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REAL ESTATE

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MARKET WATCH

Fixed mortgage rate drops for seventh week

By Derek Kravitz
AP Real Estate Writer

WASHINGTON — Fixed mortgage rates slid for the seventh consecutive week, but the lowest rates of the year have done little to lift the struggling housing market.

Freddie Mac says the average rate on the 30-year loan fell to 4.55 percent from 4.60 percent.

The average rate on the 15-year fixed mortgage, a popular refinance option, slipped to 3.74 percent from 3.78 percent. Both are lows for the year.

Rates tend to track the yield on the 10-year Treasury note, which has dropped over fears that higher energy prices could slow economic growth this year.

Most people are unable to take advantage of the lowest mortgage rates because they can't meet tougher lending requirements. And those who could afford to refinance likely did so last year, when rates fell to the lowest levels in decades.

Sales of new and previously occupied homes rose in April. But sales are well below healthy levels.

Waves of foreclosures have pushed prices down. Many would-be buyers are holding off, worried that home prices have yet to hit bottom.

Home prices fell in the first three months of this year to the lowest levels since before the housing bust.

Prices are expected to keep falling until the glut of foreclosures for sale is reduced, companies start hiring in greater force, banks ease lending rules and more people think it makes sense again to buy a house.

In some markets, that could take years.

To calculate average mortgage rates, Freddie Mac collects rates from lenders across the country on Monday through Wednesday of each week. Rates often fluctuate significantly, even within a single day.

The average rate on a five-year adjustable-rate mortgage stayed flat at 3.41 percent. The five-year adjustable rate loan hit 3.25 percent in April, the lowest rate on records dating back to 2005.

The average rate on a one-year adjustable-rate loan rose slightly to 3.13 percent.

The rates do not include add-on fees, known as points. One point is equal to 1 percent of the total loan amount.

The average fee for the 30-year fixed loan in Freddie Mac's survey was 0.6 and it was 0.7 for the 15-year fixed loan. The average fee for the five-year ARM and the 1-year ARM was 0.6 point.

REAL ESTATE STATISTICS

Multiple Listing Service market statistics for cities in the San Gabriel Valley-Whittier-Pasadena area:

Sales this week: 208.

Sales for the same period in 2010: 493.

YTD sales: 6,580.

YTD sales for the same period in 2010: 7,146.

Available now for purchase: 6,499.

Properties currently in escrow: 3,661.

Source: Tony Santana, First Team Real Estate, Whittier.

LOS ANGELES COUNTY

INTEREST:
4.375%
30-year, fixed
Last week: 4.375%

MEDIAN HOME PRICE:
$290,120
Last month: $282,170

AVERAGE FORECLOSURE SALES PRICE:
$309,557
Last week: $309,113

source: MortgageTree Lending in Covina; Eurydice Turk, Prudential Wheeler Steffen Real Estate Inc., Claremont

Sarah Reingewirtz / Staff Photographer
Realtor Donna Baker of Podley Properties shows a Pasadena home on Douglas Street during an open house for Realtors and brokers on June 2. Baker said listening to nonprofessionals is one of the common mistakes people make in real estate transactions.

What not to do

Professionals report the biggest mistakes people make

By Toni Momberger

Buying and selling real estate are major events. It's important not to sabotage yourself.

I polled all of the professionals in my email database about the biggest mistakes people make in real estate.

Overwhelmingly, the most common answer was **sellers' overpricing property**.

"The biggest mistake here is not listening to that Realtor, especially when it comes to listing price," said Annette Marchain of Prudential California Realty in Pasadena. "So many sellers make the mistake of thinking that they know the market better, even though they aren't living the business on a daily basis. Overpriced property sits on the market. That's a fact. After two weeks on the market it becomes stale, and now you are chasing, instead of leading, the market."

"Everyone wants to see the highest and best. But the way to get there isn't overpricing, but rather UNDERPRICING a smidge, let the bidding wars begin! Have seen it over and over again...," said Deborah Lowry of Keller Williams Realty in Highland.

"Overpricing a home remains a top obstacle," said Richard Bounce of Bounce Realty in Apple Valley. "Sellers feel their home is better than others that have sold, so they generally want a higher price. Sellers have to realize that it is the buyers that set value, not sellers. One sentence I hear all the time is that sellers want to 'test the market.' Not sure what they are testing, but unless you have a home that is truly superior, it is best to list at market value if you want to sell within a reasonable time frame."

"Sellers don't understand they can't price the home using 2007 selling prices even though you show them today's comps (sales comparables)," said Nancy McSween of Podley Properties in Pasadena. "Instead of pricing the home with a realistic sales comparable, the sellers insist on listing at a higher price and when there are no showings, the home sits while going through multiple price reductions. Once the house has been reduced, the first thing prospective buyers ask is 'How long has the house been on the market?' and then they think there is something wrong with the home, the home must not be desirable."

