

# Increased interest rates may sell more real estate

By KAREN CORNELISON  
Battalion Reporter

With all the talk about tight money and inflationary home prices, the real estate business in Bryan-College Station is still booming. If the legal mortgage loan interest rate in Texas is raised from 10 percent to 12 percent, as some anticipate, increased real estate activity may result. Houses, however, probably will cost more in coming months.

Because of the relatively low interest rate ceiling in Texas (10 percent), savings and loan associations are cutting home loans locally and making additional loans in out-of-state markets, where they can charge a higher interest rate and get a better return for their investors.

This causes money sources for Texas home-buyers to dry up. Presently, savings and loan associations and mortgage brokers must pay about 10.4 percent interest for money from national banking lenders (where the money for loans originates), while they can only charge 9.7 percent interest.

Nationally, the average price of a new home jumped by \$2,000 to \$63,600 in the third quarter of 1978. Locally, the average price in the same period was \$42,843 — an 11.6 percent increase from the previous quarter and an 8.9 percent increase from a year ago.

THE INCREASE IN Texas' mortgage interest rate ceiling was delayed Feb. 12 when a bill which would raise the rate limit on home mortgage loans to 12 percent was sent to a subcommittee for further consideration.

"The bill is straightforward," said a spokesman for Sen. Bill Meier, D-Tarrant County, who introduced the bill. "It concerns loans for single-family dwellings, not to exceed a four-plex. It's designed to benefit the individual home-buyer."

If Meier's bill is not passed, there are at least six other bills in various stages in the legislature concerning raising the interest rate in Texas.

Those who oppose the bill and call inflationary include labor organiza-

tions, the Texas Consumer Association and Gov. Bill Clements.

Supporters of the higher interest rate feel it is necessary in order to provide mortgage loans for home buyers. They say they would rather see higher rates than have all the money going out of state.

"HOME LOANS THAT are made are harder to get, especially for the young and the old," a local real estate agent said. Lenders usually will only approve a loan that is twice the borrower's annual gross income, she said. When money was not so tight, lenders would approve a loan for two-and-a-half times the annual income.

"Hardly any conventional loans are being made right now," said Charlie Nichols of Investors Inc. "I feel like activity will pick up (if the interest rate is raised)."

Kay Playter, president of the Bryan-College Station Board of Realtors, says she is in favor of raising the interest rate ceiling, although she stressed that it was her own personal opinion.

"It's going to have to happen if savings and loans are going to stay (in this area)," she said. "I see no decrease of activity in real estate. If the interest rate isn't raised, we'll have fewer new houses, but savings and loans are still making some mortgage loans."

TEXAS LENDERS USE another means to get a greater return on loans — the point system. To justify loans to Texas home-buyers, a mortgage broker will charge the buyer of a home one "point," or 1 percent of the loan balance, at the initial transaction. He usually can charge the buyer only one point, plus the 9.7 percent interest, to remain below the legal interest rate of 10 percent. So he charges points to the seller, simply for the privilege of selling his own home.

Nichols says he expects points to go down if the interest rate ceiling is raised.

"I don't know how drastically," he said. "I would anticipate a small re-

duction in the price of homes."

He said that raising the interest rate would benefit home-buyers, although most of them don't know it. The selling price of a home usually is increased to make up for the seller having to pay points, he said, adding, if points go down, prices could go down also.

"I'VE TALKED WITH one broker who will lower his price. Not all will," he said.

The current rate quoted by Investor's Inc., a local branch of an Austin mortgage broker, is one point charged to the buyer and six to eight-and-one-half points to the seller for a 9.875 percent maximum loan of \$60,000. That means a person selling his \$50,000 home would only receive about \$46,000.

"It's called legal usury," the local real estate agent said, "but it's a necessary evil." The lender makes his return on the loan through "up front costs," she said, rather than through higher monthly payments from the borrower.

"Points can become questionable," the spokesman from Bill Meier's office said, "but that's really a secondary problem."

Despite the interest rate dilemma and inflationary building costs, the real estate business seems to be going as usual in the Bryan-College Station area, although building permits issued are from the same period last year.

IN THE LAST quarter, an average of 86 houses per month was sold in the area, said Dr. Arthur Wright of the Texas A&M Real Estate Research Center. That is 34 percent below the number sold in the third quarter, he said, but normal if seasonal differences are taken into account. The number of homes sold in the first three quarters of 1978 were 58, 110, and 131, respectively. There were 693 new homes built in the area in the first 11 months of 1978, 2 percent below the same period in 1977.

"There is a slight slowdown in activity from 1978," he said. "If money

stays tight, it will go down a little.

The Multiple Listing Service which most real estate companies use to list all properties for sale, boasts a current 1,100 listings. The company prints a new book each week which lists all houses and acreage for sale by real estate companies.

Each listing gives a description of the house or acreage, and the age and approximate square footage if it is a house. The book is for sole use of real estate companies, and is not available to the general public. So far in 1979, MLS has 48 new residential listings in Bryan, and 20 in College Station. It lists 133 total sales for 1979. Seventy-one firms currently are members of MLS, up from about 50 members a few months ago.

WRIGHT SAID THE total number of licensed real estate agents in the area is up, too — 365 licensed salespersons, compared to 192 in May 1978.

"That number is misleading," Wright said. "There are a lot of licensed sellers who are not currently in the business."

With so many licensed realtors in the area, real estate is extremely competitive. But it is a "friendly competitiveness," Playter said. The Board of Realtors is designed to create friendly feelings between realtors, she said.

"We're in a fortunate area here," she said, "because we're still growing. People are moving here from the north, and A&M is continuing to grow." Playter also said the oil activity in the area has affected its whole growth. "The future looks very bright," she said. "We're centrally located, and the quality of life here is super. That puts a real good light on real estate."

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