

# Downturn: 'Lot of conditions working together'

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downturns, are unable to sell their homes there in order to move to Santa Fe.

Renée Edwards of Prestige Properties LLC believes "a high percentage of buyers are unable to make the offer they want to because they need to sell their properties in other parts of the country. Even in Santa Fe I'm seeing that a lot of buyers wanting to make a change are having difficulty because it's taking longer to sell their properties here."

"What I see happening right now is a decline in demand combined with the increase in supply and sellers are having to make decisions about adjusting their prices and making them more appealing to the buyer — or not, depending on their motivation."

"I think there are a lot of conditions working together," Edwards said. "Funds are tightening up and that further decreases the number of buyers in the market, but I believe that's short-term."

## Market correction

"I'm happy that we are seeing some correction in pricing, because it makes for a more balanced situation for buyers and sellers," said Susan Harris, owner of one of the small real-estate companies in the Independent Broker Network. "We have been to some degree affected by the psychological fallout from all the news about the national housing slump but I don't think Santa Fe is so directly affected."

"Those psychological effects do make people pause and that's useful but it also might create slowdowns as people try to figure out what's going on. When things change, people pause. Even if rates are falling people pause."

Homeowners who want to sell their homes must pay attention to the current climate: a price that may have seemed reasonable even six months ago may not fly today. Builders are in the same situation.

"One of the things we've done is that we're offering some pretty hefty incentives to Realtors and buyers," said Patrick Thomas, qualifying broker at Rancho Viejo de Santa Fe. "We're offering a \$20,000 credit toward upgrades to buyers and we're doing bonuses and other financial incentives for Realtors. I've been here since 2000 and this is the first time we've ever offered any incentives like this."

The homes in Rancho Viejo are priced from \$300,000 to \$600,000.

"In Santa Fe the homes that really hold their value and appreciate are those priced at \$500,000 or less," said Fidel Gutierrez, senior vice president at Los Alamos National Bank. "I think at the higher end builders are having to get a bit more creative to sell their homes."

Centex Homes, which is building homes in three developments in Santa Fe, keeps charging ahead, judging by the number of building permits issued to the company by the city: 44 since mid-June.

Maybe Centex (which didn't return calls) is just hoarding the permits.

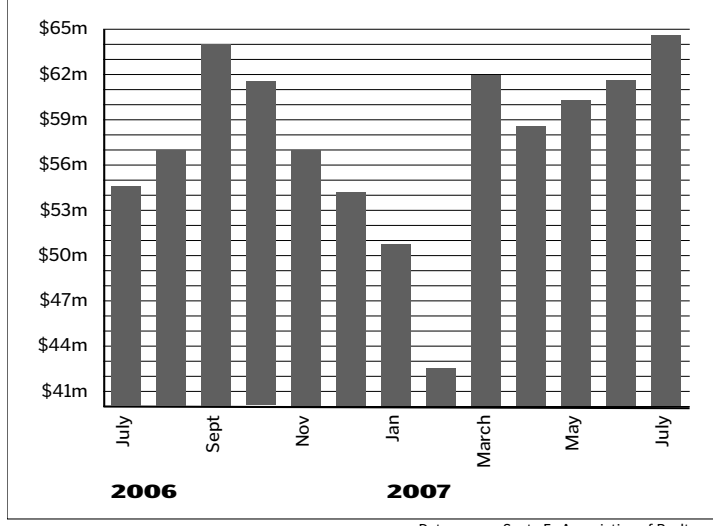
"We're down about 35 percent from 2006 and 50 percent compared to 2005," said Rob Gibbs, owner of BT Homes. Among that company's projects is one priced similarly to the Centex developments. "We started seeing a slowdown in July last year and we've had to make adjustments to our business plan, what we're going to be build."

"We've had to manage it to avoid building up a large inventory of spec homes, so that's lengthened some of our developments and postponed the start of others."

Mike Loftin, director of the Santa Fe nonprofit Homewise Inc., has had fewer problems relating to the downturn. "June was our busiest month ever," he said. "We had 34 closings, and 23 in July. The affordable market is still very strong. The difference between the first-time homebuyer and people looking for a move-up home is that entry-level people are getting out of being renters so they're very motivated."

Loftin said one boon has been the new affordable-housing ordinance that requires builders of large subdivisions to dedicate 30 percent of their offerings to meet the city's affordability standards. "Our biggest constraint has always been supply,"

## Santa Fe home sales — dollar volume



he said. "So Centex stuff that has come online helped a lot."

"There's still a lot of pent-up demand, though. Two years ago you could buy a Bellamah home for \$160,000 and now it's over \$250,000. A big percentage of the people we helped were buying resale homes in Bellamah and Las Acequias and Barrio La Cañada and that supply disappeared because prices went up."

How's the mortgage situation in Santa Fe?

