Fannie, Freddie and FHFA Detail Low Down-Payment Mortgage Programs

Source: The Wall St. Journal

In an effort to make homeownership more accessible, mortgage giants Fannie Mae and Freddie Mac announced that once again they will back mortgages with down payments as low as 3 percent. The new low-down payment mortgage programs could reduce costs for first-time and lower-income home buyers.

Making sense of the story

- Under the program, mortgages with low down payments would be available to first-time home buyers, borrowers who haven't owned a home for at least a few years, and to those who have lower income.

- FHFA Director Melvin Watt commented, "These underwriting guidelines provide a responsible approach to improving access to credit while ensuring safe and sound lending practice. To mitigate risk, Fannie Mae and Freddie Mac will use their automated underwriting systems, which include compensating factors to evaluate a borrower's creditworthiness."

- Private mortgage insurance (PMI) will still be required as borrowers are putting less than 20 percent down, but unlike with FHA loans, the PMI will typically roll off after five years once 20 percent equity has been reached.

- To address criticism about loose lending standards, borrowers under the new programs would have to meet criteria that offset the increased risk, such as high reserves or lower debt-to-income ratios.

- The programs could be available to borrowers with credit scores of as low as 620, which is the current Fannie and Freddie minimum for other loans.

- Some studies have shown that moving from a 5 percent down payment to a 3 percent down payment doesn't result in many more defaults. About 0.4 percent of borrowers in 2011 who made down payments of 3 percent to 5 percent on loans backed by Fannie Mae have defaulted—no more than borrowers who made down payments of 5 percent to 10 percent.

- Fannie's program will go into effect almost immediately, while Freddie's won't be available until March.

Read the full story
http://www.wsj.com/articles/fannie-freddie-and-fhfa-detail-low-down-payment-mortgage-program-1418059789

In other news …

Survey: Homeownership still seen as enviable goal

Source: The Hill

Ninety-one percent of renters believe homeownership is something to be proud of, according to a survey released by Freddie Mac. Overall, the survey shows that Americans continue to have very positive views of homeownership, and the vast majority still views owning a home as a praiseworthy goal. However, many survey respondents aren't looking to buy anytime soon, as 45 percent of renters say they have just enough money to get by, and another 17 percent say they live paycheck to paycheck.

Read the full story
http://thehill.com/policy/finance/226306-survey-homeownership-still-seen-as-enviable-goal

REALTORS® push for more policies to boost first-time home buyers

Source: HousingWire

Concerns about tight credit, high fees, and low inventory led the NATIONAL ASSOCIATION OF REALTORS® to inform the U.S. Senate Banking Subcommittee on Housing this week that too many creditworthy prospective buyers are facing difficulty entering the market due to restrictive policies. The trade group is calling for greater access to more flexible and affordable financing opportunities and a wider choice of approved condo developments.

Read the full story
http://www.housingwire.com/articles/32284-realtors-push-for-more-policies-to-boost-first-time-buyers

What Homes Do Millennials Buy?

Source: Eye on Housing

Millennials tend to buy homes that are smaller, older, and less expensive than homes bought by older generations, according to new research by the National Association of Home Builders. Three out of four millennials who purchased a home were first-time buyers, but a quarter traded their existing homes. Less than 9 percent of millennial home buyers bought a new home. The millennial generation shows a slightly higher preference for multifamily condominiums.

Read the full story
http://eyeonhousing.org/2014/12/what-homes-do-millennials-buy/

The top 10 housing markets for growth in 2015

Source: CNBC

High dependency on financial qualifications for entry into the housing market could shape activity in 2015, which means this activity will be skewed to geographic areas with higher affordability, such as the Midwest and South. As a result, Realtor.com has released a list of 10 emerging markets that are likely to accelerate in the new year, and they include Atlanta-Sandy Springs, Georgia; Dallas-Fort Worth-Arlington, Texas; and Denver-Aurora-Broomfield, Colorado.

Read the full story
http://www.cnbc.com/id/102248278

Cash sales still almost 35% of sales even as share declines

Source: HousingWire

Cash sales made up 34.8 percent percent of total home sales in September 2014, down from 37.2 percent in September 2013, according to CoreLogic. September marked the 21st consecutive month of decline. Prior to the housing crisis, the cash sales share of total home sales averaged approximately 25 percent.

Read the full story
http://www.housingwire.com/articles/32286-cash-sales-still-almost-35-of-sales-even-as-share-declines

Booming Job Markets May Be Held Back By Housing Costs

Source: Mercury News

Areas with the strongest job markets increasingly have some of the costliest homes, while areas with the most affordable homes lack a solid base of middle class jobs that attract workers. As a result, homeownership for many has been deferred or abandoned, even for those with comfortable incomes. It's possible that this trend has likely helped hold back U.S. economic growth because cities with the strongest job markets could grow faster if more people could afford to live there.

Read the full story
http://www.mercurynews.com/business/ci_27100415/booming-silicon-valley-job-market-may-be-held

What you should know …

- Mortgage applications increased 7.3 percent from one week earlier, according to data from the Mortgage Bankers Association's Weekly Mortgage Survey.

- Market Composite Index, a measure of mortgage loan application volume, increased 7.3 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index increased 52 percent compared with the previous week.

- The refinance share of mortgage activity increased to 64 percent of total applications from 60 percent the previous week. The adjustable-rate mortgage (ARM) share of activity increased to 7 percent of total applications.