



## SANTA CRUZ COUNTY

December 2008

### Santa Cruz County Home Sales Up Again in November

Sales of single-family, re-sale homes were up 6.7% in November compared to last year. This is the fifth month in a row homes sales have been up year-over-year.

Year-to-date, home sales are off 7.1%.

The median price for homes fell 11% from October, and was down 38.8% year-over-year.

Inventory was down 18.1% from last November. This is the seventh month in a row inventory has declined year-over-year.

Our Days of Inventory indicator gained 89 days and is now at 284 days. In a balanced market, the

supply of homes is usually around five to six months.

Trends at a Glance (Single-family Homes)			
	Nov 08	Oct 08	Nov 07
Median Price:	\$445,000	\$500,000	\$727,500
Average Price:	\$600,125	\$565,108	\$809,828
Units Sold:	96	138	90
Inventory:	939	929	1,147
Sale/List Price Ratio:	96.8%	97.7%	97.1%
Days of Inventory:	284	195	382
Days on Market:	79	75	83

The sales price to list price ratio dropped 0.9 of a point to 96.8%.

Days on market rose four days to 79 days.

Condo sales were down 3.7% from October, but were up 8.3% year-over-year.

The median price for condos was down 14.1% from the month before, and down 42.8% compared to last November.

The bank-owned property is clustered in the condo and entry-level home market. They constitute the largest percentage of sales, thereby driving down statistical prices.

The real estate market is very hard to generalize. It is a market made up of many micro markets. For complete information on a particular neighborhood or property, call me.

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### Entry-level housing affordability more than doubles

LOS ANGELES (Nov. 20) The percentage of households that could afford to buy an entry-level home in California stood at 53 percent in the third quarter of 2008, compared with 24 percent for the same period a year ago, according to a report released today by the CALIFORNIA ASSOCIATION OF REALTORS®.

C.A.R.'s First Time Buyer Housing Affordability Index (FTB-HAI) measured the percentage of households that can afford to purchase an entry-level home in California. C.A.R. also reports first-time buyer indexes for regions and select counties within the state. The Index is the most fundamental measure of housing well-being for first-time buyers in the state.

The minimum household income

needed to purchase an entry-level home at \$287,760 in California in the third quarter of 2008 was \$56,100, based on an adjustable interest rate of 5.91 percent and assuming a 10 percent down payment. First-time buyers typically purchase a home equal to 85 percent of the prevailing median price. The monthly payment including taxes and insurance was \$1,870 for the third quarter of 2008.

At \$56,100, the minimum qualifying income was 44 percent lower than a year earlier when households needed \$100,500 to qualify for a loan on an entry-level home. Recent decreases in home prices and mortgage rates have brought affordability into better alignment with income levels of the typical California households, where the median

household income is \$59,160.

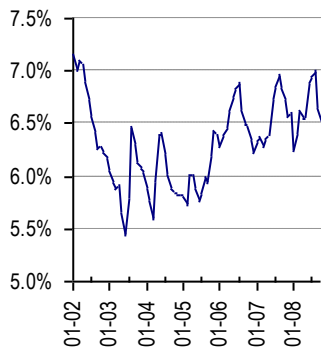
The First-Time Buyer Housing Affordability Index also rose 5 percentage points in the third quarter of this year compared to the second quarter of 2008, due to an 11.9 percent decrease in the entry-level median home price.

At 73 percent, the High Desert region was the most affordable area in the state. The San Francisco Bay Area region was the least affordable in the state at 35 percent, followed by the San Luis Obispo County region at 38 percent.

In Santa Clara County, affordability was at 39 percent in the third quarter compared to 21 percent in the third quarter of 2007.

## Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



“FROM MONDAY'S TO TUESDAY'S CLOSE OF BUSINESS, CONFORMING 30-YEAR MORTGAGE RATES DECLINED NEARLY A THIRD OF A PERCENTAGE POINT.”

November 28, 2008 -- The Federal Reserve announced a plan to support good-credit quality mortgage markets. A massive, \$100-billion plan to buy up Fannie and Freddie-issued debt -- coupled with another \$500 billion to snap up agency-backed MBS -- produced an immediate effect in mortgage markets. From Monday's to Tuesday's close of business, conforming 30-year mortgage rates declined nearly a third of a percentage point.

