NationalMI

The Home Front

WINTER 2020 | ISSUE NO. 8

HomeBuzz

Welcome to the latest edition of the Home Front, your source for homebuyer market information with resources to help first-time homebuyers realize the dream of homeownership.

In this **Winter 2020** edition of The Home Front, we report on new home prices, current mortgage rates, the latest market data trends, and a special feature to help young Millennials overcome barriers of entry to homeownership. Read on to discover the benefits of mortgage insurance in enabling borrowers to purchase or refinance a new home with less than 20 percent down and discover some useful resources that you can use during your homebuying journey.

Home Prices Expected to Rise Through 2020

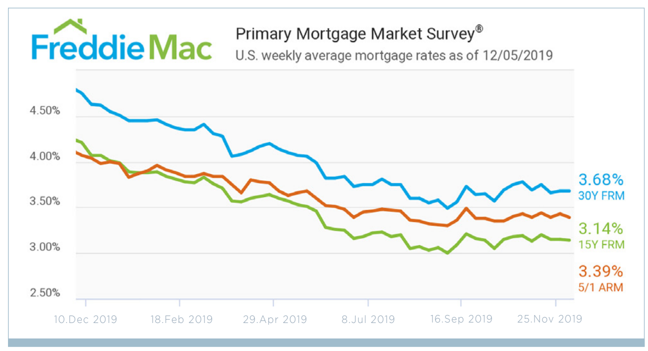
The October 2019 **CoreLogic Home Price Index (HPI™) Forecast**, designed to provide an early indication of home price trends, shows home prices have risen both year-over-year and month-over-month. Home prices increased nationally 3.5 percent year-over-year from October 2018, with the highest year-over-year increases by state in Idaho (10.9 percent), Maine (7.5 percent), and Indiana (7.1 percent) and by metropolitan area in Denver (3.4 percent). On a month-over-month basis, prices increased by 0.5 percent compared with September. In the coming year, the CoreLogic HPI Forecast indicates that the average annual home price will increase 5.4 percent from October 2019 to October 2020.

> We expect home prices to rise at least another 5 percent over the next 12 months. Interestingly, this persistent increase in home prices isn't deterring older Millennials. In fact, 25 percent of those surveyed anticipated purchasing a home over the next six to eight months.
>
> DR. FRANK NOTHAFT
> Chief Economist | CoreLogic

Search **Realtor.com** to find a local agent.

Slight Increase in Mortgage Rates

According to the leading source for mortgage rate data, the **Freddie Mac Primary Mortgage Market Survey®**, rates have traded narrower over the last two months with a small trend upward due to an improved economic outlook, following a decline during the first three quarters of the year. Real estate volumes have shifted into a higher gear, despite the gap in the housing market's response to lower interest rates. Over the next few months, a gentle tailwind to the real estate market rebound is expected due to easing financial conditions and the recent improvement in the cyclical segments of the economy.



For more information, please visit **www.corelogic.com** and **www.freddiemac.com**

Did You Know?

OVERCOMING YOUNG MILLENNIAL BARRIERS TO ENTRY FOR Homeownership

According to QUICKENLOANS and CULTURAL OUTREACH

Despite beliefs about Millennials not participating in the housing market, they still make up the largest cohort of homebuyers at 37 percent[1]. However, young Millennials (born 1990-1998) make up just 11 percent when separated from their older counterparts. This is lower than previous generations at their age. Young Millennials experience several obstacles when faced with buying a home – student loan debt, job instability, and difficulty saving to name a few – but many don't realize that several resources exist to help them purchase a home sooner. Speaking with the right professionals can give Millennials the knowledge and resources they need to enter the housing market.

Many young Millennials don't know that having student loans to pay off will not automatically disqualify them from being eligible for a mortgage. Meeting with a financial advisor can help those with student debt prepare financially for homeownership. Those with a high debt-to-income ratio from student loans should also speak with a professional about debt consolidation and management. This can lower monthly student loan payments, freeing up money to be saved towards a down payment and making monthly mortgage payments more manageable.

