The Down Payment Report

News and Data on Residential Down Payments

September/October 2020

Report Released: October 9, 2020

Don't raid IRAs for down payments

Helping first-time buyers to overcome barriers that keep them from buying their first homes is critical. Homeownership is the way most families in America build wealth. Every day that passes without owning a home is one fewer day of potential equity growth.

Congressman Sean Maloney (D-NY) recently introduced legislation to allow first-time buyers to withdraw up to $25,000 from retirement savings accounts tax-free if used for a down payment.

Paying back a distribution from an IRA or 401k can be unexpectedly hard for new homeowners. Every day that passes with diminished retirement savings is one fewer day of retirement security.

Raiding a retirement savings account to fund a down payment is not only a bad idea but also unnecessary. Today buyers can choose from thousands of low down payment options, some as low as 3 percent—only $6,000 for a $200,000 home. Even with the monthly cost of mortgage insurance, first-time buyers who are ready for homeownership should be able to afford a low down payment.

Stay safe and be well,

Rob Chrane
CEO, Down Payment Resource
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In this issue:

THE DPR INTERVIEW

Will the American Dream Down Payment Act move the needle for homeownership?

A regular feature of the Down Payment Report, the DPR Interview showcases national leaders in homeownership assistance and low down payment programs.

Antoine M. Thompson
National Executive Director
National Association of Real Estate Brokers

A native of Buffalo, Antoine Thompson rose from Legislative Assistant for the Buffalo Common Council Central Staff to the New York State Senate where he served two terms. He is a licensed Real Estate Agent in New York State and joined NAREB in 2015.

Q: On August 4, Senators Cory Gardner (R-CO) and Doug Jones (D-AL) introduced the American Dream Down Payment Act of 2020. Patterned after the 529 college savings plan that helps parents and students save for college tuition, the legislation would allow home buyers and their family members to save up $12,000 per year tax-free for down payments. Since 2018, getting the proposal enacted has been a top priority for the National Association of Real Estate Brokers.

What impact would this legislation have once enacted?

The Congressional Budget Office has not yet come up with estimates. Its impact will be significant, whether in low-cost or high-cost markets, by making all mortgages more affordable. As America's oldest African American trade association, we want to make sure that African Americans can participate in it and utilize it. Once it is passed, we will be aggressively promoting it. We know that one of the top barriers to homeownership is the down payment, so anything that will help people save money, whether it is a $1,000 or $100,000 towards saving for a house, can make a world of difference. It also impacts the pricing of a mortgage. The greater your down payment, the stronger your credit score, and the better a lender that you work with increases your chances of having not just a mortgage but a fairly and competitively priced mortgage.

Q: Is one of the goals of the legislation to make it easier to save enough money to put down 20 percent rather than a lower down payment?

If someone wants to put down three and a half percent or 20 percent, that's their decision. Our goal is to give people more options by removing the barriers and expanding the opportunities for people to get a mortgage to buy a home, whether they want to go conventional or FHA.

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(DPR Interview continued)

Q. A recent study by the Urban Institute found that homeownership is an important way for African Americans to establish a financial legacy. Can you explain what that means?

From a practical perspective, low down payments help everyone, not just African Americans. Before the FHA, it was challenging for most Americans to own a home. Under Franklin Delano Roosevelt's leadership, Congress came up with a way for the federal government to backstop low down payment mortgages. Generations of whites in the Thirties and Forties and even into the early Sixties could get a low down payment for a 30-year fixed-rate mortgage. Unfortunately, at that time, most African Americans were not allowed to participate in those programs. That created over 30 years of generational wealth that could then be passed down from parents to children. That helped families send their kids to college with the equity in their home and start a business. This government support helped to subsidize suburbanization while urban areas were not growing as fast. Twenty, 30, 50 years of wealth from owning property contributed to a gap in generational wealth. Housing economists estimate that it will take a typical African American anywhere from five to fifteen years to save up 20 percent for a down payment.

Q: Why was the legislation introduced so late in the congressional session? What are your plans going forward?

One thing about Congress is that we don't get to dictate when they pass bills. As someone with a lot of legislative experience from serving on the Buffalo City Council and serving as a New York State Senator, I know that just because you introduce a bill late in the session doesn't mean it won't become law that year. However, the earlier in the year that you do get it introduced, the greater the likelihood of it getting passed. Introducing a bill late in the session allows people to look at the issue so that it can set the tone either in a lame-duck session this year or at the start of the new Congress, and you can hit the ground running.

In light of the bipartisan support that this bill has, we hope that as they consider legislation to close the racial homeownership wealth gap, this can become a part of that mix. No matter who wins in November, we think this bill will be a low hanging fruit that we can pass to change the homeownership gap.

Low Down Payments

The American Dream Down Payment Act of 2020

President Bush signed into law the first American Dream Down Payment Act on December 16, 2003. The legislation created the American Dream Down Payment Initiative to provide grants and loans to help families whose income was below 80 percent of their local median income. Besides down payments, costs covered by the program include origination fees, credit reports, fees for title evidence, fees for recordation and filing of legal documents, attorneys' fees, and private appraisal fees. The maximum down payment grant is $10,000 or 6 percent of the purchase price of the home, whichever is greater. The average subsidy is approximately $7,500. HUD administers the ADDI as part of HUD's HOME program.

On August 3, 2010, Senators Doug Jones of Alabama (D) and Cory Gardner of Colorado (R) introduced the American Dream Down Payment Act of 2020. Senator Sherrod Brown of Ohio, the Ranking Member of the Senate Banking & Housing Committee, is also an original cosponsor of the legislation. Congressman Gregory W. Meeks (D-NY) and Congressman Al Green (D-TX) introduced a companion bill in the House on September 4th.

The goal of the legislation is to help prospective homeowners save for a down payment by creating special tax-advantaged savings accounts for eligible housing costs. These accounts are modeled on the popular 529 Plan that encourages families to save money to pay for future education expenses by exempting them from federal income taxes.

The legislation would:

- Let states establish American Dream Down Payment Accounts, which they would manage in the same way they manage 529 Plan accounts today;
- Allow prospective homeowners to save up as much as 20 percent of today's housing cost, indexed for inflation, to use for an eligible down payment and other housing costs;
- Facilitate long-term savings for a down payment and allow contributions from family and friends; and
- Allow homebuyers to use their American Dream Down Payment Account savings and earnings for tax-free withdrawals for eligible expenses.

