



The Down Payment Report

News and Data on Residential Down Payments

November 2016

The Election and Down Payments

The election has left Republicans in control of the House, Senate and White House for the first time in over a decade. The new alignment provides a viable path to far-reaching changes in federal housing policies affecting housing finance and housing markets. Increasing homeownership is at the top of the agenda for the new Congress and Administration.

Changes may be in store for the Dodd-Frank Act, including restructuring or terminating the Consumer Financial Protection Bureau and raising the threshold for tougher bank regulation above its current \$50 billion asset level. President-elect Trump has promised to reduce regulations, across the board, and financial institutions are likely to embrace his deregulatory stance.

In housing finance, policy-makers may focus on reducing risk. Programs like FHA may see major changes and the role of GSEs will continue to evolve. The role of government in housing markets and housing finance could change dramatically. If so, it will take at least a couple of years, but it's too early to tell because this wasn't addressed in detail during the campaign.

Only by increasing the numbers of first-time buyers can we reverse the multi-year decline in homeownership. Saving for a down payment continues to be the greatest single barrier keeping first-time buyers from becoming homeowners. Low down payment programs and down payment assistance are effective and critical strategies to improve first-time buyer purchases.

September Average Down Payments at a Glance

Loan Type	Average LTVs (percent)	Average Down Payments (percent)
All loans	78	22
FHA Purchase	96	4
Conventional Purchase	80	20
VA Purchase	98	2

Source: September [Ellie Mae Origination Insights Report](#)

First-Time Home Buyers

NAR: First-time Buyer Marketshare Reaches Four-year High

Matching the highest share since July 2012, first-time buyers accounted for 34 percent of sales in September, up from 31 percent in August and 29 percent a year ago. First-time buyers represented 30 percent of sales in all of 2015, according to NAR's September Existing Home Sales release.

If there was any doubt as to the contribution that low down payment and down payment assistance programs are playing to support first-time buyers, [NAR'S 2016 Profile of Home Buyers and Sellers](#), released October 31, helped to make the case. Median down payments for first-time buyers fell to only 4 percent last year, down from six percent in 2015 and far below the 14 percent median down payment paid by repeat buyers.

Income is Up and So is Median Price

- The typical first-time buyer had a higher household income (\$72,000) than last year (\$69,400). They also purchased a slightly larger home this year (1,650-square-feet versus 1,620-square-feet in 2015) and a pricier home too (\$182,500 versus \$170,000 in 2015). More in [NAR's 2016 Profile of Home Buyers and Sellers](#),
- Are first-time buyers making a comeback? More details and new chart from [Bloomberg News](#).

Student Debt Delays More than Half of First-timers from Saving for a Down Payment

Saving for a down payment delayed 26 percent of first-time buyers from becoming homeowners, according to the 2016 edition of [NAR's Profile of Home Buyers and Sellers](#). Of that share, 55 percent said student loan debt delayed them in saving for a home. Among the six percent of repeat buyers who reported that saving for a down payment was the most difficult task, 49 percent reported credit card debt delayed them in saving for a home.

First-time buyers were more likely to make sacrifices to save for a down payment than repeat buyers—56 percent compared to 32 percent made sacrifices. Single females and unmarried couples reported making the most financial sacrifices.

EXHIBIT 5-10 EXPENSES THAT DELAYED SAVING FOR A DOWNPAYMENT OR SAVING FOR A HOME PURCHASE, BY FIRST-TIME AND REPEAT BUYERS

(Percent of Respondents Who Reported Saving for a Down Payment Was Difficult)

	All Buyers	First-time Buyers	Repeat Buyers
Share Saving for Downpayment was Most Difficult Task in Buying Process:	13%	26%	6%
Debt that Delayed Saving:			
Student Loans	49%	55%	36%
Credit card debt	40	36	49
Car loan	34	35	29
Child care expenses	18	14	26
Health care costs	14	15	10
Other	15	11	23
Median Years Debt Delayed Home Purchase Among Those Who Had Difficulty Saving	3	3	3

Millennials

Millennial First-Time Homebuyer Demand Does Not Increase Defect, Fraud, and Misrepresentation Risk

The [September First American Loan Application Defect Index](#), which estimates the frequency of defects, fraudulence, and misrepresentation in the information submitted in mortgage loan applications, decreased 1.4 percent in September as compared with August and decreased by 14.8 percent as compared to September 2015. The Defect Index is down 32.3 percent from the high point of risk in October 2013.

