) at closing.