

Previous columns (and emailed comments from readers) are archived at www.JimSmithColumns.com

Mortgage Issues Exacerbate the Already Difficult High-End Real Estate Market

My August 27th column detailed the seller's market for lower-priced homes and the buyer's market for higher-priced homes. In that column, I attributed this dichotomy primarily to the \$8,000 first-time home buyer's tax credit, which naturally favors low-priced homes (and which expires on Nov. 30th).

One could reasonably argue that the real estate recovery we're witnessing now is artificial due to that tax credit, especially when you look at the slowness in the market for homes over \$400,000. For example, I have a wonderful solar-powered home in Golden's Mesa Meadows subdivision listed at \$500,000 that hasn't had a single showing in the last three weeks, even though it is well priced — without factoring in the free electricity from the sun!

Yet, homes under \$250,000 are getting multiple offers and even selling above their listing prices.

So what's going on? Yes, the tax credit is disproportionately stimulating the lower-priced market, but financing has become disproportionately more difficult for the higher-end market.

When you have to borrow over \$417,000, you are in the "jumbo" not "conventional" mortgage market, and

what was possible just two years ago is no longer possible, according to the mortgage brokers I deal with most.

Previously, a common strategy was to get a \$417,000 first mortgage plus a second mortgage covering the balance up to 90% of the purchase price. Putting 10% down in that market was much more doable for buyers than today's

requirement of getting a single jumbo mortgage for only 80% of the purchase price. Second mortgages are simply not available anymore. FICO score and debt-to-income requirements are also far more stringent now.

At the low end, buyers can put down as little as \$1,000 (see my previous columns), but 20% of a high-end home is \$100,000 or more, and those buyers are often unwilling to liquidate depressed stocks or other assets to come up with a 20% down payment.

Such buyers could take out a home equity loan against another property to provide additional cash, but nowadays, unlike before, you can only borrow up to 80% of that other property's current value, vs. 90% or 100% in the past.

Until these financing constraints are addressed, a recovery in the high-end market seems unlikely to me.

REAL ESTATE TODAY



By JIM SMITH, Realtor®

This Week's Featured New Listing:

West Wood Villas Condo Really Shines

West Wood Villas at Broad Lake is a community of condominiums built around a central greenbelt adjacent to a private lake. This particular unit at 6202 Kilmer Loop #203, faces that central greenbelt, close to the gazebo. You'll like the quietness of its location, away from street or highway noise, yet convenient to everything. A shopping center anchored by King Soopers is just a couple blocks away at 64th Avenue & McIntyre Parkway. This unit has two bedrooms and one 4-piece bathroom. Being on the top floor, it has an attached garage which opens into the ground-floor foyer. It has vaulted ceilings throughout, tiled floors in kitchen, laundry and bathroom, and beautiful plush carpeting everywhere else. Built in 2007, this unit is truly "like new". *Take a video tour at the website above.*



Serving Jeffo & the Foothills

Jim Smith

Broker/Owner

Golden Real Estate, Inc.

DIRECT: 303-525-1851

EMAIL: Jim@GoldenRealEstate.com

17695 South Golden Road, Golden 80401

WEBSITE: www.GoldenRealEstate.com



Visit www.GreatGoldenHomes.com to browse all Golden Real Estate listings.