

TOP TRENDS IN HOUSING FINANCE

2014 C.A.R. EXPO

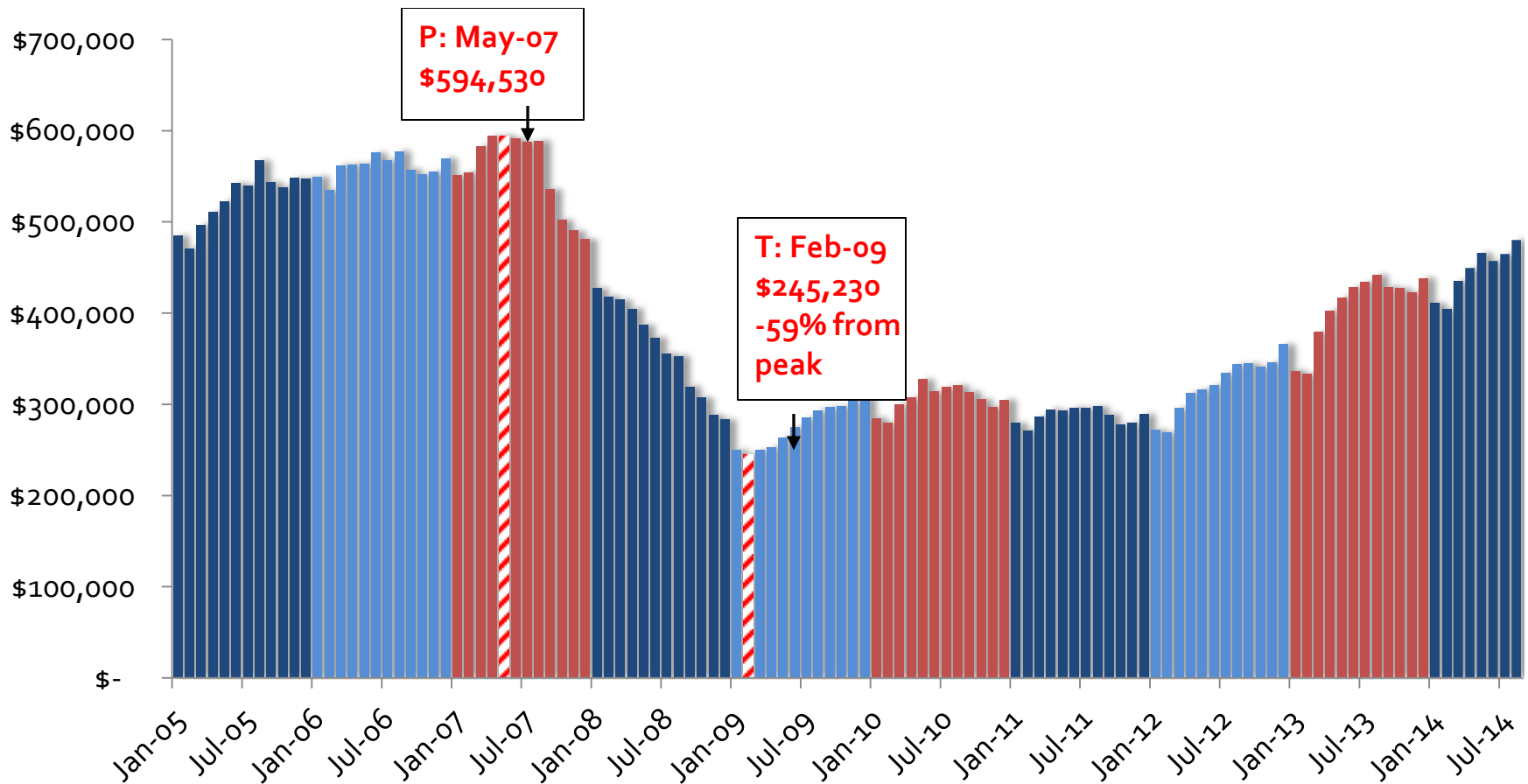
Oscar Wei, Senior Research Analyst

California Association of REALTORS®

HOUSING AFFORDABILITY

Median Price of Existing Detached Homes

California, Aug 2014: \$480,280, Up 8.9% YTY

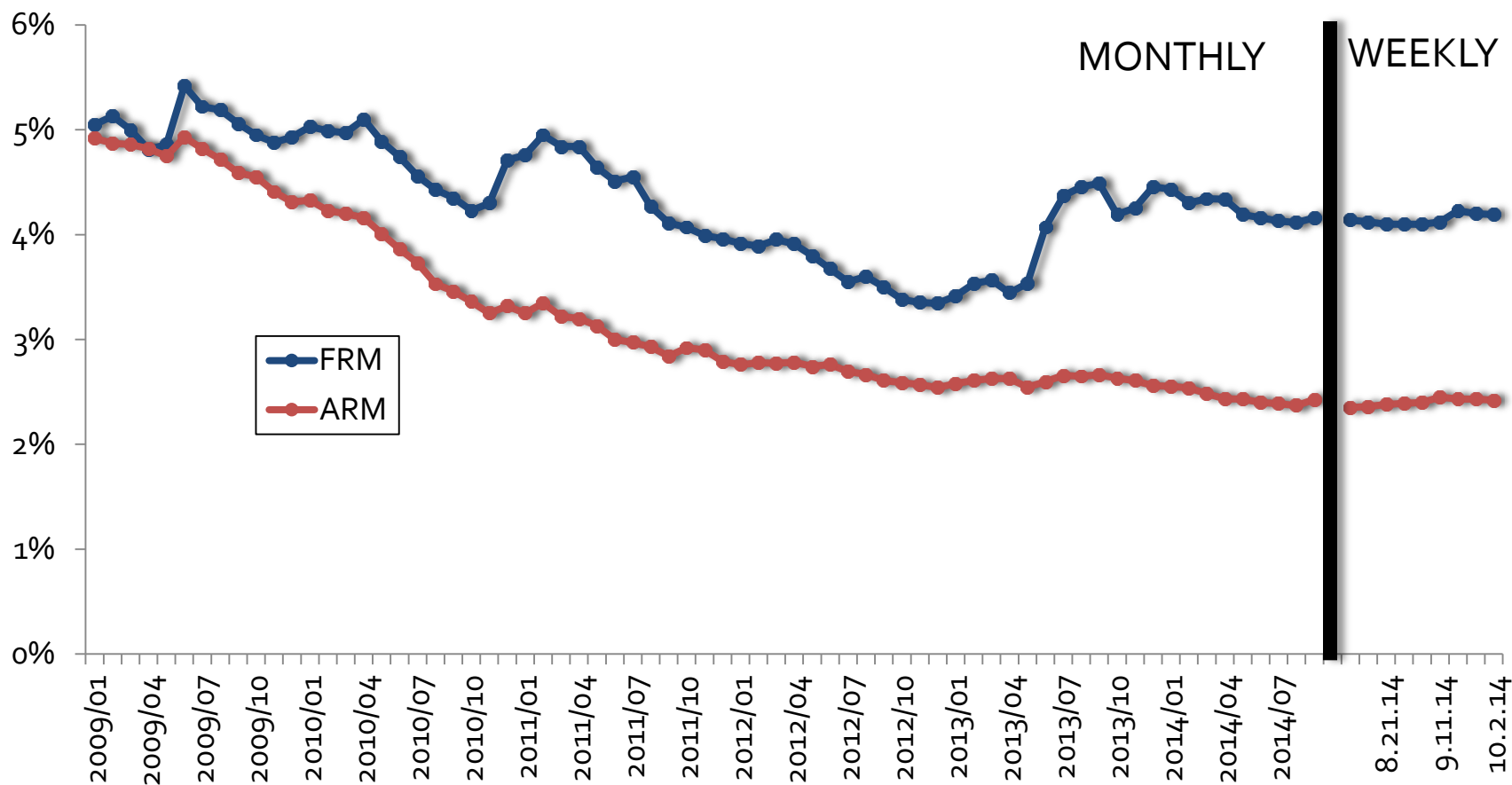


SERIES: Median Price of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Mortgage Rates

- January 2009 – Oct 2014



SERIES: 30Yr FRM, 1Yr ARM

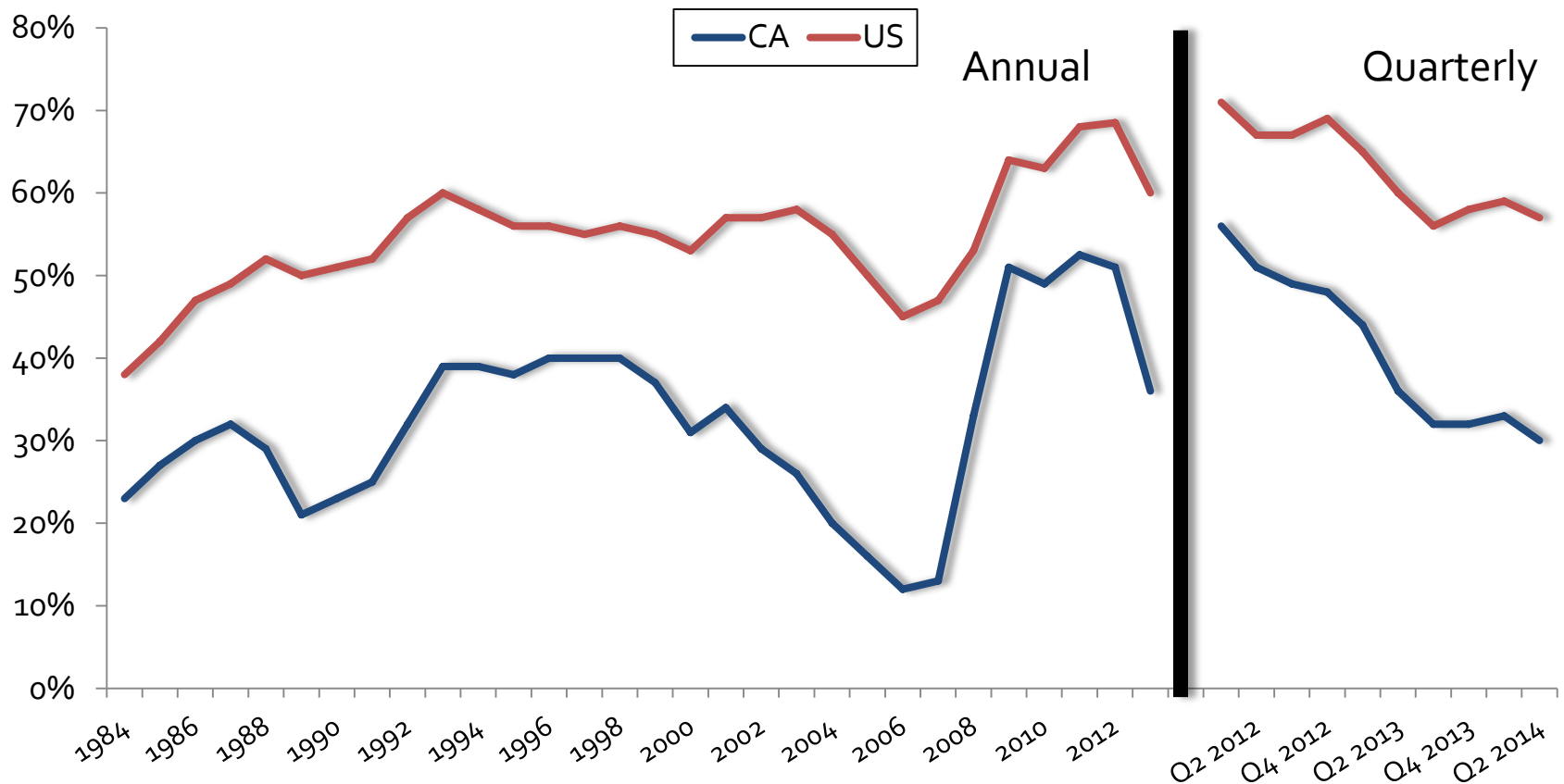
SOURCE: Federal Home Loan Mortgage Corporation



Housing Affordability Hit by Mortgage Rate Hikes and Price Gains

California vs. U.S. – 1984-2014

% OF HOUSEHOLDS THAT CAN BUY



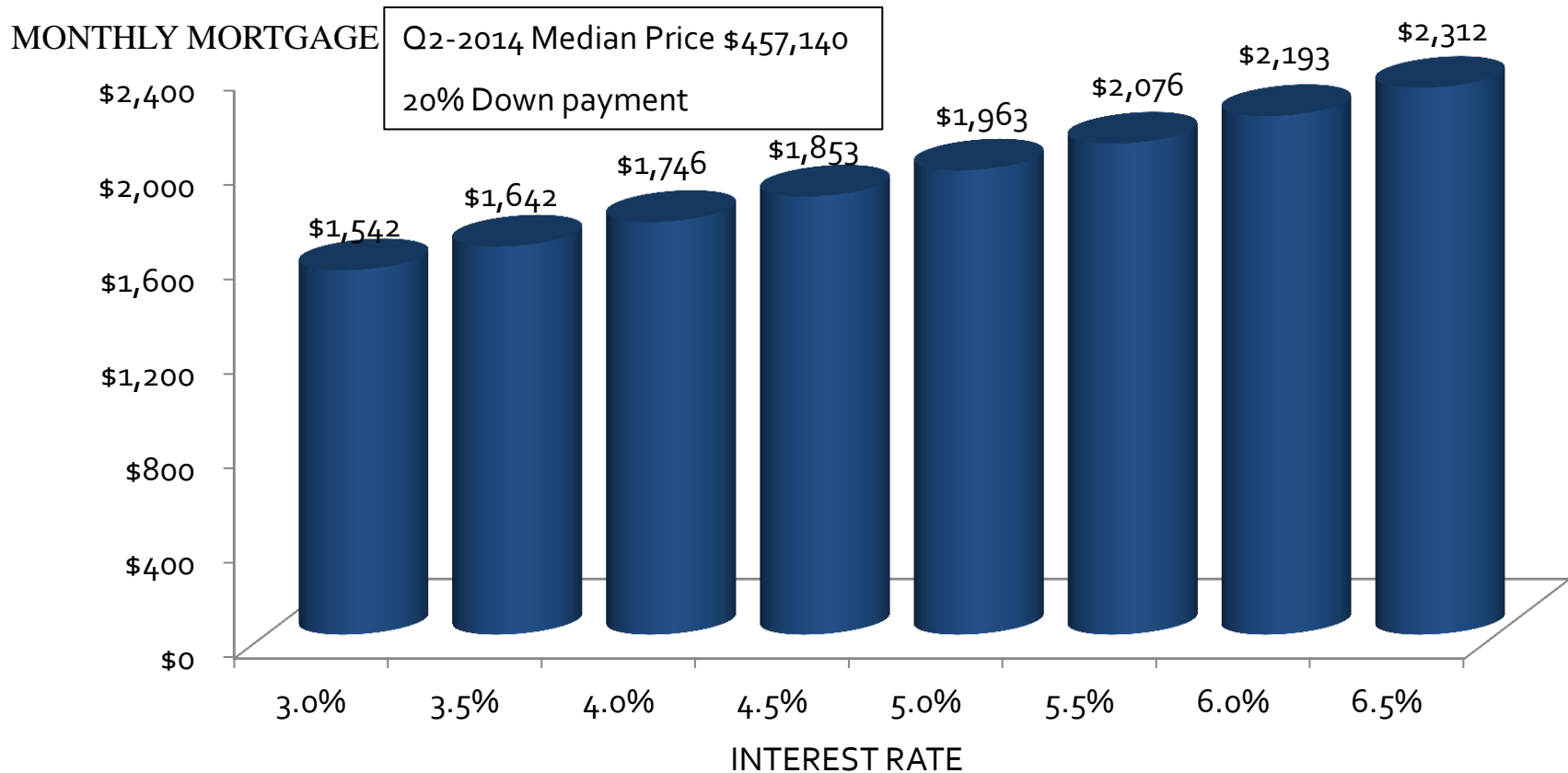
SERIES: Housing Affordability Index

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Median Monthly Mortgage Payment - CA

What Will Happen When Mortgage Rates Increase?



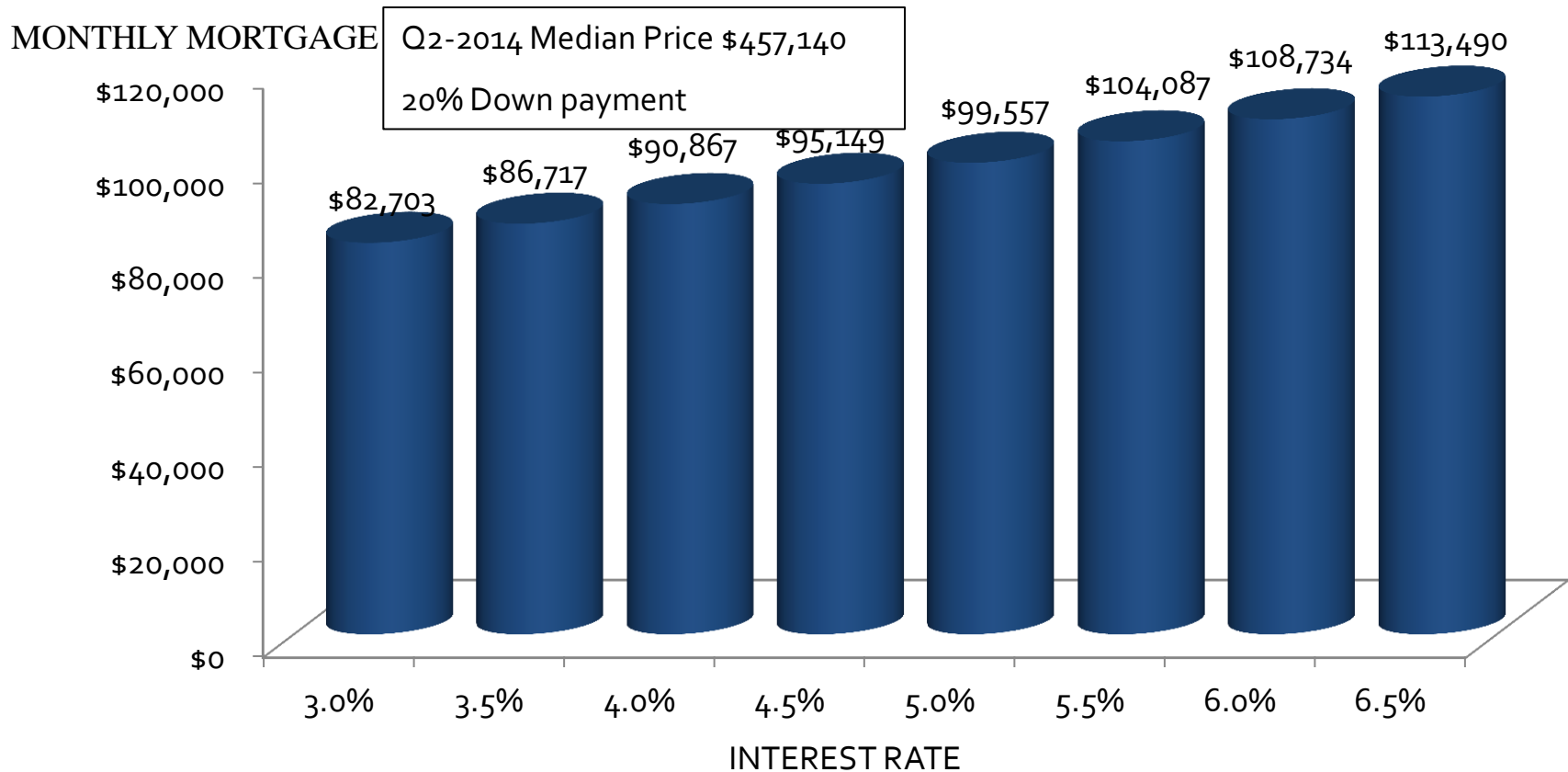
SERIES: Housing Affordability Index

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Minimum Qualifying Income - CA

What Will Happen When Mortgage Rates Increase?



