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First-Time Homebuyer Share Down Sharply

The first-time homebuyer share of home purchases has declined significantly in recent months, according to the *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

First-time homebuyers had a 34.8 percent share of purchases in September, based on a three-month moving average. That was the lowest share for first-time homebuyers since August 2014.

The first-timer share has declined for four consecutive months, from 40.4 percent in May. Both current homeowners and investors have gained market share from first-time buyers in recent months, with real estate agents noting strong competition for lower-priced homes targeted by first-time buyers.

“Entry price-point homes remain very competitive for non-distressed properties,” said an agent in Massachusetts.

At the Mortgage Bankers Association’s annual convention this week in Boston, MBA President and CEO David Stevens said lenders are being discouraged from lending to some first-time homebuyers. He pointed to actions taken by regulators.

“Because the fear of a mistake, even if irrelevant to the credit decision, exposes each of you to unacceptable risk,” Stevens said in his prepared remarks. “Because of overly aggressive and sometimes inappropriate enforcement actions by some key government agencies. Because the regulatory framework is too often redundant – state regulations piled on top of federal regulations, piled on top of international rules, often conflicting with each other.”

Standards for qualified mortgages were among the stringent rules Stevens cited. He said lenders have “no choice but the most conservative lending posture” to meet standards established by regulators.

“If compliance doesn’t lead to confidence, then maybe we need to do something about the morass of conflicting, and sometimes competing, bureaucracy we face,” Stevens said, calling for a balance between consumer protection and lender risk.

Stevens acknowledged that other factors are limiting purchases by first-time homebuyers, including student loan debt, the lack of affordable housing stock, average wages for young people and a shift in attitudes regarding homeownership.

“We must think about credit engines and new ways to document borrowers so that more sustainable prospective homeowners have a chance,” he said.

Stevens added that lenders can do more to advertise the benefits of homeownership to millennials. He said the MBA will help by launching a marketing campaign in January to highlight the benefits of homeownership and changes made by industry participants. ►