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Article published Jun 15, 2007



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Housing trust good, but buyers need savvy

The two news stories, both about home mortgages, are probably best seen as unrelated.

I just hope they remain that way.

One story this week told how home mortgage foreclosures are skyrocketing locally. They are high nationally now, but higher in Florida, and higher yet in Manatee County, Sarasota County and especially Charlotte County, all places where the market had been very hot and right now, well, isn't.

Another news story, about the Community Housing Trust of Sarasota County, reported the launch of a privately subsidized loan program. It can help some potential first-time home buyers buy locally with almost no down payment.

So I wondered: Is there really a way to help people buy homes they can't otherwise afford by lending them more money than banks normally will, and not have it result in still more foreclosures?

The trust was created to help people who have reliable incomes and decent credit, and can make mortgage payments, but can't swing a down payment. That includes teachers and nurses, people the community needs.

Five banks are teamed up with the trust, which is directed by Martina Guilfoil, who ran a similar program in California.

The trust's first home purchaser, Guilfoil told me, is a Sarasota Memorial Hospital nurse who makes \$57,000 a year, bought a house for \$186,000, and will pay \$1,500 monthly.

The customers have to qualify elsewhere for an ordinary mortgage, but then go to the trust for a second mortgage that covers a 20 percent down payment plus closing costs, at about the same interest rate as the first mortgage.

In effect, the home buyers will finance 105 percent of the purchase, Guilfoil says.

That's great for helping people achieve the American Dream of home ownership.

Still, I keep hearing from naysayers with dire predictions. With almost no investment of their own in their house, many "owners" will have little commitment, I'm frequently told. The first time money is too tight and the bills stack up -- long before they have built any equity -- some will quit paying the mortgage, skeptics insist.

And though this program was conceived here when the housing market was hot and prices rising, buyers are more likely to bail on payments when prices are flat or sinking and the home's selling price won't even pay off the loan.

Guilfoil doesn't expect that to happen here.

"That has not been my experience," she says. And though her experience was in California, and in different market conditions, she says the buyers who are approved usually have a very different attitude about home ownership.

It means a lot to them. Foreclosures have been almost unheard of, she says.

I believe her. But since she says the Herald-Tribune's news story now has her phone "ringing off the hook" with would-be home buyers, I will include some cautionary words from Dennis Black, an appraiser who teaches real estate agents and buyers and brokers.

He says foreclosed houses around here are mostly ones bought during the boom market by speculators and overextended investors, not by first-time home buyers. Still, he warns, those same speculators and their unwise purchases over-fueled home construction in recent years, to the point that there is now a major glut, especially in some of the most affordable areas, such as North Port.

Though that makes it a buyer's market now, Black says it is so much so that prices of basic and moderate homes may well drop more.

Liking a home and feeling thrilled that 105 percent financing at a decent interest rate makes it possible to buy is great, but it does not always make it a good deal, Black warns.

The trust's potential customers need to be just as savvy and careful as any potential buyer.

Otherwise, they could end up owing far more than their purchase is worth. That is not part of anyone's dream of home ownership.

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Last modified: Jun 15, 2007