SERIES: Housing Affordability Index

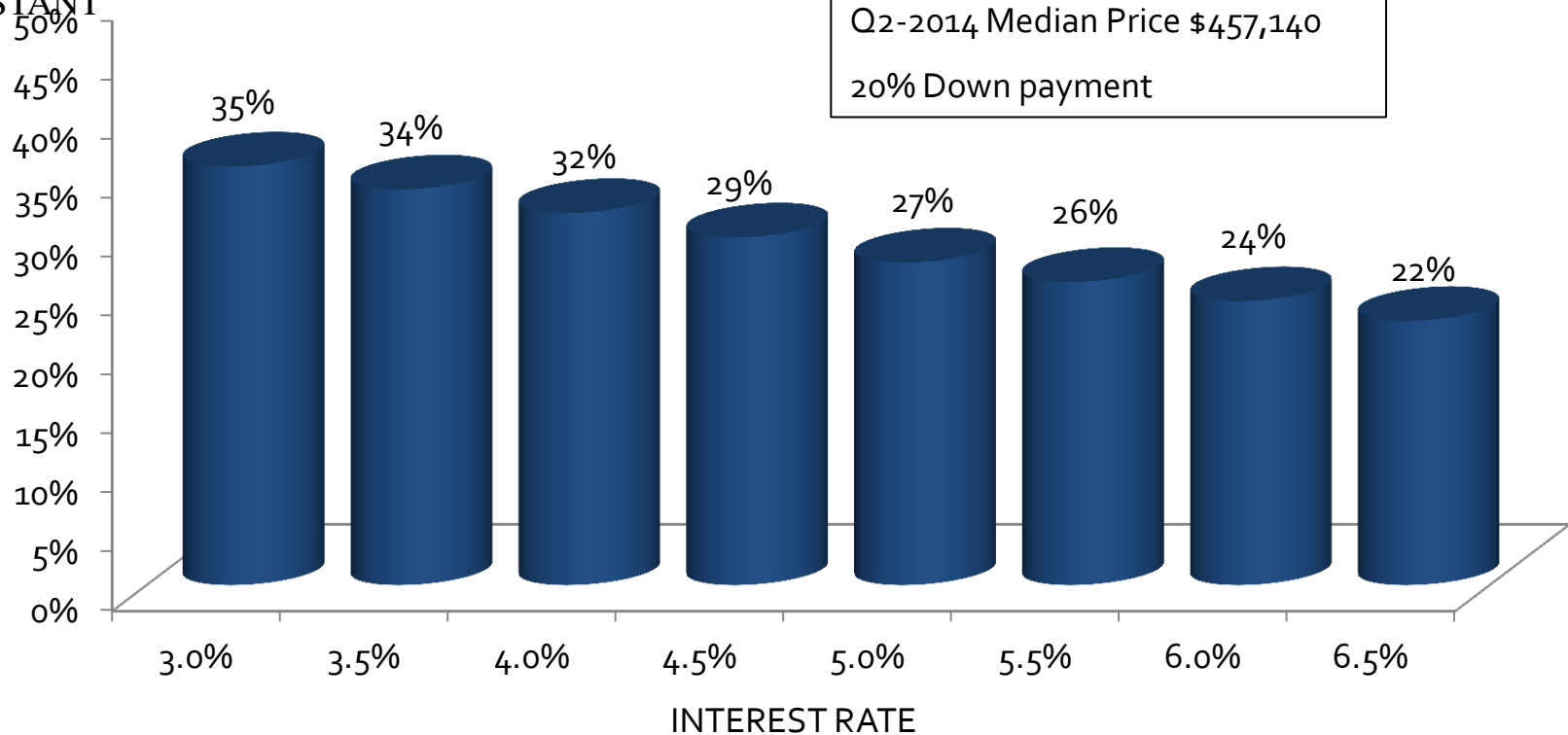
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Housing Affordability Index - CA

What Will Happen When MORTGAGE RATES Increase?

% OF HOUSEHOLDS THAT CAN BUY, ALL ELSE CONSTANT

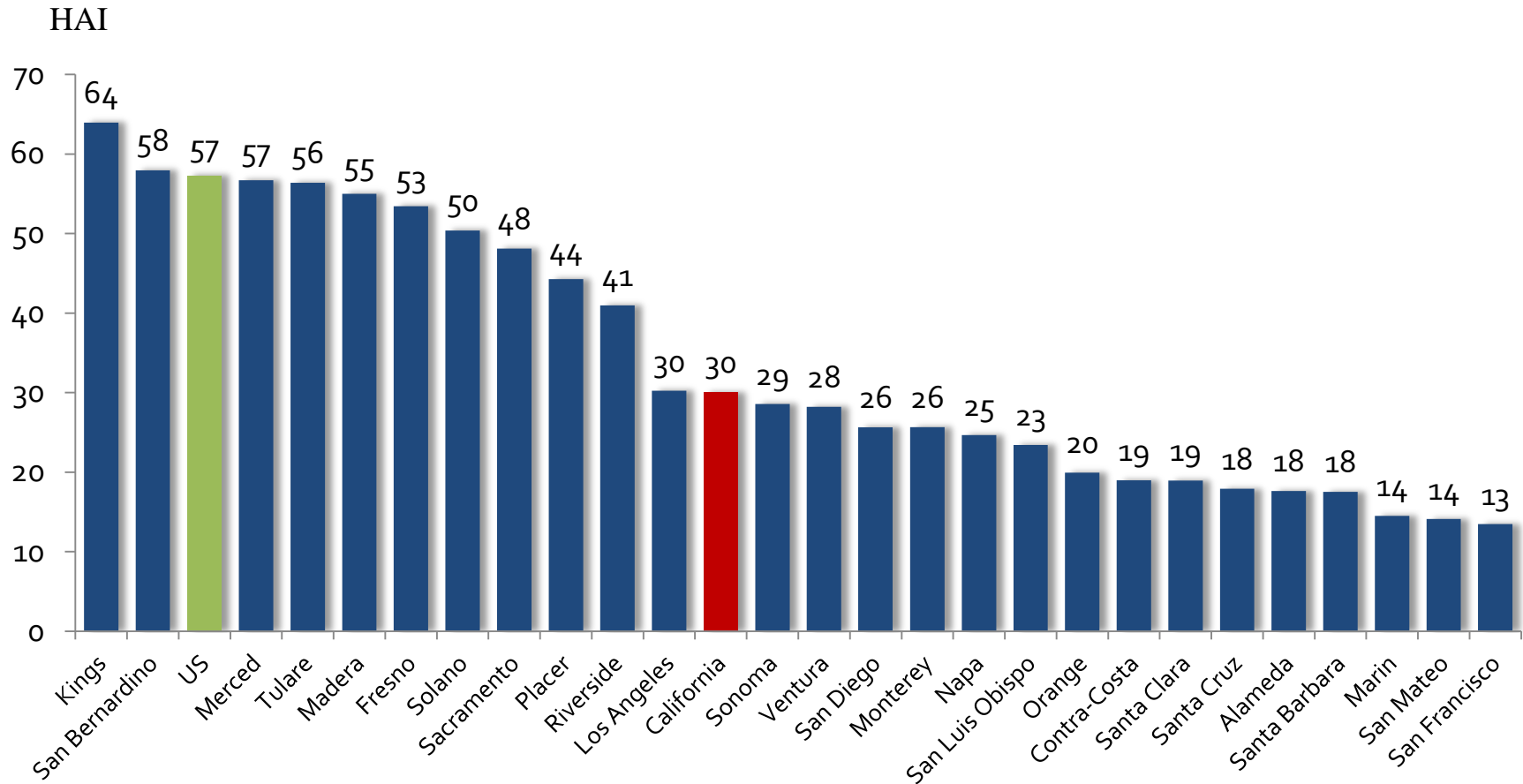


SERIES: Housing Affordability Index
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Housing Affordability Index

2014 Q2

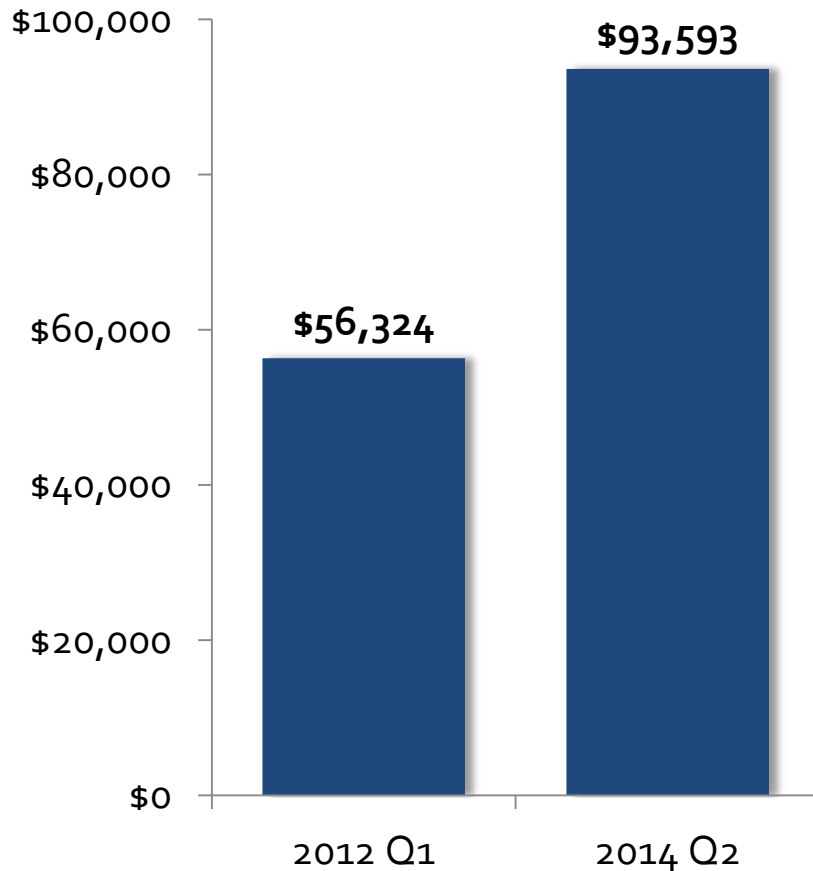


SERIES: Housing Affordability Index

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



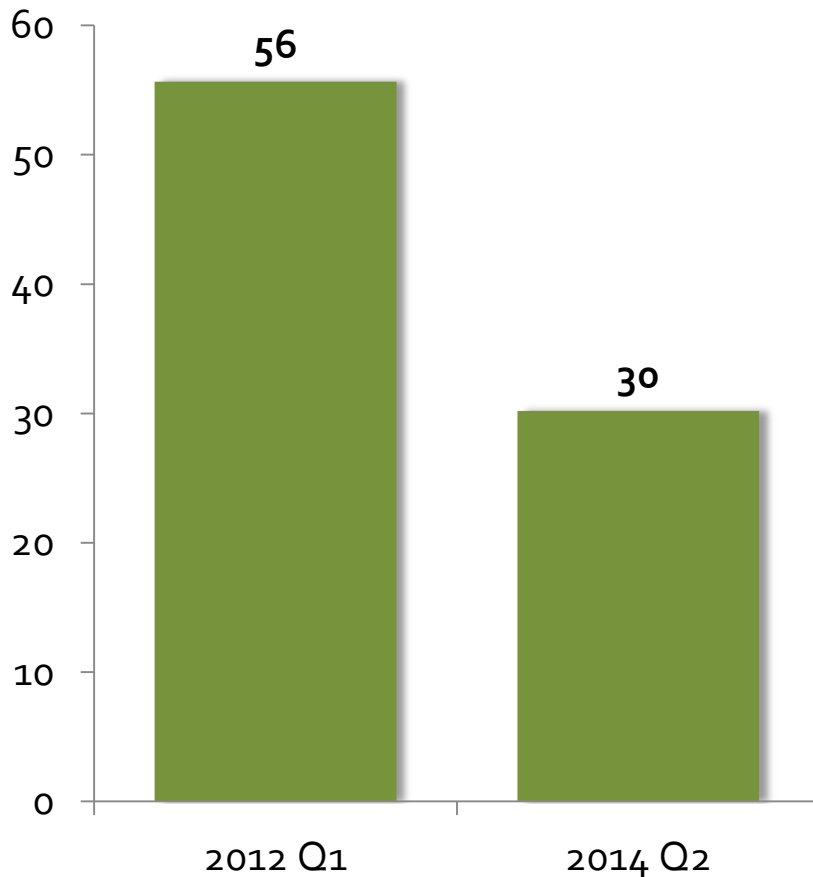
Income Required to Buy a Median-Priced Home in CA: (Peak vs. Current)



- Change in minimum required income: \$37,269
- Increase in income attributed to interest rate increase: \$836 (2.2% of total change)
- Increase in income attributed to price increase : \$36,433 (97.8% of total change)



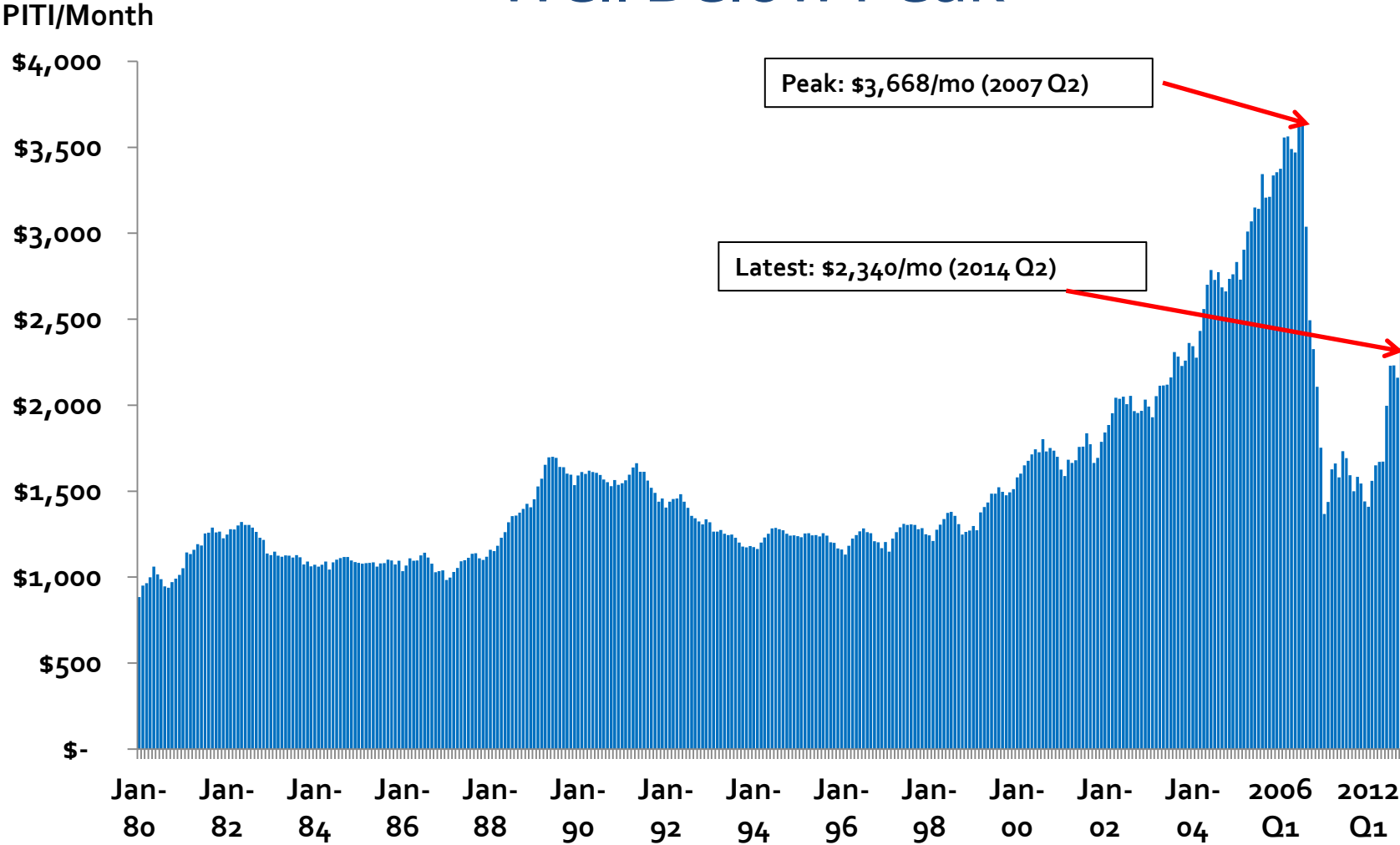
Drop in Income Contributed to the Decline in HAI



- HAI declined from 56 to 30 from 2012 Q1 to 2014 Q2
- Median household income slipped from \$58,553 in 2012 to \$58,504 in 2014
- The decline in household income alone led HAI to drop by about 2 index points.