Those participating in the gig economy, hopping from job to job or freelancing, may also incorrectly assume they are ineligible for a mortgage. While it's true that lenders are more likely to lend money if an applicant can prove a steady income for at least the previous two years, resources do exist to help them purchase a home sooner rather than later. Even if they're not yet considering buying a home, gig workers should meet with a mortgage professional to set goals and discover what they can realistically afford.

Finally, most Millennials are under the impression that they must put 20 percent or more down when purchasing a home. What they don't realize is that several low down payment solutions exist with mortgage insurance. It may surprise Millennials to know that only 33 percent[2] of homebuyers at any age put 20 percent or more down. For younger Millennials, the number drops down to just 19 percent. With mortgage insurance, buyers can put as little as 3 percent down on a home, enabling them to become homeowners without saving a massive sum for a down payment.

Kristin Messerli, founder of *Cultural Outreach*, is a firm believer that education is key to helping Millennials understand how to overcome barriers of entry to homeownership. She interviewed a panel of industry experts who addressed the need for Millennials to educate themselves and enlist the help of industry professionals to get started with the homebuying process. While many Millennials prefer online research, loan officer *Aaron Vasquez* of Total Quality Lending strongly suggests meeting live with a mortgage professional who will look at the applicant's income, credit score, debt, and other factors to determine what he or she can afford Homeownership does not need to remain a far-off dream for young Millennials — speaking with the right professionals can help them get the education they need to make it a reality.

[1] According to a 2019 study by the National Association of REALTORS®
[2] According to John Burns Real Estate Consulting

Market Trends

IN PARTNERSHIP WITH JOHN BURNS REAL ESTATE CONSULTING

- **THE REALTOR CONFIDENCE INDEX** indicates that realtors are less optimistic about housing conditions compared to last year. This included analysis of the respondents who had both weak and strong expectations.
- **U.S. UNEMPOYMENT IS LOW** at 3.5%, the lowest level in 50 years.
- **U.S. GROWTH IS STRONG** with the U.S. Real GDP YOY growth at 3.2%.
- **31% OF HOMEBUYERS** who use a mortgage are putting 5% or less down. The figure jumps to 47% among those 28 and younger.

Leveraging MI: Private MI in the Marketplace

Considering the economic climate outlined in the current issue of the National MI Economic Market Snapshot, there are advantages to leveraging private mortgage insurance (MI) with borrowers).

- **Consumers have rebuilt their credit profiles.** In 2018, 58 percent of homeowners had FICO® scores above 700, and 81 percent had FICO scores over 600. As of Q1 2019, the median FICO score at mortgage origination is 759, which is 52 points higher than the median score during the credit heyday of 2006.

  Don't assume FHA is the best option. Private MI is typically a better choice for high credit quality home buyers.

- **The share of existing homes sold to first-time home buyers is near the lowest level since 1987 at 33 percent.** Peak share was reached in 2010, when 50 percent were first-time buyers.

  If you're looking to purchase a home, there are many options for first-time homebuyers.

- **The US existing home sales closings are up from 2018, running at a 5.5 million Seasonally Adjusted Annual Rate (SAAR).** John Burns Real Estate Consulting forecasts a decline in existing home sales through 2021 before a slight increase in 2022.

Please contact your Sales Advisor for our **Economic Market Snapshot**, the complete economic report from National MI.

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Mortgage 101:
Qualifying for a Mortgage

DOWN PAYMENTS

From loan officers to the general public, many people do not fully understand the benefits of private mortgage insurance (MI), or how MI can be used to help borrowers get into a home sooner and more affordably. The low down payment options, including the ability to purchase a home with as little as 3 percent down, are quite a drop from the typical 20 percent down payment required for a conventional loan. FHA requires 3.5 percent down. The time it takes for a borrower to save the additional funds could delay his or her getting into a home.

