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BGN,BMT,BRX,CCA,CHR,CKP,CPD,CXT,DNV,DRG,HAW,HLD,KCS,LAG,LAT,LKD,MIA,MLJ,NMX,PAL,PHI,PVN,SEA,TDM,TUS,UTA,WOK

SPREAD SHEET

OPEN SPACES = HIGHER PRICES

Homes built in land-conservation developments sell for 29% more than homes built in traditional rural developments, a Colorado study finds

CALL IT the flora-and-fauna effect: Home buyers will pay a premium to live near open, undeveloped land. So much for good neighbors.

That's the conclusion of a Colorado State University study of home prices in conservation developments, where residential real estate is limited and a substantial amount of land, usually 50% to 70%, is set aside as open space. "That could mean wildlife habitats, agricultural lands, important cultural sites, open space for scenic vistas," says Sarah Reed, co-author of the study and associate conservation scientist with the Wildlife Conservation Society.

Researchers compared 2,222 home sales in five counties in Colorado between 1998 to 2011. The conservation developments set aside an average 64% of land as open space, while traditional rural subdivisions set aside 4.9%. Based on the analysis, homes in conservation developments sold for 29% more than homes located in conventional residential projects.

"For a homeowner, this means that the value of their home will be greater just by being in a development with open space," Prof. Reed says.

Increasing lot size in an undesignated conservation development raised the market price by 38 cents per square foot or $16,662 per acre, researchers found. In nonconservation developments, a bigger lot size translated to only 9 cents per square foot, or $4,062 per acre. The study, funded by the National Association of Realtors and CSU's School of Global Environmental Sustainability, was published in December 2012 in the Journal of Sustainable Real Estate.

A 2011 study in the journal Conservation Biology estimates that roughly 310,000 acres have been developed in the U.S. as conservation subdivisions, where anywhere from 30% to 70% of land is protected as open space.

More subdivisions probably qualify, but developers haven't sought designation by the county as official conservation developments.

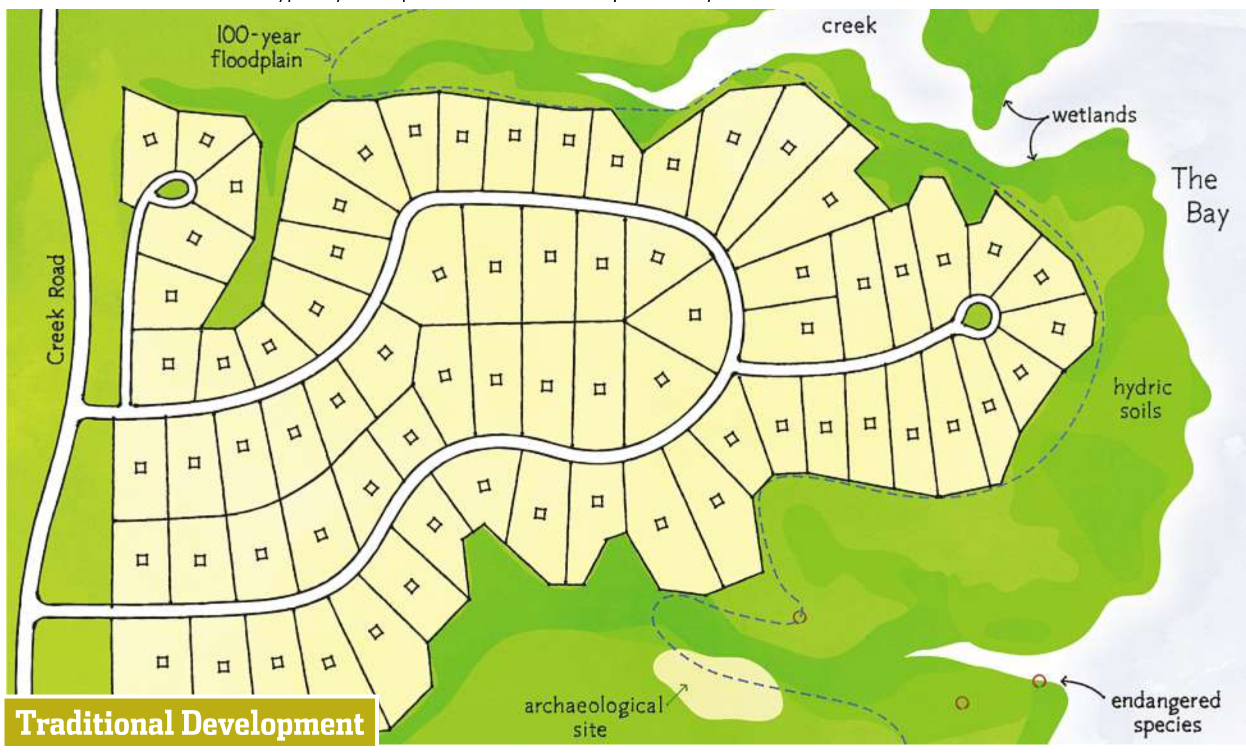
Regardless, the price perk is still there: Homes in undesignated conservation developments sell for 25% more than those in conventional subdivisions, the Colorado State researchers found.

Open-space living often appeals to active, outdoorsy buyers—"tree-huggers," says Rosanne Sledz, a real-estate agent with Weichert Realtors McKee Real Estate. One of the premier conservation developments, Prairie Crossing in Grayslake, Ill., about an hour north of Chicago, designates more than 60% of its 677-acre site as protected open space.