The National Association of Real Estate Brokers, Habitat for Humanity, and the National Association of Realtors support the legislation.

Down payment options blunt the impact of rising prices

Rising home prices keep thousands of first-time buyers out of the market unless they are using a low down payment. The many low down payment options available today are reducing the impact of rising prices on down payments enough to keep typical first-time buyers in the market.

A new analysis by First American's Odeta Kushi found that low down payments can reduce the impact of today's rising prices enough to keep the increase from postponing young buyers' homeownership plans. That's an important reason that first-time buyers have accounted for a larger than usual share of home sales during the first six months of the COVID pandemic.

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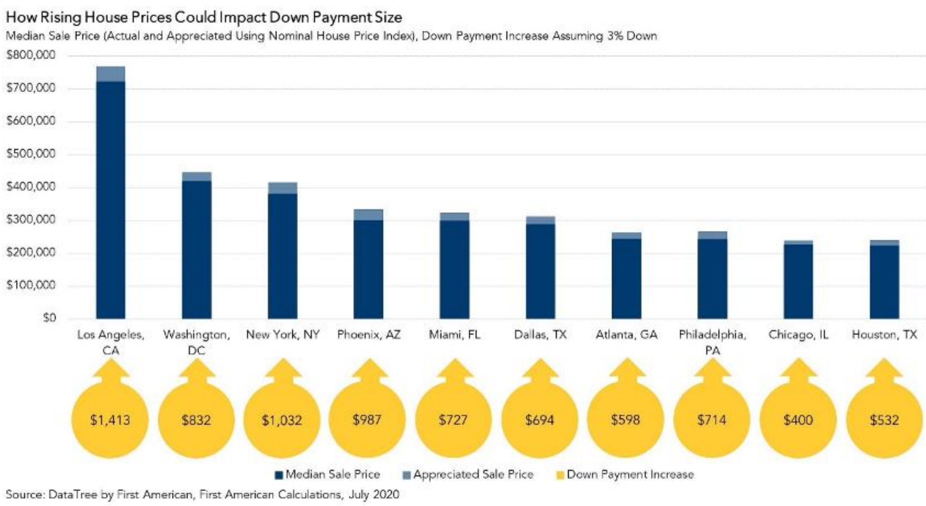
(*Down payment options blunt the impact of rising prices* continued)

As home prices rise, the amount needed for a down payment, a fixed percentage of the home's purchase price, will also increase. Given the median home price for the top 10 most populous U.S. markets and assuming a 3 percent down payment (the amount by which the down payment would increase if annual house price appreciation in each market remained at July's pace, varying from 6 to 11 percent) ranges from only $400 to as much as $1,400.

According to data from DataTree by First American, a home buyer in Phoenix purchasing in July would need a down payment of $9,000 at 3 percent down. If the home appreciates by 11 percent (July's house price growth rate in Phoenix) to a new sales price of just over $332,900, the down payment amount will increase to $9,987 – a relatively small increase of $987 compared with the cost of the house. However, if the first-time homebuyer plans to put down 20 percent, the down payment amount would increase by $6,580 – from $60,000 to $66,580. The low down payment loan reduces the increased down payment burden by more than $5,500.

"For those who were already planning to buy and had a down payment lined up, the additional down payment burden from rising house prices may be a lot less than many expect," said Ms. Kush.



Source: First American

House bill would allow tax-free IRA withdrawals for down payments

Representative. Sean Maloney (NY-D) introduced legislation in July to enable first-time buyers to withdraw funds from their retirement accounts under the umbrella of coronavirus-related distributions to use toward the purchase of a home.

The First Time Homebuyer Pandemic Savings Act would allow for up to $25,000 of the coronavirus-related distributions to be tax-exempt and penalty-free if put towards the down payment of a home for new homebuyers through 2021.

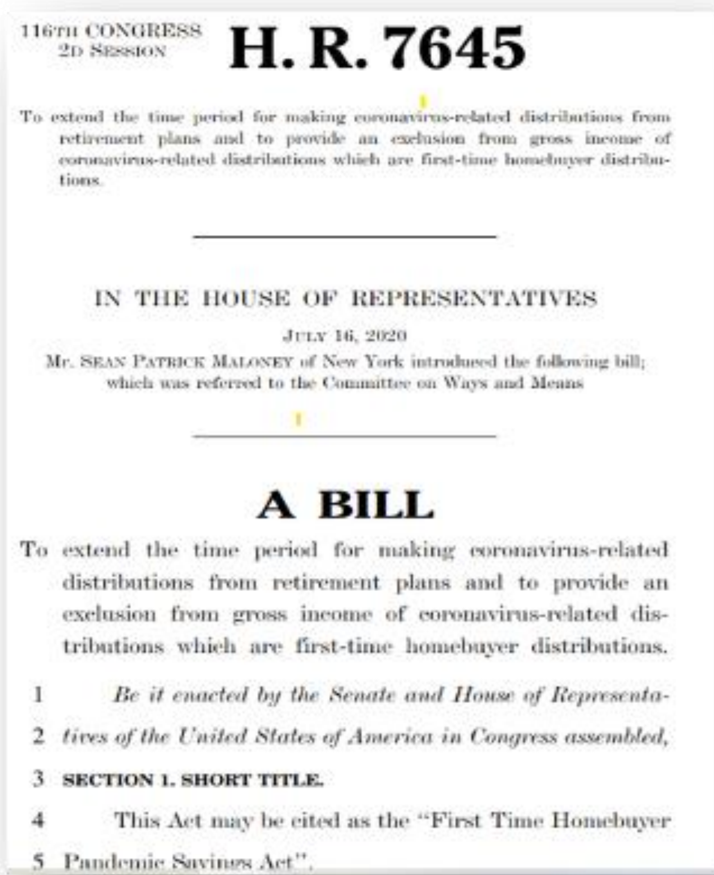
(continued)

(*House bill would allow tax-free IRA withdrawals for down payments* continued)

"Making sure the next generation of homeowners have the resources they need to buy their first home is going to play a big role in our economic recovery. This bill is a smart, innovative way to bring new opportunities to new homebuyers and help young families get one step closer to realizing the American dream," said Rep. Sean Patrick Maloney.

