

THE TREND!

California	
Median Price-SFH	Date
\$301,790	03/10
\$279,840	02/10
\$249,790	03/09
Sales change Prior Month -2.5%	
Sales change Prior Year 2.5%	
Sacramento	
Median Price - SFH	Date
\$183,330	03/10
\$180,000	02/10
\$169,300	03/09
Sales change Prior Month 41.6%	
Sales change Prior Year -5.4%	
Source C.A.R Research Dept.	

SACRAMENTO

Ph: 916.675.1177

Fx: 916.405.4470

BAY AREA

Ph: 510.344.0024

HOUSTON

Ph: 713.952.6092

Fx: 281.668.5002

P.M.I. back in the saddle again!

Private Mortgage Insurance or P.M.I is required by lenders on mortgages held on properties with less than 80% equity. To avoid this fees on a new purchase, you need to put down 20% or more of the cost of the property. The real estate slump created a vacuum for this insurance, as most of the companies insuring the lenders against these mortgages fled the market, worried about deflating real estate equity.

To the rescue was FHA loans which literally was the only alternative safety net for borrowers who did not have 20% or more to put down. However, there are four different costs associated with FHA loans,

1. Upfront one-time agency fee which can be as high as 2.25% of the loan,

2. Monthly premium of 0.5% of the loan.
3. Possibly a higher interest rate than conventional loans, thus requiring buy downs, which add additional cost to the loan.
4. F.H.A. also requires the premium payments for five years.

For instance for a mortgage of \$300,000, an upfront fee of up to \$6,750 is due at mortgage initiation, payable by the borrower at closing, or added to the mortgage. Add monthly cost of \$150 for five years for a cost of \$7,500. In this scenario, the buyer will incur a total cost of \$14,250, this does not include the cost for a higher interest rate which could run several thousands of dollars over the cost of the loan, if the borrower did not buy down the rate.

By using a conventional loan, with a P.M.I., the initial fee of \$6,750 is eliminated. Moreover, you do not have to wait for five years to drop the P.M.I. premium, you can remove P.M.I. when the equity on your property is 20% or more. However, P.M.I. premium is a little higher than FHA fees, currently at about .0.6% to 0.7%. The current fees is historically higher than what was the norm prior to the beginning of 2008 when P.M.I. companies pulled out of the market.

Now that P.M.I. companies are back in the market, you can now obtain conventional mortgages with 5% down, however, they are requiring very good credit scores. Most are requiring scores of 720 or above, but are making some exceptions to the guideline, so check with your broker.

Al Som-Any, MBA, Broker

Pre-Listing Inspection, Should I do it?

Most agents suggest that sellers conduct inspection of their homes before listing it. I personally have a different opinion of this subject. For sellers, I suggest you conduct your own inspection and fix things you can and list the property, disclosing all issues you find. The reason being that if a professional inspection is conducted, you are

bound to disclose any reported item, whether relevant or not in the *Transfer Disclosure Statement*. Moreover, the buyer's agent is bound to issue to their client a *Buyer's Inspection Advisory*, which instigates the buyer to conduct an inspection of the property. This will save the seller hundreds of dollars, which the buyer will insist on

paying to get an independent perspective of the property, regardless of the inspection conducted by the seller. So why should the seller spend that money in the first place.

The important thing here is that the seller should disclose all they about the property, but save money doing so.

Al Som-Any

