



The Down Payment Report

News and Data on Residential Down Payments

May 2017

Preserving GSE Leadership

As the Administration and Congress begin discussions on reforming the Government Sponsored Enterprises (GSEs), especially Fannie Mae and Freddie Mac, it would be tragic to lose the leadership role these organizations served in helping young and disadvantaged families become first-time homeowners.

Freddie Mac's Home Possible mortgages and Fannie Mae's HomeReady Program set the standard for initiatives that help buyers with low down payments, excellent homebuyer education and innovative underwriting.

The GSEs' unique relationships with the housing finance industry have helped them create innovative offerings in partnership with lenders. Two examples are Fannie Mae's decision to adopt trended credit in its Desktop Underwriter program and the development of 97 percent LTV products by both GSEs, which are based on their experience working with state and local housing finance agencies.

Today the 97 percent LTV loan products have made it possible for banks, non-banks and credit unions to offer their own low down payment programs. Both Freddie and Fannie have programs designed for HFAs and both have made substantial technological advances that make it easier for state and local agencies to partner with them.

Hundreds of thousands of families live in their own homes today because GSE leadership has smoothed their path to homeownership. Let's preserve that leadership role for future generations.

March Average Down Payments at a Glance

Loan Type	Average LTVs (percent)	Average Down Payments (percent)
All loans	80	20
Millennials	88	12
FHA Purchase	96	4
Conventional Purchase	80	20
VA Purchase	98	2

Source: [Ellie Mae Origination Insight Report and Millennial Tracker](#)

Millennials

Millennials Continue to Make Lower Down Payments Than Average Borrowers

Younger buyers continue to make much smaller down payments than average home buyers.

Younger buyers had an average down payment of 12 percent compared to an average of 20 percent for all buyers. No doubt Millennials' preference for FHA (36 percent of millennials buyers compared to 23 percent for all) helped to lower their average down payment. According to the latest data from [Ellie Mae's Millennial Tracker](#), millennials' median debt-to-income ratios (DTIs) were 25/39 in April compared to an average of 24/37 for all borrowers.

Homeownership Assistance

Down Payment Assistance and Homebuyer Education Win Temporary Reprieve in Congress

Funding for the HOME Investment Partnerships Program and Community Development Block Grants won a temporary reprieve in the 2017 fiscal year budget reconciliation bill passed by Congress in the first week of May. The two programs are major sources of funding for down payment assistance and homebuyer education to qualified buyers in target communities.

The reconciliation budget for FY 2017 provides \$950 million for the HOME Investment Partnerships Program (HOME), equal to FY 2016. HOME program funding is nearly half FY 2011 levels in 2017 dollars. The legislation funds Community Development Block Grant (CDBG) formula grants at \$3 billion, equal to FY 2016. President Trump requested to cut \$1.5 billion from FY 2017 CDBG funding to offset an increase in defense spending, but the compromise passed by the House rejected that proposal. For the U.S. Department of Housing and Urban Development as a whole, the bill provides \$48.06 billion in gross discretionary spending, \$1.08 billion (2.3 percent) more than the amount appropriated in FY 2016.

President Trump has also proposed eliminating funding for both CDBG and HOME in his FY 2018 budget blueprint. Congress has yet to address the federal budget for FY 2018, which begins October 1. It is uncertain when Congress might consider the FY 2018 budget resolution.

Key Programs of the
U.S. Department of Housing and Urban Development Budget

PROGRAM	FY 2016 ENACTED	OMNIBUS FY 2017 BILL	% CHANGE
Housing Choice Voucher	\$19,628,525,000	\$20,292,000,000	3.4%
Project Based Section 8	\$10,620,000,000	\$10,816,000,000	1.8%
Public Housing Operating Fund	\$4,500,000,000	\$4,400,000,000	-2.2%
Public Housing Capital Fund	\$1,900,000,000	\$1,941,500,000	2.2%
Section 202	\$432,700,000	\$502,400,000	16.1%
Section 811	\$150,000,000	\$146,200,000	-2.5%
HOPWA	\$335,000,000	\$356,000,000	6.3%
CDBG	\$3,000,000,000	\$3,000,000,000	0%
HOME	\$950,000,000	\$950,000,000	0%
Homeless Assistance	\$2,250,000,000	\$2,383,000,000	5.9%
Choice Neighborhood Initiative	\$125,000,000	\$137,500,000	10.0%
Overall	\$46,978,125,000	48,055,709,000	2.3%

