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Lack of Mortgage Savvy May be Stifling Homeownership

Fannie Mae's monthly National Housing Survey consistently shows that the vast majority of Americans would prefer to own rather than rent a home **but are uncertain or mistaken about what qualifications are necessary** to get a mortgage. Now the company has reprised a 2015 survey exploring that knowledge gap and found, after questioning more than 3000 respondents, things haven't improved much since the initial study.

Mark Palim, Fannie Mae Vice President and Deputy Chief Economist and Sarah Shahdad, a Market Insights Researcher write in a new research brief that this lack of accurate information may be discouraging willing and qualified Americans from pursuing homeownership, but may also provide an important opportunity for lenders and other mortgage market participants to utilize more effective mortgage education that is "timely, customized, convenient, and simple."

The updated survey found some changes since 2015, but they were either small or not particularly impactful. More consumers reported they had seen their credit scores recently, but more than half couldn't remember what it was. Despite making use of online information more than they did three years ago, **many still overestimate the credit score they need** and are unfamiliar with low downpayment programs.

Fannie Mae says this lack of mortgage knowledge is pervasive. It affects current homeowners, those who are actively planning to buy a home in the next three years, even those who successfully answered questions testing their general financial literacy.

National Average Mortgage Rates



	Rate	Change	Points
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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%

The authors say the takeaway is that current sources of mortgage education and information are insufficient. "While viewing one's credit score is a good start, consumers need to understand what to do with that information.

Although Americans are confident they could improve their credit score, monitoring a credit score is not the same as understanding how the score impacts their financial situation." Such gaps may discourage potential homeowners from seeking more information, or from preparing to buy by saving for a downpayment or improving those scores.

Market participants who can find ways to improve consumers grasp of the requirements and processes of qualifying for a mortgage will have an opportunity to increase the number of those who do so and those who don't yet qualify will have a better understanding of what they need to work towards. This, Palim and Shahdad say, can help reduce costly and frustrating mortgage application denials.

They define effective mortgage education as timely, customized, convenient, and simple. "Customized information, delivered right when someone is making a decision, **including whether to buy, how much to save, what they can afford, or what type of mortgage to get**, leads to better consumer outcomes," they say.

Mobile applications, appropriately optimized, may be part (but not all) of the solution. Younger Americans in particular are increasingly using them for financial services. Some apps already help with budgeting, investment, and managing debt so perhaps mortgage tools could be integrated into them.

But it would be a mistake to rely on digital help completely. Alone, it may not be sufficient to guide consumers through the complexities of preparing for and getting the right mortgage. Further, research indicates that people prefer a mix of digital and human contact.

The authors conclude that, with information that allows them to measure and improve their own qualifications for homeownership, potential borrowers may be encouraged not to give up those aspirations prematurely or unnecessarily.

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

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