

524 SAND HILL CIRCLE • MENLO PARK — 3BR/2.5BA



Active Listing

Elegant, inviting, remodeled Golf Course unit; biking distance to Stanford University; 30-40 minutes to downtown San Francisco; and 20 minutes to San Francisco and San Jose airports.

LIST PRICE \$1,165,000

See virtual tour at www.524SandHillCircle.com

SOLD — 29 IRVING, ATHERTON



Sold

Lindenwood Contemporary, 1 acre 4/3, Separate Family Room, Separate Dining Room, Pool and Spa
SOLD co-listed Lyn Cobb

LIST PRICE \$2,795,000

SOLD OFF MLS — 776 BERKELEY, MENLO PARK — 3BR/2.5BA



Sold off market

3/2 Menlo Oaks
1961 Custom Ranch,
1/2 acre with pool,
in need of remodel

LIST PRICE \$2,150,000

SOLD OFF MLS — 612 SAND HILL CIRCLE, MENLO PARK — 3BR/2.5BA



Sold off market

3/2.5 plus Family Rm and Office. Extensively remodeled including Expanded Kitchen

LIST PRICE \$1,275,000

COMING SOON! WEST MENLO — 4BR/3BA

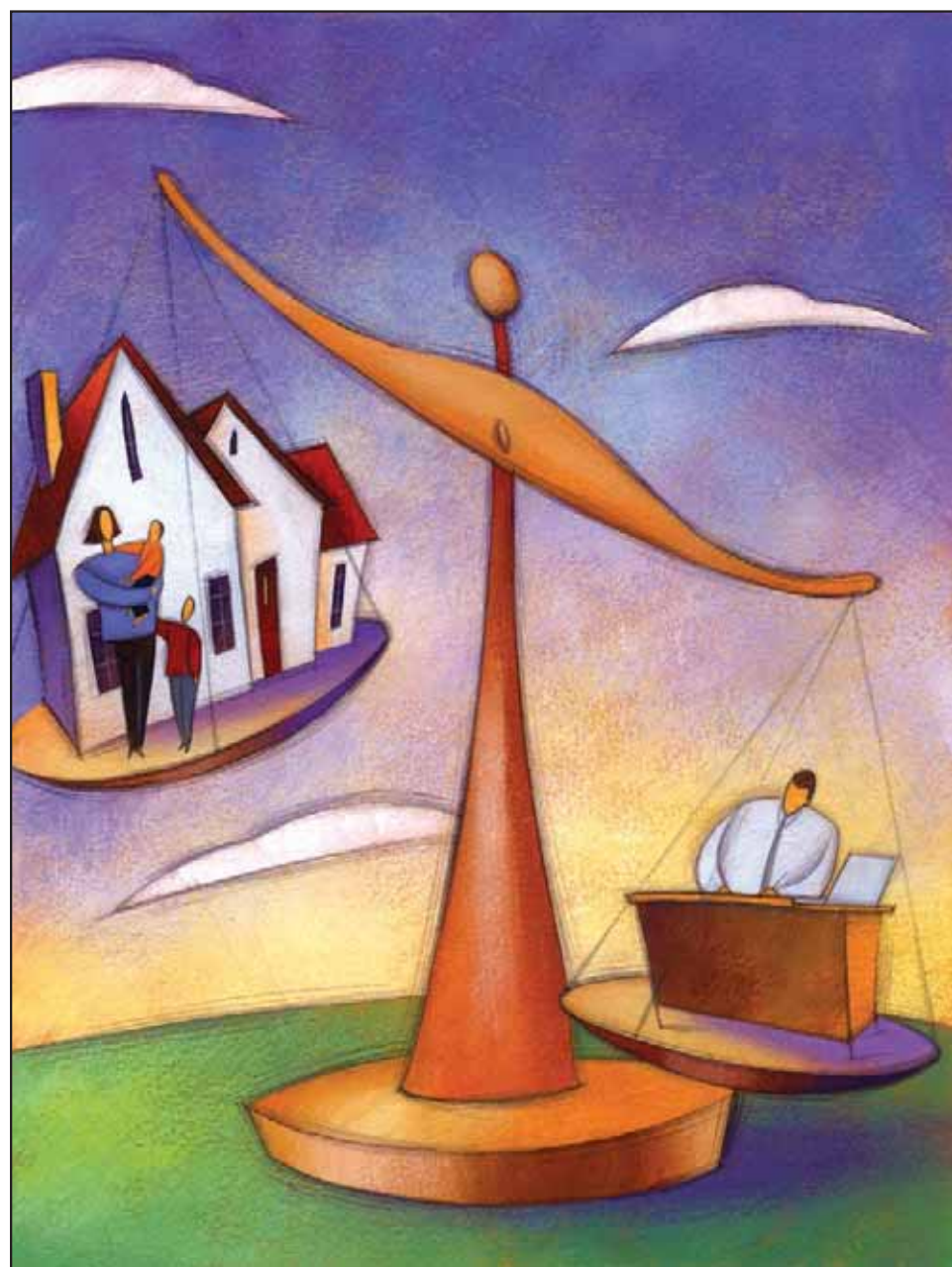


Coming Soon!!

2 Story home on 10,000+ sq. ft. lot, 4/3 Plus Fam Rm. Separate Two Room Cottage suitable for office, guests. Las Lomas schools.

Deanna Tarr

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Mortgage market on the *upswing*

Applications increasing but lending standards still strict

by **Kris Young**

Lending standards are still strict since the housing meltdown, but local experts have noticed a recent uptick in mortgage applications.

Borrowers are responding to the current low mortgage rates, declining home values and increased consumer confidence, according to Tracie Southerland, a mortgage advisor with Opes Advisors in Palo Alto. "In the last several weeks, the number of buyers coming in and requesting to get pre-approved to buy a home has gone up significantly," she said.

It's good news for the lending market that has gone through

what Southerland likens to the swing of a pendulum. "August 2007 is when everything shifted dramatically for the lending environment," she said.

