



What the Mortgage Market Reads



INSIDE MORTGAGE FINANCE®

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First-Time Homebuyer Share of Purchase Market at High Levels, GSEs Account for Growing Share

The first-time homebuyer share of home purchases has increased for four consecutive months, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. First-time homebuyer activity tends to increase through the spring homebuying season, but the first-time homebuyer share is at particularly high levels this year.

First-time homebuyers accounted for 37.2 percent of home purchases in June, based on a three-month moving average. That was up from a 34.2 percent share in March, and the last time the first-time homebuyer share of home purchases was at 37.2 percent was September 2010.

According to real estate agents, first-time buyers appear to be motivated by interest rates that have stuck at historically low levels after the spike in interest rates seen a year ago.

Jeff Mezger, president and CEO of KB Home, a homebuilder, said the first-timer share of home purchases is rising due to increased employment, noting cities in Texas as an example. "It's a well-heeled first-time buyer, but it's not the high-income, first-time buyer like you would see in Orange County or up in the Santa Clara County," he said on a call with investors at the end of June.

Mortgages to first-time buyers securitized by Fannie Mae, Freddie Mac and Ginnie Mae have increased in the past year, according to an *Inside Mortgage Finance* analysis. Some \$43.41 billion in such mortgages were included in agency mortgage-backed securities issued in the second quarter of 2014, up 29.5 percent from the previous quarter and up 16.8 percent from the second quarter of 2013.

Stuart Miller, CEO of Lennar, a homebuilder, said first-time homebuyer activity has been constrained due to strong underwriting requirements for mortgages. He said there's plenty of pent-up demand from potential first-time buyers if lenders are willing to loosen their underwriting standards.

First-time homebuyer activity has increased at Fannie and Freddie over the past year while trends in FHA financing have been mixed. The government-sponsored enterprises accounted for 61.7 percent of securitized mortgages for first-time homebuyers in the second quarter of 2014,

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compared with a 59.8 percent share the previous quarter and a 56.9 percent share in the second quarter of 2013.

Rising costs for FHA mortgages have steered some first-time buyers to the conventional market, but FHA still accounted for more first timers than Fannie or Freddie, and the *HousingPulse* survey suggests that the share of FHA financing for first-time homebuyers has increased in recent months. ♦