We saw a sizable dip in overall rates this week. HSH's Fixed-Rate Mortgage Indicator (FRMI) eased by 21 basis points (.21%), finishing the week at an average 6.46%. All of the decline came from the conforming component of the index, as 30-year FRM jumbos edged down by just three basis points. The average

for Five-one Hybrid ARMs increased by .03%, ending the week at 6.35%.

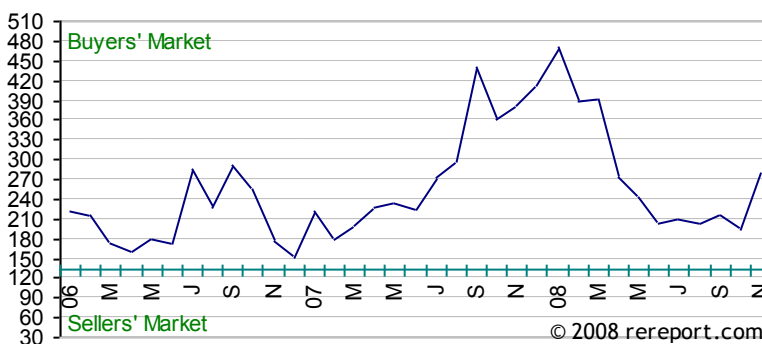
The most obvious effect of the new program comes from renewed interest in buying homes. Lower interest rates improve borrower affordability, and could bring at least some new home sales. That increase in demand could serve to temper -- perhaps even halt -- ongoing declines in home prices. One key to re-sparking investor demand for mortgages and keeping interest rates higher than they would 'normally' be -- is the belief that should a loan fail, the investor has a chance to recover his money. With prices falling, that's not even close to the case.

Perhaps as important as that support is the potentially millions of mortgages that may be refinanced

profitably as rates decline. Lenders reported to us that their phones came alive this week as news of lower rates hit the street.

One other beneficial consideration, is that lender holdings -- frozen and illiquid in today's markets -- don't need to be shed to other entities in order to rebalance a portfolio. Refinancing of mortgage debts will make that happen organically, freeing up cash for the rebalancing process; an investor could lighten his position in mortgages without selling at fire-sale prices in favor of adding some new investment into his fold. The ability of an institution to change its holdings to develop a more desirable investment portfolio can significantly improve its balance sheet too, helping to promote stability.

Days of Inventory: Single-Family Homes



## November Sales Statistics

### Single-family Homes

	Prices		Unit		Total			Change from Last Year				Change from Last Month			
	Median	Average	Sales	Listed	Listed	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$445,000	\$600,125	96	171	939	79	96.8%	-38.8%	-25.9%	6.7%	-18.1%	-11.0%	6.2%	-30.4%	1.1%
Aptos	\$525,000	\$525,000	2	7	51	221	102.5%	-33.9%	-34.2%	-50.0%	4.1%	-10.3%	-12.7%	-50.0%	-7.3%
Capitola	\$755,000	\$828,333	3	3	29	37	97.3%	-23.7%	-13.6%	-50.0%	38.1%	-33.2%	-31.9%	-25.0%	-14.7%
Los Gatos Mtns	\$1,100,000	\$1,100,000	1	1	9	71	96.1%	111.5%	111.5%	0.0%	-71.0%	59.4%	59.4%	0.0%	-25.0%
Rio del Mar	\$596,500	\$544,000	4	10	72	48	96.9%	-34.1%	-44.3%	-20.0%	7.5%	-8.2%	-18.2%	-55.6%	-19.1%
Seacliff	*	*	*	1	8	*	*	n/a	n/a	n/a	-33.3%	n/a	n/a	n/a	-20.0%
San Lorenzo Vly	\$410,500	\$421,785	14	20	159	96	97.8%	-18.7%	-9.6%	-6.7%	-9.1%	-4.5%	-10.6%	-17.6%	-15.0%
Soquel	\$600,000	\$600,000	1	8	49	13	91.1%	-21.9%	-22.1%	-80.0%	0.0%	15.4%	15.0%	-83.3%	-14.0%
Scotts Valley	\$702,500	\$685,000	8	11	76	243	95.1%	3.5%	-7.3%	60.0%	-7.3%	-3.8%	-7.4%	-11.1%	-15.6%
Santa Cruz	\$675,000	\$855,744	17	45	211	114	95.4%	-9.0%	-3.1%	-41.4%	-3.7%	1.2%	11.0%	-39.3%	-4.1%
East County	\$354,900	\$626,170	17	25	144	110	95.7%	-60.6%	-32.5%	142.9%	-4.6%	6.9%	23.2%	-19.0%	-8.9%
West County	\$1,362,500	\$1,362,500	2	3	26	106	94.0%	60.4%	60.4%	100.0%	36.8%	80.5%	80.5%	0.0%	-18.8%
Watsonville	\$376,000	\$337,052	23	35	190	111	97.5%	-35.2%	-36.2%	666.7%	-9.1%	10.6%	0.1%	-30.3%	-3.6%

