



The Down Payment Report

News and Data on Residential Down Payments

October 2016

A Central Information Source on Down Payment Trends

As the shortage of affordable housing worsens, low down payment mortgages are playing a vital role helping families become homeowners and stimulating housing demand.

Consumers today have at their disposal an extraordinary variety of low down payment options—from FHA, some 2,400 plus homeownership programs, and the newest products offered by America’s leading lenders. However, public awareness of the opportunities to buy a home with a low down payment is still surprisingly low, according to recent surveys.

To help improve knowledge and understanding of the latest information on low down payments and its impact on the housing market, we have created The Down Payment Report. On a monthly basis, we are collecting, reporting and archiving news and commentary on down payments from a wide variety of sources.

Please let us know your thoughts and suggestions on how we can make The Down Payment Report more useful to you.

Rob Chrane
CEO
Down Payment Resource

September Average Down Payments at a Glance

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

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

First-Time Home Buyers

NAR: First-time Buyers Hit Five Year High

Existing-home sales in September were propelled by sales from first-time buyers reaching a 34 percent share, the highest market share in more than four years, according to the [National Association of REALTORS®](#).

Matching the highest share since July 2012, first-time buyers' share was up from 31 percent in August and 29 percent a year ago. First-time buyers represented 30 percent of sales in all of 2015.

“There’s hope the leap in sales to first-time buyers can stick through the rest of the year and into next spring,” explained NAR Chief Economist Lawrence Yun. “The market fundamentals – primarily consistent job gains and affordable mortgage rates – are there for the steady rise in first-timers needed to finally reverse the decline in the homeownership rate.”

First-Time Home Buyers

Ellie Mae: Average LTV For Millennials Falls to 87 percent

Ellie Mae's [Millennial Tracker](#) reports that mortgage applications that closed in August and September from buyers born between 1980 to 1999 (ages 17 to 36) had an average loan to value ratio of 87 percent, or an average down payment of 13 percent. Millennials closing in September preferred conventional (64%) to FHA (33%) and VA (1%) loans. Most Millennial loans in September (79%) were purchase loans.

NAR: 64 Percent of First-Time Buyers Put Put Down 6 Percent or Less

Among sales to first-time buyers who purchased a property in July – September 2016 and who obtained a mortgage, 64 percent made a down payment of zero to six percent, according to the National Association of REALTORS®' [September Realtor Confidence Index](#) (66 percent in August 2016; 69 percent in September 2015). In June 2009 when NAR first collected this information, 74 percent of first-time homebuyers obtained loans with a zero to six percent down payment.

Axiometrics: Rising Rents Drive First-time Buyers to Low Down Mortgages

According to [Axiometrics](#), rising rents are taking a larger bite out prospective homeowners' monthly take home income, making it increasing difficult for them to save for down payments. Rents in July rose at a 3.1 percent pace, down from levels last year but still above the long-term (1997-2015) average of 2.2 percent. The July dip follows a decline in rent growth to 3.7 percent in the second quarter of 2016 from 4.1 percent reported in the first quarter. The rental data firm expects the market to stabilize by the end of 2016, and rent growth will rise to reach 3.2 percent by the end of the year.



News From the GSEs

Fannie's Conventional 97 Loans Gain Market Share

In a September 9 post, mortgage expert [Dan Green](#) compared Fannie's Conventional 97 program to other GSE and government low down payment offerings. The Conventional 97's aggressive terms have helped it to grab marketshare from the FHA loan. FHA loans require down payments of 3.5 percent and home buyers with less-than-perfect credit may find FHA loans to be more cost-effective than the Conventional 97. Especially because FHA mortgage rates are typically 25 basis points (0.25%) below rates for a comparable conventional loan, Green said.

Fannie Releases new Desktop Underwriter 10.0

Over the September 24 weekend, [Fannie Mae](#) released the newest version of its Desktop Underwriter program. The new release includes the ability to underwrite loan casefiles in which no borrowers have a credit score, allows the use of trended credit data in risk assessment and updates messages on Fannie's low down payment Home Ready program.

