

# Housing loan program interest rates increase

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A recent increase in interest on loans for rural housing means that a person buying a \$100,000 home in rural Alaska will have to pay about \$200 more per month for their dwelling.

The loan interest increase went into effect Sept. 1 as a result of a transfer of a rural owner-occupied housing loan program.

The program was transferred from the Alaska Housing Finance Authority to the Department of Community and Regional Affairs for administration in July 1.

The program provides home loans to people living off the railroad system and living in municipalities of less than 4,500 population.

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# Interest increase could mean \$200 monthly added payment

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Persons living in those areas frequently have had a difficult time obtaining bank loans for their home buys because banks often are unwilling to loan money to people living in such areas.

The interest has been increased from a rate of 8.75 percent to 10.5 percent per year according to Ray Price, deputy director of the program.

At that rate, monthly payment on a home costing \$100,000 in rural Alaska would increase from \$787 to \$914 per month for principal and interest payment.

That increase may mean that potential home owners won't be able to buy or will be buying cheaper homes or mobile homes.

According to Floyd Breeden of the Housing Assistance Division in Nome, a house in the Bering Straits area costs from \$65 to \$100 per square foot to build. A recent appraisal for six homes being built in Nome came in at the \$100 per square foot rate, said Breeden.

Breeden said the average home in the area runs from 800 to 1,200 square feet which means a price of from \$80,000 to \$120,000.

Breeden said the standard

rules for home loan eligibility is that the total borrower's debt can't be more than 40 percent of the gross income of the borrowing person or couple.

So, if a person bought a \$100,000 home at the old interest rate of 8.75 percent of and it was his only debt, his payment would be \$787 per month which would mean that borrowing person would have to earn \$1,967 per month.

At the new 10.5 percent interest rate, a borrower would have to pay \$914 per month and would have to earn \$2,285 per month.

If that borrower had a debt of only \$500 per month for utilities, car payment and food costs, at the old interest rate his monthly payment would be \$1,287 and his monthly income couldn't be lower than \$3,210 to qualify for the loan.

At the new rate, with payments of \$500 per month plus the house payment, the borrower's monthly income couldn't be less than \$3,535.

The annual difference salary would be \$4,000 with the new interest rate.

Houses which are classed as non-conforming structures carry a much higher interest

rate of 12.75 percent on a loan. Non-conforming structures are ones which aren't acceptable for loans because of any number of factors such as foundations which don't meet building codes or floors

which aren't considered normal.

Price said that even though the interest rate has increased for rural areas, the interest rate still is lower than the 12.75 percent rate charged urban borrowers