Source: U.S. Department of Housing and Urban Development;
 U.S. House Committee on Appropriations; Novogradac & Company LLP



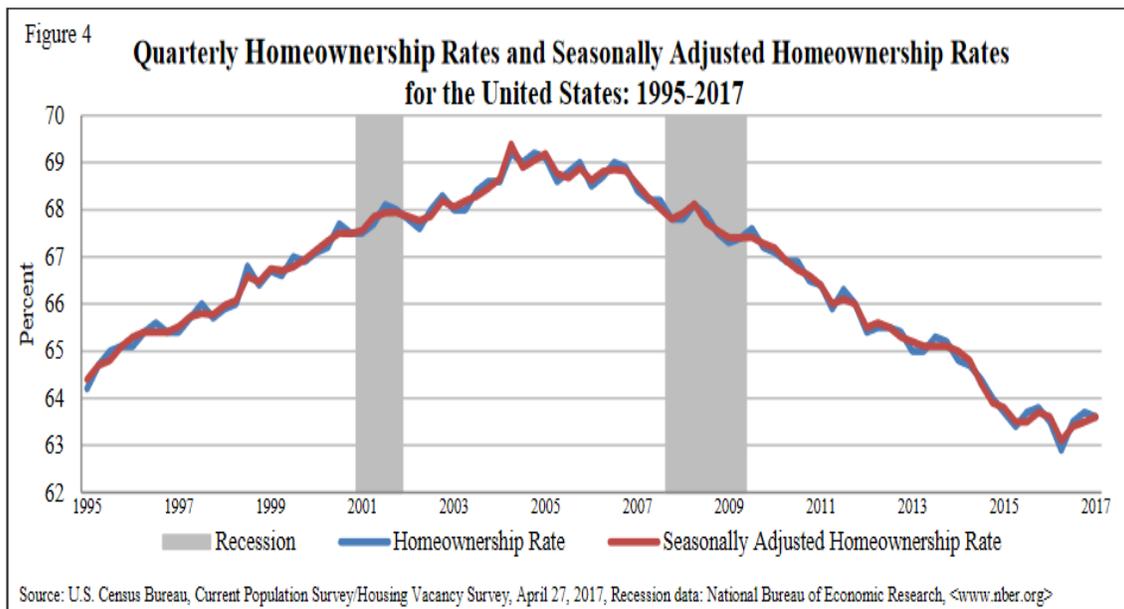
Homeownership

After Gains, Homeownership Rate Stalled in Q1

The number of US homeowners fell slightly in the first quarter while the number of renter households increased slightly. After two consecutive quarterly gains, the recent upward swing of the U.S. homeownership rate stalled at the start of 2017, according to the latest data from the [US Census Bureau](http://www.census.gov).

The homeownership rate of 63.6 percent was not statistically different from the rate in the first quarter 2016 (63.5 percent) or the rate in the fourth quarter 2016 (63.7 percent).

“Over the past year, the homeownership rate appears to have turned a corner in all major regions – except the hard-hit and slow-to-recover Midwest, where it continues to fall (though the Midwest does continue to have the highest homeownership rate among the four major U.S. regions). But there’s still ample room for improvement. Current homeownership rates in the West and Midwest are at their lowest levels since the early 1990s, while the homeownership rate in the Northeast is at its lowest level since the early 1980s, and the homeownership rate in the South is at its lowest level since the late 1960s,” said Zillow Senior Economist Aaron Terrazas.