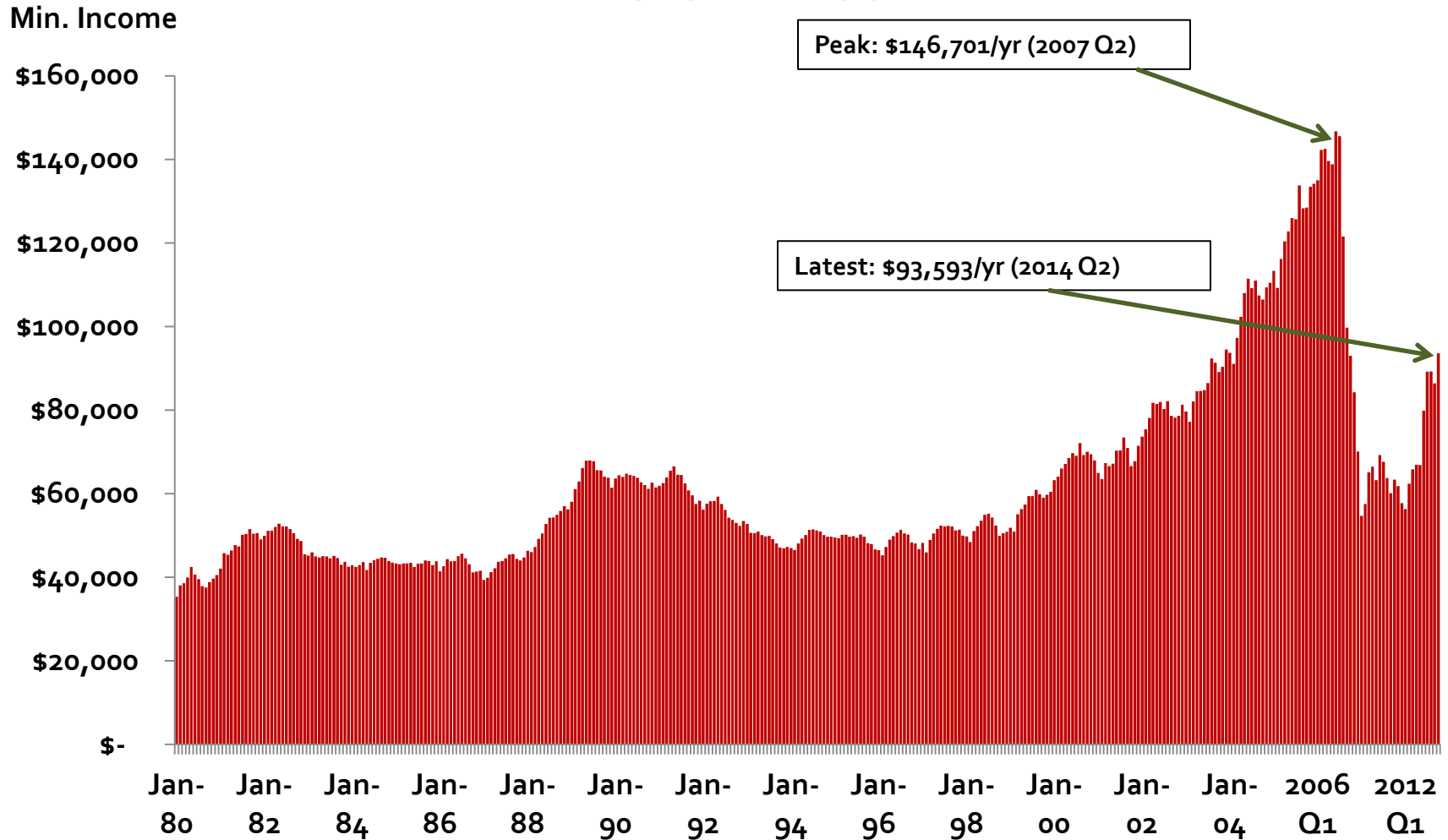
Median CA House Payment Well Below Peak



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



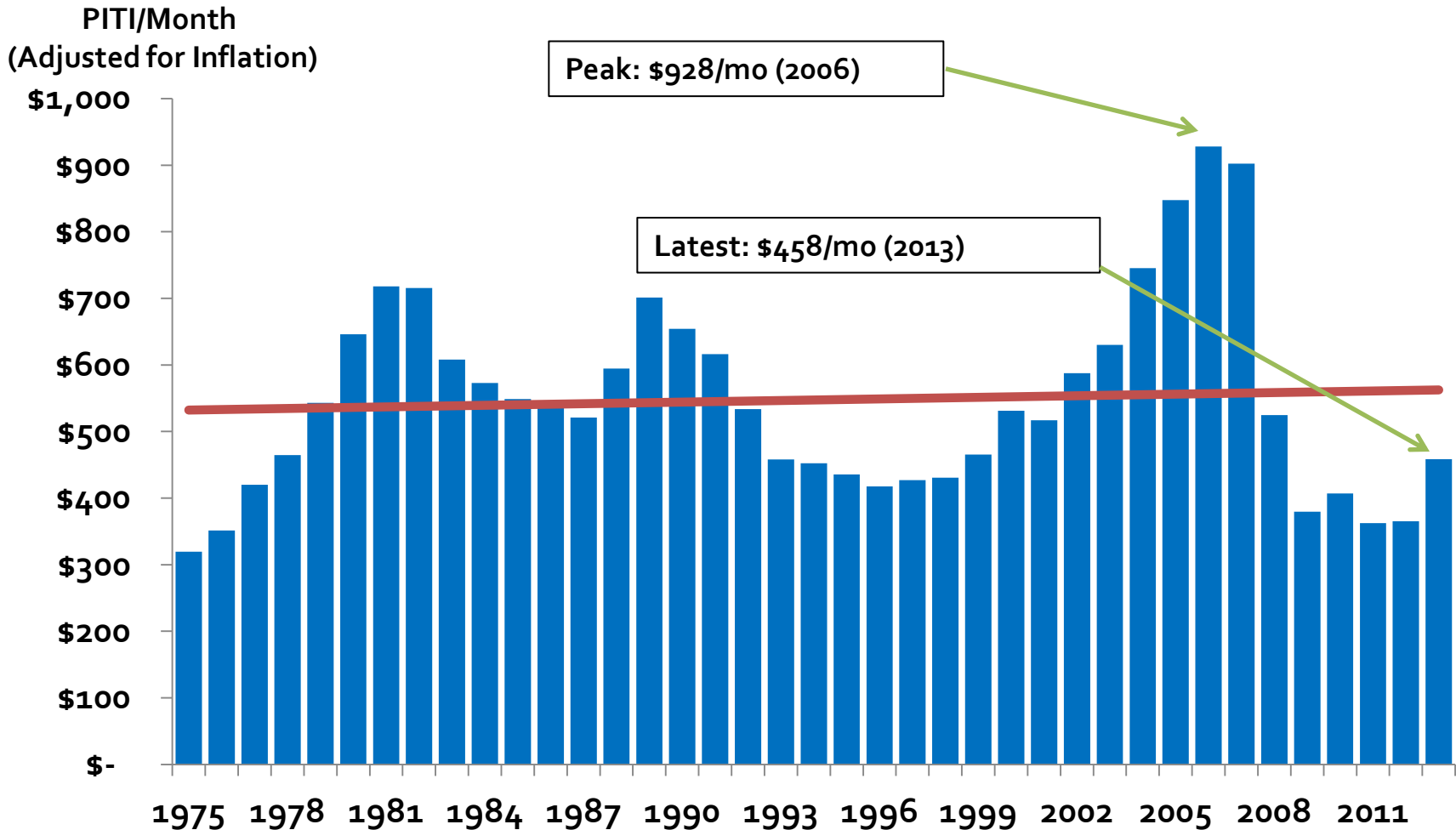
... Minimum Qualifying Income Below Peak



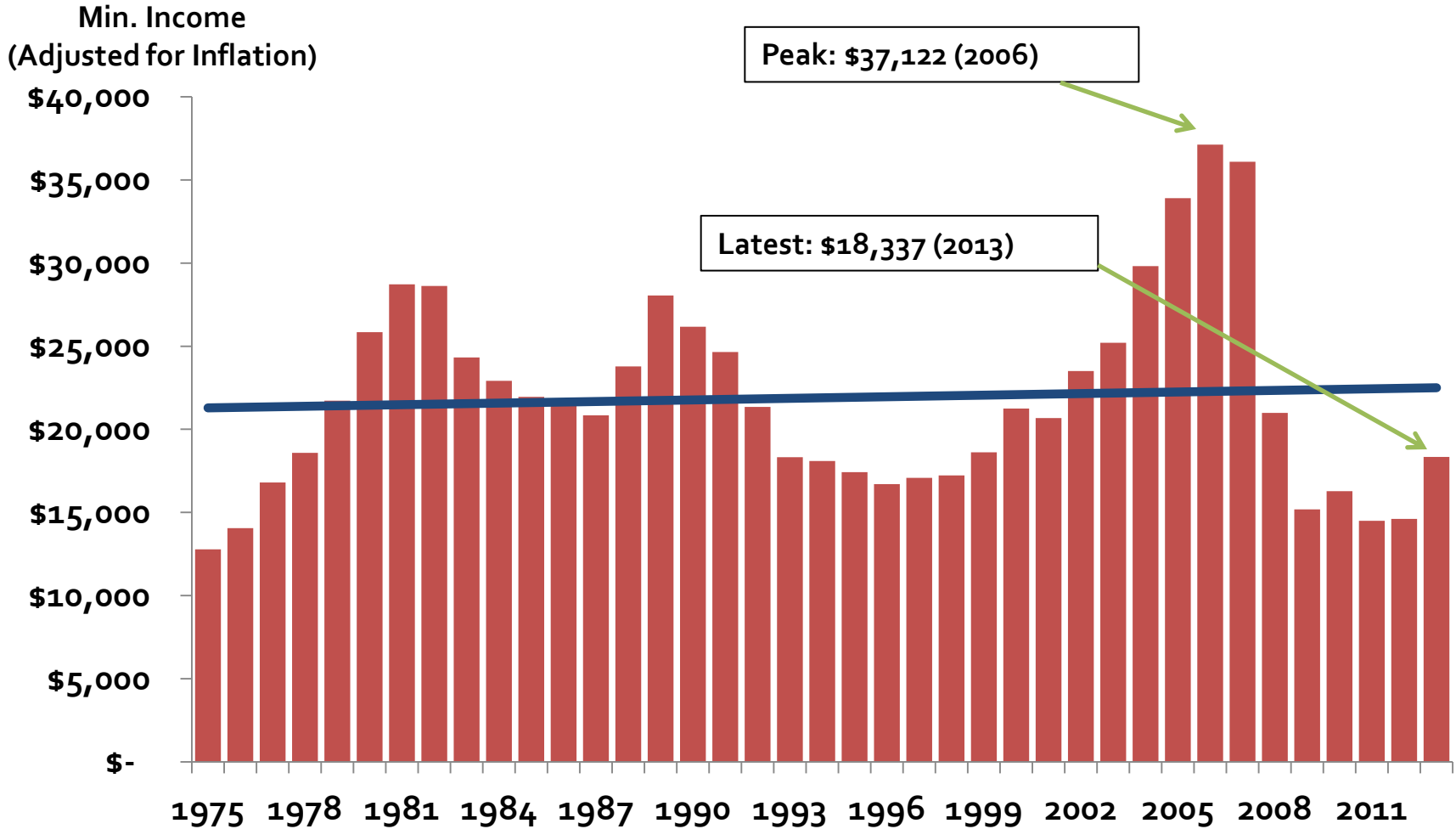
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



House Payment (Inflation Adjusted) Is at Late 1970's Level



Minimum Qualifying Income Is the Same as 35 Years ago

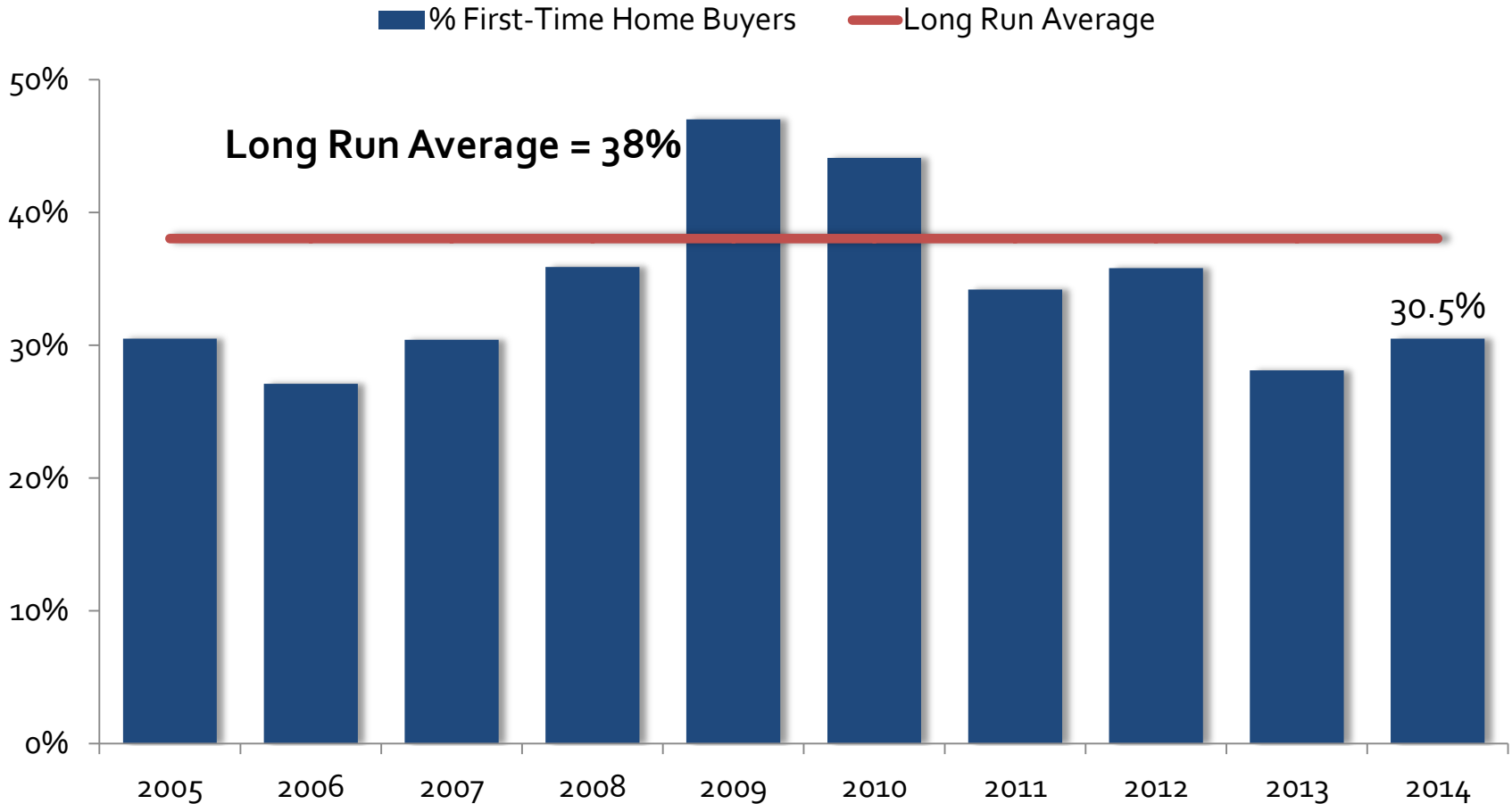


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



FIRST-TIME BUYERS

Share of First-Time Buyers Up But Still Below Long-Run Average



Q. Was the buyer a first-time buyer?

SERIES: 2014 Housing Market Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Why do we care about the Low-Level of First-time Buyer?

- It signals a constrained flow of new households in the housing market
- Trade-up market cannot be replenished in the long run
- First-time buyers represent the main impulse that drives the state's homeownership rate

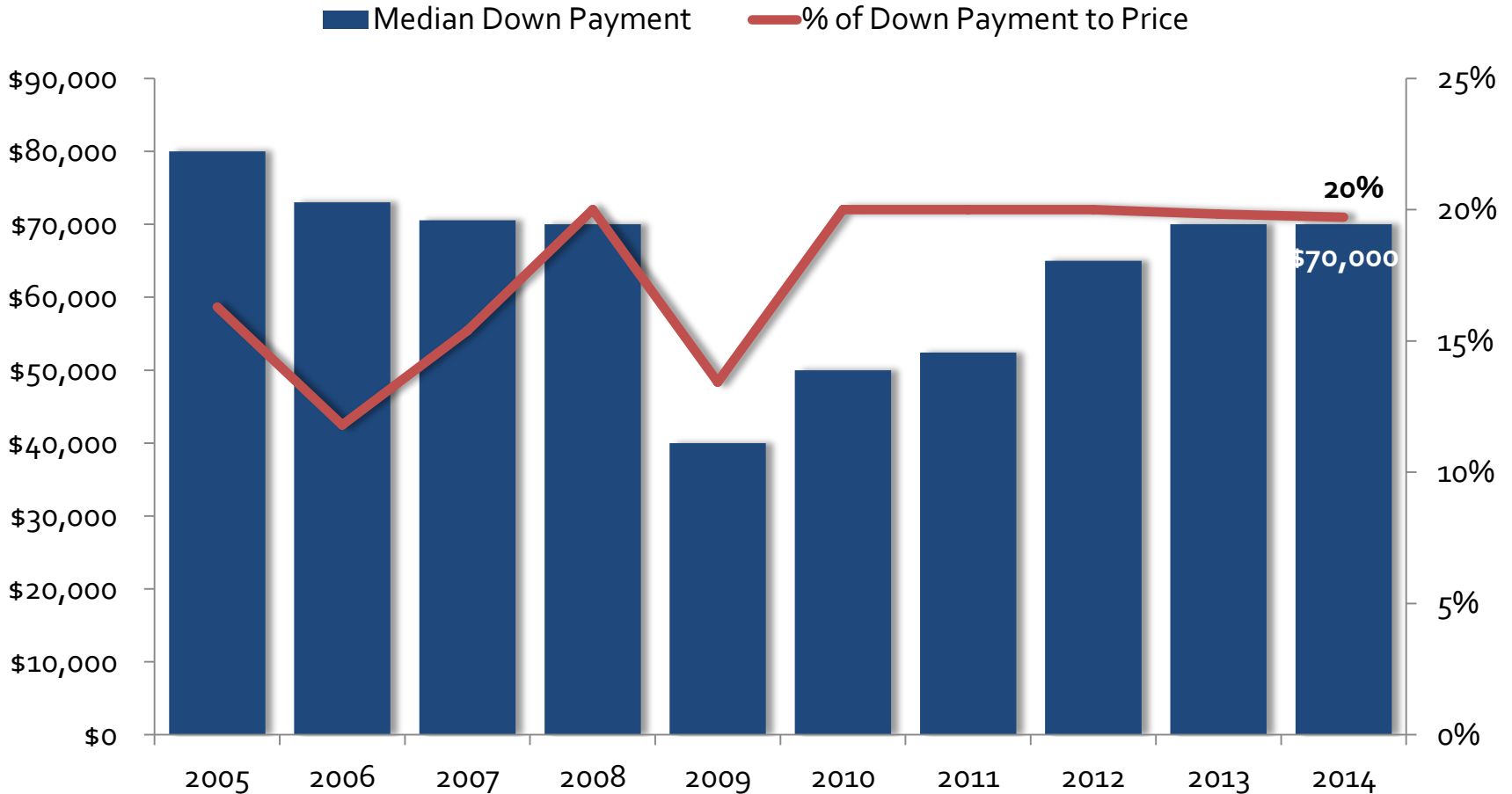


Financial Characteristics: First-Time vs. Repeat

	First-time Buyers	Repeat Buyers	All Buyers
Median Household Income	\$80,000	\$120,000	\$100,000
Median Monthly Mortgage Payment	\$1,477	\$1,868	\$1,800
Median Downpayment (in \$\$)	\$32,500	\$100,000	\$70,000
Median Downpayment (in % to Price)	10%	20%	19.7%



The Median Down Payment Remained the same as in 2013



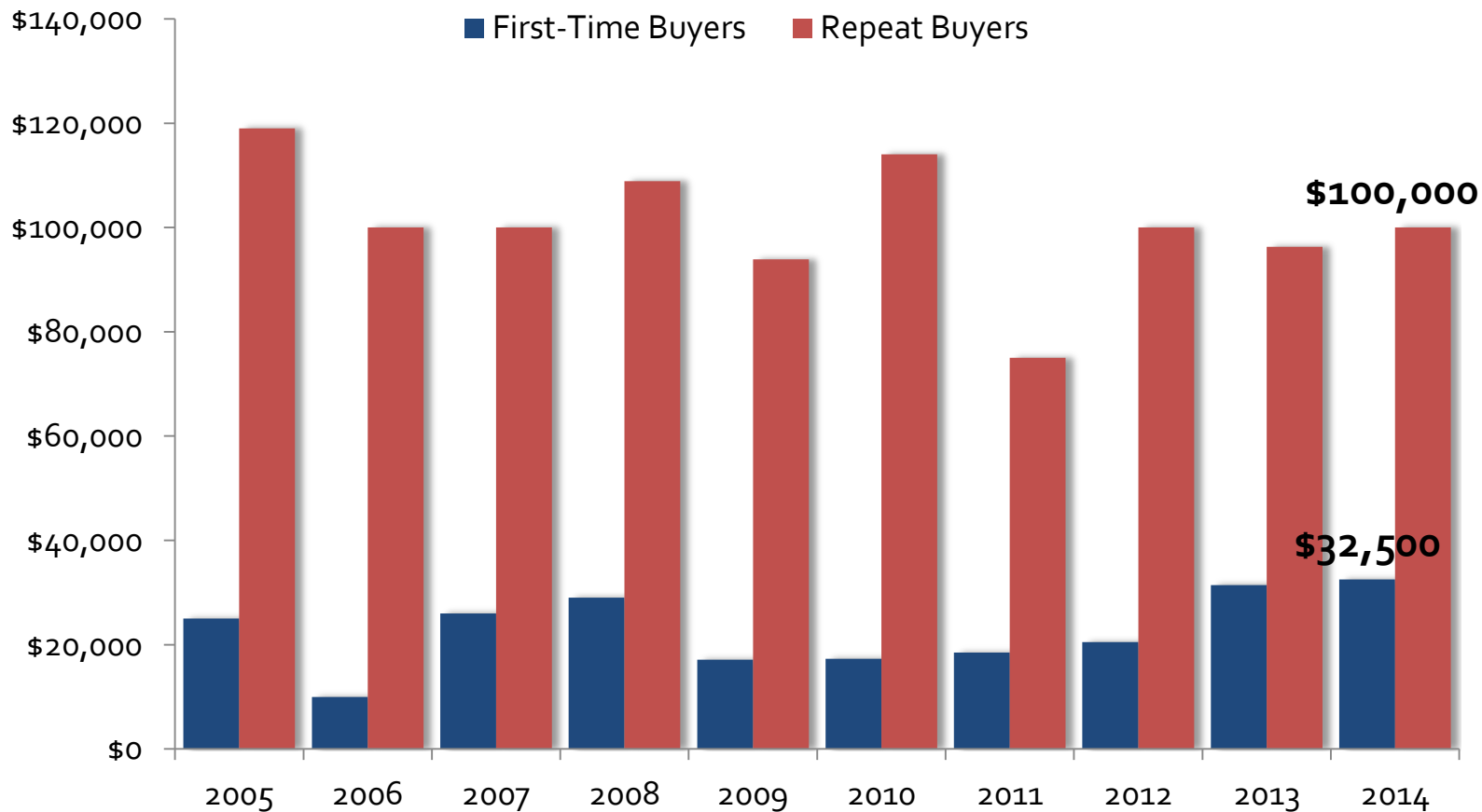
Q. What was the amount of downpayment?