"If you had a pulse and a credit score, they would lend you money. It didn't make a lot of sense, and there weren't a lot of risk calculations going on. And now it's swung over here ... it's very cumbersome to get a loan these days," she said.

But for those who qualify for a mortgage, interest rates have plunged. "A year ago when somebody got a conforming loan, many of them were somewhere in the low-to-mid-6 (percent) range, and those people are now in the high-4 range," she said. The percent change in interest can save a borrower tens of thousands over

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Margot Lockwood presents...

1100 Hillview, Menlo Park

OPEN SUNDAY

Offered at \$1,599,000



The combination LR/DR w/lovely built in entertainment center, firepl & fr drs/wndws showcase the patio & lush landscaping. The

bedroom wing offers 3 BR & 2 BA. Kitch w/granite, breakfast nook & bay wndw. 2-car garg, 10,800 sq. ft. enclosed yard in central Menlo.

839 Canada Rd., Woodside

OPEN SAT & SUN

Offered at \$1,599,000



3 BD, 2.5 BA hm on 1 acre of Indscpr horse prpty. Features include River Stone firpl fr

to ceiling in the LR; Pecan hrdwd flrs, granite tile kitch, Cherry cabnts w/leaded glass & stainless steel appl. 3 stall barn w/rubber mats & waterers that open up to sand paddocks along w/wash rack/grooming area and well drained arena.

1820 Portola State Park Road, La Honda

Offered at \$825,000



Craftsman Cottage in Setting. Nestled

amongst 6 beautiful acrs of Heritage Redwood. This 3 BD, 2 BA home w/2+ car garg borders Portola State Park. Horse property w/pasture & view of the mountains. Co-listed with Athena Chilicas

365 Coronado, Half Moon Bay

OPEN SAT APRIL 25 & SUN MAY 3 • 2PM-4PM

Offered at \$989,000



Mediterranean coastal retreat! 3 bed, 2.5 bath, 4th bed or 2nd office, 2 car garage home. Tranquil ocean views and walking distance to Miramar Beach make this home perfect. Co-listed with Bob Jones

For more information or Virtual Tour visit www.margotlockwood.com



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Mortgage markets

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the lifetime of a loan.

