

Cash rules when it comes to home buying

By Hudson Sangree and Phillip Reese, Sacramento Bee

Homebuyers trying to take advantage of the current ultra-low mortgage rates are likely to discover an unpleasant truth: They're competing with lots of other buyers who can pay all cash.

The cash buyers aren't just rental investors, who have occupied the lower end of the market for months. They include those seeking midpriced homes for themselves or their grown children.

How do they have that much cash? Some sold higher-priced houses in the Bay Area. Some liquidated stocks. Others pulled it out of savings.

The number of cash buyers means those with loans are at a disadvantage in a market where inventory is extremely tight and decent homes draw multiple offers.

"Cash is king," said Eric Pine, an agent with Lyon Real Estate in Folsom, who represents both cash buyers and those with traditional financing who have seen their offers repeatedly turned down.

Sellers prefer cash because it creates certainty and speeds up the process. It also eliminates the need for appraisers, who have become more conservative since the housing bubble burst and often deliver low estimates, agents said.

Low appraisals further complicate the process for borrowers, who already face stricter standards from lenders.

Pine's suggestion to would-be buyers: Ask relatives for cash. "In order to compete," he said. "You have to get family

members to pony up.”

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