SERIES: 2014 Housing Market Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Median Down Payment: First-Time Homebuyers Vs. Repeat Homebuyers



Q. What was the amount of downpayment?

SERIES: 2014 Housing Market Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Cash Source for Down Payment

First-Time Buyer vs. Repeat Buyer

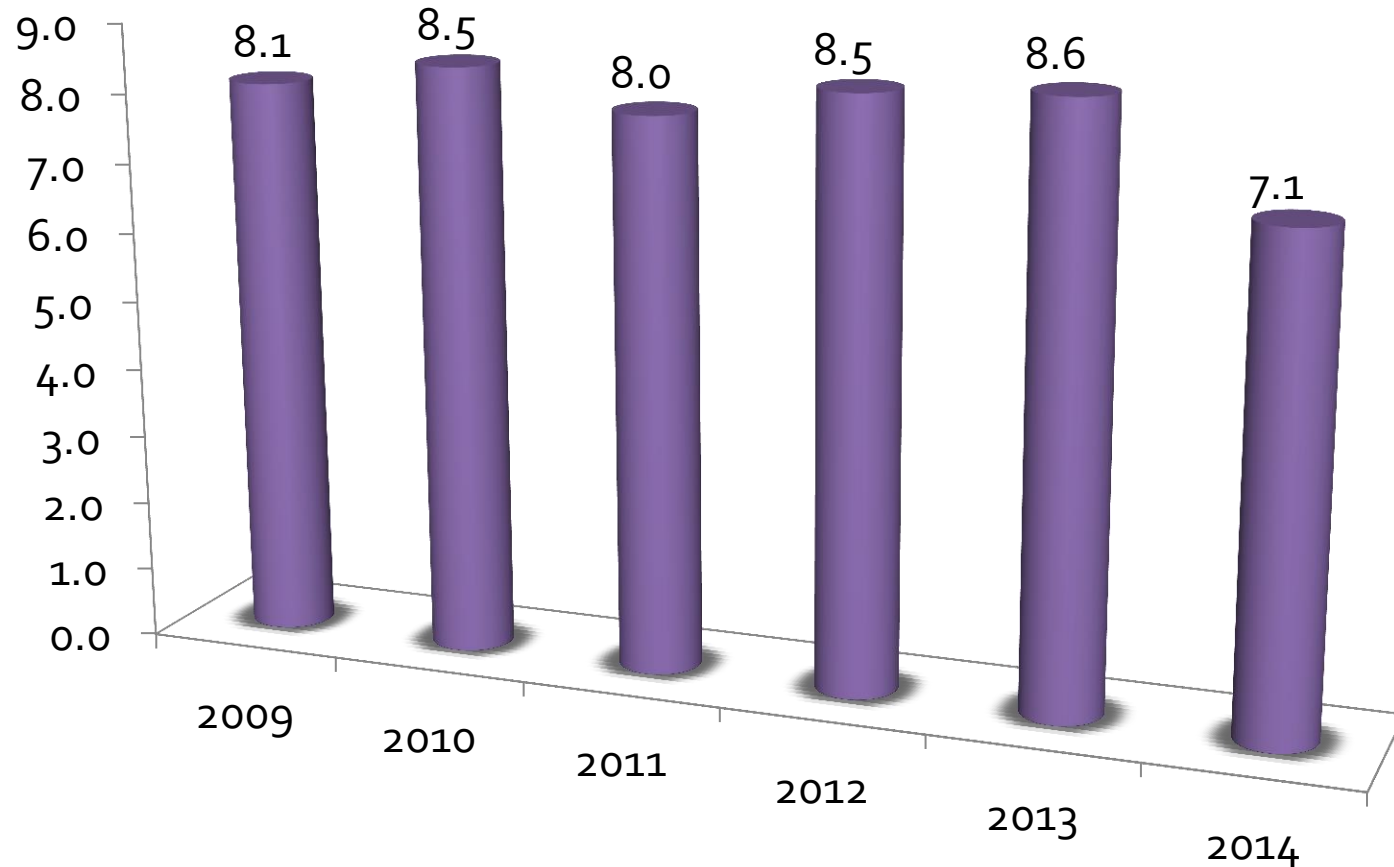
	First-time Buyers	Repeat Buyers	All Buyers
Personal saving	63.3%	50.8%	54.8%
Proceeds from sale of previous residence	0.0%	22.7%	15.6%
Borrowed or gift from relatives	15.5%	4.5%	8.1%
Sale of personal assets other than real property	1.7%	3.5%	2.9%
Inheritance	4.0%	2.9%	3.2%
Proceeds from sale or refi of another property	0.0%	4.6%	3.2%
Other	13.5%	11.0%	12.2%

Q. What was the source of the cash the buyer used for a downpayment or to purchase the residence?



Buyers Have Less Difficulty with Financing

Average



Q. Please rate how easy or difficult it was to obtain financing on a scale of 1 to 10 with 1 being very easy and 10 being very difficult.

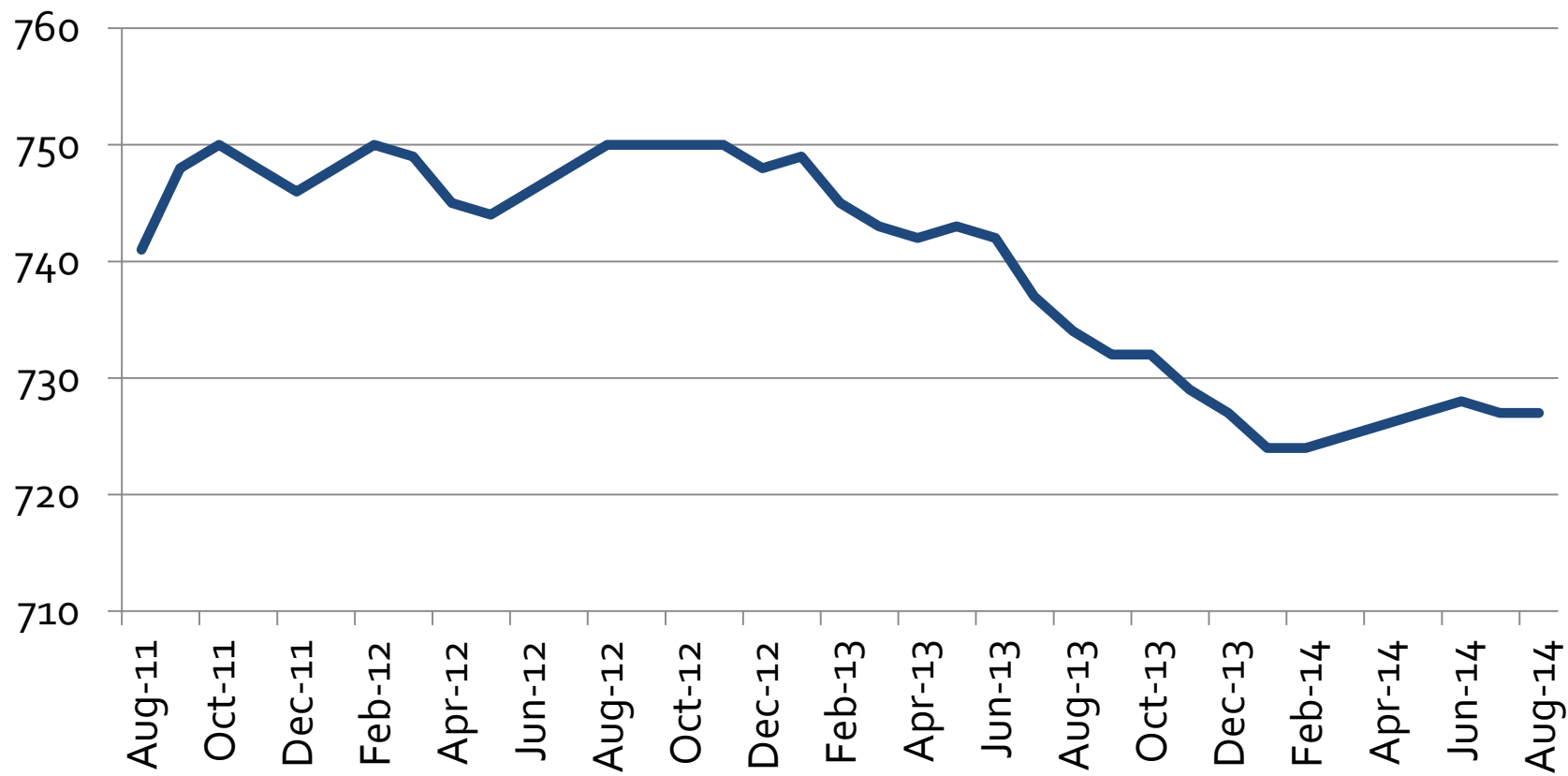
SERIES: 2014 Home Buyer Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

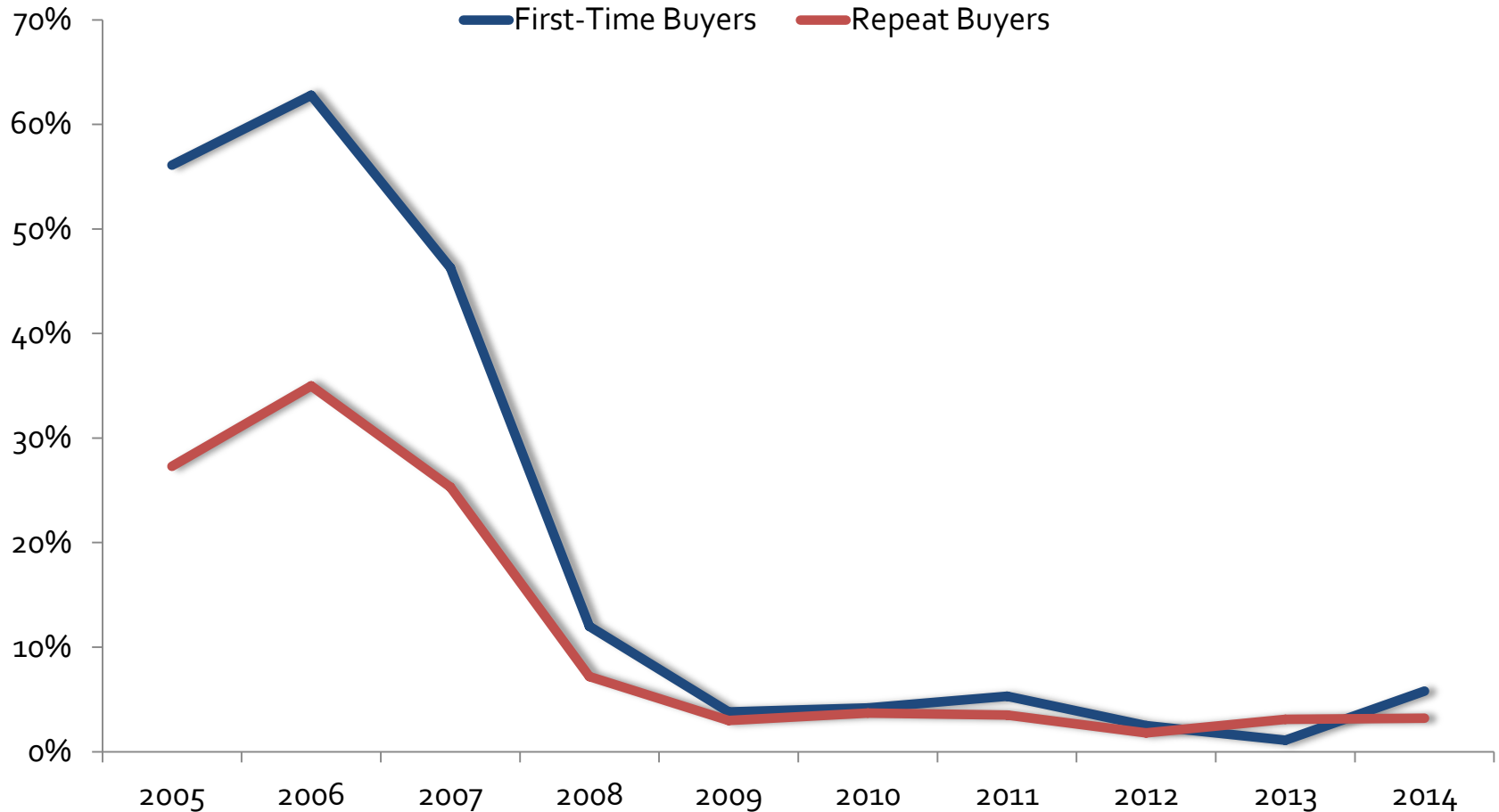


Loosened Credit Requirements: FICO Score Lower than the Last Couple Years

Average FICO Score on Closed Loans



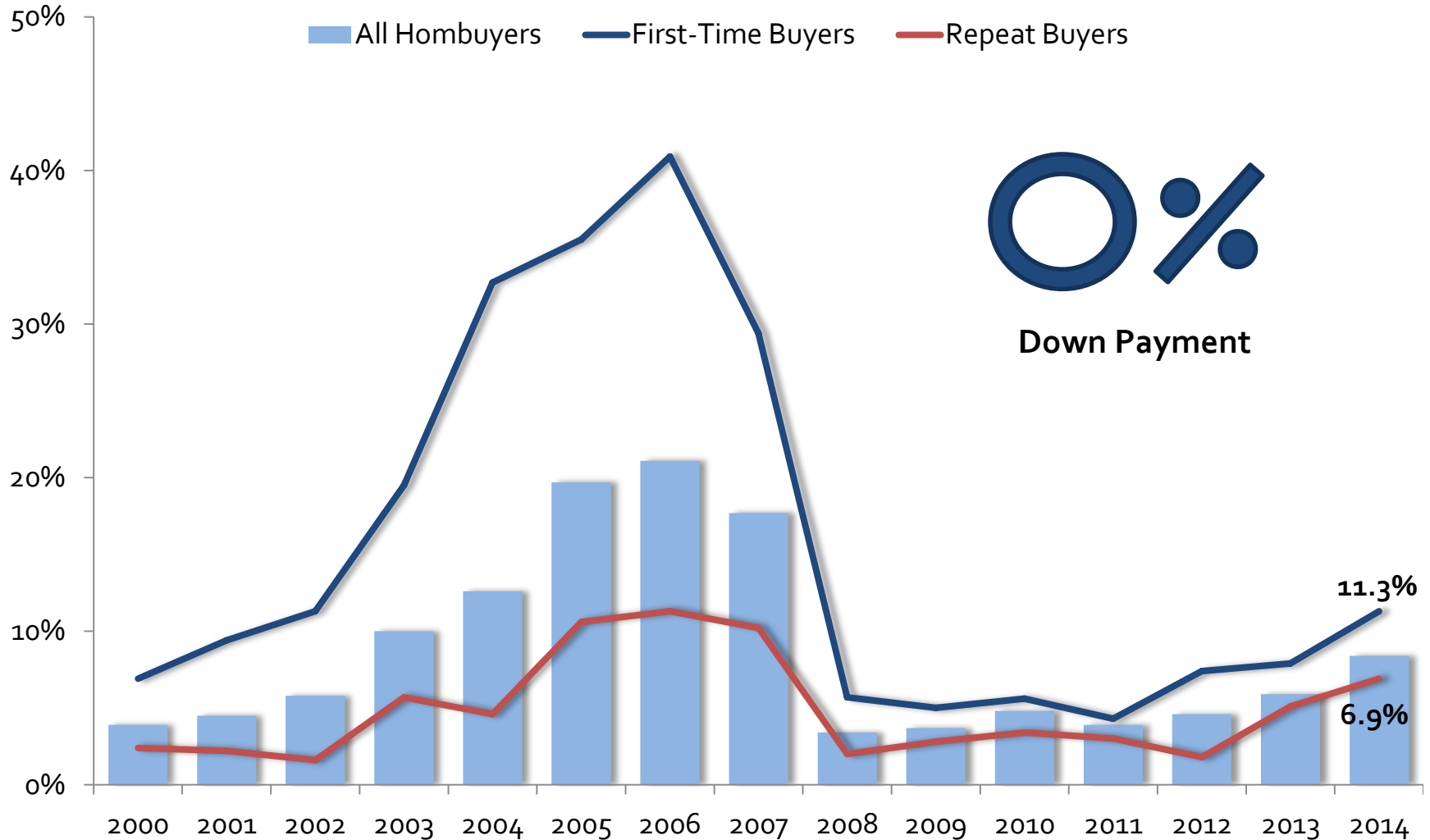
Percent of Buyers with Second Mortgage



SERIES: 2014 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Percent of Buyers with Zero Down Payment



SERIES: 2014 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



First-time Buyers Need YOUR Help Connect EARLY and OFTEN

- Financial Literacy: How to manage their finances
- What about student-loan debt?
- How to save for a down payment and how much?
- What programs are available?
- Use readily available tools to find out --
Downpayment Resource on car.org
- Fewer than 1% of buyers utilize downpayment assistance programs



Mortgage Resource Directory

mortgage.car.org

neighborhood Information ownership Possible entering
Household
Yes countless Circumstances property interested
foreclosure
general
Family
Mortgage
Single County Special city
program Resource address
Learn available finance
Directory Street search Multihome
estimated code





ABOUT US

Home > About Us > For Consumers > California Mortgage Resource Directory

California Mortgage Resource Directory

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This powerful search tool can identify available mortgage finance programs in your target real estate area, saving you the time from searching countless municipal and state websites. Let us help you open the door to home ownership. If you find a program is missing from the search results, please forward the program information to monicar@car.org

PROPERTY INFORMATION **HOUSEHOLD INFORMATION** SPECIAL CIRCUMSTANCES

Is the property a foreclosure or bank-owned?