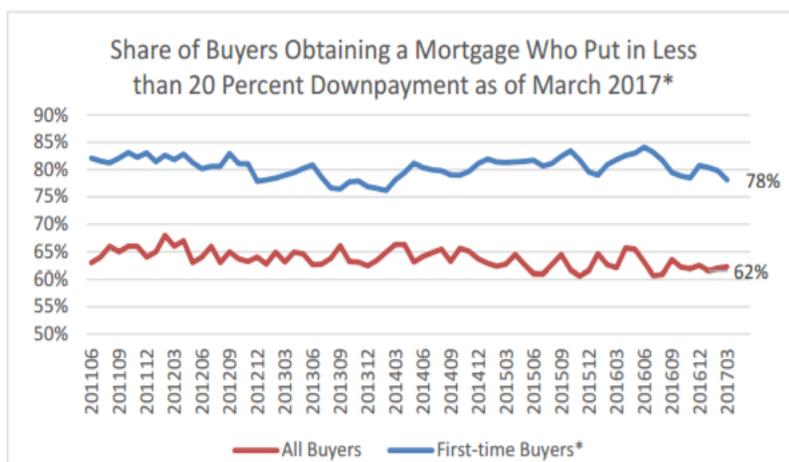
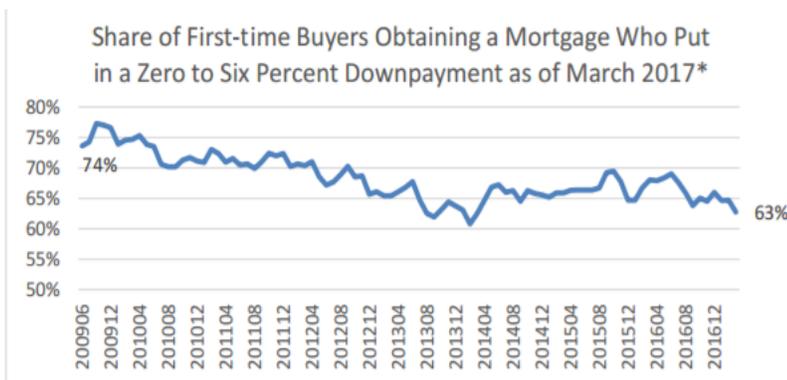


First-time Buyers

Fewer First-time Buyers Made Low Down Payments in March

Some 63 percent of first-time homebuyers put down a zero to six percent down payment, according to the National Association of REALTORS (NAR) [March Realtors Confidence Index](#), a decrease from 65 percent in February and the 74 percent share in June 2009 when NAR started collecting this information in the RCI Survey.

Among first-time homebuyers who obtained a mortgage and whose transactions closed in December 2016–March 2017, 78 percent made a down payment of less than 20 percent, compared to 80 percent in whose transaction closed in December 2016 to February 2017. First-time homebuyers are more likely to take advantage of a low down payment loan compared to all homebuyers. Among all buyers whose transaction closed in March 2017, 62 percent of those who obtained a mortgage made a down payment of less than 20 percent.



Down Payment Research

DPR and Zillow Surveys Confirm Down Payments Hold Back Renters from Buying Homes

Two new national consumer surveys provide additional and current evidence that down payments are still the greatest barrier keeping potential homeowners in rental housing.

Almost 70 percent of renters in 20 U.S. metros say coming up with the down payment is holding them back from homeownership, according to the first Zillow [Housing Aspirations Report](#) released April 12.

The Zillow report found that saving for a down payment was a barrier for more than two-thirds of renters surveyed, topping other hurdles such as job security and qualifying for a mortgage. About half of renters surveyed said debt and qualifying for a mortgage were also barriers to homeownership.

