



## Investments.....Income Producing Property

Stock market got you down? Among the alternatives is an investment in income-producing residential property.

“We’re seeing a large increase in the number of mortgage applications for these kinds of properties,” says Jerry Frate, president of Rochester Area Mortgage Services. “The return on investment can be very good, given the consistent appreciation in the value of housing and the doldrums of the stock market.” But like most other residential real estate transactions, there are some terms and conditions that must be fully understood.

An investor who wants to purchase a building that has up to four dwelling units can apply for a residential mortgage; exceed four units and you’re looking at a commercial mortgage.

If the investor decides to live in one of the units, an owner-occupied (OO) mortgage is available. If the investor decides *not* to live there, a non-owner occupied (NOO) mortgage is available, and the terms differ between the two. The variables are amount of down payment, interest rate, points, and the number of units in the structure.

Generally, a NOO will require a higher down payment and perhaps a higher interest rate than does an OO. Why? “Most lenders acknowledge that if an investor actually lives in a building, the building will be better monitored and cared for,” says Frate. “Still, an NOO remains attractive and if you’re up to the task of becoming a landlord who doesn’t live on the property, you may reap some financial rewards in these kinds of properties.”

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