The local situation is good, said LANB's Gutierrez. "Just last month the governor of the Federal Reserve of Kansas City was in Santa Fe and was saying that this region, and Santa Fe and Albuquerque in particular, look very strong. Locally most of the banks were never in the subprime category."

Subprime lending involves higher-risk, higher-interest loans made to borrowers with poor credit history. Although such practices, in mortgage lending, do allow more people to buy homes, many end up in default because the monthly payments are too high — especially if the vehicle they were sold works like the 2-28 adjustable-rate mortgage (ARM), where an initial, lower "teaser" rate quickly adjusts upward in the third year.

Wikipedia.com quotes a Moody's Investors Service economist who said about 21 percent of all mortgage originations from 2004 through 2006 were subprime. A dramatic rise in the number of subprime-loan defaults around the country began late last year.

"The 2-28 subprime loan is the one getting all the press right now," said Lance Armer of Santa Fe Mortgage. "Many people who were struggling with credit and ended up with that loan got in trouble. In places like Detroit there are so many people out of work and they can't go out and get a job and make up the difference. They're trapped because they can't refinance at 105 percent loan-to-value, and they can't sell their houses because there's so much on the market."

Armer, who does very few adjustable-rate mortgages, said because Santa Fe has such a high level of employment with state, county, and local government, "the general working class is more shielded from the ups and downs of the business cycle than most cities of this size."

ARMs are not a popular product for Los Alamos National Bank, Gutierrez said, because the 30-year fixed rate is still at an historically low level and there's not enough difference in the startup costs to justify a less-stable ARM.

The subprime meltdown and its impact on financial markets has generated an atmosphere of increased scrutiny by lenders when it comes to mortgage loans with down payments less than the traditional 20 percent, and loans made to people with less-than-perfect credit.

"The lending market has tightened up in a way we've never seen before," said Realtor Lisa Barker. "Were seeing people with A-minus credit being treated like people with B and C credit."

Builder Rob Gibbs said BT Homes can still provide financing through the company's sources with just 5 percent or 10 percent down. "But the lenders have gotten tighter on their credit so you have to have stronger credit and a better borrowing profile right now."

At one of Sotheby's International Realty's sales meetings back in April, qualifying broker Darci Burson asked how many of her agents had been in business for more than eight or nine years. "Three-quarters of them raised their hands and I said,

"Remember what it was like dealing with financing then? That's probably where we're going to be again: a conventional loan is 20 percent down."

"Is it a problem in Santa Fe? I think it's something we need to pay attention to."

Asked about the predatory-lending practices behind many of the subprime-loan defaults, Burson said she thinks it's time people in the mortgage business are held to the same high standard required of real-estate brokers in New Mexico.

She recalled a conversation she had a few years ago with veteran Arizona Realtor Bob McCord, who bought French & French Fine Properties before the company passed to Sotheby's. "At the time Bob said it was so scary that companies are offering 100 percent, even 105 percent loans. What are they basing this on? All the speculation and appreciation and it's a little dangerous, this churn of property, and at some point it has to stop."

## Predatory lending

"Just like in the real-estate market, this is a correction that had to happen," Mike Loftin said. "Our philosophy is that if you have credit issues or haven't been able to save money, why not improve your credit, save some money, and get a better rate rather than paying more, and Homewise works with people to do that."

Loftin said predatory lending is not as much of a problem in New Mexico as in other parts of the country. "One of the reasons is that the state, under Governor Richardson, passed the Home Loan Protection Act and it outlawed the worst abuses by some of these lenders. We're one of the few states that did that and the governor needs to take credit for it."

Susan Harris said the cost of private mortgage insurance, which lenders often add to borrowers' monthly payments for loans greater than 80 percent, is tax-deductible this year.

"That's good because people who couldn't come up with the full 20 percent downpayment used to load up their mortgage, choose a second mortgage in lieu of PMI. Now PMI is a more attractive option so you don't have to saddle yourself with an additional mortgage."

The current slump — buyer's market or not — is causing problems for many people with a house to sell in Santa Fe.

"I play golf with a couple of builders and I think their concern is that as inventory rose and house prices came down because people want to sell, they are still building 2007 houses with 2007 costs," Armer said. "The costs of lumber and roofing materials and permitting isn't going down, but the value of the product when you're complete is down."

## What's the upshot?

Rancho Viejo's Patrick Thomas: "I think the correction will end when the dust settles from these lending problems."

Realtor Lisa Barker: "What we're seeing is very healthy. For newer people in this business it's like 'Oh, my god,' but what we're experiencing here in Santa Fe is nowhere near what people are seeing in other markets. I have a nephew who is in real estate in Florida and when I visited him 64 or 74 percent of the listing inventory his firm was handling was bank foreclosures, and most of that is from builders who got in over their heads with spec homes."