"You can walk out your back door and start jogging on a trail that takes you through miles and miles of forest preserves," Ms. Sledz says.

—Sanette Tanaka

OPEN These illustrations show two possible models for a development site in Sussex County, Del. In a conservation development, 50% to 70% of the land is typically left open. Home lots are depicted as yellow blocks.



Source: Randall Arendt

LESS OPEN In a traditional rural subdivision, much less land is set aside as open space.

Arthur Mount

Open Secret

Researchers evaluated 2,222 home sales in five counties in Colorado from 1998 to 2011. The findings: properties located conservation developments sell more frequently and for a higher price than those located in traditional developments.

	Conservation development	Traditional rural subdivision
Average percentage of open space	64%	4.9%
Average number of transactions per lot	1.398	1.056
Average sale amount	$604,925	$369,836

Source: Journal of Sustainable Real Estate, 2012
The Wall Street Journal

JUMBO JUNGLE

A Jumbo Helping Hand

BY ANYA MARTIN

A NUMBER OF government agencies and private organizations provide housing assistance to low-income families. Now, more banks and employers are offering financial help to jumbo-mortgage borrowers.

High-cost areas such as the metro New York City area, Washington, D.C., and parts of California, are where home buyers are most likely to need help. Certain professions—such as doctors and university faculty—are also more likely to be recipients of assistance.

Jumbo loans—anything above $417,000 in most parts of the country and $625,000 in high-cost areas—typically require a down payment of 20% or more, depending on the size of the loan. Financial assistance can come in a variety of forms: a lump-sum payment as part of an employer's relocation package, an advance on a bonus, or a second mortgage with preferential terms facilitated by the employer, said David Adamo, CEO of Stamford, Conn.-based Luxury Mortgage.

Michelle Belmonte, a senior loan officer at Campbell, Calif.-based American Financial Network Corp., says a number of her clients have benefited from assistance programs. Employers offering help range from technology firms to health-care providers, she added. "California is so much more expensive, and they also want to lure the best of the best, whether it's Silicon Valley or Hollywood," Ms. Belmonte said.

Universities also are among the most likely to offer help, said Dottie Sheppick, who manages Bank of America's down-payment programs. For example, professorial-ranked faculty at Columbia University in New York can apply for an annual $40,000 supplement that can be applied toward a down payment, closing costs, monthly mortgage or other expenses. Stanford University offers interest-only second mortgages with low fixed rates to cover half the lower of purchase price or fair market value of a faculty member's home, up to a maximum loan amount of $600,000.

Doctors seeking jumbo loans have long had an advantage. Bank of America and SunTrust, as well as real-estate brokerage Re/Max, offer specific mortgage loan programs to doctors. Terms typically include lower down payments and have lenient qualification rules.

"Eligible borrowers include medical doctors who have completed their residency within the past 10 years, as well as current residents, interns and fellows," said Jean Segner, group vice president with SunTrust Mortgage.

Some employers offer incentives to lure the best of the best, whether it's Silicon Valley or Hollywood.

You don't have to be a doctor to get the best terms, however. Since the fall, some banks have been quietly rolling out options for jumbo mortgages with down payments as low as 10%—but only borrowers with high-credit qualifications need apply, said Chip Cummings, president of Northwind Financial Corp., a consultant to mortgage lenders.

For example, Kinecta Federal Credit Union's Savings Advantage program, launched in April, requires an 11% down payment for primary- or second-home mortgages and refinances up to $1.25 million. Kinecta is making the loan available to qualified borrowers in 30 states as a five-year, seven-year or 10-year adjustable-rate mortgage that transitions to a fixed-rate mortgage, said Michael McCarthy, first vice president, retail mortgage and operations at Kinecta.

Kinecta developed the loan because it recognized a subset of home buyers who were extremely creditworthy but didn't have the liquidity to make a high down payment, Mr. McCarthy said. In other words, "an A-plus borrower" with a 720 credit score, significant assets, a 38% maximum debt-to-income ratio and solid income potential, he added.

"You could almost call it the nondoctor doctor program," Mr. McCarthy said.

Finally, home buyers in high-price areas should not discount government options for down-payment assistance. Federal Housing Administration loan limits reach $729,750 in some high-cost areas and require only a 3.5% down payment, although that is likely to rise to 5% soon due to a proposed rule change. Borrowers can qualify with a credit score as low as 580, but if the loan is over $625,000 the borrower's credit score is below 620 and debt-to-income ratio is over 43%, manual underwriting is necessary, meaning the loan approver will need to examine the application line by line.

Other things to consider:

- **Expect higher payments.** Loans with a less than 20% down require private mortgage insurance (PMI) and most likely will have a higher interest rate than standard jumbos, Mr. Cummings said. In some cases, the mortgage insurance is included in the rate.
- **Rule changes possible.** The FHA increased its annual mortgage insurance premiums (MIP) for jumbo loans over $625,000 by five basis points, or 0.15% this year, and could raise costs for jumbo borrowers again.
- **Check state and local programs, too.** The California Housing Finance Agency and the Connecticut Housing Finance Authority, for example, both offer second-mortgage assistance programs to help with down payment and closing costs. Some programs may target specific professions or targeted areas for revitalization.

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