Yes No

If yes, please carefully read all guidelines including Special Restrictions and Limitations found in Detailed View of search results.

Is this a Multi-Family Home?

Single-Family Multi-Family

If yes, please carefully read all guidelines including Special Restrictions and Limitations found in Detailed View of search results.

What is the estimated sales price of the property you are interested in?

450000

(For example \$145,000)

Enter a specific location, including street address and zip code:

Street Address

Zip Code

— OR —

Enter the name of a county, city or neighborhood:

Area to search

Long Beach

Next

- C.A.R. Mission Statement
- 2013 C.A.R. Officers
- C.A.R. Guide
- Consumer Ad Campaign
- For Consumers**
- Buying
- Selling
- Financing
- Fair Housing
- Using A REALTOR®
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- Real Estate Terms
- Stop Mortgage Fraud
- California Mortgage Resource Directory
- Troubleshooting
- Scholarship Foundation
- Education Foundation
- Rosters & Directories
- Advertise With Us
- HELP! Customer Service
- Job Opportunities
- Contact Us

Sunset Pro
Professional Gift Subscriptions



- ▶ Build Relationships
- ▶ Create Referrals
- ▶ Generate Word-Of-Mouth

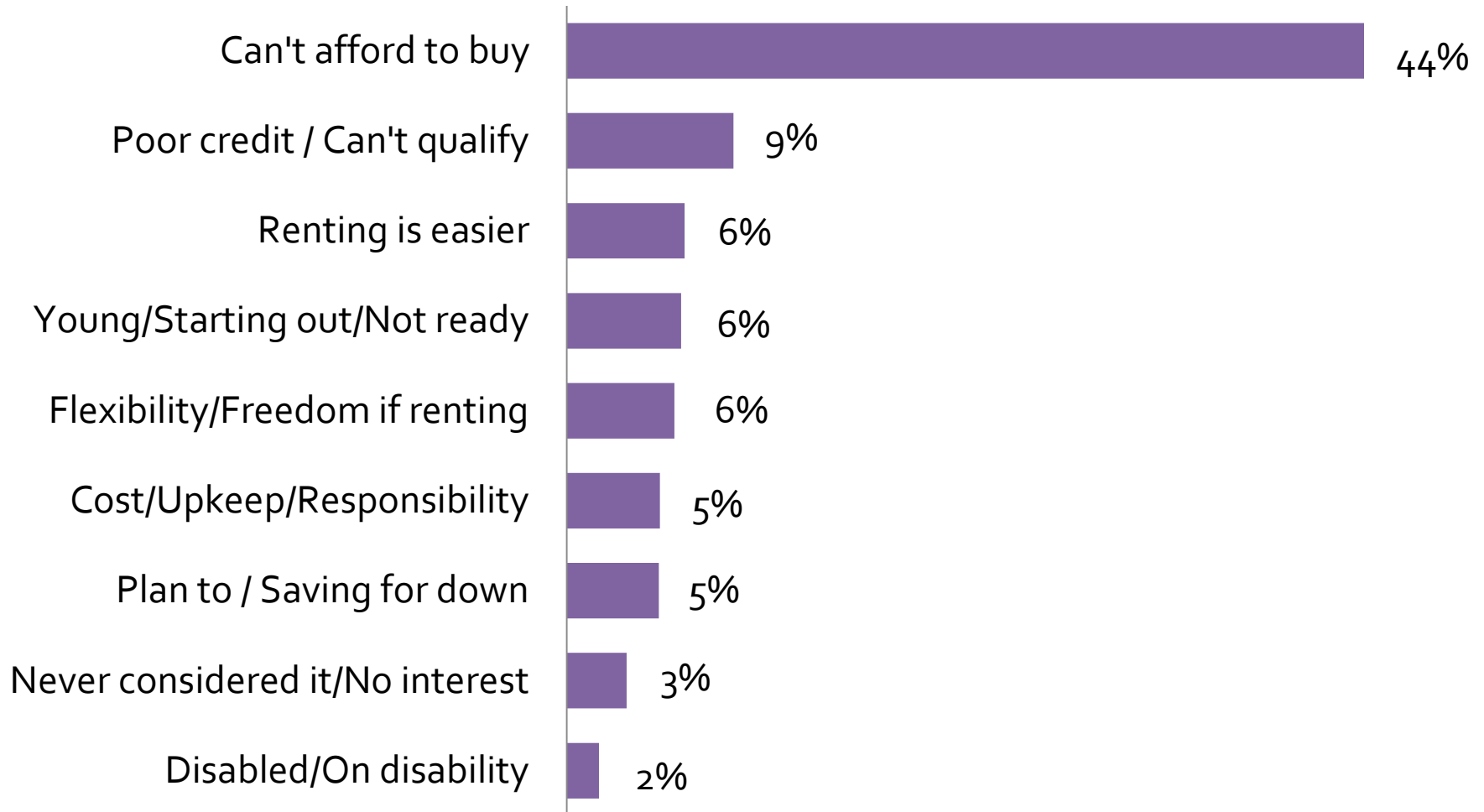
Give SUNSET!
12 issues
for JUST \$14

[CLICK HERE](#)



RENTERS: POTENTIAL HOME BUYERS

Reasons for Renting Instead of Buying



Q. Why do you rent instead of buying?

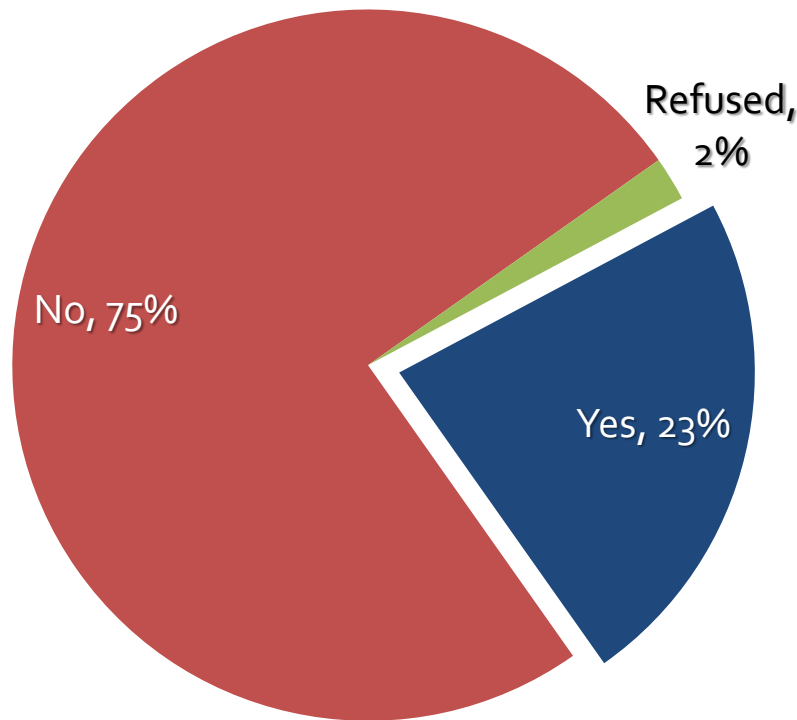
SERIES: 2013 Renter Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

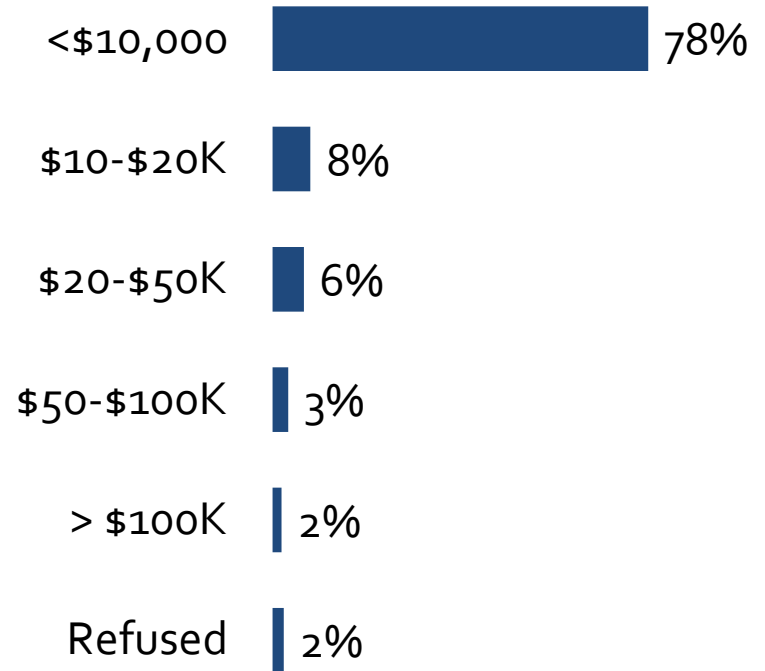


Student Loan Debt an issue for 25% of renters

Student Loan Debt



Amount of Debt



Q. Do you have any outstanding debt from student loans?

Q. How much is the outstanding student loan debt?

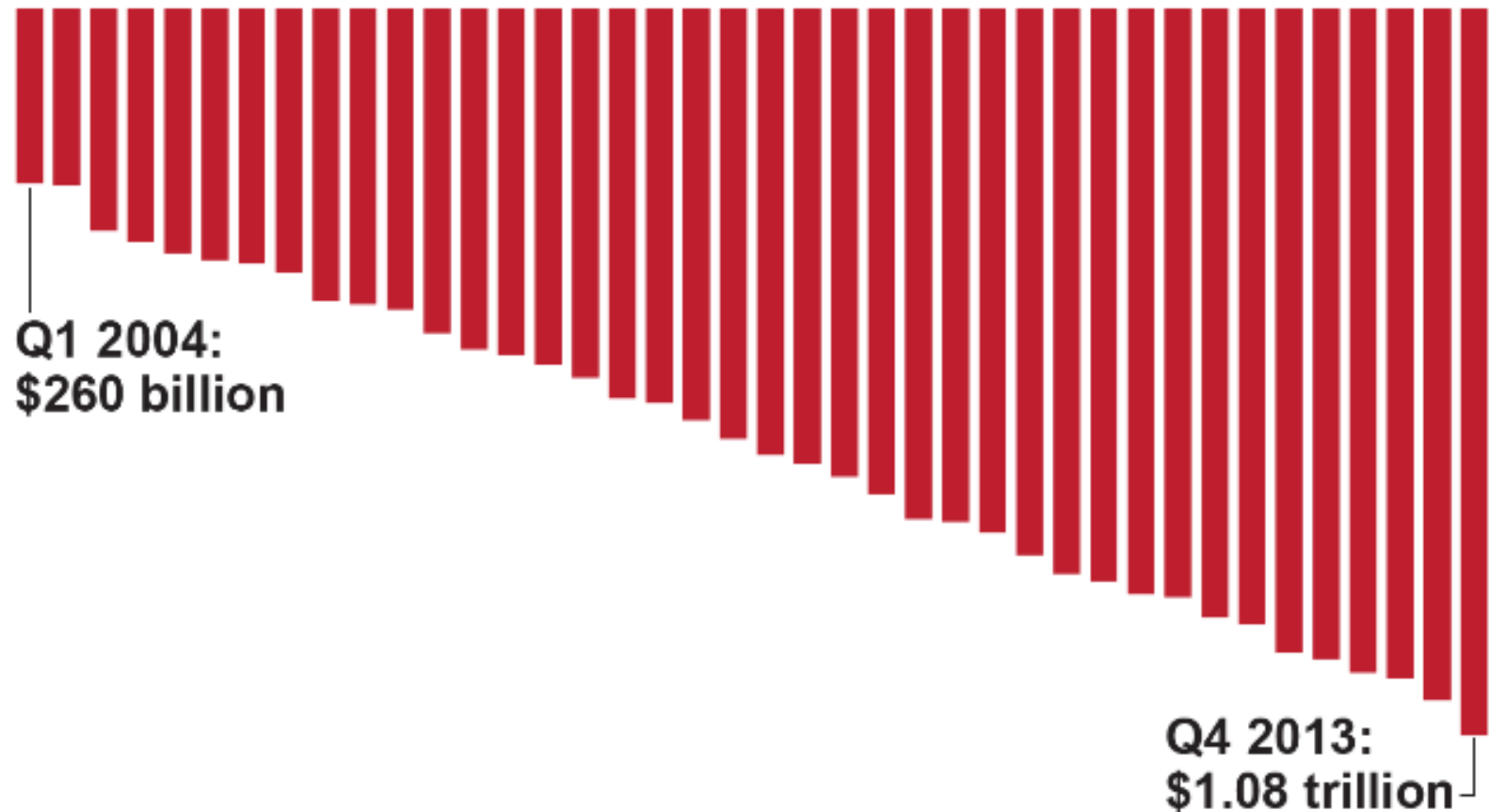
SERIES: 2013 Renter Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Student Debt Drags Down Home Sales

Total student loan debt carried by Americans has nearly tripled over the last decade.



Source: Federal Reserve Bank of New York

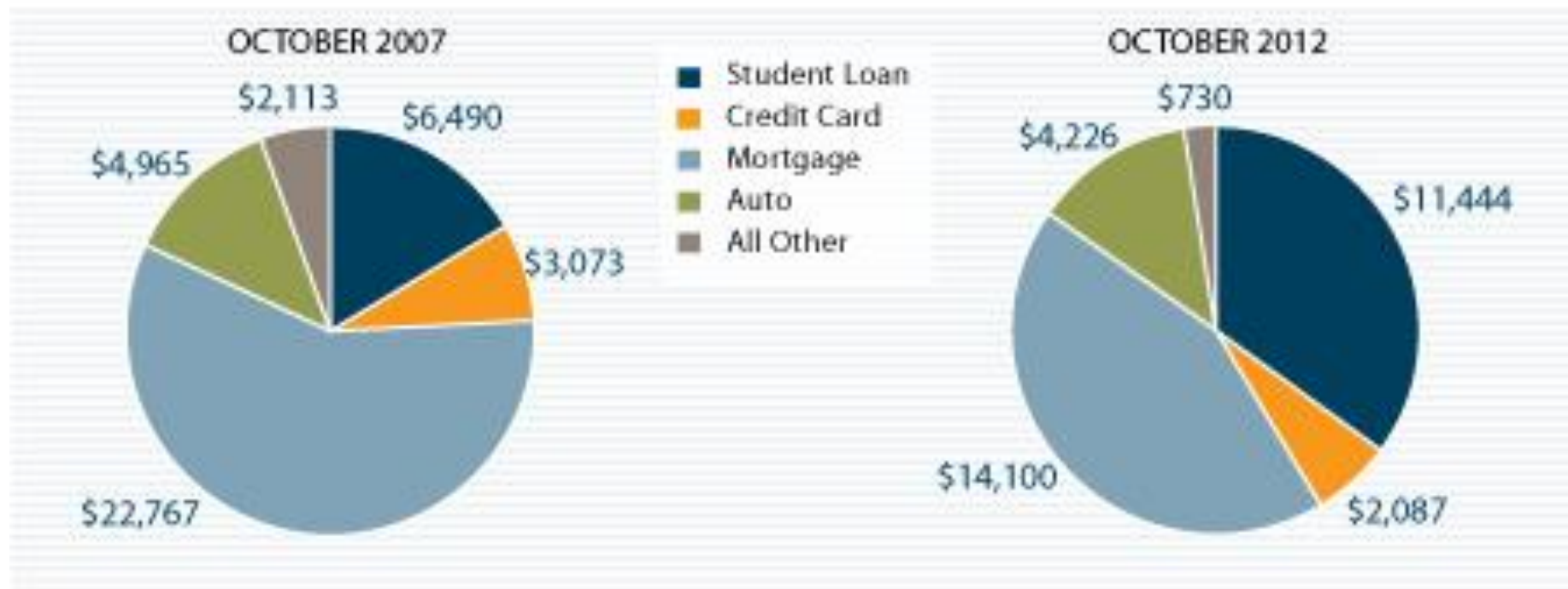
Doug Stevens @latimesgraphics



Young Consumers Have Reduced All Debt Except Student Loans

Average Debt by Category

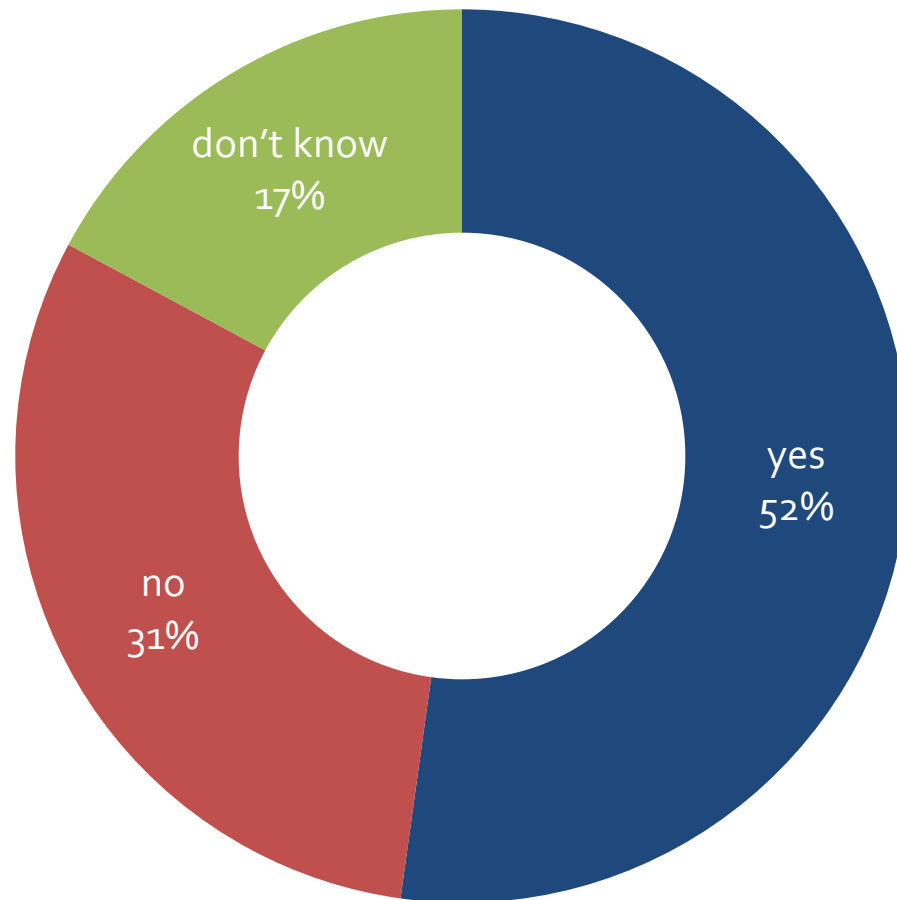
Age: 18–29



FICO™ Banking Analytics Blog. © 2013 Fair Isaac Corporation.