FHA

Ellie Mae: FHA Market Share Fell in August and September

FHA accounted for 20 percent of mortgage originations in August, down from 23 percent in July and 24 percent from August 2015. Some 82 percent of FHA loans were purchase loans and 18 percent were refinancings, according to Ellie Mae's latest [Origination Insight Report](#).

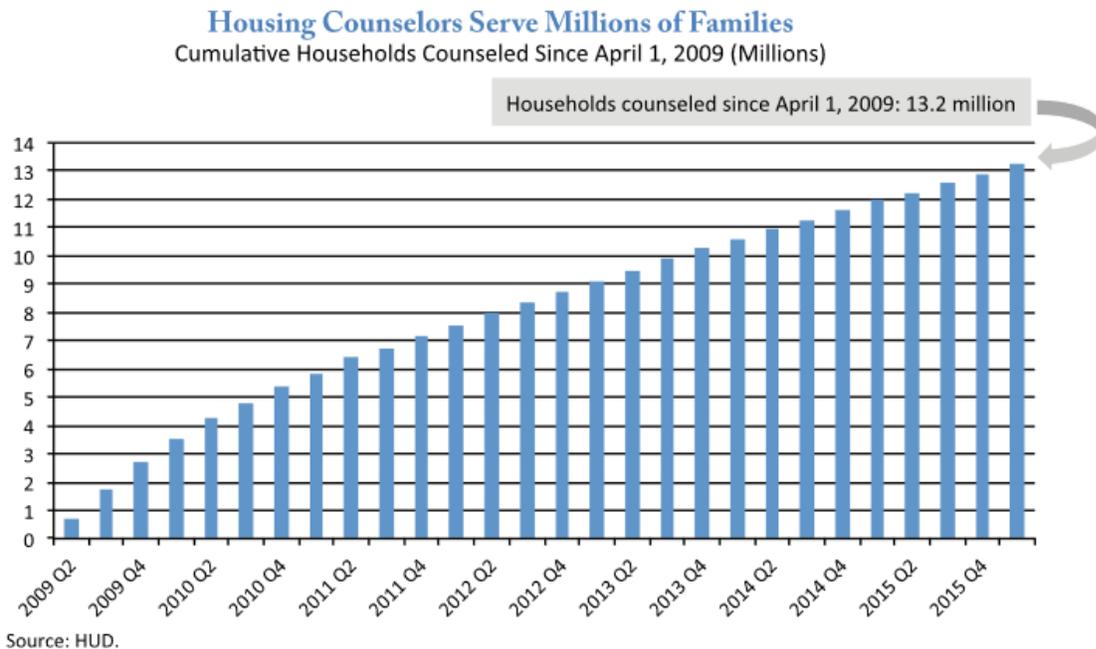
FHA: Down Payment Rules For FHA Loans

A post in the [FHA News Blog](#) lists approved sources for FHA down payments, which include cashed-out investments, proceeds from retirement accounts that meet FHA requirements, and other sources but not proceeds from uncollateralized loans, payday loans, pink slip loans. The borrower's ability to use gift funds as mentioned above is made possible only if the gift funds are properly documented and incur no obligation to the borrower to repay.

Homeownership Education

HUD: Housing Counselors Serve More than 13 Million

Housing counselors served 351,400 buyers in the first quarter of this year, equivalent to about one-third of all existing homes sold during the quarter. Total families reached by counseling since April 2008 reached 13.2 million, according to [HUD's monthly housing scorecard](#).



Vanderbilt Study: Foreclosure Odds Fall with Homebuyer Education

The new [Vanderbilt study](#) found that the odds of foreclosure were 42 percent lower among participants in the Tennessee Housing Development Agency's down payment assistance program who completed a homebuyer education class compared to participants who did not.