## Steps to Repairing a Bad, or Sub-par, Credit Score

### 1. FIX ERRORS IN YOUR CREDIT REPORTS

Did you know you have three different credit report maintained by three different companies? Not many consumers realize that. So one of the first things you need to do is to order copies of all three reports and check them for errors. Having erroneous information in your credit reports (such as a loan or line of credit that's not actually yours) can lower your score.

You can order your reports directly from the companies who produce them. Experian, TransUnion and Equifax actually have a jointly owned website where you can do this. It's called AnnualCreditReport.com. By law, you are entitled to one free credit report per year, from each of the three companies.

If you want to purchase a package deal that gives you all three reports,

all three credit scores, and a monitoring service to help detect and prevent fraud, you can order it through a company like Credit.com.

### 2. REDUCE YOUR CREDIT CARD DEBT

This is one of the best ways to repair a bad credit score. If you are unable to pay off your credit cards each month, then try to reduce the balance to below 35% of the total line of credit on each card. This will improve your credit score quickly.

In addition to repairing a low credit score, this will also help you improve your debt-to-income ratio or DTI. Lenders will also evaluate your DTI when considering you for a mortgage loan. If you spend a lower percentage of your gross monthly income on monthly debt (like those credit card payments), you'll be more likely to get approved for a loan

### 3. BE CAREFUL WHEN CLOSING CREDIT

### ACCOUNTS

It's generally wise to close old credit accounts you are no longer using, or any accounts that have small balances you can easily pay off. Doing so will reduce the likelihood of credit report errors, as well as the chance of financial fraud and identity theft. It can also help you with your goal of repairing bad credit.

But you need to be careful which accounts you close. Closing your oldest account can shorten your credit history, which could in turn lower your score. So it's best to start with the newer accounts and keep the oldest ones, in most cases anyway. Often, when people are learning about how to repair bad credit, they gloss over something that says "close old accounts" but they don't read the fine print. So they end up closing the oldest one, which has a better-than-average

chance of lowering your score. Keep this in mind when making such decisions.

### 4. AVOID LATE PAYMENTS AT ALL COSTS

This is one of the most common reasons people end up with bad credit in the first place (the other one being bankruptcy). If you have a habit of missing payments on car loans, student loans, credit cards or other forms of debt, you must find a way to correct it.

You'll be happy to know there's an easy fix — auto pay.

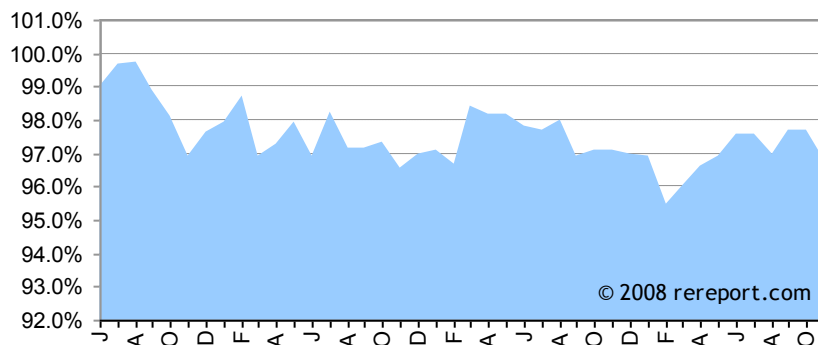
Nearly all finance companies these days will offer some kind of auto-pay/auto-debit system through which you can pay your bills automatically. This process will electronically connect your checking account to the bill payment system of the company you send those checks to each month. So instead of having to mail checks it happens automatically.