Renters Expect to Buy a Home in the Future



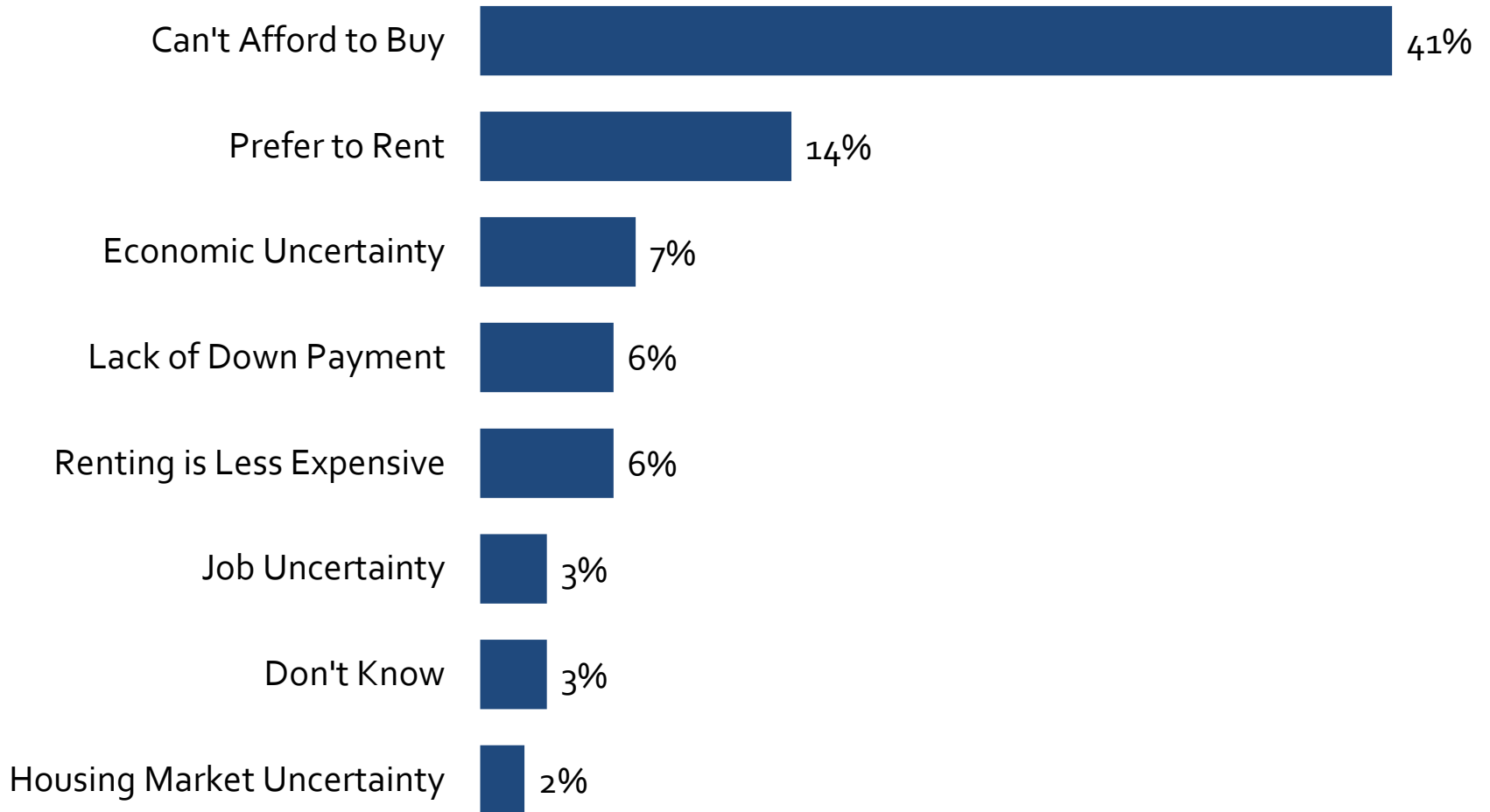
Q. Do you expect to buy a home in the future?

SERIES: 2013 Renter Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Reasons For Not Planning to Buy a Home



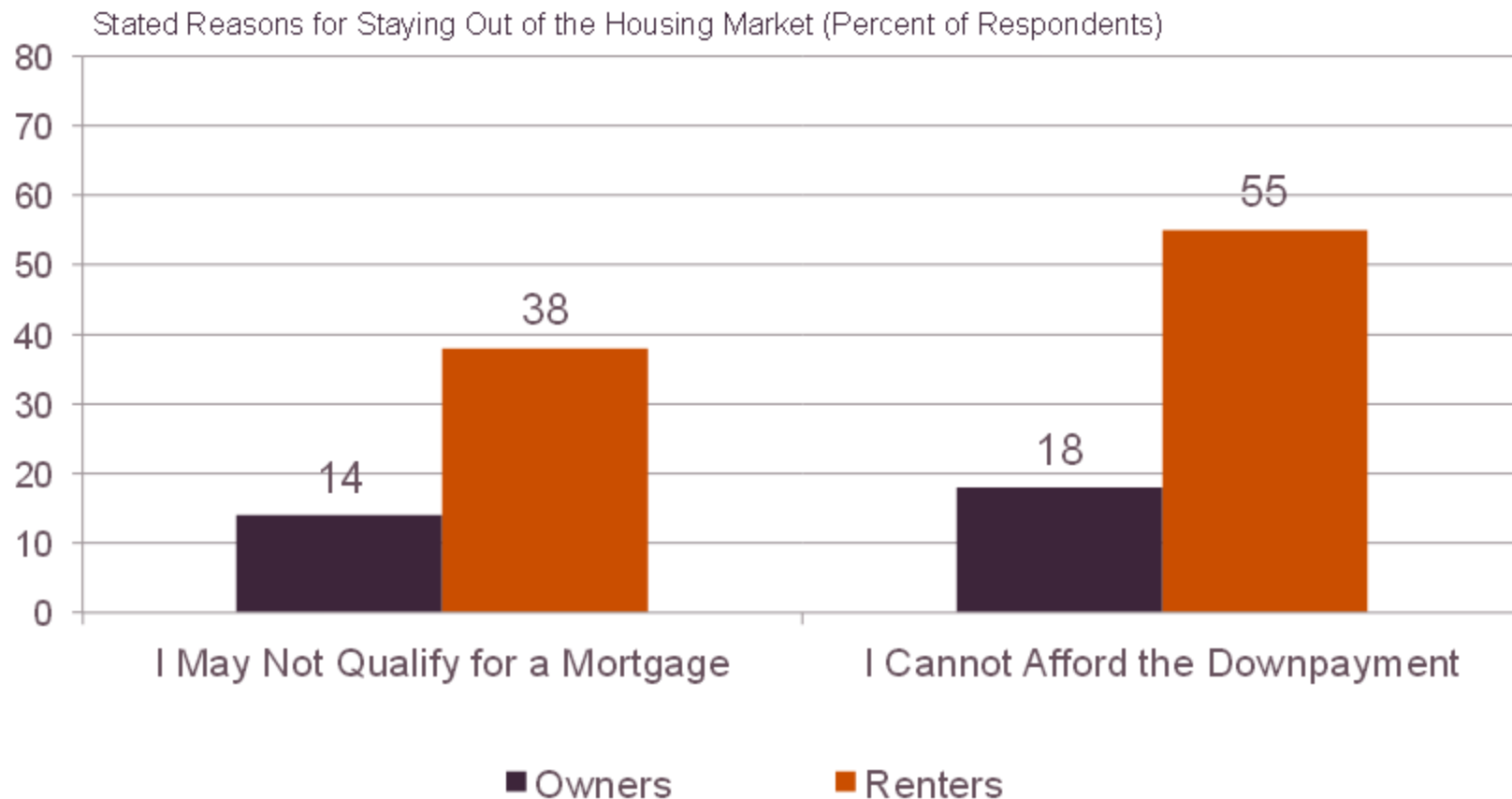
Q. Why don't you expect to buy a home in the future?

SERIES: 2013 Renter Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Financial Constraints Weigh Heavily on Perceptions, Keeping Some Out of Market

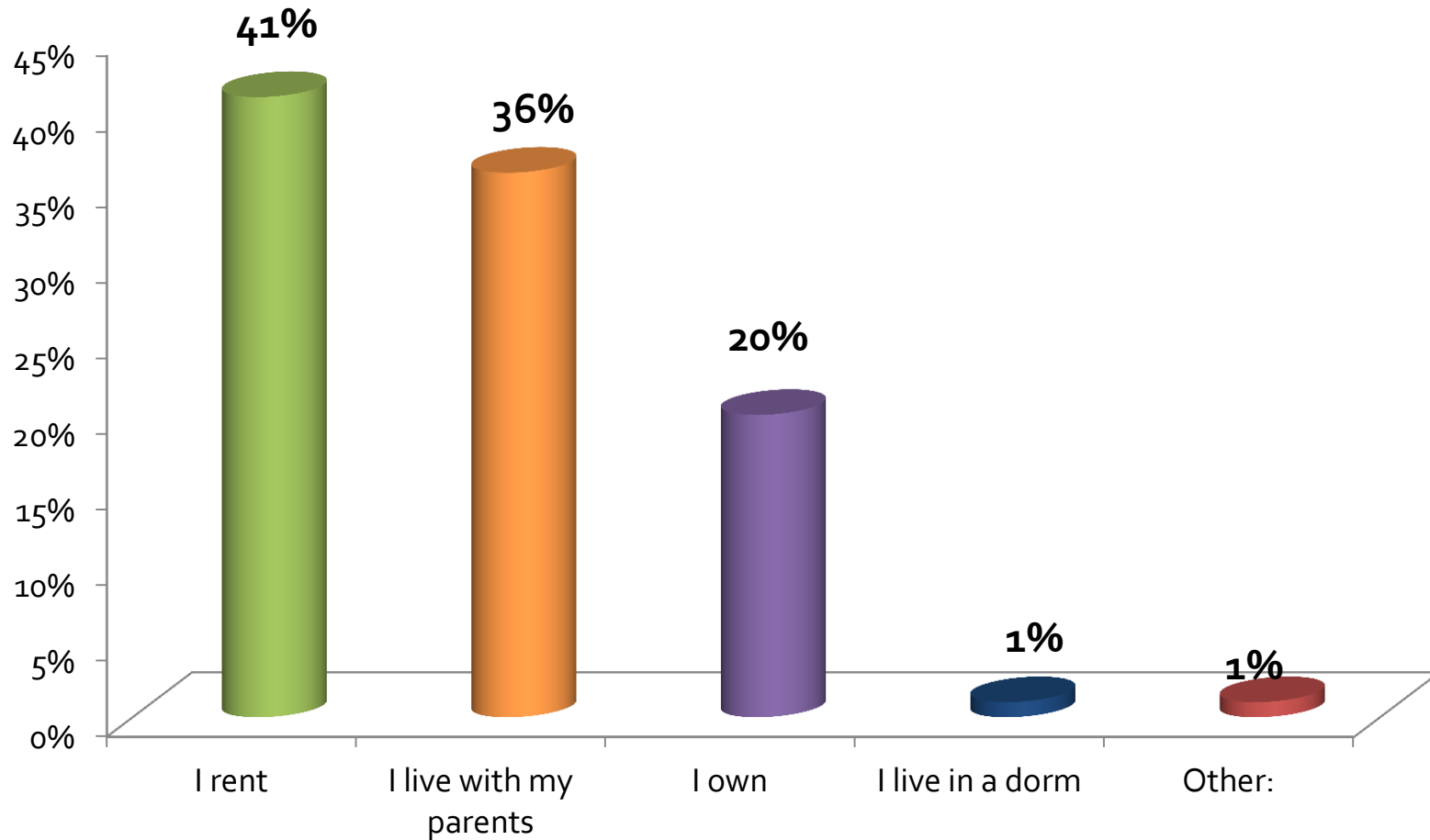


SOURCE: Hanley Wood Housing 360 Survey (2011), Joint Center for Housing Studies of Harvard University



MILLENNIALS: HOME OWNERS OF TOMORROW

Nearly 2/5 Millennials Live w/Parents

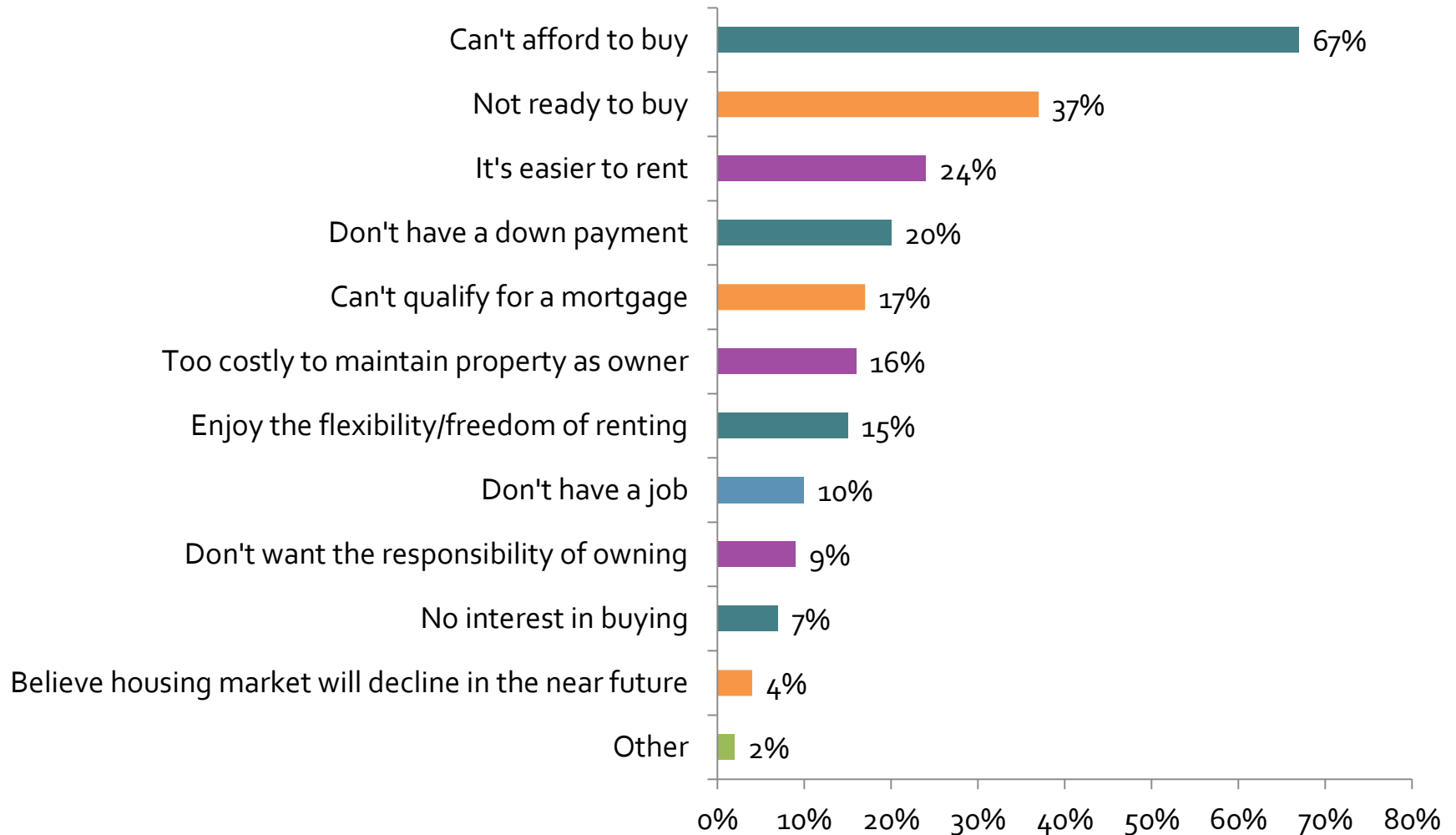


What is your current living situation?

SERIES: 2014 Millennials Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Majority Rent Because they Can't Afford to Buy



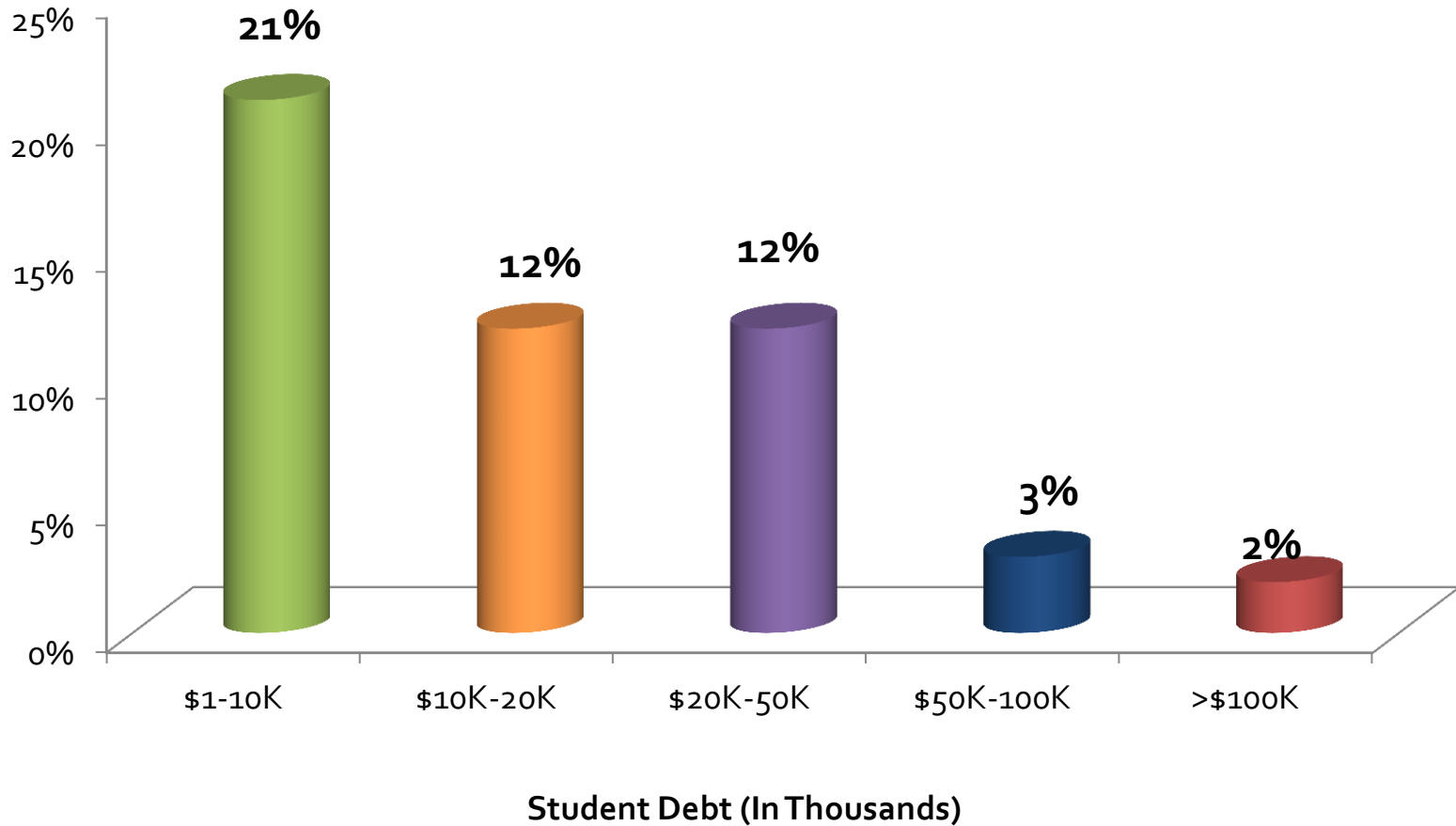
Why do you rent instead of buying?

