



**Dan Clifton**

Principal Broker and Mortgage Guru, Clifton Mortgage Services, LLC

NMLS # 284174

670 N Orlando Ave Suite 101 Maitland, FL 32751

Office: 888-681-0777 x1001

Mobile: 407-252-3039

Fax: 866-512-0169

[dan@cliftonmortgageservices.com](mailto:dan@cliftonmortgageservices.com)

[View My Website](#)

## First-time Buyers called "Missing Link" in Recovery

The share of first-time buyers is at the second lowest level in over 30 years the National Association of Realtors (NAR) said on Thursday. The 2015 release of its annual *Profile of Home Buyers and Sellers* reveals a home buying market **driven by repeat buyers in two income households**. Historically first time buyers constitute nearly 40 percent of primary home purchases but have declined in NAR's survey for three consecutive years and now have only a **32 percent** share.

NAR's chief economist Lawrence Yun called first-time buyers the **missing link** in the housing recovery and said there are several reasons why there should be more of these buyers in the market. He cited continuing low interest rates, healthy job prospects for college graduates, and the increasing costs to rent. "Unfortunately, there are just as many high hurdles slowing first-time buyers down. Increasing rents and home prices are impeding their ability to save for a down payment, there's scarce inventory for new and existing-homes in their price range, and it's still too difficult for some to get a mortgage," he said.

Yun says this year's survey perhaps offers additional clues to the absence of these buyers. "First-time buyers reported that debt (all forms) **delayed saving for a down payment** for a median of three years, and among the 25 percent who said saving was the most difficult task, a majority (58 percent) said student loans delayed saving. With a median amount of student loan debt for all buyers at \$25,000, it's likely some younger households with even higher levels of debt can't save for an adequate down payment or have decided to delay buying until their debt is at more comfortable levels."

First-time buyers had a median age of 31, unchanged for the last three years. Their median income was \$69,400, up \$1,100 from 2014. The typical first-time buyer purchased a **1,620-square-foot home** (1,570 in 2014) costing \$170,000. When asked about the primary reason for purchasing, more first-time buyers in this year's survey (64 percent) cited a desire to own their own home as the primary reason compared to a year ago (53 percent).

The survey found a higher share of married couples among all buyers, 67 percent compared to 65 percent in the previous year's survey, and higher household income. The typical repeat buyer was 53 years old and earned \$98,700 compared to \$95,000 in 2014. Married repeat buyers had the highest average income at \$108,600.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00

<b>Freddie Mac</b>			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

## Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

Value Change

Thirteen percent of buyers who responded to the survey were **multi-generational** households with adult children, parents, and/or grandparents, the same share as a year ago. Eighteen percent of buyers identified as military veterans, 8 percent as an unmarried couple and 3 percent as active-duty service members. The share of single female buyers dipped by one percentage point to 15 percent and single male buyers remained at 9 percent.

"Similar to some of the obstacles facing first-time buyers, tighter credit conditions and having less purchasing power than households with dual incomes likely led to the share of single-female buyers declining to its lowest since 2001 (also 15 percent)," Yun said.

Repeat buyers purchased a median **2,020-square-foot home** costing \$246,400. For repeat buyers, desire to own a home of their own and wanting to own a larger home were tied at 13 percent as the top reason given. Nearly half of all buyers (46 percent) said the timing was just right and they were ready to purchase a home.

Buyers increasingly view buying a home as a good financial investment (80 percent), and 43 percent think it is a better investment than stocks. Looking ahead, first-time buyers plan to stay in their home for 10 years and repeat buyers for 15 years.

Despite above normal activity from all-cash buyers which probably pushed the percentage of those sales up 86 percent of buyers financed their purchase. **Younger buyers** were more likely to finance, and the median down payment ranged from 6 percent for first-time buyers to 14 percent for repeat buyers. Ninety-one percent of buyers chose a fixed-rate mortgage, and 23 percent chose an FHA loan, a 20 point drop over the last five years. Eleven percent financed using the Veterans Affairs loan program with no down payment requirements. Nearly half of novice buyers found the mortgage process more difficult than they anticipated.

While 81 percent of first-time buyers used their savings for part of their down payment they also relied on other resources. **Over a quarter used a gift** from a friend or relative, 8 percent sold stocks and another 8 percent tapped retirement funds. Just over half of repeat sellers used proceeds for the sale of their previous home for a down payment, an increase from last year.

The internet was the first step in shopping for a home for many buyers and searching for a home through mobile applications is steadily increasing - reaching 61 percent in this year's survey. Eighty-eight percent of buyers who searched for homes online ended up purchasing through an agent. The survey additionally found that nearly 90 percent of buyers and sellers worked with an agent. Only 8 percent of sales were for-sale-by-owner, down from 9 percent the last three years and the **lowest share ever** recorded by the survey

Tight market conditions are pushing buyers to accelerate the pace of their home search. Buyers typically took 10 weeks, the same as in 2014, but a two-week shorter timeframe than from 2009 to 2013.

Eighty-three percent of buyers bought a **detached** single-family home while purchases of townhouses or row houses remained unchanged from a year ago at 7 percent. Eighty-nine percent of buyers with children under the age of 18 purchased a detached single-family home compared to 80 percent of buyers with no children in their home. Overall, the typical home purchased during the survey period was built in 1991 and had three bedrooms and two bathrooms.

Slightly more buyers in this year's survey purchased a home in a suburb or subdivision (52 percent) compared to a year ago (50 percent) with small towns and urban areas coming in second and third. Recent buyers also moved further from their previous residence, a median distance of 14 miles compared to 12 miles in 2014. Buyers were influenced in their choice of location by the quality of the neighborhood, convenience to jobs, and overall affordability.

The typical seller over the past year was 54 years old, married (77 percent), had a household income of \$104,100 (\$96,700 in 2014), and was in the home for 9 years before selling compared to 2014's 10 year tenure, an all-time high.

Sellers realized a median equity gain of \$40,000, a 23 percent increase over the original purchase price. Sellers who owned their home for one to seven years all reported roughly selling their homes for \$30,000 to \$35,000 more than they purchased it. Underlining the price swings during the downturn, equity gains fell to \$3,000 for owners who bought between eight and 10 years ago. Homes sold after 21 years reported a price gain of \$138,000.

Houses were on the market **a median of four weeks**, highlighting the tight inventory conditions. Sellers moved a median distance of 20 miles (70 percent stayed in the same state) and the top reason given for selling their home was because it was too small (16 percent).

Two-thirds of sellers found their real estate agent through a referral by a friend, neighbor or relative, or used their agent from a previous transaction. Furthermore, the responses reveal client referrals and repeat business remain the predominant source of business for real estate agents, with most sellers (84 percent) indicating they would definitely recommend their agent for future services.

NAR has conducted its survey of buyers and sellers since 1981. This year a random weighted sample of home buyers and sellers who had bought or sold over the previous 12 months were mailed a 128 questionnaire in June. Results are typical of owner occupants and do not reflect purchases of investment properties or second homes.