"This is a tremendous opportunity for buyers in one of the finest marketplaces in all the United States. Inventory is good, prices are good, and interest rates are still good."

Realtor Darci Burson: "I don't think we're to the point of pushing the panic button yet. We're having a little correction and that's healthy; you need that."

Builder Rob Gibbs: "Right now is an excellent time to purchase a home. I think the price points today are the best you're going to have here in Santa Fe for a while."

Realtor Renee Edwards: "I felt that spring and summer would dictate what the market would do and if the summer remains somewhat sluggish we would probably see that through the rest of the year, but I think as people make adjustments for this kind of a market that it should balance out next year."

"I also think Realtors are working together more again. We all want to know if you're experiencing what I'm experiencing. When things are really good people just flow and go in their own little worlds and do their own thing. I'm enjoying this cooperation."

# Help: Company caters to smaller projects

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homeowner."

While Wise Improvements caters to smaller projects, Lewis can also make referrals for large-scale construction work — even new, ground up construction.

"I review proposals with clients if they have questions before projects start and mediate between contractors and homeowners when necessary," he said. "Wise Improvements is a full-service business in an industry that is often seen as lacking in that area."

## Hands-on help

For those who love the satisfaction of doing it themselves but want (or need) a little guidance, a new "do-it-yourself" service may be just the answer.

Anthony Guillen, general manager of Project DIY, grew up in Santa Fe working on construction projects with his dad. "I've got collectively over 10 years of experience," Guillen said. "My father was an engineer who worked in construction. I worked with him in high school and college on construction sites."

After college, Guillen went to work for Home Depot in the Midwest. That job exposed him to large numbers of people trying to do their own home-improvement projects.

"I learned a lot about the do-it-yourself consumer, their needs, and learned about how to help people manage their own projects," he said.

Guillen's business helps "do-it-yourselfers" get the proper information and project-management support they need to tackle home-improvement projects large and small.

"Like some homeowners, my own experiences in home-improvement projects revealed that I'm fairly knowledgeable, but I don't know everything. I'm frugal and like the sense of accomplishment you get doing it yourself. But I'd get stuck sometimes and couldn't find the resources to help me do it myself," he admitted. "I'd just have to pay someone else to do it, or scour the Internet or ask friends for help. There wasn't any one resource for the do-it-yourselfer and I saw the potential to fill that need."

The home-improvement jobs Project DIY takes on typically cost over \$500. On medium-to-large projects, the company can offer a cost-effective consulting option.

"The clients we help want to tackle a home-improvement project themselves but don't have the all the skills or know-how," Guillen said. "We evaluate the project to see if it's a fit

## For more information

Wise Improvements can be reached at 505-216-7529. Find them on the Web at [www.wiseimprovements.com](http://www.wiseimprovements.com). Project DIY can be reached at 505-983-4393, or on the Web at [www.ProjectDIY.biz](http://www.ProjectDIY.biz).

with our services whether it's started or not. What issues are they having? What exactly do they need help with? During the on-site consult, I give them as much information as I can regarding their project — and (whether) it's worth their time and money (to have us) help them."

Project DIY takes apparently overwhelming projects and breaks them down into smaller, more manageable steps. "The real benefit is that I do the research for the homeowner," Guillen said.

He makes phone calls to colleagues in construction, checks the code handbooks, and creates a project plan with a specific protocol, time line and budget. The materials list "includes the tools and items they will need and where to source them," Guillen said.

Project DIY also provides help with necessary permit requirements.

"It can be frustrating to figure out which one you need and how to get it," he said. "There are also building codes to decipher. The state of New Mexico, the city of Santa Fe and county of Santa Fe have specific codes in place. They can be pretty cryptic to the average homeowner."

Jack Bermudez, a client of Guillen's, said he had heard about Project DIY and saw an newspaper ad for the service.

"I had a home I was building and got to where I was just about done but felt there was something missing. I was kind of at a loss for what to do next," he said. "I liked what Anthony had to offer. He suggested a specific style of porch, what the benefits were, and how to construct it. He helped monitor the project."

Bermudez is happy with the results of his investment in Project DIY. "I felt like it was cost-effective to use (Guillen)," he said. "He had good suggestions, well-worth my time and money."