The Coronavirus Aid, Relief and Economic Security (CARES) Act, which passed in March, created a new hardship withdrawal for Americans who invest in 401(k)-type contribution plans or individual retirement accounts (IRAs) and have been impacted financially by COVID-19. The coronavirus-related distribution is not subject to the early-distribution penalty of 10 percent and cannot be repaid over three years.

Home prices in most U.S. markets have climbed as the inventory of available homes has tightened. With price constraints compounding with other factors, saving for a down payment has become exceedingly difficult for many younger Americans and has caused the nation's homeownership rate to fall well below the historical average, according to the [National Association of Realtors.]



116TH CONGRESS
2D SESSION

H. R. 7645

To extend the time period for making coronavirus-related distributions from retirement plans and to provide an exclusion from gross income of coronavirus-related distributions which are first-time homebuyer distributions.

IN THE HOUSE OF REPRESENTATIVES

JULY 16, 2020

Mr. SEAN PATRICK MALONEY of New York introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To extend the time period for making coronavirus-related distributions from retirement plans and to provide an exclusion from gross income of coronavirus-related distributions which are first-time homebuyer distributions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "First Time Homebuyer Pandemic Savings Act".

Homeownership Assistance

Biden-Harris plan includes permanent tax credit, DPA for public workers, and expanded CDBG funding

A new housing plan released after the Democratic Convention by the Biden-Harris Campaign contains three provisions related to homeownership assistance. The Biden-Harris proposal expands upon both the affordable housing plan Biden released in February during the primaries and a plan released by Senator Harris in late July, just three weeks before Biden selected her to be his running mate.

Three provisions of the plan address first-time buyers, down payment assistance for public workers, and community development block grants.

Help families buy their first homes and build wealth by creating a new refundable, advanceable tax credit of up to $15,000. Biden's new First Down Payment Tax Credit will help families offset the costs of home buying and help millions of families lay down roots for the first time. Building off of a temporary tax credit expanded as part of the Recovery Act, this tax credit will be permanent and advanceable, meaning that homebuyers receive the tax credit when they make the purchase instead of waiting to receive the assistance when they file taxes the following year.

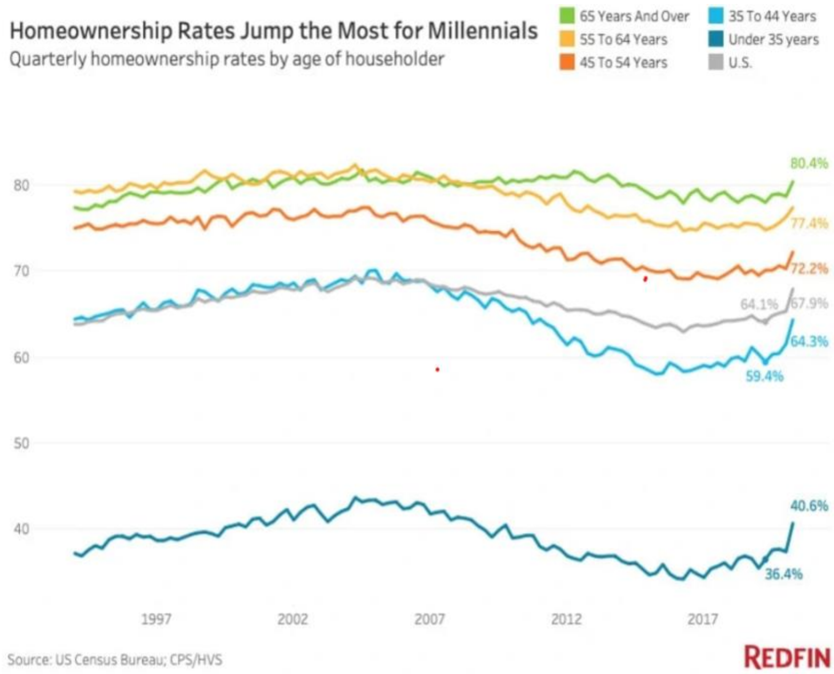
Expand housing benefits for first-responders, public school educators, and other public and national service workers who commit to living in persistently impoverished communities or who work in neighborhoods with low affordable housing stock. Biden will expand the Good Neighbor Next Door program, which is designed to help strengthen communities that have experienced significant underinvestment and high rates of poverty while also providing opportunities for first responders, educators, and those engaged in national service to purchase homes in those same communities. Biden will expand the program through additional down-payment assistance, partnering with state housing agencies, tribal governments, local governments, and state/local banks to offer the program's existing significant discount on the price of a home on a larger pool of homes, and providing access to a low-interest loan to rehabilitate these homes. And he will ensure these resources are also available to public servants who work in neighborhoods with low affordable housing stock.

Invest in community development. In addition to the community development plan, Biden is proposing as part of his infrastructure initiative. He will also expand flexible funding for the Community Development Block Grant by $10 billion over ten years. The Community Development Block Grant funds local efforts to expand affordable housing, improve infrastructure, and increase economic opportunities for low-income individuals and communities. These funds are flexible federal grants that localities receive to deal with their specific challenges and support stabilization and infrastructure.

Millennials

Young buyers drive record homeownership gains

In the second quarter, the first three months of the pandemic, the national homeownership rate jumped 2.6 percent above the second quarter, the largest quarterly increase in the homeownership rate ever recorded. The second-quarter rate rose 2.6 percent higher than the first quarter and 3.8 percent higher than in the second quarter of 2019.



Source: Redfin

Homeownership rates rise most for younger owners

Homeownership rates for younger age groups have lagged behind older owners in recent years. During the pandemic, the opposite is occurring. Homeownership rates for owners younger than 35 rose more than older owners during the second quarter, proof that young buyers are driving up the national pandemic buying boom.

Second-quarter homeownership rates increased more than in a decade

The second quarter homeownership rates for owners under 35 and from 34 to 44 were the highest reported since the housing boom. The rate for homeowners younger than 35 (40.6 percent) is the highest reported since the third quarter of 2008. The homeownership rate for the 35 to 44 age group (64.3 percent) is the highest since the first quarter of 2011.