SERIES: 2014 Millennials Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



1/2 Have Student Debt

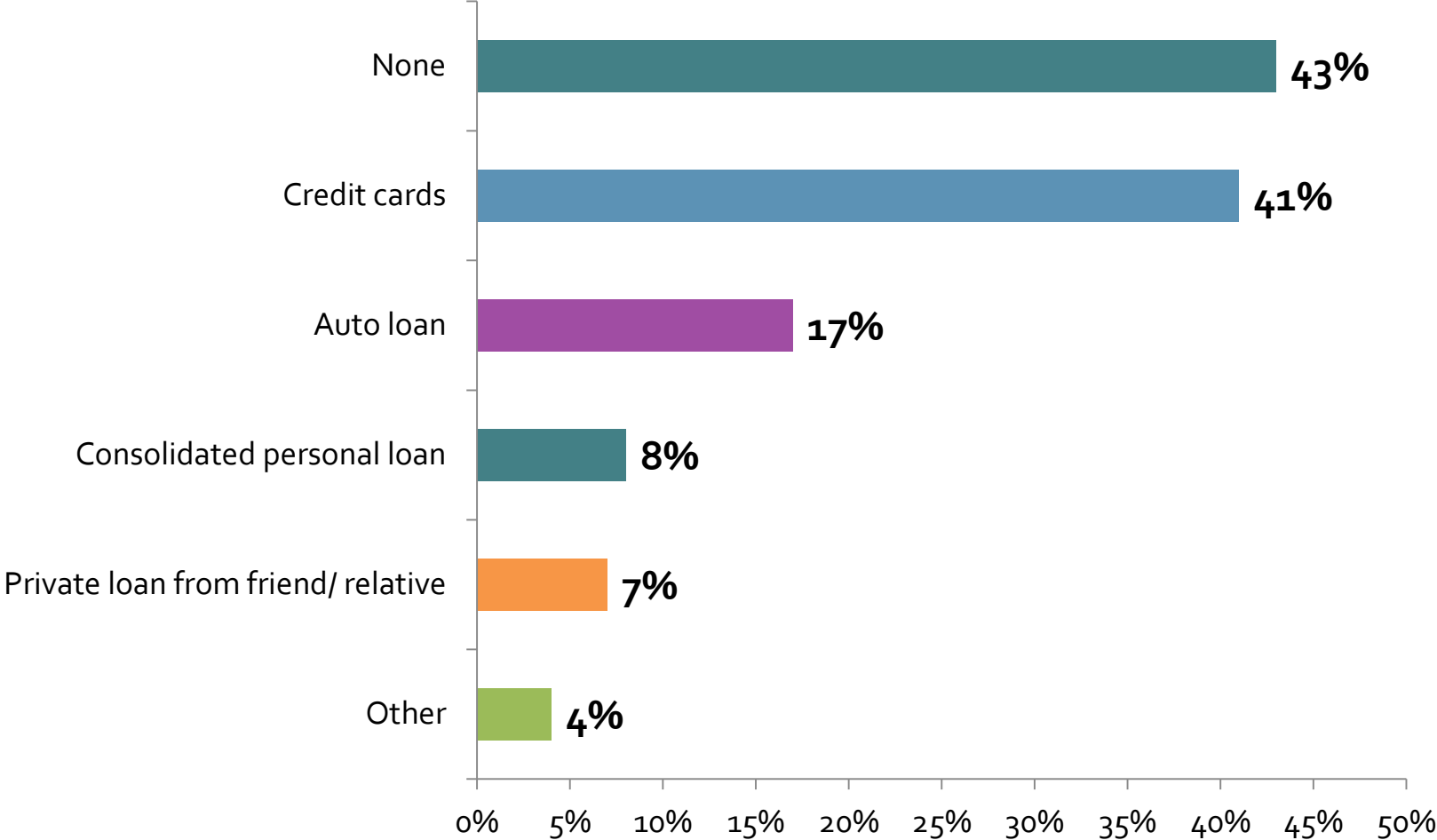


What is the balance of your outstanding student debt?

SERIES: 2014 Millennials Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



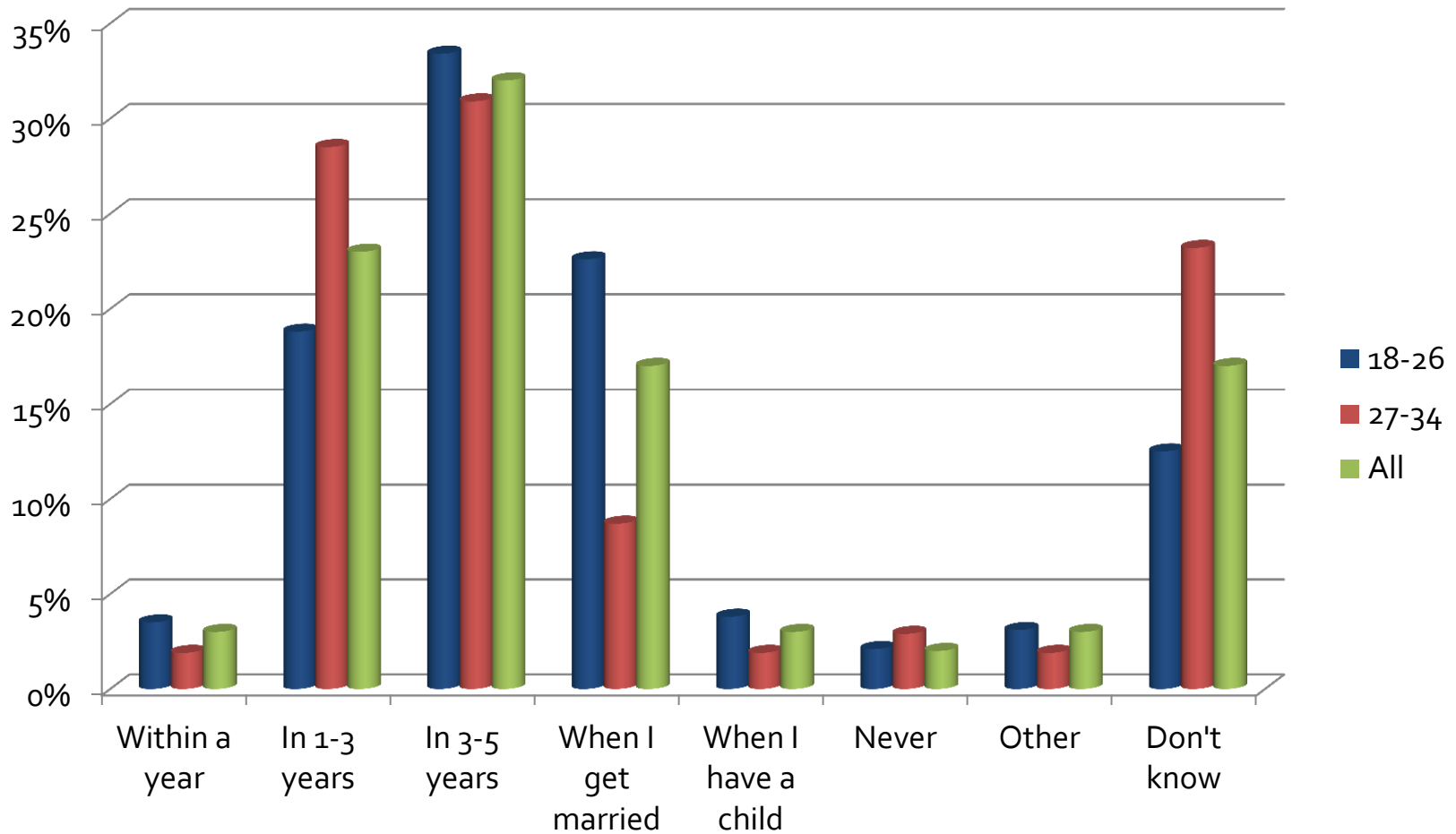
More than Half Have Other Debt that Prevents Buying a Home



What other type of debt do you have that would make it difficult to buy a home?



Most Expect to Buy a Home Within 5 Years

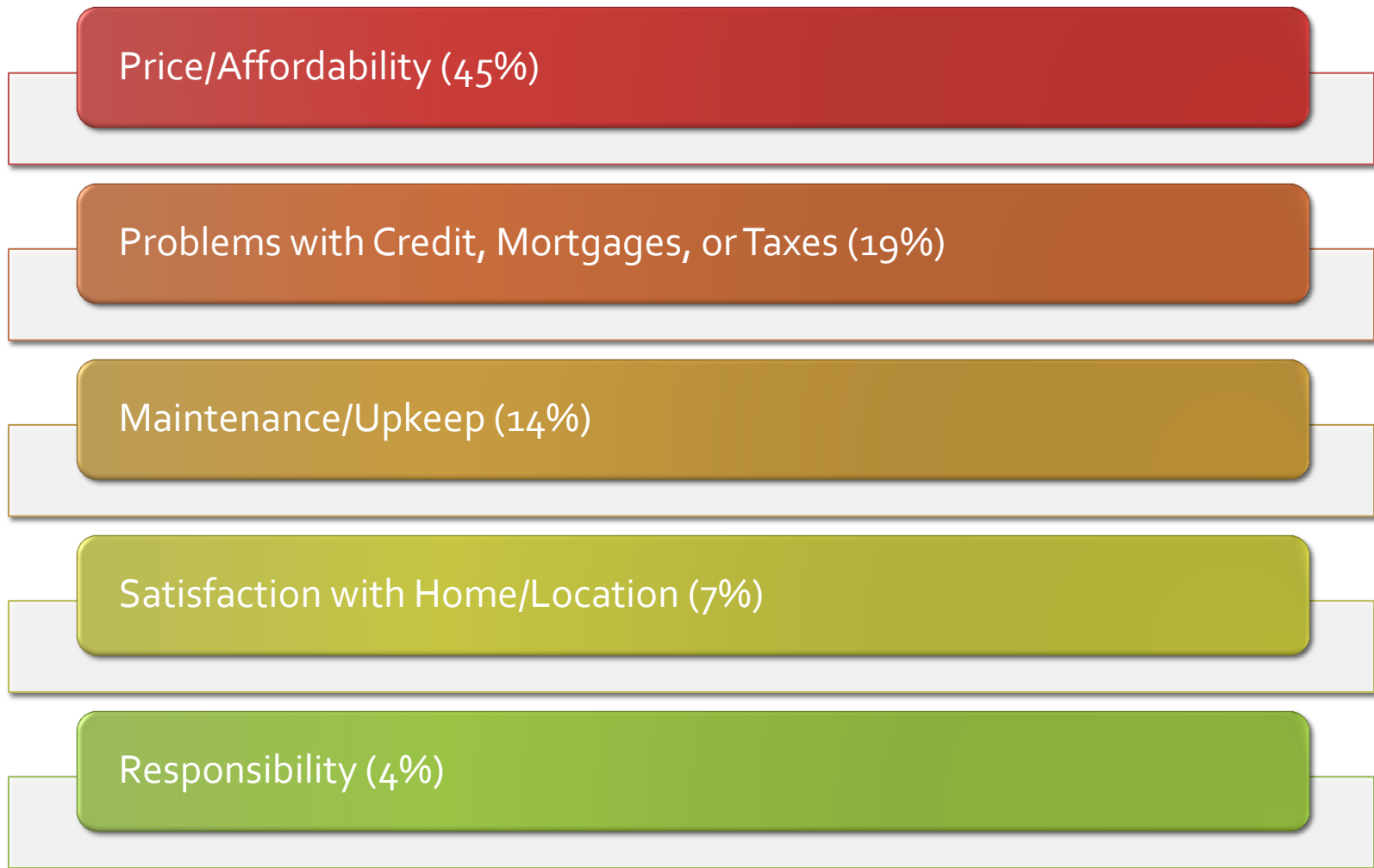


When do you expect to buy a home?

SERIES: 2014 Millennials Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Millennials' Biggest Concerns



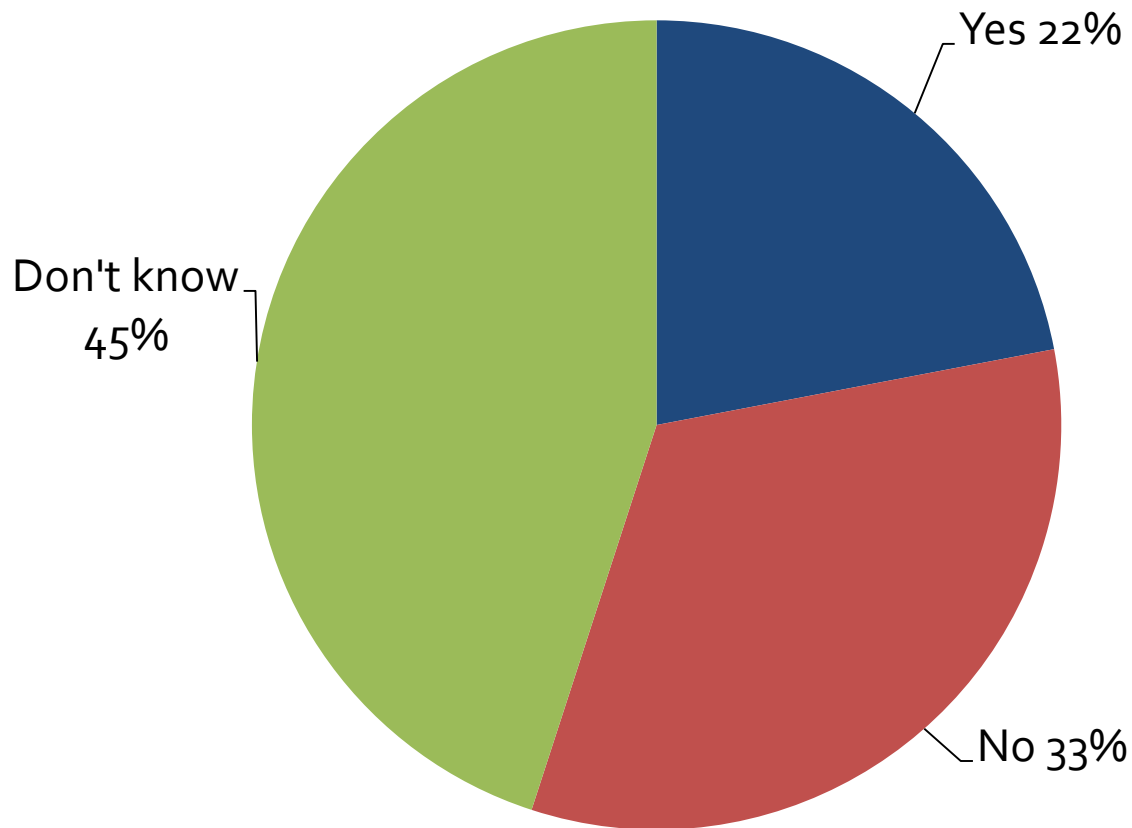
What are your biggest concerns about home ownership?

SERIES: 2014 Millennials Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Most Uncertain/Doubtful they Could Obtain a Mortgage Now



Could you obtain a mortgage if you applied now?

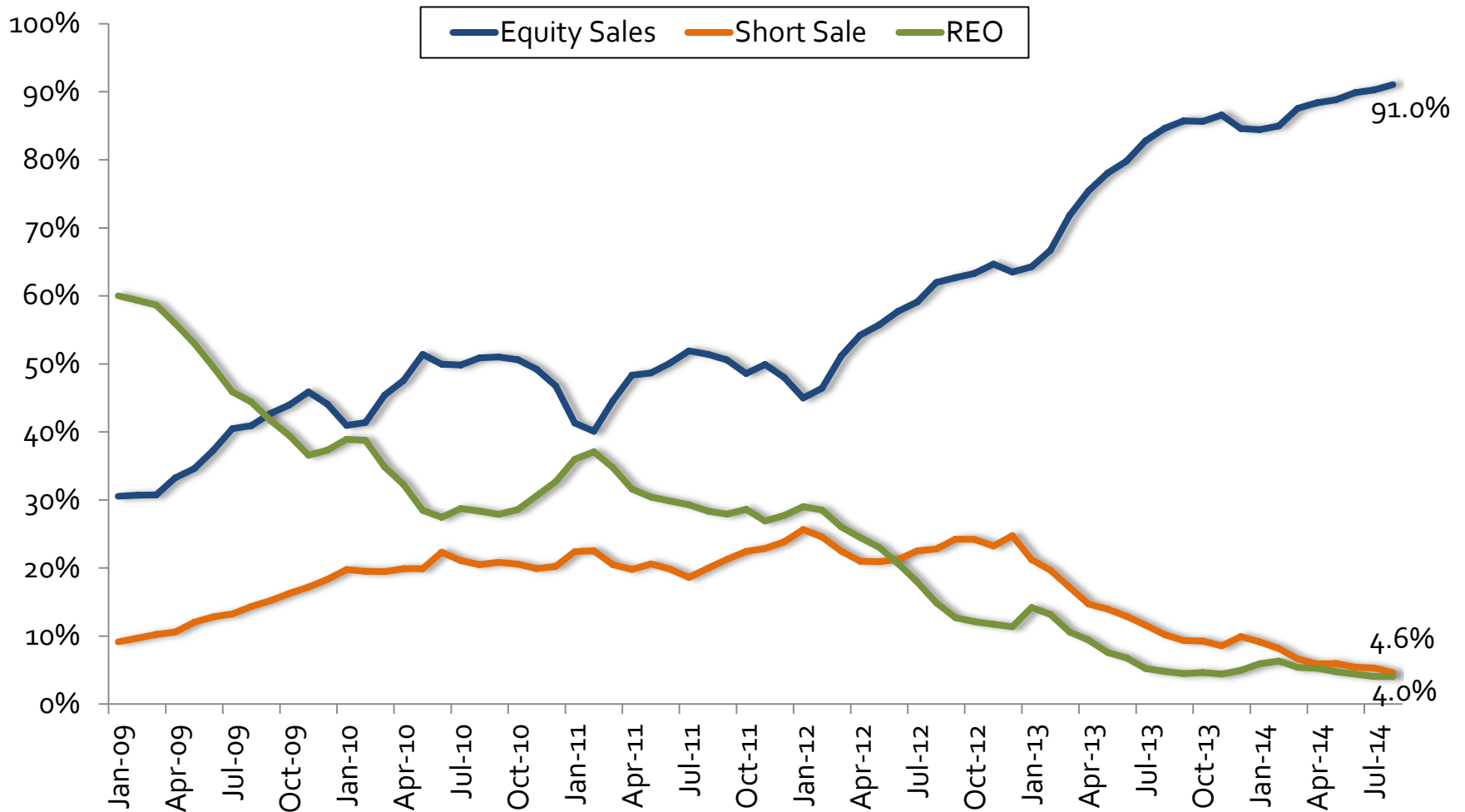
SERIES: 2014 Millennials Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



