



What the Mortgage Market Reads



# INSIDE MORTGAGE FINANCE®

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## First-Time Homebuyers Account for 43 Percent of Agency Purchase Mortgages in 2014, Wells Dominates

First-time homebuyers accounted for close to half of all purchase mortgages in the agency market in 2014, according to a new ranking and analysis by *Inside Mortgage Finance*. Activity in the sector is also projected to increase, helped by low interest rates, a reduction in FHA premium and the government-sponsored enterprises' low-downpayment programs.

Some \$224.35 billion in mortgages to first-time homebuyers were included in agency mortgage-backed securities issued in 2014. The loans accounted for 43.3 percent of all purchase mortgages included in agency MBS during the year.

Wells Fargo had the highest volume of first-time homebuyer mortgages in agency MBS – by far. The lender delivered \$41.98 billion in such mortgages to agency MBS issued in 2014, accounting for 18.7 percent of the industry's total first-time homebuyer activity. Second-ranked Chase Home Finance had a 6.5 percent share of agency first-timer activity in 2014.

Many of the top 10 lenders for first-time homebuyers focused a higher-than-average share of their purchase-mortgage business on such buyers. Some 47.3 percent of Wells' purchase mortgages included in agency MBS in 2014 were for first-timers.

Outside of housing finance agencies, lenders with at least 60 percent of their agency production going toward first-time homebuyers include The Money Source, First Guaranty Mortgage, Sun West Mortgage, United Mortgage, Pingora Loan Servicing, Mountain West Financial and Banco Popular. Among the top 100 sellers of first-timer home loans, CMG Mortgage had the lowest concentration of such loans as only 9.1 percent of the purchase mortgages the lender delivered to the agencies in 2014 were for first-time homebuyers.

First-time homebuyer mortgages in 2014 were divided fairly evenly between Ginnie Mae (which includes the FHA, Veterans Administration and rural development loans) and the combined business of Fannie Mae and Freddie Mac. FHA mortgages outpaced loans with private mortgage insurance in terms of first-time homebuyers in 2014, with \$68.71 billion in FHA mortgages included in agency MBS compared with \$57.36 billion in first-time homebuyer mortgages with private MI.

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Correspondent lenders accounted for 48.1 percent of deliveries of FTHB mortgages followed by the retail channel with a 41.0 percent share. Among purchase mortgages overall, the retail channel had a slightly higher market share than correspondent lenders.

Loan characteristics for first-time homebuyers varied compared with characteristics on purchase mortgages overall in that loans to such buyers had lower credit scores and loan amounts along with higher loan-to-value ratios, on average. Debt-to-income ratios on mortgages for first-time homebuyers in 2014 were fairly similar compared with DTI ratios on all agency purchase mortgages.

### *Outlook*

First-time homebuyers accounted for 36.3 percent of home purchases in December, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*, based on a three-month moving average. Their market share increased after four consecutive months of declines.

Tom Popik, research director for Campbell Surveys, noted that first-timer participation rebounded earlier than the seasonal pattern seen in previous years. Market share for first-time homebuyers tends to decline throughout the winter and increase in the spring.

Sean Nelson, a director at Fitch Ratings, added that low interest rates are among the factors helping to boost purchases by first-timers.

“Conditions are very favorable for first-time homebuyers to start getting back into the market,” he said. “Mortgage rates are falling, FHA insurance premiums are coming down, home prices are cooling and employment is steady.” ♦