

Schniepps' Real Estate and Mortgage News

Vol: 2
Issue: 8
August 2007

North County Housing: The 2007 Mid-year Update

by Mark Schniepp

Following sharp declines in 2005 and 2006, existing home sales in the North County have fallen further during the first half of 2007. The area has been one of the hardest hit regions of California this year.

In the first six months of 2007, there were 373 home sales in the Santa Maria Valley, compared to 487 sales in the first six months of 2006, a decline of 23 percent. This year's decline follows a 37 percent decline in sales between 2005 and 2006. Total transactions in the Santa Maria Valley real estate markets have dropped 52 percent in the last 24 months.

All areas of the Valley have been impacted by the current real estate correction, though the decline has been greater in the City of Santa Maria than in Orcutt.

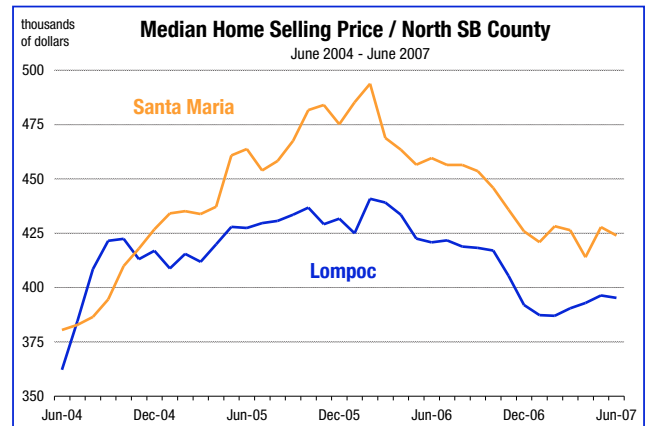
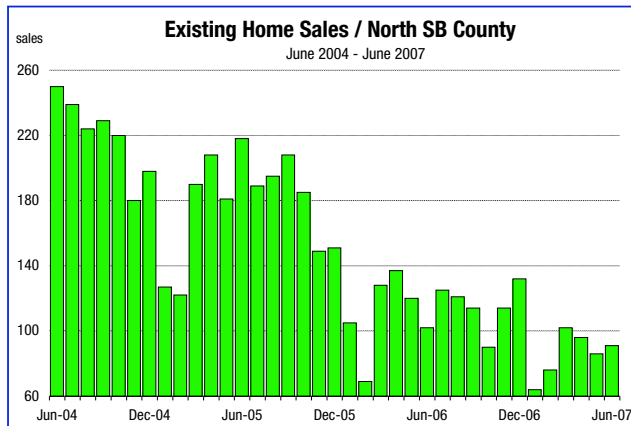
At the current pace, total sales in 2007 will be at the lowest level since 1995 and 60 percent below the peak year of 2004.

Selling values in the Santa Maria Valley during the first six months of 2007 fell 10 percent compared to the first six months of 2006. The current median price has now fallen to the same level that prevailed at the end of 2004.

In the first six months of 2007, there were 142 home sales in the Lompoc Valley, compared to 174 sales in the first six months of 2006, a decline of 18 percent. This follows a 35 percent decline in sales from 2005 to 2006. Total transactions had dropped 47 percent in the last 24 months.

At the current pace, total sales in 2007 will fall to the lowest level since 1994 and 53 percent below the most recent peak year of 2004.

Selling values in the Lompoc Valley during the first six months of 2007 fell 8 percent compared to the first six months of 2006. The current median price is at the same level that prevailed during the second half of 2004.



North County	Sales			Median Prices		
	2005	2006	2007	2005	2006	2007
January - June						
Lompoc Valley	269	174	142	\$421,300	\$429,200	\$393,100
Santa Maria Valley	777	487	373	\$446,800	\$470,000	\$421,600

*Information presented is for the periods January 1 - June 30, 2005, 2006 and 2007
Source: First American Real Estate Solutions

Tightening Lending Standards: How will recent changes in lending practices affect you? by Susan Schniepp

In April, we addressed the question: "How will the subprime mortgage crisis affect you?" Just five months ago, the mortgage market for consumers with solid credit hadn't been impacted by problems with subprime loans. In fact, the only change at that time was a slight reduction in opportunities for 95% or 100% financing.

However, lending standards have become more restrictive over the last few months. If you are currently in the market for a home, a new mortgage or a home equity line of credit, you may encounter the following:

1. Restrictions on Home Equity Lines

Guidelines are becoming more restrictive for second mortgages. Even for borrowers with excellent credit, most lenders are no longer allowing 100% financing on "stated income" loans. (A stated income loan means that the source of the income is verified but the amount of the income is not.) One of the largest home equity lenders just announced that it will not do any "stated income/stated asset" home equity lines, regardless of the loan to value ratio. In addition, only a few remaining lenders will approve a home equity line behind a first mortgage that has the potential to negatively amortize.

Since opportunities have been disappearing in the recent months, it doesn't make sense to wait if you are in the market for secondary financing.

2. Increased Scrutiny for Stated Income Borrowers

Underwriters are reviewing applications with stated income in much greater detail. Previously, numerous lenders allowed wage earners to state their income. Some lenders have limited their stated income loans to self-employed borrower only, and require proof that the borrower is self-employed, such as a CPA letter or business license.

3. Reserve Requirements

A number of lenders are increasing the requirements for the amount of reserves (cash, savings, retirement or investment accounts) that a borrower needs to qualify for a new loan.

If you have questions or concerns about how you may be personally impacted, please don't hesitate to call or email to discuss options and solutions.

Although change can be stressful, the revisions in the Lending Industry are for the protection of both borrowers and investors.

Upcoming Real Estate Outlook Conferences

September 6: 2007 Ventura County Real Estate and Economic Outlook, sponsored by First American Title, Hyatt Westlake, 8:00 – 10:45 AM

September 20: 2007 Santa Barbara County Real Estate and Economic Outlook, Fess Parker's Double Tree Resort, Santa Barbara, 7:30 – 11:00 AM



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California Economic
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