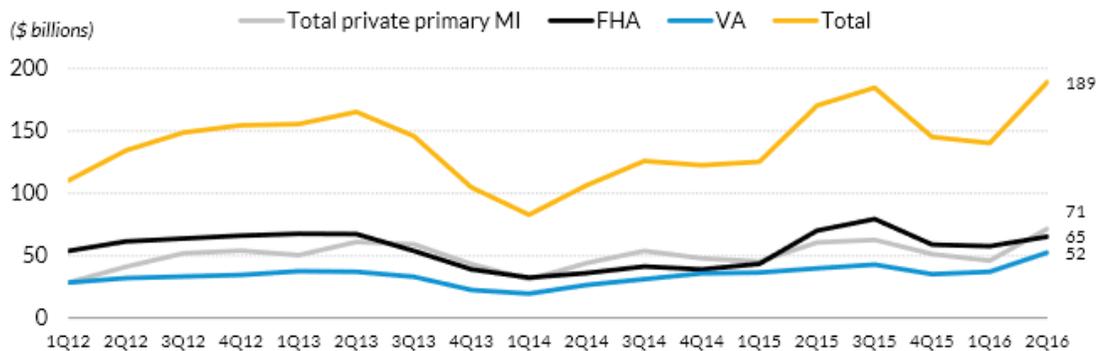
Urban Institute: NeighborWorks Counseling Lowers Defaults by 16 Percent

A [new study](#) by researchers at the Urban Institute found that homeownership education and counseling from NeighborWorks achieve significantly better loan performance than do comparable buyers without NeighborWorks services. The researchers found that the delinquency rates of 90 days or more for NeighborWorks loans are 16 percent lower than those rates for non-NeighborWorks loans.

Mortgage Insurance

Mortgage Insurance Premiums Soared in the Second Quarter

According to the [Urban Institute](#), mortgage insurance premiums, including insurance written by government programs like the FHA and VA as well as and private insurers, rose 35 percent in the second quarter, increasing to \$189 billion from last quarter's \$140.2 billion. Mortgage insurance is required by most lenders for loans with less than 20 percent down.



Sources: Inside Mortgage Finance and Urban Institute.

Key Research

Zillow Study: Down Payments Rebound

A 5 percent down payment is now just as common as a 20 percent down payment. This return to the popularity of higher debt is likely caused by easier lending standards and very low interest rates, which help keep overall costs down even as the total amount borrowed rises, according to a new analysis by Zillow Research, [The Unconventional Mortgage: How Home Loans Have Changed since 2000.](#)

Lending Tree: Conventional Down Payments Rose Slightly in Q2 2016

The average down payment percentages for conventional 30-year fixed rate purchase mortgage offers to Lending Tree customers rose slightly in the second quarter to an average of 17.13 percent. This represents an increase from the prior quarter (16.64%) and a slight decline from the same period last year (17.34%). The average down payment amount also fell quarter-over-quarter, from \$51,721 to an average \$49,839, but increased year-over-year from \$44,007, according to a [new report](#) from the online lender.

Commentary

Published Quotes From Housing Leaders and Executives

“Low down payments have come back into favor as lending has eased and interest rates have fallen, particularly among homebuyers with good credit.”

Lauren Bretz
Zillow economic analyst
[Conventional Mortgage Changes Study](#)

“It’s a common misconception that ‘20 Percent Down’ is required to buy a home. And, while that may have true at some point in history, it hasn’t been so since the advent of the FHA loan, which occurred in 1934.”

Mortgage expert Dan Green
[The Mortgage Reports](#)

“The U.S. homeownership rate is no higher today than in the early 1960s and is only marginally higher than in 1956, before FHA loans with low down payments or 30-year terms became broadly available.”

Edward J. Pinto
[Housing Finance Policy Center](#)
American Enterprise Institute

“Foreclosures are expensive and disruptive on all sides, including the borrower, the loan holder, and the mortgage guarantor, and this study shows that homebuyer education classes are a relatively low-cost approach to preventing them in a significant percentage of cases.”

[Scott Brown](#)
Ph.D. student in the Community Research and Action program
at Vanderbilt University’s Peabody College

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

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