Additionally, lower interest rates are attracting previous homeowners looking to refinance. Rick Stern, founder of Stern Mortgage Company in Palo Alto, said most of their business this year has been focused on refinancing homes. "If anybody is in the 6s at this point, they should be talking to somebody to find out if they can lower their payments," he said.

"Lenders are looking for three things: your ability to pay, which is your income; your willingness to pay, which is your credit score; and then the security, which is the property. And if all those three things are good, it should be easy," he said. What this means in today's market is that lenders want higher credit scores, higher incomes, more money down and a strong debt-to-income ratio from the borrower.

"When a lender says what you can qualify for, they're looking at gross income against debt. But what's not part of that debt picture is childcare, saving for college, saving for retirement, the kid's soccer. None of that is considered in this debt-to-income ratio. For a lot of people that's a more significant expense than debt is," Southerland said. The standard qualifying guidelines for debt-to-income ratio is 45 percent, she said.

No longer can improvident home buyers qualify for 100 percent-financed, no money-down loans and not document their income. "We should never go back to those lax guidelines. We've learned a lesson from that, I hope," she said.

Also gone are stated-income loans, which gave borrowers relief from fully documenting their income and was popular with the self-employed — eventually called "liar loans" because of borrowers' tendencies to report false earnings. Self-employed people now have to provide at least two years of tax returns to prove their income, she said.

Adding to the hurdles of acquiring a mortgage loan is Palo Alto's expensive housing market. "Palo Alto is last-in and first-out in regards to a recession economy," according to Chris Trapani, president of Sereno Group Real Estate in Los Altos. Based on information from MLS Listings Inc., he said, the median closing price for single-family homes in Palo Alto was \$1.395 million for February 2009, compared to \$1.675 million for the same month in 2008. That reflects what is selling, not necessarily a depreciation in home values, he said.

Experts recommend that a borrower put 20 percent down on a home for the easiest and most cost-effective route to acquiring a mortgage.

The lowest interest rates available are

through the two types of conforming loans that are secured by government-backed Fannie Mae and Freddie Mac. A conforming loan is capped at \$417,000 and requires a minimum 10 percent down payment. High-balance conforming loans are capped at \$625,500 and a minimum 15 percent down is required. (The limit for conforming loans is based on median housing prices in each county and will be increased to \$729,750 in the upcoming months, due to the government stimulus package passed earlier this year, Southerland said.)

In instances when borrowers can not afford 20 percent down, they are required to purchase mortgage insurance until there is 20 percent equity in the house, she said.

Past the limits of government-backed conforming loans are jumbo loans, which can go into the millions. A minimum of 20 percent down is required to qualify for jumbo loans, and the larger the loan amount, the more down required.

Interest rates vary for each loan type and are also dependent on a borrower's credit score and down payment. In late March, generally, conforming loan interest rates are 4.875 percent, high-balance conforming loans are .25 percent higher and jumbo rates even higher, Southerland said.

For borrowers who could otherwise qualify for a loan but stumble on the high down-payment requirements, there remain few options in today's stringent lending market.

A Federal Housing Administration, or F.H.A., loan only requires 3.5 percent down. The loan amount is capped at \$729,500, meaning most Palo Alto homes would not qualify, she said.

Another option is an 80-10-10, also called a piggyback loan. A borrower would qualify for one mortgage at 80 percent of the house, get an additional mortgage for 10 percent

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and put 10 percent down. Lenders for these are few and far between, she said.

But for borrowers who qualify for a loan, the option exists to further lower their interest rate by paying "points." A point is equal to 1 percent of the total loan amount and allows the borrower to pay additional principal up front in exchange for a lower interest rate from the bank. Points can be paid by the buyer or a seller wishing to make their house more attractive on the market.

"You pay the points and you're going to have a significantly lower interest rate, and that's long term," Stern said.

Tim Kettmann, South Bay Area manager for Wells Fargo home loans, said to some extent the lending market is returning to old standards. It's not all doom and gloom in the lending market, "mortgage rates are at historical lows," he said. ■