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Obama in the Mortgage Hot Seat

In light of recent discoveries about Senators Christopher J. Dodd (D-Conn.), chairman of the banking committee; and Kent Conrad (D-N.D), the terms of Senator Obama's loan in January of '05 is under a little more scrutiny than it might be otherwise.

Senator Obama was sworn in as the Senator of Illinois on January 4, 2005; at the time his annual income was \$162,100. Within the month of Senator Obama taking office Random House agreed to reissue an Obama memoir, which they had originally paid \$40,000, within a \$2.27 million deal that also included two future nonfiction books and children's books.

About the same time as the Random House deal, Michelle Obama received a promotion to a vice president of the University Of Chicago Hospitals which more than doubled her pay to \$317,000.

With the sudden influx of income the couple wanted to graduate from their \$415,000 condo and did so by purchasing a home with six bedrooms, four fireplaces, a four-car garage and 5 1/2 baths, including a double steam shower and a marble powder room. The home also included a wine cellar, a music room, a library, a solarium, beveled glass doors and a granite-floored kitchen.

It's not uncommon for a family that has dramatically increased their income to look for nicer accommodations. It looks as though the Obamas received excellent terms on their loan. Senator Obama was able to lock in an interest rate of 5.625 percent on the 30-year fixed-rate mortgage on a \$1.32 million loan from Northern Trust Illinois. The rate Sen. Obama received, however, was reportedly lower than the average offered at the time in Chicago for similarly structured jumbo loans. It is possible to "buy down" the rate on a loan by paying origination fees and discount points, but the Obamas didn't do either.

CBS News reports the Obama campaign as calling the rate he received "consistent with Northern Trust policies, and it reflected the base rate set for that period discounted to address the competition for the account and other opportunities, such as personal financial services, that the relationship would bring to Northern Trust."