In the first weeks of the pandemic, sales and listings dropped dramatically. But first-time buyers led the revival. In February, the first-time buyer share of sales was 32 percent, slightly below the 33 percent share reported in last year's Profile of Home Buyers and Sellers from NAR. In March, the FTB share rose to 34 percent, and in April, it rose to 36 percent, the highest level in years. As older buyers returned to the market, the share declined but was still at 34 percent in July.

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First-time homebuyer activity still yielded just over 1 million Americans becoming first-time homebuyers in the first half of 2020, which was 4 percent higher than a year ago.

First-time homebuyers out-performed repeat buyers in Q2; the repeat buyer market decreased by 19 percent from a year ago to 793,000 units.

The pandemic pushed renters to buy

"Demographically, we anticipated the homeownership rate would grow in 2020 and beyond because a huge wave of millennials is entering their prime homebuying years. The pandemic may have moved up this timeline. Many renters who had perhaps been planning a purchase in the next few years opted to go ahead and buy, given historically low rates. Thus the current growth will likely not continue to climb as much in future quarters," said Redfin's Taylor Marr.

"Additionally, the math has shifted in favor of buying. A half-point drop in mortgage rates can decrease a homebuyers' monthly payment substantially, making a mortgage more attractive than a lease. Meanwhile, rents are sticky in the short term. Because renters are locked into a lease, rents don't fluctuate like a stock price and adjust more gradually," Marr added.

Low down payments enabled the FTB boom

The slower pace of sales still yielded just over one million first-time homebuyers in the first half of the year, four percent higher than a year ago. First-time homebuyers out-performed repeat buyers in Q2 as the repeat buyer market decreased by 19 percent from a year ago.

Overall, 449,000 first-time homebuyers used low-down-payment mortgages to finance their home purchase in the second quarter, a record 83 percent of all first-time homebuyers. Conventional mortgages accounted for 207,000 first-time homebuyers in Q2. FHA financed 30 percent of first-time homebuyers, according to Genworth's First Time Homebuyer Market Report for the second quarter.

First-time Buyers

Affordability Fell for First-time Buyers in Q2

Affordable homes became increasingly out of reach for first-time home buyers in April through June, rising nationally from 4.5 times first-time home buyer income in the first quarter to 4.7 times in the second, and among the 50 largest metros from 5.1 to 5.2 times first-time buyer income, according to NerdWallet's First-Time Home Buyer Metro Affordability Report – Q2 2020.

Nine of the 50 metros analyzed in NerdWallet's report bucked this trend and saw affordability improve, but barely, sometimes only by a fraction of a percent. The five most affordable metros for first-time home buyers in the second quarter include Pittsburgh (homes listed at 3.1 times first-time buyer income), St. Louis (3.4), Cleveland (3.5), Hartford, Connecticut (3.5), and Buffalo, New York (3.6). The least affordable, all in California, include Los Angeles, topping the list for the second quarter in a row, with homes listed at 12 times first-time buyer income; San Diego (9.0); San Jose (8.2); San Francisco (7.6); and Sacramento (6.6).

First-time buyers with good credit and lower debt may be able to make up for the rise in home prices by qualifying for record low mortgage rates. For example, the monthly payment on a $240,000 mortgage at 4.1percent interest — roughly the average rate a year ago — is $1,160 per month, with $177,483 in interest over the 30-year life of the loan. However, at today's rate of 3.1 percent, you'd pay $1,025 per month and $128,942 in interest over the life of the loan — nearly $50,000 in savings, total, and a $135 monthly break on your payment. Use a mortgage calculator to see what the difference in rates means for your budget.

Unseasonal scarcity in the second quarter

Even in years when supply is limited, an influx of homes hits the market during the spring homebuying season. Nationally, inventory grew 10 percent from the first to the second quarter of 2018 and 6 percent during that period last year. But in 2020, nationwide inventory dipped, albeit slightly, by about 2 percent quarter-over-quarter.

Half of the largest metros in the country saw a decrease in average active listings from Q1 to Q2, with the largest quarter-over-quarter declines in Cleveland (-17 percent), Louisville, Kentucky (-14 percent), and Memphis, Tennessee (-14 percent). However, other large metros saw remarkable increases: San Jose (+62 percent), Denver (+47 percent), and San Francisco (+39 percent), for example. These dramatic climbs helped push the average quarter-over-quarter change among the largest 50 metros to +4 percent.

Year-over-year inventories dropped 23 percent among the 50 largest metros, on average, with 21 metros witnessing a decrease in available homes of 25 percent or more. Active listings in Las Vegas decreased 8 percent, the smallest quarterly drop of any metros analyzed, and the only one of less than 10 percent. Having fewer homes hitting the market during the first months of the pandemic worsened the situation for first-time buyers.

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Home prices rise, as expected

From the first quarter to the second, national median list prices grew 7 percent in 2018 and 8 percent in 2019. This year, they grew 7 percent nationally, and slightly less, 5 percent, on average, among the largest metros, quarter-over-quarter.

Year-over-year growth was similar, rising about 3 percent, on average, among the 50 largest metros, after adjusting for inflation. This overall relatively low appreciation in prices is one silver lining for first-time buyers. Having a dramatic shortage of homes for sale could drive prices up, but it doesn't appear that sellers are listing their homes disproportionately higher than last quarter or than at this time last year.

First-time home buyer affordability: Q2 2020

Homes got slightly more out of reach for first-time buyers in the seconc quarter. Home prices typically rise in spring and summer months.

Metro	Income	List price	Q2 affordability ratio	QoQ change
New York City	$91,355	$577,801	6.3	2%
Los Angeles	$77,939	$932,521	12	-3%
Chicago	$79,082	$332,813	4.2	5%
Dallas	$72,084	$349,788	4.9	3%
Houston	$67,973	$319,836	4.7	5%
Washington, D.C.	$104,102	$515,144	4.9	3%
Miami	$62,112	$400,340	6.4	-2%
Philadelphia	$78,502	$314,285	4	5%
Atlanta	$72,024	$336,434	4.7	4%
Phoenix	$70,897	$388,300	5.5	-4%
Boston	$104,182	$637,296	6.1	5%
San Francisco	$132,118	$998,978	7.6	6%
Riverside, Calif.	$69,148	$430,699	6.2	2%
Detroit	$67,470	$258,242	3.8	9%
Seattle	$102,341	$614,084	6	2%

Table displays estimated median household income of householders ages 25-44 as of Ju 2020, and an average of monthly median list prices for the quarter ending June 2020. F complete methodology and data sources, see NerdWallet's First-Time Home Buyer Metr Affordability Report - Q2 2020.