"Even when presented with hard numbers sellers still want to price high, not realizing the first two to three weeks is when you get the most buzz for the property," said Jaime Fernandez of Prudential California Realty in Rancho Cucamonga. "This is when you have the highest potential to capture buyers or end up on the shelf as a 120-plus day listing because the property was not priced right. It's not about what the seller wants; it's what the market will bear for that property. Numbers are numbers and they don't lie."

"On the seller side, it is an unrealistic asking price," said Michael Espiritu of Elite Realty Group in Yucaipa. "Many agents unfortunately do not know how to correctly price a listing. If obtaining a loan, an appraiser will use comparable sales data from the last 90 days within a mile (ideally) radius. If there are upgrades to a property, then adjustments should be made on value. Because a seller paid $50,000 for a pool does not equate to a $50,000 increase in value. It also does not matter what the seller paid for the home or owes on the home. Properties that sit are almost always priced incorrectly. There are homes in poor condition that sell and estates that will sell—if priced correctly. Price is everything."

The next most common answer was **not cleaning or staging a home for sale**.

Janine Shedlock of Keller Williams Realty in Rancho Cucamonga recommends refreshing paint, shampooing carpets, hiring a stager and doing front yard landscaping.

"Even if it's a fixer, the seller will get more if the house is simply cleaned—thoroughly," said Lee Bothast of Coldwell Banker Residential Brokerage in San Marino.

"Sometimes sellers do not consider the most minimal of things, such as curb appeal, color schemes and perhaps changing to neutral colors, shampooing or replacing carpet, and clutter!" said Yolanda Andrade of Weichert Realtors, Foothill Properties in Upland. "First impressions are lasting impressions. Pet smells should be camouflaged by room deodorizers."

"You want the buyer to see the house, and sellers' pictures of their family just distracts from the viewing of the house. Too much furniture also detracts. If you are not keeping it, get rid of it now. Less is better in this case. Clean off counters. Bare is better. Yet most agents are afraid to tell a seller this stuff due to the fact they might hurt feelings. This is about selling their home. They want and need an agent who will be straight with them," said J.R. Allgower of Century 21 Best Properties in Yucaipa.

"The biggest mistake I see is that they are not prepared," said Ed Vasquez of Realty Executives Experts in Rancho Cucamonga. "In showcasing your home you

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Avoiding the little bombs in the loan process

By Brian Weide

It is common knowledge these days that the loan process is more daunting than it was as late as 2007. Little flaws in a borrower's profile that at one time could be swept under the rug, can now sink the hopes of a prospective borrower of getting the loan needed to either refinance or purchase a property. Many of these pitfalls, some of which are subtle, can be avoided, however, if planned for ahead of time.

Let's consider a Federal Housing Administration or Veterans Affairs loan for instance.

As I've reported in the past, if a married individual should want to buy a home alone, without a spouse, fine. But the spouse's credit must be considered for additional debt over and above that of the borrower.

BRIAN WEIDE
Loan officer

The No. 1 reason a married person would buy without the spouse is that the spouse's credit is blemished in some way, or does not meet the minimum credit-score requirements to obtain financing. Generally speaking, collections or late payments which appear solely on the non-borrowing spouse's credit will not be a major factor in determining the credit worthiness of the spouse, who will actually be taking out the mortgage.

But what will be considered is additional debt. The borrower will have to qualify not only with the debt in the borrower's own name, but debt that may be solely in the name of the spouse as well.

This is because California is a community-property state, and FHA/VA considers that all community debt is the responsibility of both parties in a marriage or domestic partnership. So the borrower will be qualified with monthly bills alongside those of a spouse; or not qualified, as the case may be.

The other thing that must be watched out for is major problems with real estate debt on the part of the non-borrowing spouse. I've seen situations in the past year where a home that was in the name of a non-borrowing spouse had been lost to foreclosure. In one particular case, the borrower's name was neither on the loan nor title of the house that was lost to foreclosure, and yet the new loan was turned down in underwriting due to the fact that, in the underwriter's opinion, the borrower and spouse were both living in the foreclosed home at the time the loan was delinquent and the borrower had enough income at the time to help save the home--and yet did nothing to help do so. In the underwriter's thought process, therefore, our borrower had taken part in a strategic foreclosure, even without being on title to the property or obligated to the loan, and not, therefore, entitled to new financing. Because this took place in California, the foreclosed property was considered to have been tied to our borrower even though there was nothing in writing to that effect. The fact that the borrower was legally married to the non-borrowing spouse at the time of the foreclosure in a community property state created the connection.

If the aforementioned foreclosure had taken place prior to the marriage of our borrower and the non-borrowing spouse, there would have been no issue here.

The moral of this story is that spouses have responsibility for each other's real property in a community property state, at least in the eyes of FHA and VA.

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