*Heather Wood, IRIS, NAPO, is the proprietor of Casa Milagros Interiors and a certified interior stylist specializing in one-day room redesigns and staging occupied properties. She can be reached at 690-2685 or at [www.HouseMiracles.com](http://www.HouseMiracles.com).*

## THE NEW MEXICAN'S local HOME mortgage rates

LENDER	30-YEAR RATE+PTS/APR	15-YEAR RATE+PTS/APR	ARMs RATE+PTS/APR	30-YR FHA/VA RATE+PTS/APR	15-YR FHA/VA RATE+PTS/APR	30-YR JBO RATE+PTS/APR	15-YR JBO RATE+PTS/APR	ADDITIONAL PROGRAMS
Admiral Mortgage, LLC	6.375+0+0	6.125+0+0	5.75+0+0	6.375+0+0	6.125+0+0	7.375+0+0	7.25+0+0	Over 62.5 Need payment relief.
505-983-4512	6.125+0+1	5.75+0+1	(reverse mtg)	(20yr)	(3/1ARM)	6.75+0+1	6.625+0+1	Reverse mortgage call today!
Home Buyers Mtg Co.	5.625+1+1	5.5+1+1	5+1+1(1Y)	5.625+1+1	5.5+1+1	6.5+1+1	6+1+1	CALL now for current rates..
505-986-9080	6.25+0+0	6+0+0		6.25+0+0	6.25+0+0	7.5+0+0	7.375+0+0	
Quest Mortgage Corp.	5.75+0+2	5.50+0+2	6.00+0+1	5.875+0+2	5.625+0+2	6.75+0+2	6.25+0+2	Great service and great rates, call now.
505-984-8855	6.25+0+0	5.875+0+0	(5/1 ARM)	6.375+0+0	6.00+0+0	7.50+0+0	6.875+0+0	Fixed Rate Reverse Mortgages Available

## Weekly Mortgage News

McLean, VA — Freddie Mac (NYSE:FRE) today released the results of its Primary Mortgage Market Survey (PMMS) in which the 30-year fixed-rate mortgage (FRM) averaged 6.45 percent with an average 0.5 point for the week ending August 30, 2007, down from last week when it averaged 6.52. Last year at this time, the 30-year FRM averaged 6.44 percent. The 15-year FRM this week averaged 6.12 percent with an average 0.5 point, down from last week when it averaged 6.18 percent. A year ago, the 15-year FRM averaged 6.14 percent. Five-year Treasury-indexed hybrid adjustable-rate

mortgages (ARMs) averaged 6.35 percent this week, with an average 0.6 point, up slightly from last week when it averaged 6.34 percent. A year ago, the 5-year ARM averaged 6.11 percent. One-year Treasury-indexed ARMs averaged 5.84 percent this week with an average 0.8 point, up from last week when it averaged 5.60 percent. At this time last year, the 1-year ARM averaged 5.59 percent. (Average commitment rates should be reported along with average fees and points to reflect the total cost of obtaining the mortgage.) Interest rates on conforming long-term fixed-rate mortgages declined slightly, while rates on one-year

adjustable rate mortgages increased by about a quarter of a percent, said Frank Nothaft, Freddie Mac vice president and chief economist. The increase in ARM rates is consistent with movement of the yields on short-term Treasury securities, which have exhibited higher volatility recently due to market uncertainties. In other news, new home sales defied consensus expectations and rose in July to 870 thousand units, led by a 22 percent increase in the Western region. Existing home sales fell, however, though by less than the market had forecasted, to 5.75 million units, with the decline limited to the Midwest region.

Lenders and Consumers Visit:

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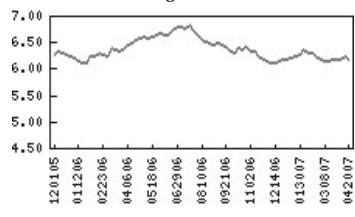
Information is current as of September 7, 2007 and believed to be accurate but can not be guaranteed and can change without notice. Credit history, FICO Score and other factors may affect program terms. Rates based on \$165,000 single family loan. Jumbo rates (loans over \$417,000) based on a \$417,000 loan. Minimum downpayment requirements, and other restrictions, may apply. Closing costs may vary. Contact each company for details. R = refinance program only. Pts = points include origination and discount fees. Lock = rate lock period, 30 - 60 day lock unless specified. APR = Annual Percentage Rate and is calculated by each company — includes costs to obtain loan and private mortgage insurance if required. ARM (pvm) = Adjustable Rate Mortgage program. Copyright 2007 iMortgageGuide.com LLC

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- E-mail questions to the lenders
- Prequalify, preapprove or apply online
- Sort, compare programs by rates, pts., APRs
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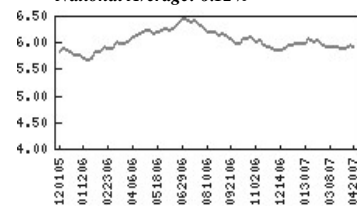
### 30-year mortgage

National Average: 6.45%



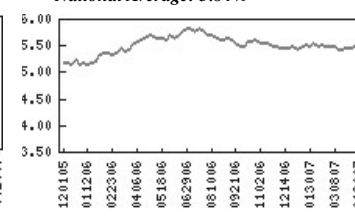
### 15-year mortgage

National Average: 6.12%



### 1-year ARM mortgage

National Average: 5.84%



Source: [www.iMortgageGuide.com](http://www.iMortgageGuide.com)