CREDIT SCORES

At its essence, a credit score indicates a consumer's likelihood to make his or her future loan payments based on credit data and credit patterns over time. It is a numerical expression based on an analysis of a person's credit files. Three quarters of U.S. mortgages are approved using the Fair Isaac Corporation (FICO®) score, which ranges from approximately 300 to 850 points.

A FICO SCORE OF 620 AND ABOVE QUALIFIES FOR AN MI LOAN

While a higher FICO score will garner the best rates on most types of loans, a FICO score of 620 and above qualifies for an MI loan. According to an **Ellie Mae report** announced in October 2019, the overall average FICO score for refinanced loans is 753, down one point from September's 6-year high of 754. In June 2019, the score was 742. The average credit score for conventional non-FHA purchase loans is at 755.

MORTGAGE PROCESS

For the loan process to go smoothly, the initial application needs to be complete. The loan officer will obtain information and documentation pertinent for receiving loan approval. A borrower will need to obtain his or her credit report, gather documentation, consult with a lender to review his or her income, expenses, and financial goals, and consider obtaining a pre-approval letter or prequalification for a mortgage.

Getting Started

USE A MORTGAGE CALCULATOR – RENT VS BUY

Use a mortgage calculator to test different scenarios for your future — **Should you rent or buy? How much can you afford to spend on a home? What kind of payments can you handle?** There are four variables in any mortgage calculator — **1**| Loan Term, **2**| Loan Amount, **3**| Monthly Payment, **4**| Mortgage Interest Rate. If you know any of these three variables, you can figure out the last one to help plan your future living space.

You can find our Rent Vs. Buy Calculator on our Mortgage Calculators page. Give our calculators a try and share with your clients: **National MI Calculators**

TIPS FOR BORROWERS STARTING THE LOAN PROCESS

1. **Do NOT** change companies or end a job during the loan process.
2. **Do NOT** open or apply for any new credit cards, car loans, or any other type of debt.
3. **Do NOT** make big purchases during the loan process (TVs, home electronics, furniture, etc.).
4. **Do NOT** make any large deposits into your bank accounts without documented proof from the source you received it from.
5. **ALWAYS** make your payments on time each month.
6. **Do** call your real estate agent and Loan Officer to help guide you through the process.

Mortgage Application Checklist

Salaried Borrowers and/or Co-Borrowers (Not Self-Employed)

- Signed federal personal tax returns for the two most recent years filed including W-2s and all schedules (and current extension if applicable)
- Paystub(s) covering most recent 30-day period including year-to-date earnings
- Verification of the two most recent years' history of bonuses or commissions if applicable, via paystubs or employer written verification
- Written explanation for any gaps in employment

All Applicants

- Bank and asset account statements for past 2-3 months for all checking, savings, investment, and retirement accounts
- Name and phone number of insurance agent
- Copy of one of the following identity verification documents: driver's license, government-issued photo ID, U.S. Military ID, or passport
- If condominium or planned unit development, name and phone number of homeowner's association
- If title or property vesting will be held in trust or other entity, please contact your financial institution's relationship manager for a list of applicable documents.

Purchasing a Property

- Fully executed purchase agreement with all addendums
- Name and phone number of real estate agent

Refinancing a Property

- Copy of current evidence of homeowners insurance

Self-Employed Borrowers and/or Co-Borrowers

- Signed federal personal tax returns for the three most recent years filed with all schedules (and current extension if applicable)
- Signed federal entity(ies) tax returns (1120, 1120S, 1065) for the three most recent years filed with schedules and K1 statements
- Signed and dated current profit & loss statement and balance sheet for the entity(ies) on company letterhead
- Written explanation for any gaps in employment exceeding one month during the past two years

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2100 Powell Street | 12TH Floor | Emeryville, CA 94608

CONTACT INFORMATION:

PHONE: 855.530.6642 | EMAIL: marketing@nationalmi.com