



Home Tips®



• CHRISTIAN BUILDING INSPECTORS, INC., 1003 STAR COURT, NORCROSS, GEORGIA 30093, (770) 925-8518 • NOVEMBER 1994 •

SPECIAL MORTGAGE ISSUE

Q & A

More House And Less PMI?

I want to get the most house for my money and not "waste" any dollars on Private Mortgage Insurance (PMI). Any ideas?

For the homeowner, PMI is a *valueless expense*. The most obvious way to eliminate the PMI requirements is to apply a 20% down-payment when the house is purchased. However, if you need (or prefer) to put 10% down, you can accomplish the same objective by using a *Purchase Money Second Mortgage*. Purchase Money Seconds are available with the convenience of a single closing for an "80-10-10" combination.

The major advantages of Purchase Money Seconds:

- An 80% first mortgage plus a 10% second mortgage and your 10% down-payment buys your new home...with no PMI!
- Interest paid on second mortgages is usually tax deductible!

How can you get the most house for the money?

- Shop patiently and negotiate a super deal!
- Finance your new house with an Adjustable Rate Mortgage (ARM)!

Most buyers don't realize that by simply using an Adjustable Rate Mortgage, they can buy approximately 10% more house.

For example:

The monthly payment for a \$100,000, 30-year fixed rate mortgage at 8.875% is \$795.65. In the same market, the start rate for an ARM will be approximately 5.875%. Since you must qualify at the worst case second year rate (7.875%), you could borrow \$109,735 for the same \$795.65 monthly payment. With a 10% down-payment, this approach gives you the option of purchasing a house at \$121,900 rather than the one selling for \$111,100. Now you know how to get the biggest "bang for your buck" when buying a new house. Talk about having your cake and eating it too!

For more information contact Carl Newell at AmeriQuest, Inc., 1025 Killian Hill Road, Lilburn, Georgia 30247, or call 925-4288.

Typical Mortgage Questions?

How come there are not more people buying homes today?

It is my opinion that for two main reasons more than 50% of apartment dwellers do not take steps toward *Home Ownership*. First they do not understand or believe they can qualify for a mortgage. Second, they believe they cannot come up with the cash to buy a home. Many times we see the excitement of our clients as we go through the mortgage planning and show them just how they can qualify for their own home.

What's the best loan today?

The best loan today is the one which best fits the buyer's particular mortgage needs. We are amazed at the new programs which are surfacing almost daily. That is why mortgage planning is so important. People are looking for the best possible rate and desire to know what options they have. With FHA and the new Community Home Buyer programs, you can move into a home for as little as a 3% down-payment. Where the conventional 5% down loan used to be offered only on fixed rate products, now you have many attractive adjustable rate products with as little as 5% down.

How can you minimize the required funds to buy a home?

The buyer can go on a FHA loan which allows the seller to pay up to 6% on a 95% LTV. The seller can always increase their sales price by the extra dollars needed to lessen the buyer's cash outlay. FHA will also allow 100% gift funds. The Community Home Buyer allows 3% down-payment with the other 2% coming from a gift, grant or the Lender. The Allowable Gold programs allow just 3% down-payment for the buyer, however, the interest rate would be approximately one half percent higher than the current rate. We are seeing lower funds required today at closing than in the past.

Why do we see such a wide range of closing cost percentages?

The cost to close a loan are generally the same regardless of the Lender as long as you are comparing apples to apples. Closing costs of 3% are typical for a \$100,000 loan with the percentage decreasing on a larger loan and increasing on a smaller one. We can offer the 1.9% closing cost loan for a slightly higher rate.

For more information contact Janice Lloyd, Cornerstone Mortgage Corp., 3949 Holcomb Bridge Road, Suite 201, Norcross, Georgia 30092 or call 441-0707.