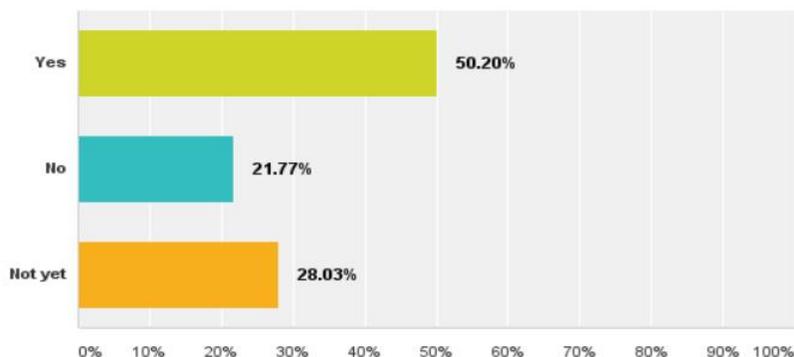
Down Payment Resource's [survey of future homebuyers](#) found that of the 750 future homebuyers surveyed, 85 percent said they were looking to buy a home in the next six months, but 63 percent did not have money saved for a down payment.

The DPR survey also found that:

- Education is a priority for future buyers. Some 72 percent of the respondents said they plan to complete an online or in-person homebuyer education course. More than 50 percent have already researched down payment programs; and
- Future buyers will turn to experts for information on down payment programs. A whopping 92 percent want information on down payment programs from their agent or lender.

Q5 Have you researched programs that could help you save on your down payment or closing costs?

Answered: 735 Skipped: 15

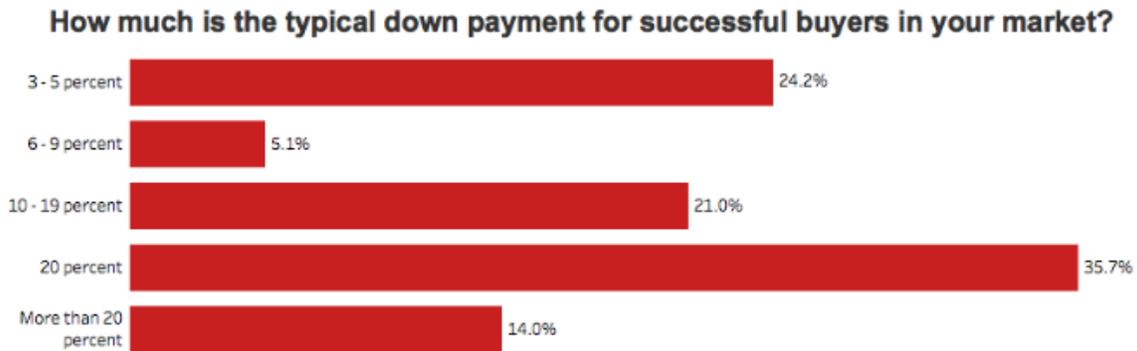


Down Payment Research

Redfin: Low down payments work in today's competitive market

Despite the current lack of inventory in the housing market, homebuyers can still successfully close on a house with a low down payment, according to a [March survey](#) of more than 800 Redfin real estate agents.

The survey found half of agents reported that the typical down payment for successful buyers in their market was less than 20 percent, even though competition is extremely fierce. The chart below shows that although a 20 percent down still ranks as the typical down payment, 3 to 5 percent down payments are the second top option for successful buyers.



“I’ve had successful negotiations where my clients put down less than 20 percent. Most sellers aren’t really fixated on that as much as on the overall quality of the offer,” said Redfin real estate agent Rano Khudayberdieva, who works in the Chicago suburbs.