Source: [*NerdWallet*]

Is the FTB market too expensive for today's young buyers?

Prices soaring at double-digit speeds, ever-shrinking inventories for all but the wealthiest buyers, and painfully low levels of available credit were problems before the arrival of Covid-19. Are they now so severe that they threaten the homeownership dreams of a generation?

A growing number of housing economists and industry leaders think so.

"Those towering prices have forced many aspiring first-timers right out of the market, back to the endless treadmill of rentals. It's led many to wonder if homeownership is becoming something of a tale of the haves — those with good jobs, flush paychecks, and excellent credit — and the have-nots, those struggling to make ends meet," wrote Clare Trapano in Realtor.com last week.

Haves and have-nots

She cited Realtor.com Senior Economist George Ratu: "The current steep rise in home prices is absolutely posing a challenge for first-time buyers. It's a real estate market that seems to reflect our two-speed economy: those who are employed and have high incomes and real estate and stock market holdings — and those who do not... As a result of this pandemic-induced recession, the divide is widening."

In the first two months of the pandemic, a surge in first-time buyer activity seemed to suggest that the crisis may have created conditions that might level the playing field, at least temporarily. By July, the party was over.

Low down payments preserve access for first-time buyers

"More than half of Redfin offers for homes faced competition in June for the second month in a row. Nationwide, 53.7 percent of Redfin offers faced bidding wars last month, up from a revised rate of 51.8 percent in May and 44.4 percent in April," reported Redfin. "The bidding-war rate is rising even as the coronavirus pandemic and the shaky economy that comes with it continues to spread across the country."

Genworth's first-time buyer report confirmed that 35 states and Puerto Rico reported fewer first-time homebuyers than the same period a year ago, but 15 states and the District of Columbia reported more first-time homebuyers.

Not surprisingly, demand for low down payment mortgages boomed. "Overall, 449,000 first-time homebuyers used some form of low-down-payment mortgage products to finance their home purchase in Q2, or a record 83 percent of all first-time homebuyers," Genworth found.

"Indeed, down payment assistance could prove crucial to helping low- to mid-income workers become homeowners in the wake of the crisis," says Casey Morris in The Mortgage Reports.

FHA

FHA foreclosure moratorium extended through year-end

FHA borrowers whose mortgages are in forbearance have until the end of the year before they will have to resume monthly payments. With the extension, HUD has provided more than nine months of foreclosure and eviction relief to FHA-insured homeowners.

Borrowers will have the option of requesting an additional year of forbearance from their servicers. FHA does not require a lump sum payment at the end of the forbearance period.

The Federal Housing Finance Agency allows Fannie Mae and Freddie Mac to continue to purchase qualified loans in forbearance until September 30, extending the previous deadline of August 31. The GSEs will also extend other loan flexibilities initiated during the pandemic, including accepting alternative appraisals on purchase and rate term refinance loans, alternative methods for documenting income and verifying employment before closing, and expanding the use of power of attorney to assist with loan closings.

FHA delinquencies threaten ten metros

Rising FHA delinquency rates threaten homeowners and neighborhoods in numerous metro areas across the country, according to the American Enterprise Institute's Tobias Peter and Edward J. Pinto. Ten metros in seven states present exceptionally large risks due to the combination of an extensive FHA portfolio containing a high percentage of delinquent loans that include loans in forbearance, and an FHA share of all purchase loans in 2019.

10 metros most threatened by high numbers of FHA delinquencies

MSA	Active Portfolio	Total Delinquent Loans	% Deliquent Loans	% Seriously Deliquent Loans	FHA Share of metro lending in 2019 (Counts)
Total US	*8,003,815*	*1,363,753*	*17.0%*	*10.4%*	*14.7%*
Atlanta-Sandy Springs-Alpharetta, GA	251,386	52,865	21.0%	13.3%	21.0%
Houston-The Woodlands-Sugar Land, TX	212,956	46,025	21.6%	13.1%	19.3%
Riverside-San Bernardino-Ontario, CA	133,256	22,788	17.1%	10.4%	20.6%
Baltimore-Columbia-Towson, MD	108,235	21,078	19.5%	12.5%	19.4%
San Antonio-New Braunfels, TX	90,021	16,764	18.6%	10.5%	19.3%
Orlando-Kissimmee-Sanford, FL	83,307	16,643	20.0%	13.0%	21.6%
Tampa-St. Petersburg-Clearwater, FL	93,787	16,153	17.2%	11.0%	19.6%
Nassau County-Suffolk County, NY	57,026	15,834	27.8%	20.0%	15.4%
Fort Worth-Arlington-Grapevine, TX	83,880	15,167	18.1%	10.7%	18.3%
Philadelphia, PA	73,829	15,011	20.3%	12.5%	17.6%
Source: Neighborhood Watch from Housing and Urban Development https://entp.hud.gov/sfnw/public/					
Seriously deliquent loans definition: Number of loans reported as 90 days or more delinquent					
2019 FHA mortgage share data come from HMDA 2019					

Down Payment Assistance

Four out of five programs on DPR are fully funded

Down Payment Resource currently lists 2,340 homeownership programs, and as of August, over 81 percent of all DPAs were actively funded and available. Fewer than 2 percent have temporarily paused their programs due to the pandemic, according to the Third Quarter 2020 Homeownership Program Index (HPI) Report.

Down Payment Resource (DPR) communicates with 1,138 program administrators to track and update the country's wide range of homeownership programs, including down payment and closing cost programs, Mortgage Credit Certificates (MCCs), affordable first mortgages, and more.

More than 32 percent of programs listed on DPR are funded by the HOME Investment Partnership Program (HOME) and Community Development Block Grant (CDBG) funds.

Many of these relief programs are leveraging CARES Act and Emergency Solutions Grant (ESG) funds but may also use any remaining HOME and CDBG funds. Any impact on DPAs will likely begin to trickle down later this year in the form of constrained DPA budgets.

