MORTGAGE & FINANCE

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INSIDE

SFGate.com
What it sold for:
Complete listings of Bay Area home sales at www.sfgate.com/homesales

Converting a primary residence to an investment property

JUST APPROVED

Loan officer: Alex Greer

Property type: Single-family house in San Mateo

Appraisal value: $1.1 million

Loan type: First/second Combo

Loan amount: $625,500 first / $350,000 second

Rate: 4 percent first / 5.24 percent second

Backstory: The buyer was looking to upgrade his current primary residence. The one catch was he did not want to sell his current residence and with rents as high as they are in the Bay Area, who could blame him?

The buyer would need to have rental income from his current primary residence to qualify for the new loan but the problem is the buyer does not have a history of receiving rental income as required by the majority of lenders.

However, a DU approved conventional loan will allow for the use of 75 percent of gross lease amount as income with a few stipulation for the current residence which include being under 70 percent LTV based on a drive by appraisal, fully executed lease with proof of security deposit, and standard investor PITI reserves. Combine that with our HELOC, the buyer only needs 10 percent down for the purchase of his new primary residence.

Alex Greer,
The Mortgage Outlet,
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SOUND OFF

How can you rein in a buyer or seller who has unrealistic expectations?

A: It is painfully apparent to anyone who has tried to buy a home lately, that our local real estate market is as hot as it has seemingly ever been.

As stressful as it is for buyers, sellers are also feeling anxious, wondering how best to price their home initially, wondering if the market will respond as enthusiastically as it did to their neighbor's house just a month ago, wondering how the marketing should go.

I find that the most helpful way to ensure that my clients, be they sellers or buyers, remain calm, enthusiastic and optimistic is to review with them various scenarios and outcomes at the very beginning of the journey. Sharing a bit of wisdom from years of experience in the residential market about the "bigger picture" is usually warmly received as well.

Discussion about how to be most competitive as buyers, what risks to assume, (ie: contingency-free offer?) how to handle the possible Multiple Counter Offer, etc... all help prepare them for the myriad of challenges they may face.

Sellers need to know that not all houses sell with multiple offers and that receiving one strong offer may be something to celebrate rather than mourn. Being able to appreciate the growth in property value over the past three to four years which has increased their equity considerably will help sellers to be satisfied at close of escrow rather than disappointed.

Karen Starr,
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A: Proactive communication is the best measure for setting expectations.

Realtors build trust with their clients by communicating effectively and honestly so be straightforward from the start in order to combat any unrealistic expectations.

Don't shy away from the difficult conversations. Although they can be uncomfortable, almost every real estate transaction includes one.

As a Realtor, my job is to make sure these conversations happen as soon an issue (or potential issue) arises.

Providing real, concrete, unbiased information and facts — no fluff — will ground both buyers and sellers. It is also likely to engage them in the conversation rather than have them shy away from it.

Come prepared with research and concrete numbers so as to set realistic goals up front.

And watch for rising emotions — these emotions can cloud the minds of buyers and sellers, making it easy for them to get distracted by their wants and needs (rather than realistic goals) if they're not being communicated with regularly and effectively.

Understand that the real estate process is a business transaction and not about personal issues or egos — straight talk and real conversations are key.

Nick Granoski,
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A: Buying and selling property is a team effort between agent and client. The most successful teams have a foundation of mutual confidence, trust and honesty.

In the first meeting, I ask probing questions to get a sense of my clients' motivation and flexibility.

I listen and look for qualities of enthusiasm, clear thinking and financial qualification. I give feedback on whether the stated goals are attainable. If the goals are not realistic or are inflexible, then the relationship will not work.

Education is a big part of my job and it is fun to have clients who are open to learning about the market and the competitive landscape.

For buyers, that includes understanding the trade-offs between various neighborhoods, property types and styles.

For sellers, it involves a critical awareness of everything that buyers can purchase besides their own property.

I focus my attention on clients who value my advice and follow my counsel.

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Want to contribute to Sound Off?

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