

Taking Stock: CPAs know the ABCs of lending

by Malcolm Berko

Dear Mr. Berko: We are trying to help our daughter and her husband secure a \$200,000 mortgage on a house they want to buy. I saw an advertisement by Lending Tree and after speaking with a man there he offered a \$200,000 mortgage with payments of \$896 a month, not including taxes and insurance. That seems to be a good deal especially since our kids have less than stellar credit. The mortgage man at Lending Tree keeps calling me and wants us to do papers. That seems like a good deal but my husband suggested that you might know a better mortgage for our kids so I am writing you and I'm going to shop it around. What do you think?

B.R.

Erie, Pa.

Dear B.R.: Unfortunately many firms in the home mortgage business frequently advertise partial truths (Lending Tree is a partial truth advertiser) while even more firms are guilty of outright, downright, bold-faced lies.

Because the math IQ of most American consumers functions at the grade school level, mortgage companies are making a bloody fortune taking the proverbial American sucker to the cleaners. In my opinion, that Lending Tree advertisement is criminally disingenuous.

I'm going to make this simple for you and your kids. Current 30-year mortgage rates for borrowers with good credit are 6.5 percent and your kids don't have good credit. For the sake of this discussion, assume that the lender is going to charge 6.5 percent interest on a \$200,000 mortgage. Well, the payments on that \$200,000 mortgage are (6.5 percent times \$200,000) \$13,000 a year or (\$13,000 divided by 12 months) \$1,083.33 a month, not including monthly principal payments or taxes or insurance. That's \$187 more per month than the \$896 rate those iniquitous flimflam bandits at Lending Tree quoted you. Now I'm not going to show you the math, but \$896 a month on a \$200,000 mortgage is a 5.375 percent interest rate and even retired termite inspectors can't get rates that low.

The tactics of most mortgage lenders are unconscionable and if they hook you with their talons they'll gleefully suck the marrow from your bones. Tell the Lending Tree people to bug off and if they continue calling, then use stronger language.

Because the "hidden" fees are so high and because it's so easy to baffle and bewilder the consumer, the home mortgage business is plagued with con artists and swindlers who snicker and tittle when suckers respond to their shifty advertising. I can't recommend a mortgage company to you and I won't recommend an attorney, either. They're equally in cahoots and wash one another's backs. Who do you think prepares those small-print mortgage documents wherein you unknowingly pledge the body parts of your first-born and indenture your granddaughter? The abuses and horror stories would make your flesh melt.

A home is the largest purchase most of us will ever make. Most of us wisely do a lot of research prior to signing the purchase contract. You verify real estate taxes, square footage, schools and shopping convenience. You have the home inspected by a professional who checks the nooks and crannies with a "fine-tuned comb" and gives you a list of every problem. Then a termite inspector probes and surveys the house and gives you a termite warranty. And if you have plans to add a pool or family room or a sprinkler system you know to the penny how much that will cost you.

But when it comes down to the mortgage, few borrowers bother to compare or check the terms even though this is the largest loan that you will ever sign in your life and you're on that hook for 30 years. The best person to really help you here is not your attorney, certainly not your banker and really not the real estate broker who is selling you the house. Many of the people feed off each other like groveling apple-polishers. But I would trust your accountant. And don't expect him to give you a freebie. You're paying the real estate broker a huge fee and you're also paying the attorney a ridiculous fee for double-checking his boilerplate documentation. And the folks who staff the offices at your branch bank are basically dot-connectors and are not hired for their analytical skills.

But certified public accountants, at least those I know (and I know a lot of them), are often the sharpest tool in the shed. In a glimpse and glance, most CPAs can tell you if a mortgage is fair, fraud or in between. And that advice is worth a couple of Benjamin Franklins because he can save you tens of thousands of dollars right off the bat.

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