

SFGate.com**California home sales fall 41 percent in October; values decline**

By ALEX VEIGA, AP Business Writer

Thursday, November 15, 2007

(11-15) 14:36 PST Los Angeles (AP) --

Reluctant buyers and tightened mortgage lending combined to drag down California home sales last month to the lowest level for October in more than 20 years, a real estate research firm said Thursday.

A total of 24,832 homes were sold in October, down 40.9 percent from 43,720 in the year-ago month, according to DataQuick Information Systems.

The drop marks the 25th consecutive month that statewide sales have fallen from the previous year.

Sales rose 5.6 percent from September's total.

"We're on the downslope in the housing cycle," said John Karevoll, a DataQuick analyst. "Much of the decline we're seeing is part of the cycle, in addition to that, we have the jumbo (loan) issue."

Many lenders have tightened underwriting guidelines in recent months amid rising home loan defaults and foreclosures, which rocked the secondary market for mortgage-backed securities.

Lenders have cut back on so-called jumbo loans exceeding \$417,000 — the current limit on the amount that government-backed mortgage companies Fannie Mae and Freddie Mac will buy from lenders.

That's a problem for many buyers in states like California, where homes often are valued in excess of \$417,000.

Home sales financed by jumbo loans declined in October by more than half in several of the state's biggest housing markets, compared to July, DataQuick said.

The statewide median home price for October slipped to \$424,000, down 1.4 percent from September and 9.2 percent from October 2006.

Median home values peaked last spring at \$484,000.

Solano and Riverside counties posted the sharpest price declines. Solano fell 15.6 percent to \$391,750, while Riverside tumbled 15.1 percent to \$350,000.

Marin County saw the biggest percentage jump of 5.5 percent to \$875,000.

Los Angeles County, meanwhile, saw its median price fall 3.8 percent to \$500,000. The last time the county saw the annual figure decline was March of 1997, when it dropped .03 percent.

Price declines were particularly concentrated in inland areas such as the Central Valley and the inland counties in Southern California, which experienced sharp increases in property turnover during the last stages of the housing boom.

"The areas that had a lot of buying and refinancing activity during that period, those are the areas now that prices have come down, that are feeling the heat," Karevoll said.

Home sales plummeted between 28 percent and 40 percent compared to a year ago in Fresno, Kings, Madera and Tulare counties in the Central Valley, DataQuick said.

In Riverside County, sales were off more than 44 percent, compared to October 2006.

Hal Tubb, a real estate agent with Re/Max All-Stars Realty in Riverside, said buyers there remained skittish, dragging out the time it typically takes to sell a home to 60 to 90 days or longer.

"Some of them are getting into escrow and then, at the last minute, they're not able to get a loan because lenders have tightened their standards quite a bit," Tubb said.

That's bad news for many homeowners who are under pressure to sell after taking an adjustable rate mortgage with a built-in reset that translates into higher monthly payments.

In many cases, the value of their home has fallen to less than they owe on it.

Erik Bracone, 26, put his three-bedroom, 1,480 square-foot condo in Rancho Cucamonga on the market in March for \$379,000, but found no takers.

In May, his total monthly payment swelled from about \$2,400 to \$3,500. Now, with credit cards maxed out to help cover the payments, Bracone needs to find a buyer before another mortgage reset takes effect next month.

"I won't be able to make that December payment," Bracone said.

<http://sfgate.com/cgi-bin/article.cgi?f=/n/a/2007/11/14/financial/f095441S55.DTL>