

Community Banks: The Best Way to Finance a Home in the Bay Area's Hot Real Estate Market

To say the San Francisco Bay Area has a hot real estate market would be an understatement. The dream of buying a home has collided with the reality of limited supply and the influx of new residents driving up demand. As a result, competition is fierce. Anyone searching to discover that perfect house, condo or Tenancy-in-Common (TIC) has to be ready to act quickly.

In a competitive real estate market, larger banks set the bar higher for borrowers who fall outside of a traditional mortgage "box." Examples might be an entrepreneur starting her own business, a dentist trying to acquire a practice, or even a seasoned business owner with complex finances, such as multiple mortgages and lines of credit. In residential lending, being "outside of the box" can pose difficulties in qualifying. Such a borrower may be turned down outright, face higher rates, or, at the very least, experience delay.

Individuals and families with stable finances and good FICO scores should not have to tolerate higher rates, delays, or poor service. By doing their homework and learning about what different banks offer, potential homebuyers should be able to find a residential loan that meets their needs, and to secure that loan in an appropriate timeframe.

When looking at residential lenders, potential homeowners should look at large, regional and community banks as well as credit unions. Each has a distinct value proposition. While larger banks might publish the most attractive rates, they often require additional documentation, rely solely on the borrower's financials, can take an exorbitant amount of time to process the loan, and frequently tack on extra fees to increase their profit margins.

Community banks operate differently and take a more holistic, personalized approach when determining a borrower's eligibility for a residential loan. Community bankers have the flexibility to consider additional factors, and can take the time to get to know the borrower's entire financial picture. Borrowers can typically expect a more rapid and streamlined approval process as well.

A December 2015 Brookings Institution report sums it up well. "... These banks often engage in personal and non-standardized lending since they have specialized knowledge and expertise of their communities and customers, leading to their being called 'relationship' bankers."

Community banks also may offer specific products or services that large institutions do not. In the San Francisco market, for example, these might include residential loans such as TICs and Co-ops.

Because they are based locally and have a deep understanding of the specific market they serve, community banks are typically aware of the unique needs present in their marketplace. Buying a home in the Bay Area is stressful enough. You don't need your bank adding to it.

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