

SPOTLIGHT

SAN FRANCISCO



By Ivanna C. Sukkar

Photo by Eli Mordechai

In the traditionally expensive San Francisco market — where the median home price more than triples the national average and where a 38-percent homeowner-ship rate ranks as one of the nation's lowest — many homebuyers have had to get creative.

A good number have turned to “exotic” loans and ARMs. According to First American LoanPerformance, more than 45 percent of mortgages in San Francisco in 2005 were interest-only mortgages, and one-quarter of mortgages were negative-amortization loans.

This year, despite a slowing housing market and lower prices, more than one-third of mortgages originated in San Francisco have been interest-only, and more than 30 percent are negative amortization.

As rates rise, some homeowners may risk foreclosure. In fact, in the second quarter of 2006, notices of default were up 42.7 percent compared to the same period last year.

For San Francisco brokers, a new opportunity might be coming: homebuyers looking to refinance out of their exotic loans and ARMs as rates reset.

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Spotlight: San Francisco

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VITALS

- ↓ **Population: 719,077**
 - Population in 2000: 776,733
 - Rank (U.S.): 14th-largest city
 - Metropolitan-area population: 4.1 million
 - Metropolitan-area rank: 5th-largest
- ↓ **Average commute: 28.7 minutes**
 - Average commute in 2000: 30.7 minutes
 - U.S.: 25.1 minutes
- ↑ **Median household income: \$57,496**
 - Median household income in 2000: \$55,221
 - U.S.: \$46,242
- ↑ **Median age: 39.4 years**
 - Median age in 2000: 36.5 years
 - U.S.: 36.4 years
- ↑ **Inflation (Consumer Price Index): 3.9**
 - Inflation in June 2005: 1.1
 - U.S.: 4.3 percent
- ↓ **Unemployment: 4.6 percent**
 - Unemployment in July 2005: 5.2 percent
 - U.S.: 4.8 percent

MARKET

- ↓ **Median home price (July): \$771,000**
 - Median home price in July 2005: \$776,000
 - U.S.: \$227,500
- ↑ **Median monthly housing costs: \$2,472**
 - Median monthly housing costs in 2000: \$1,886
 - U.S.: \$1,212
- ↔ **National foreclosure rank (California): 2 (out of 51)**
 - Rank in 2005: 2
- ↑ **Housing units (including one-unit, two or more units, and mobile homes): 354,000**
 - Housing units in 2000: 346,527
- ↑ **Housing inventory (September): 2,370**
 - Housing inventory (September 2005): 1,613
- ↑ **Homeowner-vacancy rate: 1.3 percent**
 - Vacancy rate in 2000: 0.8 percent
 - U.S.: 2.1 percent
- ↓ **Total home sales (July): 485**
 - Total home sales in July 2005: 637
- ↓ **Single-family-residential building permits (metropolitan area, July): 75**
 - Permits in July 2005 (metropolitan area): 95

INDUSTRY

- Brokers are regulated by either the California Department of Corporations, under the California Finance Lenders Law, or the California Department of Real Estate (DRE).
 - Through the DRE, a person with a real estate license can broker loans.
 - The department of corporations states that brokers can negotiate loans in connection with loans made by a licensed lender but cannot negotiate, broker or make any direct loans to banks.

RÉSUMÉ

- Demographics: 54 percent white; 34 percent Asian; 7 percent black; 5 percent other
- 2nd-most densely populated U.S. city
- 4th-richest U.S. city (U.S. Census)
- Smallest population of children (14.5 percent) of any major U.S. city
- Healthiest U.S. city (*Men's Health*)