As long as you have sufficient funds in your account, you will never miss another bill payment. This is one of the first things I rec-

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### Santa Cruz County: Homes

Sales Price/Listing Price Ratio



## November Sales Statistics

### Condominiums/Townhomes

	Prices		Unit Newly Total				Change from Last Year				Change from Last Month				
	Median	Average	Sales	Listed	Listed	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$300,500	\$341,148	26	42	173	52	98.7%	-42.8%	-45.4%	8.3%	-35.4%	-14.1%	-15.5%	-3.7%	-0.6%
Aptos	\$237,953	\$237,953	1	3	6	81	100.0%	-50.4%	-50.4%	0.0%	0.0%	n/a	n/a	n/a	-33.3%
Capitola	\$302,000	\$319,200	5	4	15	149	100.6%	-39.6%	-36.2%	400.0%	-44.4%	6.7%	12.8%	150.0%	-11.8%
Rio del Mar *	*	*	*	*	*	*	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scotts Valley	\$415,000	\$415,000	2	2	12	86	98.2%	-14.3%	-14.3%	0.0%	0.0%	10.7%	-2.4%	-33.3%	-20.0%
Santa Cruz	\$545,000	\$556,333	3	12	66	236	92.9%	-10.8%	-24.9%	-70.0%	-27.5%	38.9%	21.2%	-70.0%	-13.2%
Watsonville	\$214,900	\$278,181	11	12	65	53	98.3%	-23.0%	-0.8%	130.4%	-3.0%	3.6%	32.6%	-66.0%	-14.5%

# Tershy's Tid Bits

LOCAL MARKET TRENDS

SantaCruzRE.com

Tershy's  
**Tid Bits**  
www.SantaCruzRE.com

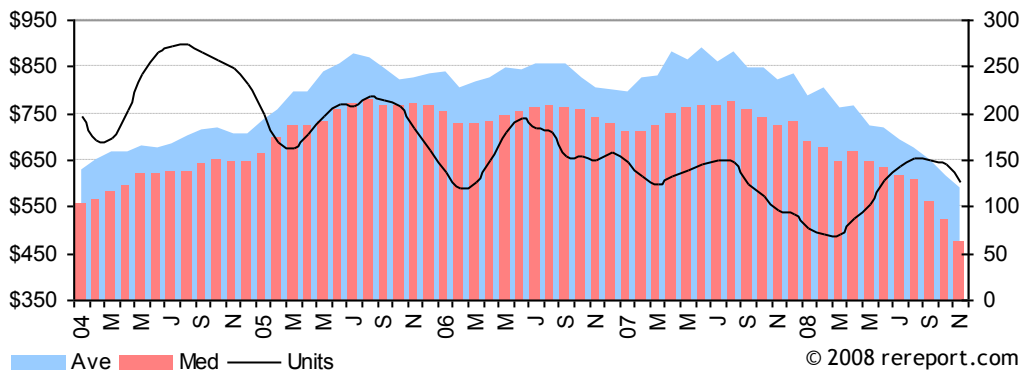
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## Santa Cruz County Homes: Prices vs. Sales (3-month moving average — \$000's)



(Continued from page 3)

commend for people who are seeking ways to repair bad credit.

You can also register your credit cards online through the company that provides the card. The service will send you email reminders when your payments are due, which will reduce the chance that you miss the payment.

### CONCLUSION AND GOING FORWARD

It's important to realize that repairing a credit score takes time and persistence. So the sooner you can start a campaign to repair bad credit ... the better. Why go through all the trouble? Well, if you've tried to get financing lately, I probably don't need to give you an extra motivation. Being turned down for a loan because of your credit is a

slap in the face, so it's probably the only motivation you need.

But if you need a little push in the right direction, let me offer you this insight. Because of the mortgage crisis that came to a head in 2008, it's a lot harder to get qualified for a home loan these days. Banks are requiring borrowers to have better credit than ever before to qualify for the best interest rates on a loan.