The third-quarter report also found that:

- Seventy-eight percent of programs in the database are down payment or closing cost assistance — a 1 percent increase from the second quarter.
- Sixty-five percent of all DPAs include payment deferral for a while.
- Forty-four percent of all DPAs are partially or fully forgivable, and 39 percent of all DPAs are deferred and forgivable.
- Six percent of programs are first mortgages — a 1 percent decrease from the previous HPI.
- Five percent of programs are Mortgage Credit Certificates (MCCs) — a 1 percent decrease from the previous HPI.

Minority Homeownership

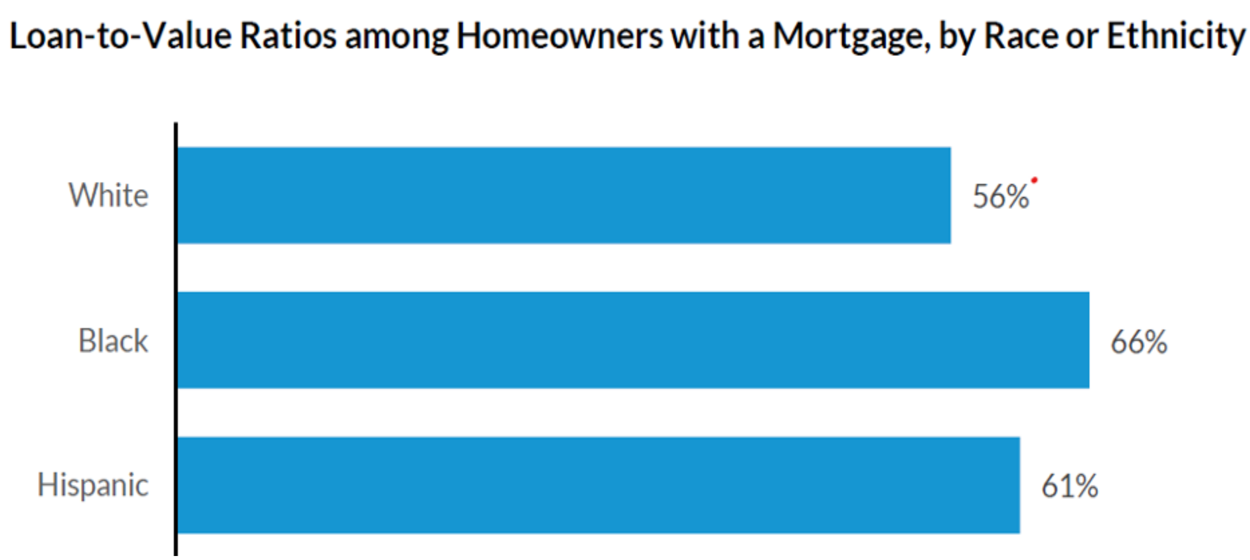
Structural barriers limit home equity for African Americans and Hispanics

Black households with housing equity have about half the median equity of white households, and Hispanic households have about 63 percent. These differences in housing equity reflect differences underlying home values and the total amount of mortgage debt, according to a new study by the Urban Institute.

Homeowners of color also have more mortgage debt relative to their home's value. For Black mortgage holders, the median LTV ratio was 66 percent, compared with 61 percent for Hispanic mortgage holders and 56 percent for white mortgage holders.

The greater debt levels among homeowners of color may reflect that more debt was incurred when homes were purchased due to low down payment mortgages, including FHA loans. However, even across conforming conventional mortgages, homebuyers of color are more likely to have higher LTV ratios than their white counterparts, lowering their overall equity.

Other factors contribute to higher LTV levels among homeowners of color. These include home values. Blacks and Hispanics typically purchase less expensive homes and take on more outstanding mortgage debt than white buyers. Homeowners of color typically purchase their first homes later in life, while research indicates that buying a home at a younger age leads to greater wealth in retirement.



Source: Urban Institute

Down Payment Data

August Millennials

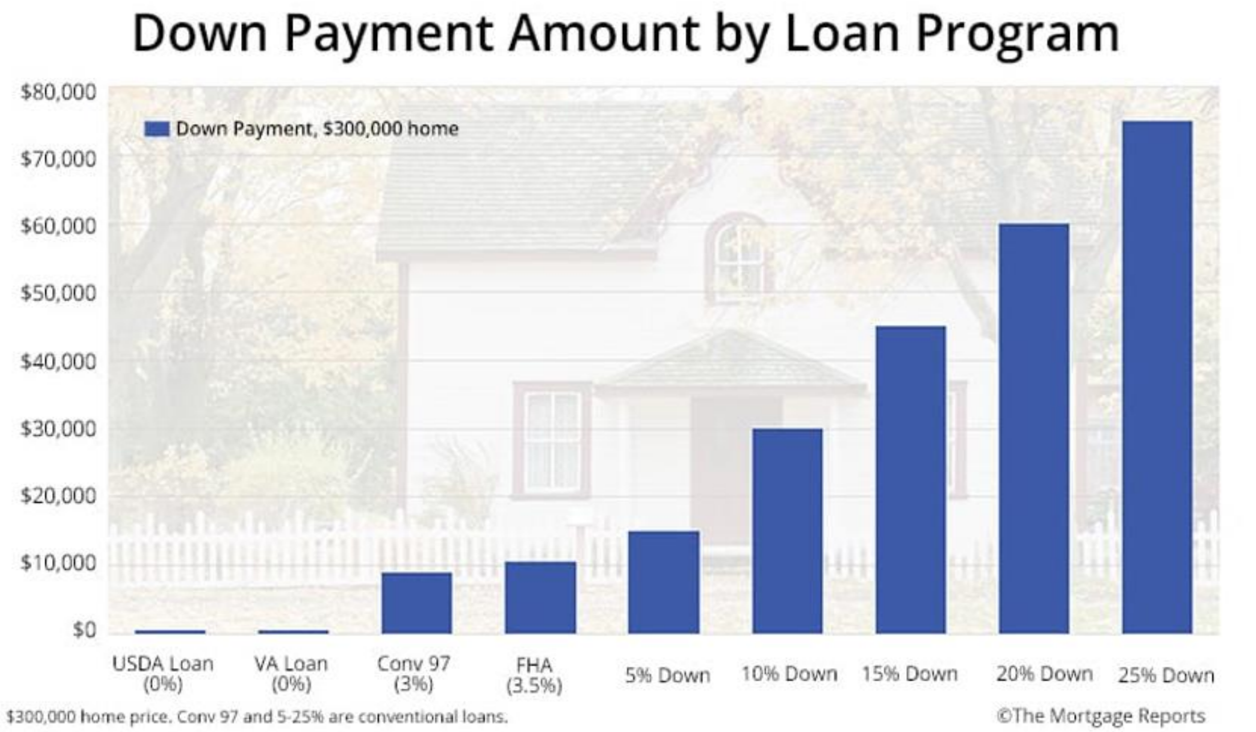
Median loan size	$186,816
FICO	719
LTV	80
DTI	28 / 37
RATE	3.725%
Market Shares	CON 62%, FHA 33%, VA 0% Other 4%