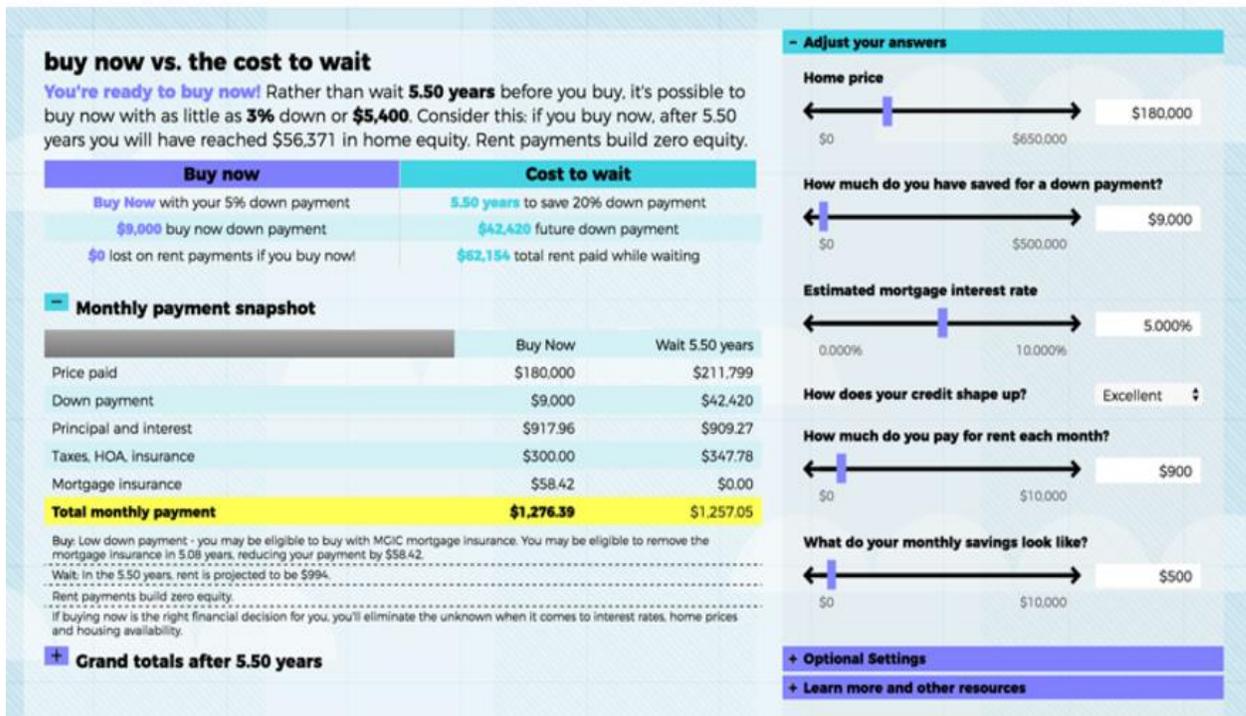
Khudayberdieva further explained that in low down payment situations they typically reach out to the lender to find out how confident they are that the loan will be approved. “If it’s a lender I know and trust, and they assure me they can approve it quickly, then we consider it a solid offer,” said Khudayberdieva.

Mortgage Insurers

MGIC Introduces “Buy Now or Wait” Calculator

A [new widget from MGIC](#), a leading mortgage insurer, helps buyers understand why waiting to save 20 percent down is not their only option. The calculator compares options, including down payments as low as 3 percent, and presents detailed results to help buyers understand the cost of buying now versus waiting until they have saved enough to meet the 20 percent threshold.

“None of this is to encourage a prospective buyer to buy before they are ready. It is in everyone’s best interest to for buyers to succeed, so borrowers need to be comfortable not only with the mortgage payment but also the other responsibilities that come with homeownership,” said Vince Edwards, MGIC marketing program director.



Down Payment Assistance Coast-to-Coast

Governor Cuomo Launches “Graduate to Homeownership” in Upstate New York

On May 3, New York Governor Andrew Cuomo launched a new \$5 [million “Graduate to Homeownership Program”](#) to help recent college graduates become first-time homeowners. The pilot program, which will be available in eight cities participating in Governor Cuomo's Downtown Revitalization Initiative, offers low-interest rate mortgages, a down payment assistance loan with no additional fees, and a homebuyer education course.

"We continue to invest in the development of downtown areas across Upstate New York, and with the launch of this innovative program, we will take our efforts a step further by enticing young graduates to make an investment in these communities and in their future," Governor Cuomo said. "By removing barriers for talented graduates and allowing them to afford a new home in the Empire State, we are laying the foundation for stronger, more viable communities across New York for generations to come."

