REAL ESTATE

DATA POINT

944

Average price per square-foot of a for-sale home in San Francisco as of December 2015. That's an 11 percent increase from the figures recorded in December of 2014.

Source: Trulia.com

JUST APPROVED

Miscalculated income nearly derails purchase

Property: Single-family home in Santa Rosa.

Price: $420,000.

First loan amount: $320,000.

First loan terms: 4.25 percent 30-year fixed, no points, Freddie Mac.

Backstory: Persistence pays off. In this case, determination assists a buyer who was told her income did not meet requirements. After six months of making offers, the client (who was working with a mortgage broker) was not able to qualify and was ready to do anything to turn things around. After she found her dream home, she was informed the broker had miscalculated her self-employment income. In a final act of desperation, the client was prepared to turn in her car as an early lease return to get her expenses within an acceptable range.

The client's Realtor contacted First California's Paul Olbrantz, who met with her the same evening. Olbrantz was able to determine that the 70-year-old's retirement account could be used for an income distribution account. Due to a recent change to Freddie Mac underwriting guidelines, the borrower simply required proof the monthly distribution is set up, rather than the previous rules — which required three months of receipts.

The client called her retirement account adviser on Monday and had the paperwork done. The application-to-preapproval step took only three days, and she got her offer accepted on a house within the loan parameters five days later. From application to closing, the entire process took 21 days, even with the bank holiday of Veterans Day and a long Thanksgiving weekend, for a total of only 14 business days. Even a driveway repair didn't slow down the process; a contractor was sent to the house and the repair was made at no cost to the client to keep the wheels in motion.

Paul Olbrantz, First California Mortgage, (707) 494-7017, polbrantz@firstcal.net.

SOUND OFF

What lessons or bad habits came out of the 2008 housing crisis?

A: The exciting news is that for most Bay Area homeowners, their home values are the highest they have ever been. Driven by the region's strong job growth and high salaries, demand has steeply increased while supply has diminished.

Buyers and potential sellers may be trying to examine where we are in the current cycle of housing prices, and if the potential for a housing-mortgage crisis like that of 2008 could happen again. Driving that crisis were risky nontraditional loans, weak underwriting standards, little regulatory oversight and scarce compliance enforcement. Then the pendulum swung back the other way — with overly conservative standards.

A slow easing of those policies has resulted in today's more balanced approaches. In addition, individuals have been forced to take a more realistic view of one's personal finances, not to highly leverage themselves and their homes, and view their homes not as short-term investments, but more as a place to call home and raise and grow with our families.

As a longtime East Bay Realtor, investor and homeowner, I always encourage my buyers to try and objectively analyze a potential home's location, walkability, layout and condition.

Buyers should really think about how that will translate into resale in a different market now or years down the road.

Jane Strauch, Grubb Co., (510) 388-6841, jstrauch@grubbco.com.

A: By 2008, lax credit practices allowed borrowers to take loans without proving that they had the income, assets and credit to pay their mortgages.

Additionally, teaser rate loans and optional payment plans made it difficult for some borrowers to anticipate — let alone pay — future increases in mortgage payments. This was a house of cards waiting to collapse.

Since 2008, stricter lending regulations have been passed to improve the quality of new loans. Borrowers are thoroughly scrutinized for their ability to repay loans.

Disclosures were expanded to make buyers better informed. Homeowners have changed their behaviors too, investing for the long-term and not expecting quick profits from selling. They have stopped thinking of their homes as sources of ready cash.

There are a higher percentage of all-cash purchases, (roughly 30 percent of San Francisco's sales transactions). Fewer loans are defaulting as a result and short sales are seldom seen in San Francisco.

One thing that has not changed: We have not made banks accountable for their bad decisions. Those banks are "too big to fail" and they know that if they suffer huge losses, the government will bail them out to avoid a ripple effect in the economy.

John Solaegui, Paragon Real Estate, (415) 738-7232, jsolaegui@paragon-re.com.

A: During the 2008 housing crisis, some home buyers bought then saw their home value go down as the monthly payments went up. Then they were stuck with a loan they could not refinance. As a result, they were no longer able to afford the homes they bought. Some were able to ride it out and rebuilt their equity since then. The lesson we learned there was our payments needed to be fixed, to some extent, and buyers needed to actually qualify for the loan, which is now happening.

Nowadays, the banks want to see some stake in the property coming from the buyer. Though there are some down payment grants available for some that qualify, one must still have a down payment of at least 3.5 percent. A lot of places in the East Bay, such as Richmond, Pittsburg and Antioch, have no problem accepting an offer when purchasing a home with a low down payment like that, where the prices average between $350,000 and $400,000.

Bottom line: The lesson we learned is that we need to review our monthly payment situation to be sure it's in line with our income.

Karin Cunningham, Berkshire Hathaway HomeServices California Realty, (650) 438-3504, karinc@bhhscalreal.com.

Want to contribute to Sound Off?

Send an e-mail to Jordan Guinn at Realestate@sfchronicle.com