

\$20,000 costs \$60,000

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nies, accelerated the move toward private insurers when it decided to allow savings and loan companies to lend up to 95% of the appraised value of a house instead of the previous maximum of 90% -- provided the mortgage was insured. This ruling gave the private insurers the bulk of the market because the FHA was and still is demanding a down payment larger than 5% in most instances. An FHA-backed loan required 3% down on the first \$15,000, plus 10% down on the next \$10,000, plus 20% down on the excess over \$25,000. Using this formula, a \$30,000 house would require \$2,450 down on FHA, while it would require only \$1,500 down on a 95% mortgage insured through a private firm. The ceiling on FHA loans is \$33,000, while the ceiling on the 95% loans is \$36,000, and the ceiling on 90% loans is \$45,000. It may well be that the private firms will skim off the cream of the crop, leaving the FHA to insure only lower cost houses for the riskier lower income group.

To compound FHA's problems, there have been a number of recent abuses of FHA mortgage programs by some real estate speculators and mortgage bankers, and this has resulted in a cost of \$150 million in foreclosures in Detroit. This is at least partially responsible for the new, stiffer requirements for FHA buyers. The new 30-50 formula for qualifying mortgage loan applicants (roughly) requires that his total housing expenses including monthly house payments, utilities, maintenance, and taxes not exceed 30 per cent of his net income. The second part of the formula states that the applicant's monthly payment and expenses as listed above, in combination with his other debts including social security withholding and long-term debts of more than a year, and total monthly fixed payments may not exceed more than 50 per cent of his net income. These requirements are criticized by a number of realtors and financiers as being unreasonable -- it makes it difficult to qualify normally acceptable buyers, they say.

Current mortgage rates are running 7% to 7 1/2% on conventional mortgages that require 25% down payment. These are available at banks.

Veterans Administration (VA) loans are available only to veterans. They usually require nothing down, and the current rate is 7% which is the lowest rate anybody can get.

The VA will appraise the house and the appraisal value is the maximum

the veteran can borrow. If the house is not priced unrealistically, he can get it with no down payment. Of course, his income must be sufficient to cover the monthly payments. To investigate this possibility, a veteran should contact the VA and arrange to get a certificate of eligibility, which he then takes to the lender. As veterans return from Viet Nam, more and more VA loans are being processed.

FHA mortgage rates are currently 7% plus 1/2% to cover the cost of the insurance, or an effective rate of 7 1/2%.

Mortgage rates on the privately insured mortgages currently are 8% plus an amount up to 1/2% to cover the cost of the insurance. The full 8 1/2% is not always charged. Many variables are taken into consideration, including the riskiness of both property and applicant. These rates pertain to the 95% mortgages that require only 5% down. Amounts between 5% and 25% down would merit a mortgage rate somewhere in-between.

The chart above shows mortgage rates going as low as 5%. These are included to show you the difference between current mortgage rates and rates prevalent a few years ago. It can also help you measure the value of assuming someone else's mortgage rather than taking out a new mortgage. Lenders, of course, would prefer to write up a new mortgage for you at the higher rates, and in many cases this is necessary anyway because of the large amount of cash a homeowner may want from you to assume his mortgage.

If you see a house you think you might like, figure it this way. Take the price and subtract your down payment to determine the amount you would have to mortgage. Consult the mortgage chart above and multiply the number of thousands of dollars you would be financing by the factor given in the chart across from the rate of interest you would have to pay and under the number of years you would want to finance. This figure may not be right to the penny due to slight variations in differing amounts financed, but it will tell you your payment to within a dollar. Find out what taxes on the property are, and add this monthly amount to your payment figure. Insurance will depend on the value of the house, but for a \$30,000 house would probably not run over \$10 a month. Of course, exact figures will be available from the realtor, but if you know the total price of the property and taxes before you get into a detailed discussion with the realtor, you will pretty much be able to figure out whether or not you can afford beforehand.

CUMBERLAND COMMON

West Bloomfield

MIDDLEBELT RD. - 1/2 Mile N. of Maple Rd.

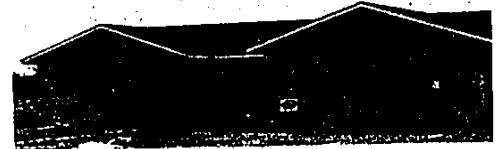


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