While New York City leads the nation with more than 71 percent of students from colleges and universities remaining in the area after they graduate, many Upstate communities have struggled to retain graduates. With growing Upstate economies and attractive, affordable housing markets, these communities are ideal for millennial homeownership.

NeighborhoodLIFT Lifts Nevadans

A new program is expected to help more than 560 families in Southern Nevada afford down payments on homes within Las Vegas Valley eligible areas. Offered through Neighborhood Housing Services of Southern Nevada, [NeighborhoodLIFT](#) offers up to \$7,500 in grant money that homeowners can use toward down payments.

NeighborhoodLIFT[®] is a borrower contribution matching down payment assistance program with a military benefit sponsored by Wells Fargo in partnership with NeighborWorks[®] America. The program provides up to \$7,500 in down payment assistance for eligible homebuyers who meet local income limits and who graduate from an approved homebuyer education course.

NeighborhoodLIFT[®] is a zero interest grant that will be forgiven that will be forgiven in equal parts each year over a three year time period. The grant will cease and the prorated balance will become due if the property is sold, refinanced, transfer of title, foreclosure or other default occurs within the first three years.

Maryland DPA Loans Include State Tax Credits

A new initiative in Montgomery County, Md., provides up to \$40,000 for homebuyers in the form of a zero-interest loan for down payment or closing cost assistance.

The program, offered in partnership with the Maryland Department of Housing and Community Development through the [Maryland Mortgage Program](#), will run through Dec. 31 or until all funds are spent.

The Montgomery Homeownership Program allows buyers to take advantage of several incentives, including:

- The deferrable zero-interest loan equal to 40 percent of household income, up to \$40,000.
- 30-year fixed-rate financing through the Maryland Mortgage Program.
- Tax credit savings through the Maryland HomeCredit Program.

New York State Association of REALTORS® Brings Down Payment Resource to Members

Down Payment Resource (DPR), the nationwide databank for homebuyer programs, and the New York State Association of REALTORS® announced a [new down payment program search tool for NYSAR members](#). The online resource will allow New York State's REALTORS® to search and review eligibility and benefit details of all homeownership programs in New York, helping connect their buyers with available programs.

Down Payment Resource's database uses a proprietary rules engine that automates the process of matching eligible borrowers with affordable lending programs, including down payment assistance, grants, Mortgage Credit Certificates and more. DPR tracks 2,400 programs nationwide, including 100 programs spanning New York City to central and western New York.

"Every day New York's REALTORS® educate and help guide first-time buyers through the process of purchasing their first home," said Duncan R. MacKenzie, CEO of the New York State Association of REALTORS®. "The Down Payment Resource search tool will help our members connect more consumers to programs that will help them make homeownership a reality."

Commentary

Down Payments on the Record

Did you know that the median down payment for first-time buyers has been 6 percent for three straight years?

- [The Myth of the Mortgage Down Payment](#) by Meghan Webber Lansing State Journal April 30, 2017

Freddie Mac's serious delinquency rate dropped below one percent for the first time since 2008, lending credence to its efforts to expand credit access with low-down-payment mortgage products for consumers and representation and warranty relief for lender.

- [Freddie's serious delinquencies are seriously low](#) by Austin Kilgore, National Mortgage News May 2, 2017

According to TD Bank's Mortgage Service Index, almost a quarter of Americans share a mortgage with someone other than a spouse. And when it comes to millennials, this number nearly doubles, with 42 percent sharing mortgages.

- [Ryan Bailey](#), executive vice president, retail lending director for TD Bank, in US News, March 19, 2017

"The fact is that waiting to save 20 percent can very likely cost homebuyers."

- [Vince Edwards](#), MGIC marketing director

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. The Down Payment Report is researched and written by [Steve Cook of Real Estate Economy Watch](#).

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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. DPR has been recognized by Inman News as "Most Innovative New Technology" and the HousingWire Tech100™. 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). 11

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