



# HINTS FOR HOMEBUYERS

## Favorite Ways To Finance A Home

(NAPSA)—The American dream of homeownership is being realized at a fantastic rate these days. Almost 70 percent of Americans are homeowners.

One reason may be the popularity of the fixed-rate mortgage compared to adjustable rate mortgages. Recently, low interest rates have also lured consumers.

The generally longer term of the fixed-rate mortgage enables a lower monthly payment, which facilitates lower payments-to-income ratios and therefore, higher levels of housing affordability among moderate and low income buyers.

“The fixed-rate mortgage is a cornerstone of the U.S. housing finance system and has been instrumental to the accrual of wealth on the part of many households,” said Stuart Gabriel, Ph.D., director of the University of Southern California (USC) Lusk Center for Real Estate. He says the fixed-rate mortgage was introduced in the U.S. by the Federal Housing Administration during the Great Depression.

The secondary mortgage market also makes it easier for many to buy a home. In that system, home loans are pooled and sold to investors. This lets more investors finance mortgages and helps banks and other lenders share the risk. This keeps up the supply of money available for mortgages.

In today’s housing finance system, mortgage origination, underwriting, servicing and holding are separable activities often per-



**Americans prefer the predictability of a fixed-rate level payment to an adjustable rate mortgage, a recent study shows.**

formed by different entities. Borrowers and lenders now have much greater choice. It encourages Internet-based lenders and may make lenders more responsive to borrowers’ needs.

“The fixed-rate mortgage has had a significant impact on the increase in homeownership in the U.S. We’re at an all-time high largely as a result of government policies that produced the fixed rate mortgage and the secondary market,” explained Rick Davis, president of the Homeownership Alliance, a coalition of more than a dozen organizations committed to ensuring support for the American housing system.

To download Dr. Gabriel’s study, go to [www.homeownershipalliance.com](http://www.homeownershipalliance.com). For more information on the Lusk Center for Real Estate, go to [www.usc.edu/lusk](http://www.usc.edu/lusk).