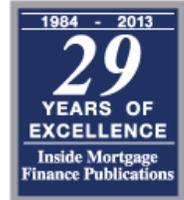




What the Mortgage Market Reads



INSIDE MORTGAGE FINANCE®

May 24, 2013

First-Time Homebuyer Share of Home Purchases Declines as FHA Premium Prices Head Higher

After increasing for three consecutive months, the first-time homebuyer share of home purchases declined in April, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. Industry analysts suggest that the decline of first-time buyers is due to an increase in pricing for FHA mortgages and other changes aimed at reducing the FHA's market share and losses.

First-time homebuyers accounted for 35.8 percent of home purchases in the April *HousingPulse* survey, based on the three-month moving average, down from a 36.1 percent share the previous month. At the beginning of April, the annual premium for all FHA forward mortgages with a downpayment of less than 5 percent increased by 10 basis points. The upfront mortgage insurance premium also increased 75 basis points to 1.75 percent.

Thomas Popik, research director for Campbell Surveys, said first-time buyer demand appears to be leveling off due to changes at the FHA. First-time buyers rely heavily on FHA financing.

In the first quarter of 2013, \$43.3 billion in financing from FHA, Fannie Mae and Freddie Mac went to first-time homebuyers, according to an analysis by *Inside Mortgage Finance*. FHA accounted for a 55.9 percent share of the financing.

About 78.0 percent of FHA purchase mortgages in early 2013 were for first-time buyers compared with the 32.2 percent share of government-sponsored enterprises' total purchase-mortgage financing during the first quarter of 2013.

"More than 70.0 percent of FHA loans have loan-to-value ratios exceeding 95 percent at origination, suggesting that many first-time homebuyers don't have the ability to meet the downpayment requirements for conventional mortgages.

Applications for FHA financing also spiked at the end of March, according to the Mortgage Bankers Association. The trade group said the increase in FHA applications was likely due to the increased premiums.

7910 Woodmont Avenue
Suite 1000
Bethesda, MD
20814-1709
Tel. (301) 951-1240
Fax (301) 656-1709
www.imfpubs.com

Publisher
Guy D. Cecala

Executive Editor
John Bancroft

Managing Editor
Paul Muolo

Associate Editors
George Brooks
Thomas Ressler
Charles Wisniewski

Statistics
Ben Bradshaw

Customer Service
Gwen Jones

Advertising
Mari Mullane

ISSN 8756-0003

Annual Subscription Rate: \$1,147.
Published weekly, 48 times a year.
Copyright©1984-2013 by Inside Mortgage Finance. While information and data are obtained from reliable sources, their accuracy cannot be guaranteed.

Regular copying or other redistribution of this publication in whole or in part violates U.S. copyright law, and is punishable by statutory damages of up to \$150,000 per infringement, plus attorneys' fees (17 USC 504 et seq.). Without advance permission, illegal copying includes regular photocopying, faxing, excerpting, forwarding electronically, and sharing of online access. Site licenses and discounted bulk subscriptions are available.

Applications for FHA financing also spiked at the end of March, according to the Mortgage Bankers Association. The trade group said the increase in FHA applications was likely due to the increased premiums.

HUD estimates that the 2013 premium increase will add approximately \$13 to an FHA borrower's monthly mortgage payment. Beginning in June, borrowers will also be required to pay FHA mortgage insurance throughout the life of the loan – a policy that was recently reinstated as one of several measures to strengthen the FHA Mutual Mortgage Insurance Fund and reduce FHA's presence in the mortgage market.

The *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey* is based on a national survey of more than 2,000 real estate agents each month and provides up-to-date intelligence on home sales and mortgage usage patterns. For more information, go to www.housingpulse.com.