



## Case Studies for 2011

Couple A wants to buy a large custom home in the Clovis school district and expect to pay at least \$575k. They currently do not own a home and have up to 20% down payment with good credit and income. Couple A can easily obtain financing up to the conforming \$417k limit with little down but only expensive jumbo loans are available over the \$417k. Couple A may have to wait to buy until they have accumulated more down payment.

Couple B own a home and want to buy a more expensive home. Couple B have little or negative equity in their current home and if sold they would have to add cash to complete a sale. Couple B has enough down payment for the 2<sup>nd</sup> home but not enough left to add to a sale of the 1<sup>st</sup> home. Couple B could buy a next home and rent their current home but the lender will not count rental income in qualifying for the next home without 30% equity in their current home. Couple B does not qualify to make both house payments so they choose not to buy.

Couple C owns a home with significant negative equity and want to buy another home. Couple C can qualify for both homes and proceed to buy the 2<sup>nd</sup> home. Without any lender help toward mortgage relief on their 1<sup>st</sup> home they decide to short sell the home after buying the 2<sup>nd</sup> home. Their credit will be damaged for some period but they have solved a potentially lingering financial problem in the future by short selling their 1<sup>st</sup> home now.

Couple D own an investment home with significant negative equity but the mortgage loan is not delinquent. There is a large negative cash flow as rents do not cover the house costs. Their interest rate is way above market rates. Lender guidelines will not allow a refinance because the LTV is over 100% and no modification programs are available for investment homes. With diminished investment potential and to cut loses Couple D will most likely consider defaulting on the mortgage and short selling.

These housing scenarios are not hypothetical. Home owners and home buyers daily are facing these serious dilemmas. Every buyer that cannot buy or every seller not able to sell or every foreclosure helps create a stagnant housing market. With more and more borrowers suffering credit hits from mortgage defaults and foreclosures, the totality of future US consumer purchasing power gets reduced. This "cleaning up" of the US citizens' balance sheet needs government attention. By savvy borrowers making difficult financial decisions on their own the overall housing problems are exacerbated.

It is ironic that big banks and Fannie/Freddie will not help borrowers current on their loans keep their homes by (at a minimum) proactively lowering interest rates to stem the tide of delinquent loans and the resultant flood of foreclosures. Lenders seem willing to write off huge losses on foreclosed homes but not help improve foreclosure statistics and reverse home price decline.

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## What Do We Do?

Valley Vista Inc. provides full real estate services relating to residential housing throughout California to include:

- Representing buyers and sellers in real estate transactions.
- Wholesale mortgages for purchase and refinance transactions.
- Property management for single family and multifamily homes in the Fresno/Clovis area and San Francisco Bay area.
- Real estate investment advice looking into all aspects (income, investments, taxes) of clients' individual situations and goals.

We take pride in being able to look at the big picture to help our clients achieve their goals while paying attention to even the minute details of real estate and loan transactions.

## Calling All Investors

Lately we have been fielding many calls from tenants wanting to rent 4 bedroom homes. These homes do not stay vacant for long which is great for any real estate investor. While the general real estate market is down, making homes more affordable, rents are stable to increasing and interest rates are very low. These combinations make real estate a fantastic investment.

Valley Vista Properties is well positioned to help first time and seasoned investors negotiate, buy, finance, manage, and sell their investment homes. Our company currently manages 70+ homes in and around the Fresno and Clovis areas with that number is expanding. Covering all aspects from the initial purchase to the eventual sale Valley Vista has unique knowledge of the direction of the real estate market.

Call us today to learn more about investment opportunities. Real estate markets can turn around quickly so be ahead of the curve!

## State of Financing

My word to describe home financing in 2010 was "Frustrating". What will my word be for 2011? I'm leaning toward "Parochial". April 1, 2011, brings us the implementation of the financial reform bill which has some extraneous laws relating to broker and loan officer compensation. As of now the specifics of the law are still being interpreted by the mortgage lenders, lawyers, pundits, etc. The bottom line is that the reform will be detrimental for consumers as was the Home Valuation Code of Conduct (HVCC) and a host of other recently enacted legislation meant to "help" consumers (borrowers). The result makes lending less flexible and more expensive for the borrower with reduced competition in the lending industry. (One other thing it has done is make the large banks/lenders A LOT of money, and certainly we have seen banks with very large profits again!)

At this point nothing can be done about the new laws except to conform to them and abide by them. There are major changes that will impact borrowers looking to refinance or buy a home. The major change will be that borrowers have to choose a lender paid or consumer paid broker compensation model. There is little ability to switch between the two, so borrowers will have to decide up front which to choose. Call for more details.

There are beneficial provisions in the law that state broker compensation cannot be tied to the terms of the loan or interest rate. Valley Vista has been abiding by this rule for years, so there is no adjustment for us, but now it is required by all lenders/brokers. Rates are also staying low and it's still worthwhile to check if you can refinance or purchase a house. Give Nate Kucera a call at 559-960-7881 or email [natek@valleyvistainc.com](mailto:natek@valleyvistainc.com) to check out your options.

**Note:** Valley Vista Inc is a residential real estate, finance and property management company headquartered in the Fresno/Clovis area of the Central San Joaquin Valley. Santa Clara Properties, our affiliated company, has been providing residential real estate services in the San Francisco/San Jose Peninsula for more than 30 years. For more information about Bay Area real estate, call David Kucera at (650) 619-2822 or email him at [davidscp@sbcglobal.net](mailto:davidscp@sbcglobal.net)

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