“Defect, fraud and misrepresentation risk is falling practically everywhere in the country, and falling to very low levels in some markets,” said Mark Fleming, chief economist at First American. “The widespread implementation of data- and technology-enabled loan manufacturing processes is benefiting consumers across the country. The mortgage finance industry continues to improve, producing loans with fewer defects and producing those loans right the first time.”

Millennials are 42 Percent of all Buyers

Millennials, ages 18-34, comprise 42 percent of all home buyers today, while an additional 31 percent of buyers are members of Generation X (ages 35-49). Baby Boomers (ages 50-64) and the Silent Generation (ages 65-75) together make up the smallest share of home buyers (26 percent), with only 10 percent of buyers over age 64, according to [Zillow's Consumer Housing Trends Report 2016](#).

Millennial Tracker

Closed loan application trends for US homebuyers born 1980-1999

Median loan amount	\$184,179
Loan types	Conventional 64%, FHA 33%, VA 1%
Average LTV ratio	87%
Loan purpose	Purchase 79%, Refi 20%

[Source: Ellie Mae Millennial Tracker July-September 2016](#)

Down Payment Assistance

Lack of Awareness of Down Payment Assistance Continues

A new national survey by [NeighborWorks America](#) found that 71 percent of Americans are not aware of or unsure about the down payment assistance open to middle class homebuyers, up slightly from 67 percent in 2015. Also, 77 percent of those with student debt never heard or are not familiar with loan counseling programs from nonprofits.

Down Payment Assistance Programs Address Community Service Workers

More municipalities are launching innovative programs to retain important community service workers in high-cost housing markets. Some 6 percent of homebuyer programs are available for community service workers, including educators, police officers, firefighters and healthcare workers, according to the [Third Quarter 2016 Homeownership Program Index \(HPI\)](#) from [Down Payment Resource](#).

In the third quarter, the number of total homebuyer programs decreased to 2,392, down 3 percent from the previous quarter (2,477). Nearly 88 percent (87.9%) of programs currently have funds available for eligible homebuyers, up 3 percent from the previous quarter. The reduction of programs was primarily due to the expiration of more Neighborhood Stabilization Programs (NSP) offered by localities after the housing crisis.

Snapshot of Homebuyers Using Down Payment Resource

Average household size	2.75
Average household income	\$53,846
Average home purchase price	\$180,084
Average of programs per search	8.5

Mortgage Insurance

Radian Writes 40 Percent More New Insurance

[Radian Group](#) reported net new mortgage insurance written surged and volume of new insurance written on a flow basis for the company, and an increase of 40 percent compared to \$11.2 billion in the prior-year quarter.

Radian’s CEO S.A. Ibrahim commented on this saying, “We set a record for Radian in the third quarter, writing the highest volume of new flow mortgage insurance business ever in our 40-year history, adding to our existing high-quality insurance in-force book.”

Arch MI’s Roadmap to Homeownership Drives First-time Business

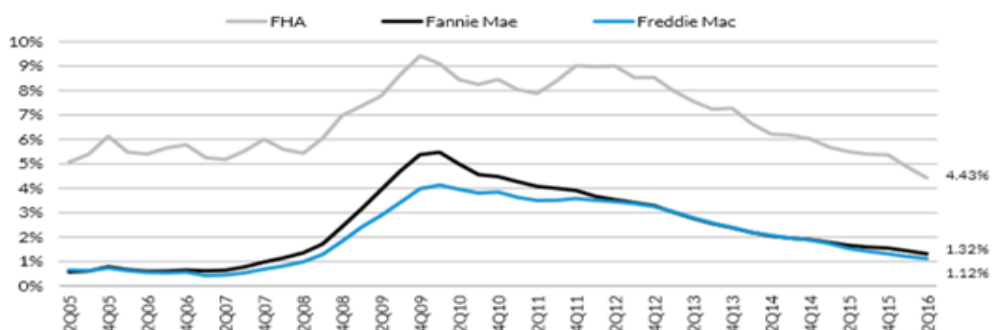
In September, Arch Mortgage Insurance Company (Arch MI) launched the [Roadmap to Homeownership \(RtHO\)](#), a complete toolkit that equips lenders to educate, encourage and qualify prospective first-time homebuyers. Hosting their homebuyer seminars is a strategic way for lenders to reach out to potential borrowers while strengthening their relationships with local Realtors, who may be invited to participate in the presentation and share networking and cross-selling opportunities.