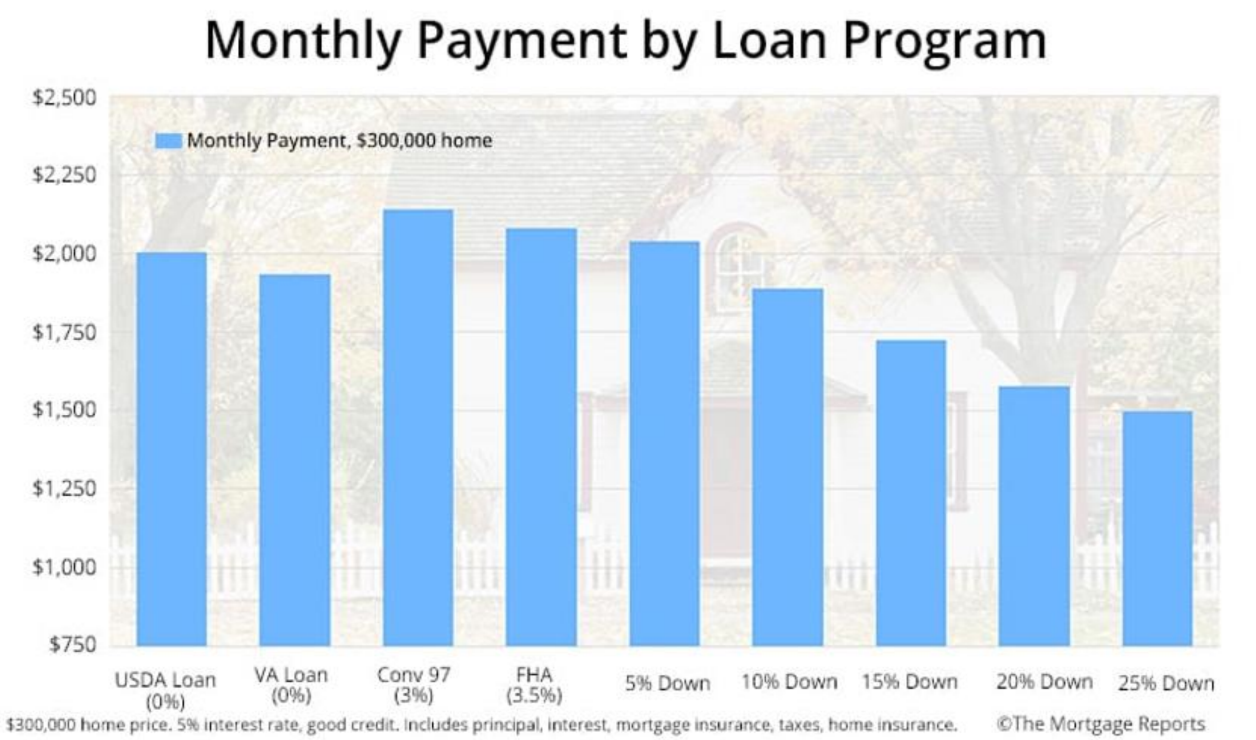
Source: Ellie Mae Millennial Tracker

August Purchase Loans*

	LTV	DTI	FICO	RATE
All loans	76	24/36	742	3.09
Conventional	81	23/36	756	3.12
FHA	95	28/43	677	3.10
VA	98	25/41	712	2.86
Millennials/Gen Z (18-34)	85	26/36	731	3.32

*Data are for 30-year fixed-rate purchase loans.
Sources: Ellie Mae Origination Reports and Millennial Tracker





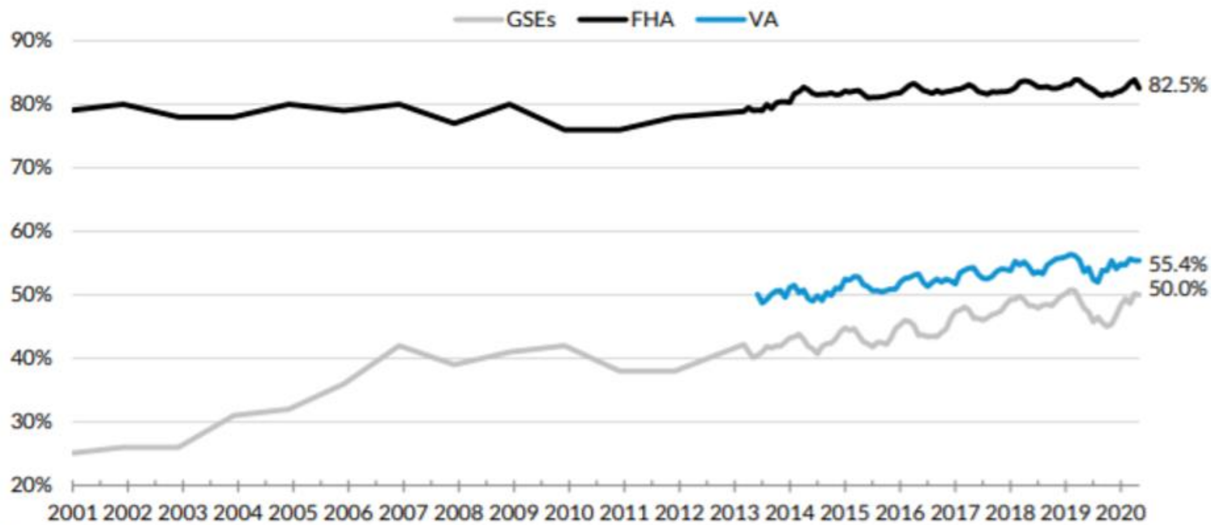
Source: The Mortgage Report

STATE OF THE MARKET

FIRST-TIME HOMEBUYERS

First-Time Homebuyer Share

In June 2020, the FTHB share for FHA, which has always been more focused on first time homebuyers, declined slightly to 82.5 percent. The FTHB share of VA lending remained flat in June at 55.4 percent. The GSE FTHB share in June was down from May to 50.0 percent. The bottom table shows that based on mortgages originated in June 2020, the average FTHB was more likely than an average repeat buyer to take out a smaller loan, have a lower credit score, and higher LTV, thus paying a higher interest rate.



