The Home Front
SPRING 2021 | ISSUE NO. 10

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 **Spring 2021** edition of **The Home Front**, we report on new home prices, the latest market data trends, and the effects of COVID-19 on the state of the housing market. We also explain the benefits of mortgage insurance in enabling borrowers to purchase or refinance a new home with less than 20 percent down. Discover some useful resources that you can use during your homebuying journey.

"While we can expect to see lingering effects of COVID-19 resurgences and subsequent shutdowns in the early months of 2021, vaccine distributions and stimulus actions should revitalize economic activity and keep home purchase demand and home price growth strong."

FRANK MARTELL
President & CEO | CoreLogic

Home Prices Surged

AS DEMAND REMAINED STRONG

The November 2020 CoreLogic Home Price Index (HPI™) Forecast*, designed to provide an early indication of home price trends, shows that home prices rose year-over-year and month-over-month compared to November 2019. Home prices increased 8.2 percent, with the highest year-over-year increases by state in Idaho (15.7 percent), Maine (15.4 percent), and Indiana (13.6 percent) and by metropolitan area in Phoenix (12.6 percent).

CoreLogic has been monitoring shifts in the housing market and economy with the spread of COVID-19. Although many people have become financially unstable due to the pandemic, those who maintained financial stability have been encouraged to buy due to the record-low mortgage rates. However, the availability of homes for sale has decreased, resulting in increased home prices and affordability issues as lower-income families are priced out of the market. The demand is expected to slow, while the supply of homes is expected to increase, which is reflected in the forecast for the coming year. The forecast anticipates that annual home price growth will slow from 7.5 percent in the first quarter of 2021 to 2.5 percent by November 2021. This could change if further stimulus actions can help buyer demand among lower-income families, supporting home price growth. There is a disparity in anticipated home price growth among metro areas, but the areas with the most significant risk for decline in home prices are Miami, Florida; Lake Charles, Louisiana; and Prescott, Arizona.

* This link reflects the most recent data published by CoreLogic and may have been updated since the publication of this article.

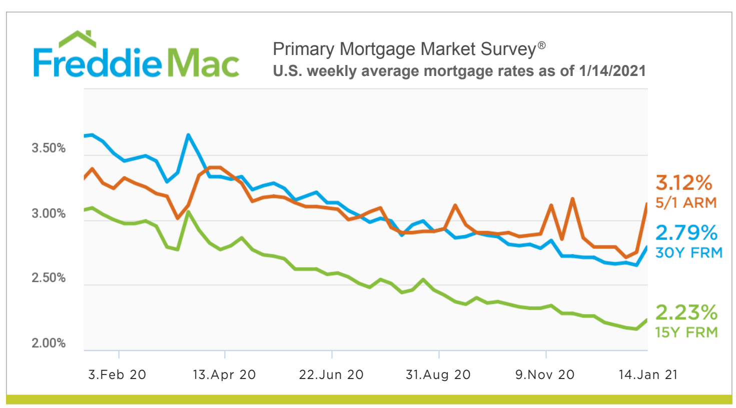
Search Realtor.com to find a local agent.

Mortgage Rates Tick Up

DATA AS OF JANUARY 14, 2021

According to the leading source for mortgage rate data, the Freddie Mac Primary Mortgage Market Survey*, mortgage interest rates are expected to increase modestly in 2021 due to the rise in Treasury yields after hitting a record low in the first week of January. However, they will still remain low, supporting continued refinancing and homebuyer activity, so it's not too late to take advantage of these low rates.

* This link reflects the most recent data published by Freddie Mac and may have been updated since the publication of this article.



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

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Did You Know?

Economic Growth Expected to Accelerate

as Vaccine Deployment Quickens and Warmer Weather Approaches

ACCORDING TO THE **FANNIE MAE ECONOMIC AND STRATEGIC RESEARCH (ESR) GROUP** ON JANUARY 15, 2021

A strong pick-up in real GDP growth is expected in the coming spring months, causing the ESR group to improve their estimate for the U.S. economy to grow 5.3 percent in 2021. This is up by 0.8 percentage points from the prediction made in December 2020 due to the increased COVID-19 vaccination efforts and the upcoming warmer weather. Hopefully, this will offset some of the economic weakness at the end of 2020, which resulted in an estimated contraction of 2.7 percent in the economy for the year.

This upgraded estimate for 2021 is dependent primarily upon vaccine distribution as well as the pandemic itself and how they continue to progress. Although housing activity is expected to decline from the high rate of activity seen in the latter part of 2020, it is still expected to remain strong in 2021 with home sales anticipated to rise 3.8 percent for the year. The monthly pace will likely slow as the year progresses, along with home price appreciation.

> "COVID-19 remains the dominant force altering the path of the economy through the behaviors of people, businesses and policymakers… our thought is that by mid-year vaccine distribution efforts will be well-established, allowing for a strong second half."
>
> **Doug Duncan**
> FANNIE MAE
> Senior Vice President & Chief Economist

Market Trends

IN PARTNERSHIP WITH JOHN BURNS REAL ESTATE CONSULTING

- **82% – HOUSING MARKETS ARE STRONG OR VERY STRONG**
  An improvement from April 2020 when **0%** of housing markets were strong or very strong.
- **U.S. UNEMPLOYMENT REMAINS FLAT AT 6.7%**
  with 3.7 sales per month per community.
  This is the highest absorption rate since 2006.
- **32% OF HOMEBUYERS**
  who use a mortgage are putting **5%** or less down. The figure jumps to **46%** among those age 28 and younger.

