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A Message from Scott Ward:

"FOCUS on High Trust and low stress! Gain peace AND prosperity with a Trusted Mortgage Advisor! Who needs a client and realtor focused professional?"

Focus, Focus, Focus: Helping Buyers Find the Way

Buying a home is a process with a lot of moving parts. Do buyers make it more complicated, or even drop out of the process because they tend, for many reasons, to focus on the wrong ones?

A lot of research, especially post-crash, such as Fannie Mae's National Housing Survey indicates that **saving for a down payment and insufficient credit history** are the biggest barriers many homebuyers, especially first-timers, face in getting a mortgage. These buyers have told others, such as the Consumer Financial Protection Bureau, that they don't do a lot of shopping around; getting information from more than one lender, or multiple quotes.

In both cases, the research has relied on surveys to gather snapshots of consumer attitudes and outcomes at a certain point, but these are less helpful for understanding the fine points of the shopping process that occurs over the course of buying and financing a home.

To drill down a little further into these results and to inform future research, Fannie Mae commissioned Abt Associates, a Cambridge, Massachusetts social science research firm, to conduct an ethnographic study of a small group of low-and-moderate-income households, who were in or preparing to enter the market for a home, following them over an extended period. The research was intended to discover:

- What different paths do the households take as they attempt to become homeowners?
- What barriers do they face and how do they overcome them?
- What is the role of the mortgage (home purchase financing) in the entire home-purchase journey?
- How do they shop for a mortgage? Who are the influencers?

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.32%	-0.02	0.00
15YR Fixed	6.87%	-0.02	0.00
30YR FHA	6.95%	-0.01	0.00
30YR Jumbo	7.42%	-0.03	0.00
7/6 SOFR	6.70%	-0.13	0.00
30YR VA	6.97%	**0.00**	0.00

Rates as of: 11/24

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.59	+0.04
10 YR Treasury	4.9267	-0.0195
30 YR Treasury	5.3214	+0.0130

Pricing as of: 11/24 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 11	199.8	-2.35%
Building Permits	Oct	1.3M	-7.5%
Housing Starts	Oct	1.31M	+7.21%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Oct	63	-4.69%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Nov	25	-13.79%

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The studies sample size was small, 10 households in Boston, four in Knoxville, Tennessee, and **the study was designed to develop insights into the patterns** used rather than to gather information that could be applied to a larger population. All participants met the qualification of being low or moderate income, with a top annual income of $90,000 in Boston and $58,000 in Knoxville. Because the study imposed some time demands, it was limited to families without children and was mixed as to gender, marital status, and ethnicity.

All research participants were recruited early in the process and **before they got pre-qualified for mortgages.** Researchers used multiple data-collection approaches, including onsite visits, at least 10 hours of interviews with each participant, video diaries, pulse surveys, and the participants' mortgage documents. Questions were tailored to individual participants to gather the most complete picture of their experience.

Research participants faced such as income instability and insufficient credit, resulting in a prolonged and complicated home purchase process. Exactly half of the households had successfully purchased a home by the end of the study in each of the locations. The other half had to go back to the preparation phase, such as building credit or income history and budgeting before they could start again, making the whole home purchase journey last for more than two years.

The researchers found the home purchase process generally involves three phases, **preparation, a cycle of decisions, and actual purchase.** Each homebuyer addresses the components of these phases in ways tailored to their personal circumstances. How they thought about the mortgages and the emphasis they placed on it varied in every stage.

The **preparation stage** featured three major steps, improving the household's credit score, saving for a down payment, and gathering information. The **cycle of decisions involved the budget and savings**, family circumstances, the type, location, and condition of the home, and the timeline for purchase. During the purchase the homebuyer had to confront more timing decisions and deadlines; inspections, purchasing insurance, getting the mortgage and possible secondary financing or down payment assistance, mortgage docs, and other varied issues.

Households employed different strategies toward the purchase in different phases. In the preparation phase they worked to improve credit, moved in with parents or a roommate, worked extra hours or a second job to save toward the down payment, sometimes took homebuyer education courses or attended real estate seminars. As they moved into the second phase, they might change to a different home or type of home such as one needing less repair, pick a different loan product or lender. Some returned to the preparation stage if they confronted barriers that were severe enough. Finally, as they began they actual purchase, they negotiated repairs after inspection, did whatever they could to overcome barriers, and again returned to the preparation phase if barriers were severe enough.

In early stages (before getting pre-qualified or pre-approved), research participants had vague ideas about mortgages then some mortgage knowledge started to form once they began the pre-approval process. However, once prospective homebuyers selected a lender for a pre-approval, **they rarely re-evaluated lenders or mortgage choices.** Instead they focused overwhelmingly on the home search, doing on-line searches, attending open houses. When they thought about the mortgage at all, it was in the context of overall financial preparation, down payment, rent costs v mortgage payments, their credit, etc.

In the second phase they concentrated on home details. Any focus on mortgages concerned getting an approval. Once the purchase decision was made, more information about mortgage details emerged, but at the same time the overall process speeded up and filled with other tasks and details. The key mortgage need was, **"will the loan come through?"** The process and product had been selected High stress and deadlines are driving the process. While participants shopped around and negotiated many details, with mortgages the focus was on lenders who could get it done by the closing not mortgage terms. There is no time for comparison shopping. Getting a mortgage was considered a hurdle to overcome.

While participants considered some facets of homebuying exciting and interesting, their emotions about mortgages ranged from neutral to negative. they considered that part of the process frustrating, overwhelming, and intimidating.

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