



Stephen Moyer

Sales Manager/Senior Loan Officer NMLS:
268619/CA-DBO268619, New American Funding Corporation. NMLS: 6606, Equal Housing Lender Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act CA-DBO268619 Corp. NMLS: 67180 Equal Housing Lender 1615 Murray Canyon Road #1050 San Diego, CA 92108

Office: 619-309-1678
Mobile: 619-895-8128
Fax: (619) 793-1026
stephen.moye@nafinc.com
[View My Website](#)

How are new Borrowers Managing to Come up With Down Payments?

Freddie Mac periodically looks at how and from where homebuyers are managing to acquire their down payments and they did so, particularly first-timers. This week, as the focus of an *Insights* report, the company says it continues to find that part of the challenge faced by those planning to purchase is their perception of how much money they actually need.

A recent survey of individuals planning a purchase within the next three years found that **nearly a third thought a 20 percent down payment was required**. Over 30 percent of renters and 25 percent of existing homeowners didn't know how much was required but 70 percent said if it were 20 percent it would delay their purchase and nearly 30 percent indicated that amount would prevent them from ever buying. Many also assumed that the down money needed to come from personal savings.

Given these mindsets, Freddie Mac economists Sam Khater, Len Kiefer, and Ajita Atreya looked at where buyers have gotten their down payment funds in recent years using a component of the Federal Housing Finance Agency/Consumer Finance Protection Bureau National Mortgage Database called the NSMO. Some in the 6,000-household sample reported multiple sources for their down payment, **but 70 percent of those buying in 2016 used savings including retirement funds or inheritance money**, a decrease from 79 percent in 2013. Ten percent had assistance - a grant or loan - from a nonprofit or government agency, twice the share in 2013. The share of homebuyers who used money supplied by family or friends has remained constant at 25 percent since 2013 and support from sellers has been in the 16 to 17 percent range during that time.

Thirty-one percent of the sample said they had used proceeds from the sale of another property, up from 23 percent in the 2013 sample and the share using a second mortgage or home equity loan has increased from virtually none to 4 percent in 2016 as rising home prices have increase homeowner equity. Freddie Mac assumes but cannot confirm that the last two groups are repeat homebuyers.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
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
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
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

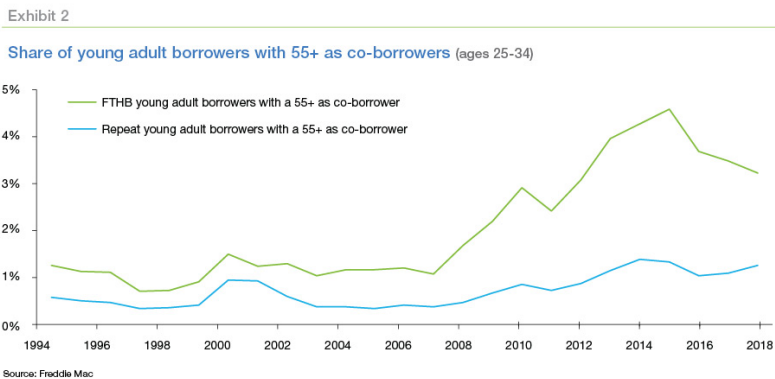
Recent Housing Data

		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%

Freddie Mac found a large percentage of buyers **depend on support from family and friends even if it is not financial**. There was an increase in the share of young adult (25 to 34 years of age) borrowers who used an older co-borrower (over age 55) to qualify for a Freddie Mac home purchase loan. Combining income with a co-borrower allows borrowers to qualify for a higher loan amount.

		Value	Change
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

Exhibit 2 provides the percentages young adult first-time and repeat homebuyers who used an older adult co-borrower to qualify for a Freddie Mac purchase loan between 1994 and 2018 and analyzed the age profiles of both borrowers and co-borrowers.



In 1994, the share of young adult repeat-buyers who listed co-borrowers over the age of 55 was 0.6 percent but **doubled in 2018**. This, Freddie Mac says, suggests a modest increase in family support through co-signing mortgages, perhaps to help the borrowers **qualify for certain loan amounts**. This co-signing support seems to be even more important for first-time homebuyers. That incidence increased from 1.3 percent in 1994 to 3.2 percent in 2018. The share of young adult first time borrowers with older co-borrower rose significantly after the recession and has not declined much since. This use of co-borrowers is even higher in high cost markets in the West. For instance, 7.2 percent of first-time homebuyers in the San Jose metro area listed older co-borrowers as did 5 percent in the San Francisco metro area in 2017.

The report concludes that many prospective homebuyers may prefer to put 20 percent down, but last year, according to the National Association of Realtors, the median down payment was 13 percent for buyers overall, and 7 percent for first-time buyers.

The findings suggest that the mortgage industry needs to educate borrowers about the availability of low-down payment products, that there can be more than one source of funds and that other sources of funds are available and acceptable. They should also know that family assistance with their purchase can go beyond financial gifts or loans.

thanks for visiting this site

thank you for coming to website. Having been a loan officer for 20+year...I know first hand how important it is to stay on top of the news and event that effect mortgage rates, regulation, and program guidelines. Let this web site be a resource for you.

New American Funding CA-DBO268619 Corp. NMLS: 6606

Equal Housing Lender

Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act

Stephen Moye