THE NEXT GENERATION Homebuying Guide for WOMEN

According to the NextGen Homebuyer Report by Cultural Outreach, single women are the second-largest homebuying demographic, outnumbering single men 2:1. However, there are substantial differences in their priorities and concerns going into the homebuying process. One of the most critical concerns for women is that they fear being taken advantage of.[1] To assist women in feeling comfortable and confident in their homebuying choices, here are some helpful tips for next-generation women considering buying a home:

Take the time to find a loan officer you can trust. Your loan officer will be one of the most important people you will work with during this process — they are helping you determine a decades-long financial agreement. Whichever way you choose to search for a loan officer, whether by referral or online research, don't be afraid to interview them. Loan officers are not a one-size-fits-all deal. Women have been shown to have more of a "cost savings mindset" and feel more stressed out with finances.[1] Whether or not this is true for you, you want to work with a loan officer that understands your individual financial needs, is willing to answer your questions, and can communicate with you in a way that you're comfortable with. According to LendingTree, here are some interview questions you can start with[2]:

1 How much experience do you have?
2 How long have you worked for this company?
3 Why should I choose your company?
4 What are your work hours?
5 How will we be communicating with each other?
6 Do you specialize in purchases or refinances?

Make sure to keep in mind that loan officers are trying to sell you on their product, so look for direct and honest answers to your questions and whether they specialize in the kind of programs or services that are right for you.

You're probably closer than you think to saving up your down payment. 59.7 percent of buyers feel that the down payment is the biggest hurdle to homeownership.[1] This, combined with women reporting less financial education growing up and contributing less to their savings than men, can feel overwhelming to a female homebuyer.[1] You aren't alone, and there are options. One of the biggest misconceptions is that you need 20 percent down to purchase a home, but the good news is that you don't. With private mortgage insurance, you have the option of putting down as little as 3 percent. Plus, even if you have the 20 percent available, putting down less to save more up front could have advantages. The best part? You could take advantage of the current low-interest rates and get into a home sooner. If you're hesitant about the extra cost, remember that private mortgage insurance is cancelled after the balance of your mortgage falls to 80 percent of its value.

Don't let COVID-19 stop you from homeownership. Even with the stress of COVID-19, single women reported that they are more likely to want to buy a home sooner and want to live in a different location,[1] which is something the pandemic has unexpectedly given more people the flexibility to do. Right now, we are experiencing some of the lowest mortgage rates in history, and they are still forecasted to stay low this year, so it's not too late to take advantage of them. Many people have been discouraged by the process of purchasing a home during COVID-19. While it requires us to do things a little differently, the real estate market has been moving toward a digital experience for years,[3] which means that they are up for the challenge of providing you a satisfying and COVID-safe experience. Here are some things to keep in mind:

- **Realtors and lenders are booked and busy:** Make sure to find an agent who is responsive and makes sure your requests are taken care of.[4]
- **House tours look a little different:** Many homes have turned to virtual showings. If you are planning on seeing a home in-person, make sure you remain safe and respectful by preparing to tour the home without other family members or friends, following sanitation protocols, and staying home if you feel sick.[4,5]
- **Depending on where you are living, the competition will range greatly:** People in some areas are experiencing significantly reduced competition from other buyers who have put their searches on hold, which means they are able to negotiate better terms.[5] For others, however, low inventory has resulted in higher likelihood of bidding wars. You can prepare for this by working with your agent to make your offer stand out, but make sure to stay within your pre-approved budget.[4] Either way, find out what to expect in the area you are looking to buy in and how this could affect your search.

Your finances will be reviewed more closely: Unemployment is at an all-time high, so be prepared to show multiple documents that prove income/employment and probably more than once. This is to keep you and your lender safe and to evaluate the options that are best for you.[4].

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1 2020 NextGen Homebuyer Report, Cultural Outreach, October 2020
2 https://www.lendingtree.com/home/mortgage/how-to-shop-for-a-loan-officer/#:~:text=There%20are%20a%20number%20of,or%20trying%20a%20comparison%20website
3 https://abc7news.com/7-on-your-side-consumer-reports-buy-a-home-right-time-to/6343779/
4 https://www.cmf-marketing.com/post/novemberSCEblog
5 https://www.rockethomes.com/blog/home-buying/buy-sell-house-during-coronavirus

Leveraging MI: Private MI in the Marketplace

Considering the recent data 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 slowly rebuilt their credit profiles.** In 2019, 59 percent of homeowners had FICO® scores above 700, and 81 percent had FICO scores over 600. As of Q2 2020, the median Equifax® score at mortgage origination is 784, which is 77 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.

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- **The share of existing homes sold to first-time home buyers is near the lowest level since 1987 at 33 percent.** Peak share 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.

- **Nearly half of homebuyers aged 28 and younger are putting 5 percent or less down**. The availability of low-down-payment mortgages may be contributing to the slight uptick to a 38 percent rate of homeownership for this youngest age group.

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 available, including the ability to purchase a home with as little as **3 percent down**, is quite less than the typical 20 percent down payment required for a loan without MI. FHA requires 3.5 percent down. The time it takes for a borrower to save the additional funds could delay the process of 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 their 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, ranging 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 interest rates on most types of loans, a FICO score of 620 and above will qualify for an MI loan. According to an Ellie Mae report released in December 2020, the average FICO score on all closed loans reached 751, up 16 points from December 2019.

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 their credit report, gather documentation, consult with a lender to review their income, expenses, and financial goals, and consider obtaining a pre-approval letter or pre-qualification 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 home can you afford? 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: 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.

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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

THE HOME FRONT

is published by
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