Sources: eMBS, Federal Housing Administration (FHA) and Urban Institute.
Note: All series measure the first-time homebuyer share of purchase loans for principal residences.

June 2020

Comparison of First-Time and Repeat Homebuyers, GSE and FHA Originations

	GSEs		FHA		GSEs and FHA	
Characteristics	First-time	Repeat	First-time	Repeat	First-time	Repeat
Loan Amount ($)	266,298	295,145	227,404	247,120	251,736	288,286
Credit Score	745	758	677	681	720	747
LTV (%)	89	81	96	95	91	83
DTI (%)	34	36	43	44	37	37
Loan Rate (%)	3.41	3.34	3.44	3.38	3.42	3.35

Sources: eMBS and Urban Institute.
Note: Based on owner-occupied purchase mortgages originated in June 2020.

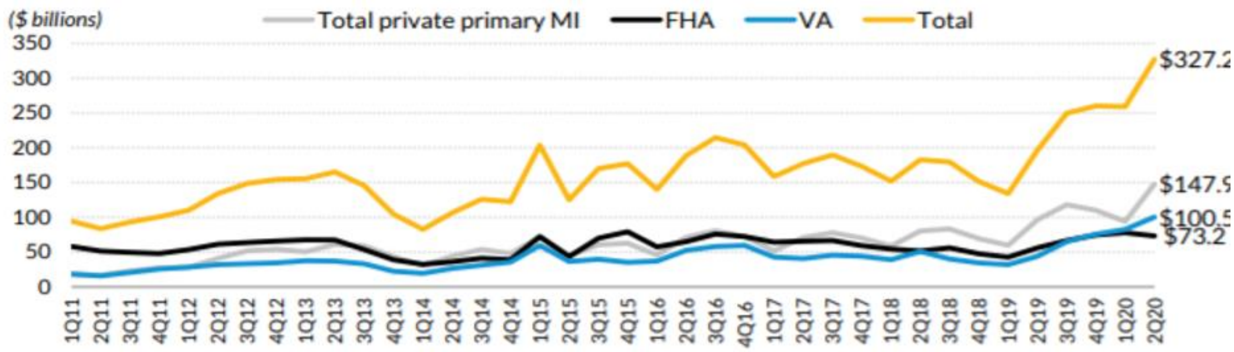
Source: Urban Institute

AGENCY ISSUANCE

MORTGAGE INSURANCE ACTIVITY

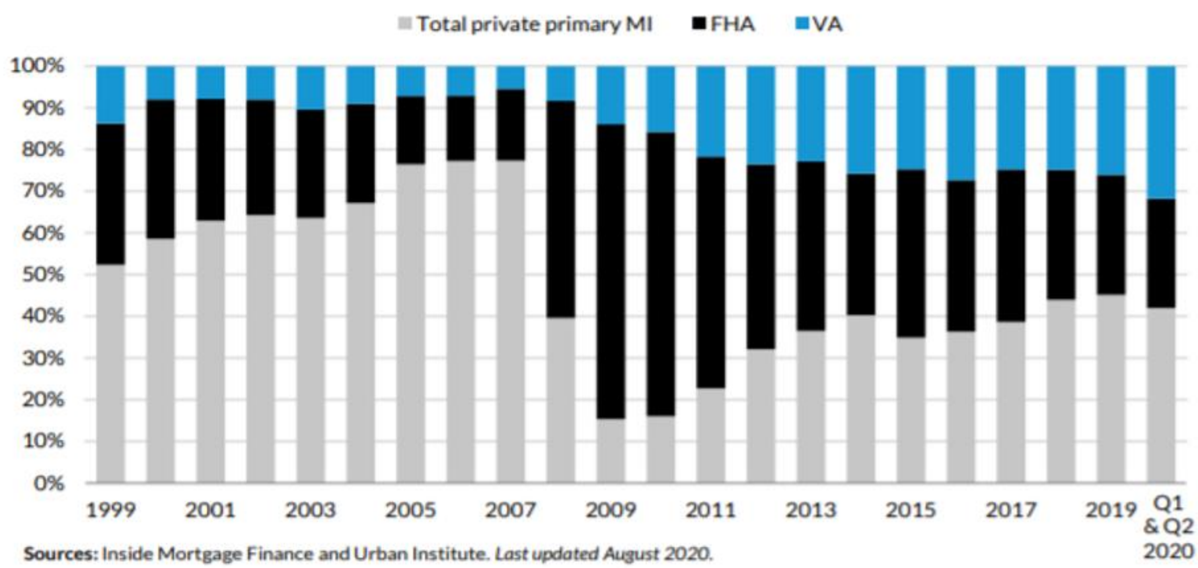
MI Activity

Mortgage insurance activity via the FHA, VA and private insurers increased from $197 billion in Q2 2019 to $327 billion in Q2 2020, a 57.4 percent increase. In the second quarter of 2020, private mortgage insurance written increased by $51.3 billion, FHA increased by $17.2 billion and VA increased by $56.4 billion relative to Q2 2019. During this period, the VA share increased from 22.4 to 30.7 percent while the FHA share fell from 28.5 to 22.4 percent. The private mortgage insurers share also fell, from 49.1 to 45.2 percent compared to the same period a year ago.



Sources: Inside Mortgage Finance and Urban Institute. *Last updated August 2020.*

MI Market Share



Sources: Inside Mortgage Finance and Urban Institute. *Last updated August 2020.*

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Source: Urban Institute

About the Down Payment Report

A regular 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. Contact him at scook@commsconsulting.com.

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