FHA

FHA MI Fund Thrives, Premium Hike Still In Doubt

The Federal Housing Administration announced November 15 that its flagship fund, the Mutual Mortgage Insurance Fund, grew in fiscal 2016, marking the MMI Fund’s fourth straight year of growth, but that doesn’t mean that an additional cut to the FHA’s mortgage insurance premiums is coming, according to [HousingWire](#).

Serious Delinquency Rates—Single-Family Loans



Homeownership Education

Early Results of HUD Study Show Homebuyer Education Improves Mortgage Literacy and Underwriting Qualifications

Preliminary findings from HUD's 40-year study of homeownership education and counseling, [The First-Time Homebuyer Education and Counseling Demonstration, Early Insights](#) found that homebuyer education and counseling services may lead to improved mortgage literacy, a greater appreciation for communication with lenders and improved underwriting qualifications—including credit scores of 620 or higher. Initial results also found that counseling and education services may not be helping borrowers improve their budgeting practices. A baseline report expected to be released later this year will describe more details regarding the implementation of the study.

Commentary

Published Quotes From Housing Leaders and Executives

For many observers, “skin in the game” is synonymous with a large down payment that limits lender or investor risk. However, skin in the game can be defined much more broadly, since financial investment is only one factor that mitigates risk.

-- [“Redefining Skin in the Game”](#) by Housing Wire’s Brena Swanson.

“Education is, as never before, a key to accessing the dream of eventually owning a home.”

-- [First American Chief Economist Mark Fleming](#)

“Even with the affordability challenges many buyers face, the allure of homeownership is not lost among the younger generation. Those under age 35 made up 61 percent of first-time buyer transactions.”

-- [NAR Chief Economist Lawrence Yun](#), commenting upon the increase of younger homeowners in 2016

The biggest mistakes first-time homebuyers make are related to a lack of financial wherewithal — not talking to a lender first took the top spot, with 61.1 percent of Inman readers saying this was a problem they’d encountered and 18.04 percent of respondents saying it was the biggest problem they encounter.

-- [Inman News Service poll of the biggest first-time homebuyer mistakes](#)

“Current housing policies result in increased leverage and extended repayment terms while driving up house prices. The increased leverage adds risks to household balance sheets, which leads to more foreclosures with their attendant costs than would otherwise result. There is a way out — indeed, multiple ways to make it easier to own a house without resort to high leverage.”

-- Ed DeMarco, former acting director of the Federal Housing Finance Agency, from “Homeownership, Wealth Creation and Financial Stability” in the [Milken Institute Review](#).

About The Down Payment Report

A monthly service of Down Payment Resource, The Down Payment Report collects, archives and distributes the latest news, research and trends in residential down payments, including down payment assistance programs, low down payment options, mortgage insurance and homeownership education.

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For more information on this and other reports, please visit www.DownPaymentResource.com/Reports

Down Payment Resource (DPR) creates opportunity for homebuyers, Realtors and lenders by uncovering programs that get people into homes. The company tracks approximately 2,400 homebuyer programs through its housing finance agency partners. Winner of the 2011 Inman News Innovator “Most Innovative New Technology” award, DPR is licensed to Multiple Listing Services, Realtor Associations, lenders and housing counselors across the country. For more information, please visit DownPaymentResource.com and on Twitter at [@DwnPmtResource](https://twitter.com/DwnPmtResource).

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