SELLER

Share of Equity Sales Continued to Climb; Highest Level Since Late 2007

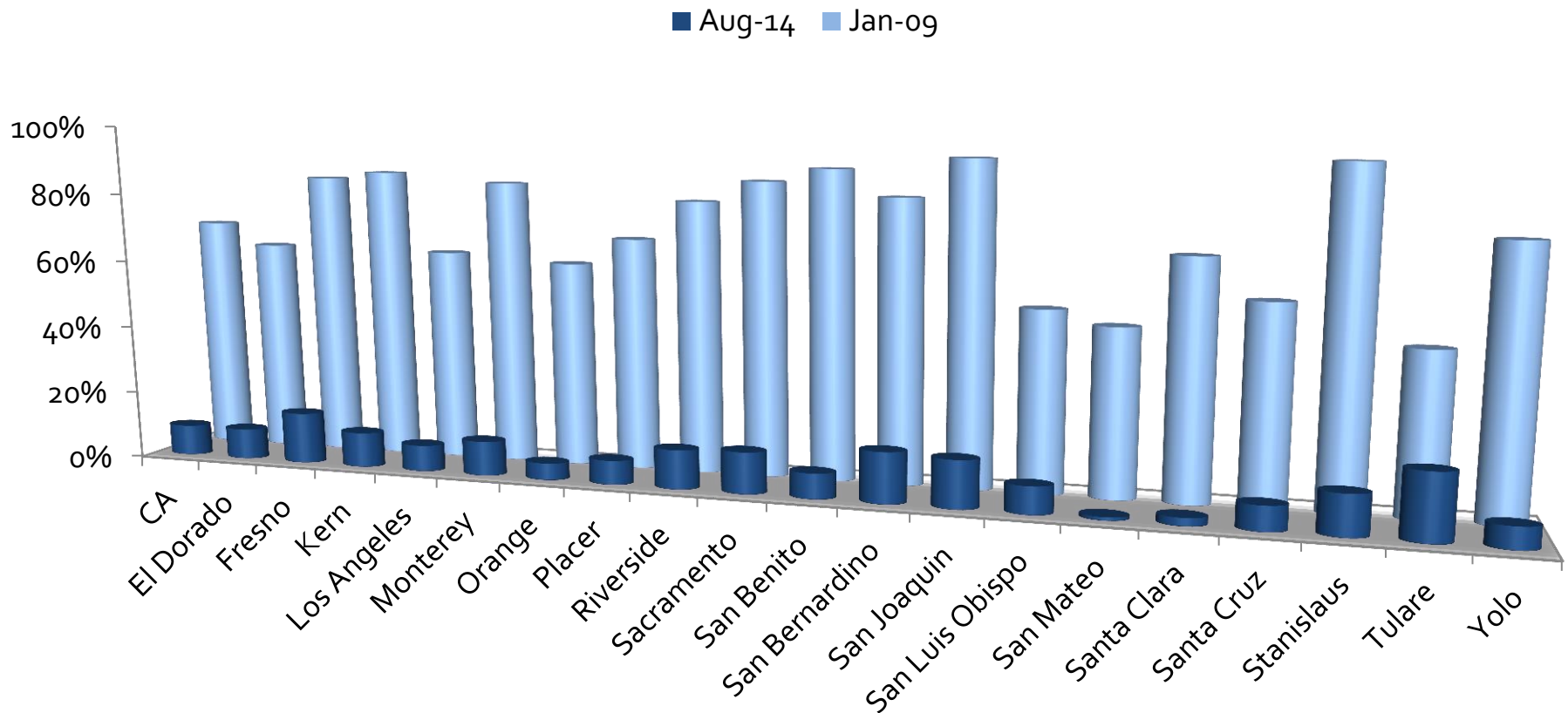


SERIES: Distressed Sales, Not Seasonally Adjusted
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Distressed Sales

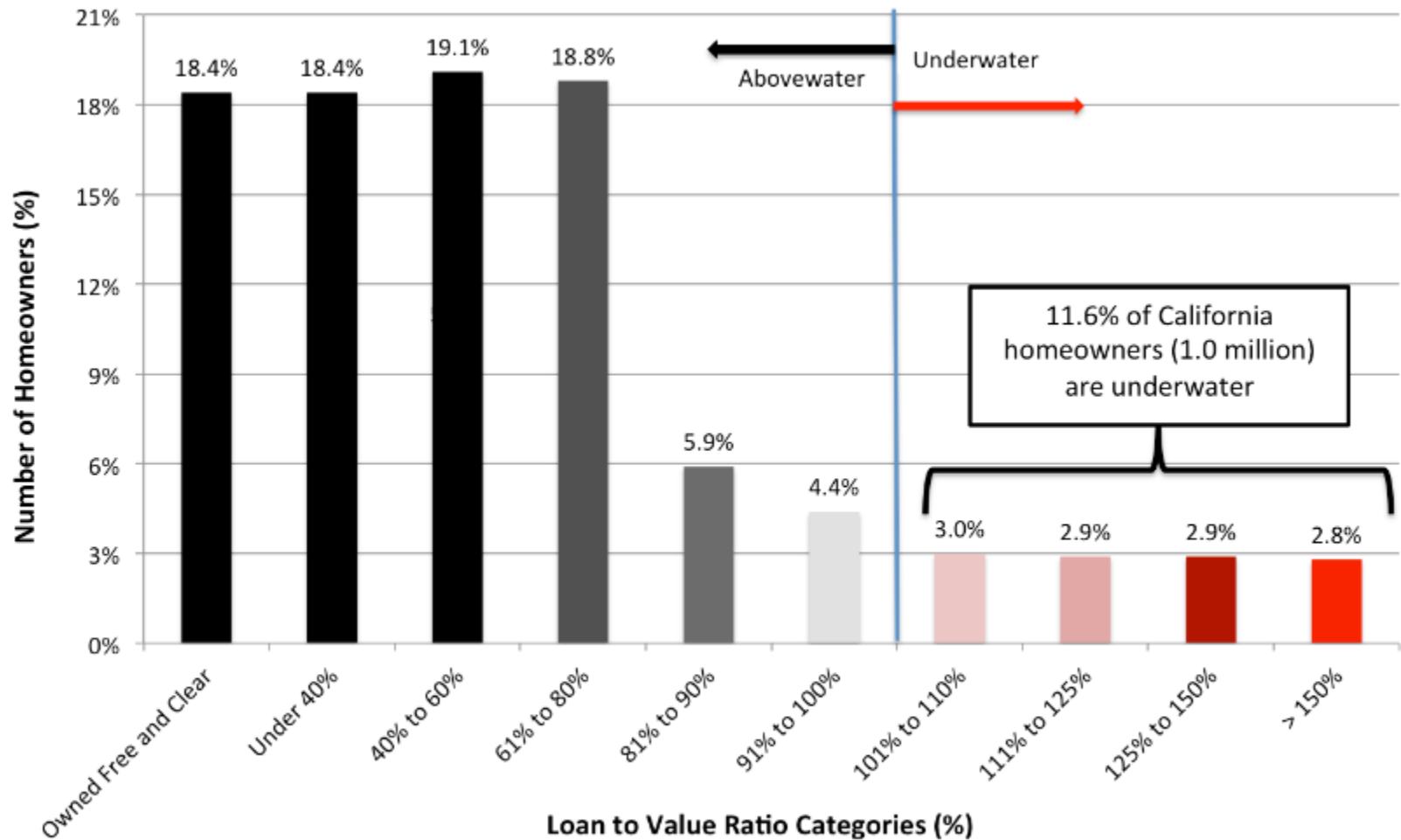
Percent of Total Sales: Aug 2014



SERIES: Distressed Sales, Not Seasonally Adjusted
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



California Homeowner Equity

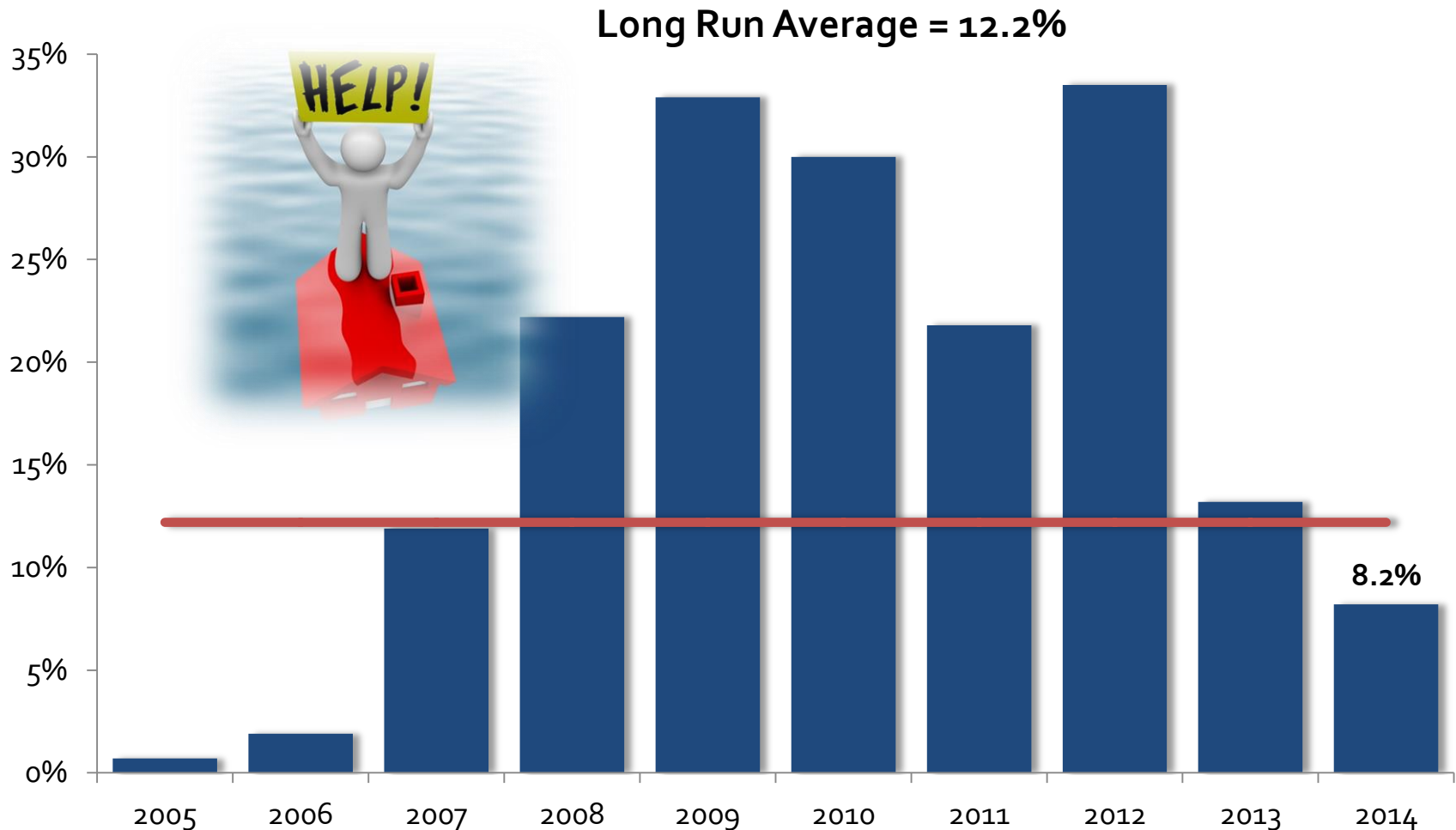


Source: PropertyRadars.com

Note: Underwater homeowners have loan balances greater than the current value of their home. Approximately 3 percent of homeowner equity positions are unknown.



Sellers with Net Cash Loss Dropped to the Lowest Level since 2006



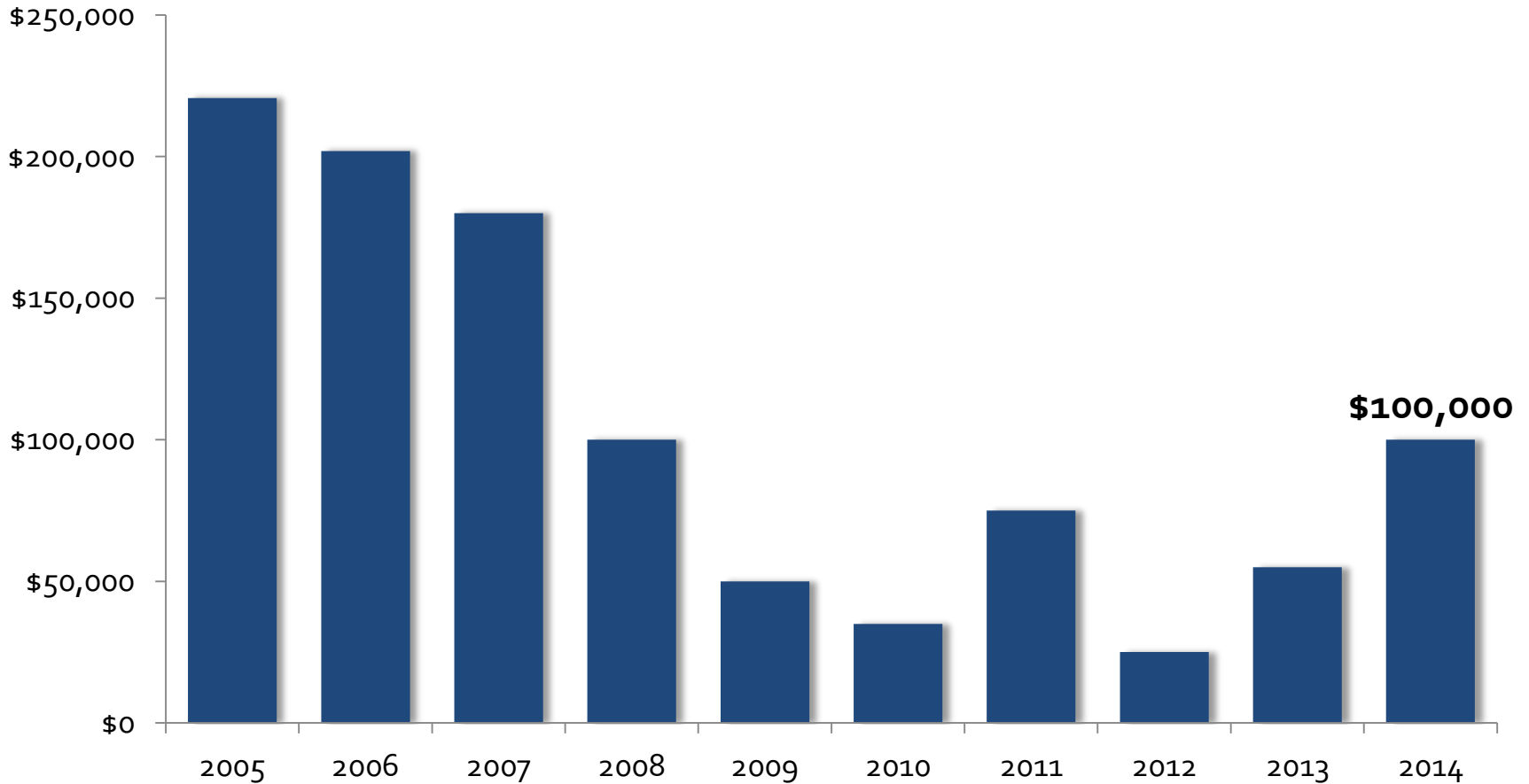
Q. What was the net cash gain or net loss to the seller as a result of this sale?

SERIES: 2014 Housing Market Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Net Cash Gain to Sellers Rose Again for the Second Year



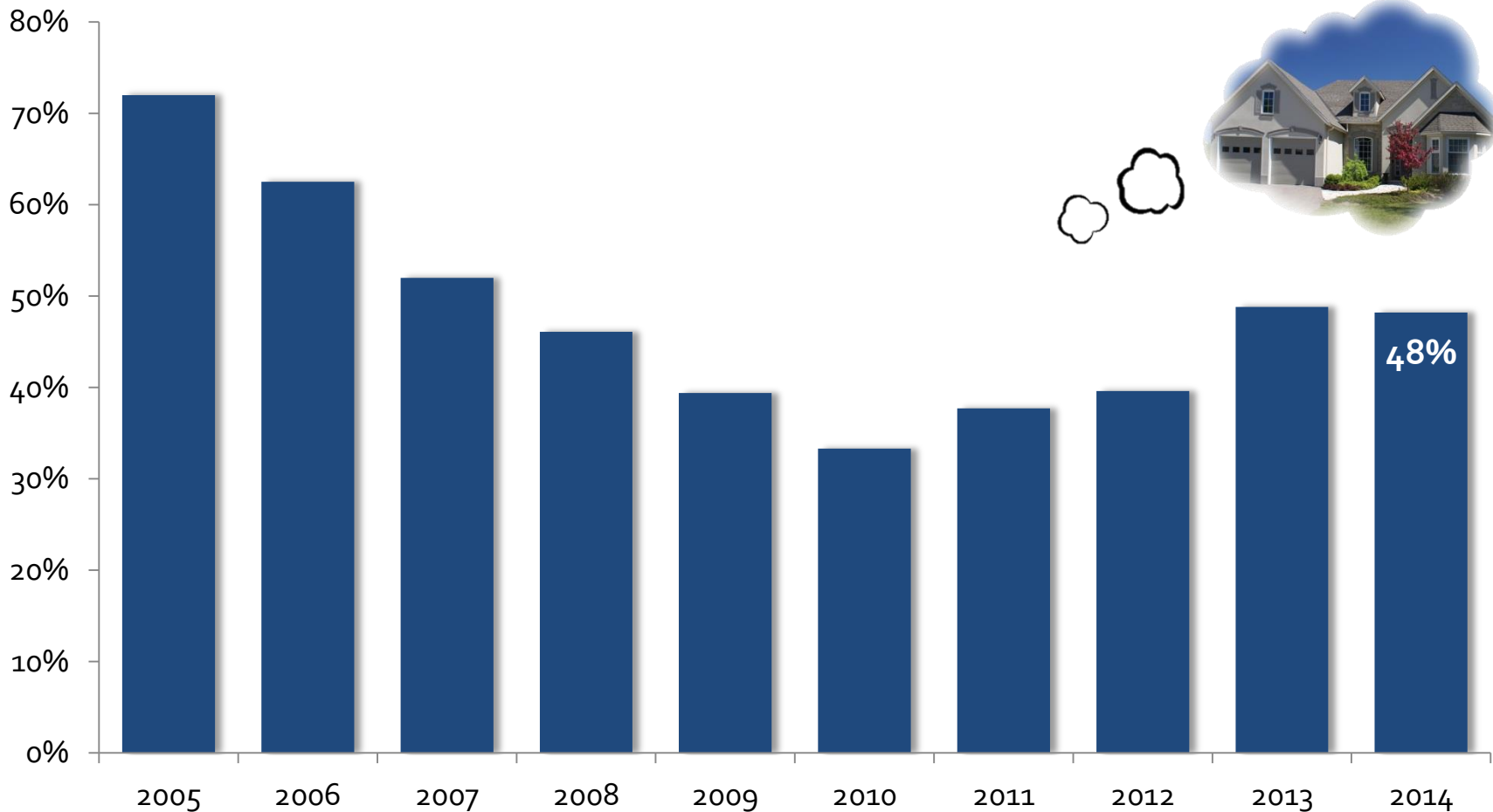
Q. What was the net cash gain or net loss to the seller as a result of this sale?

SERIES: 2014 Housing Market Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Nearly Half of All Sellers Are Planning to Buy Another Home As the Market Recovers



Q. Is the seller planning on purchasing another home?

SERIES: 2014 Housing Market Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

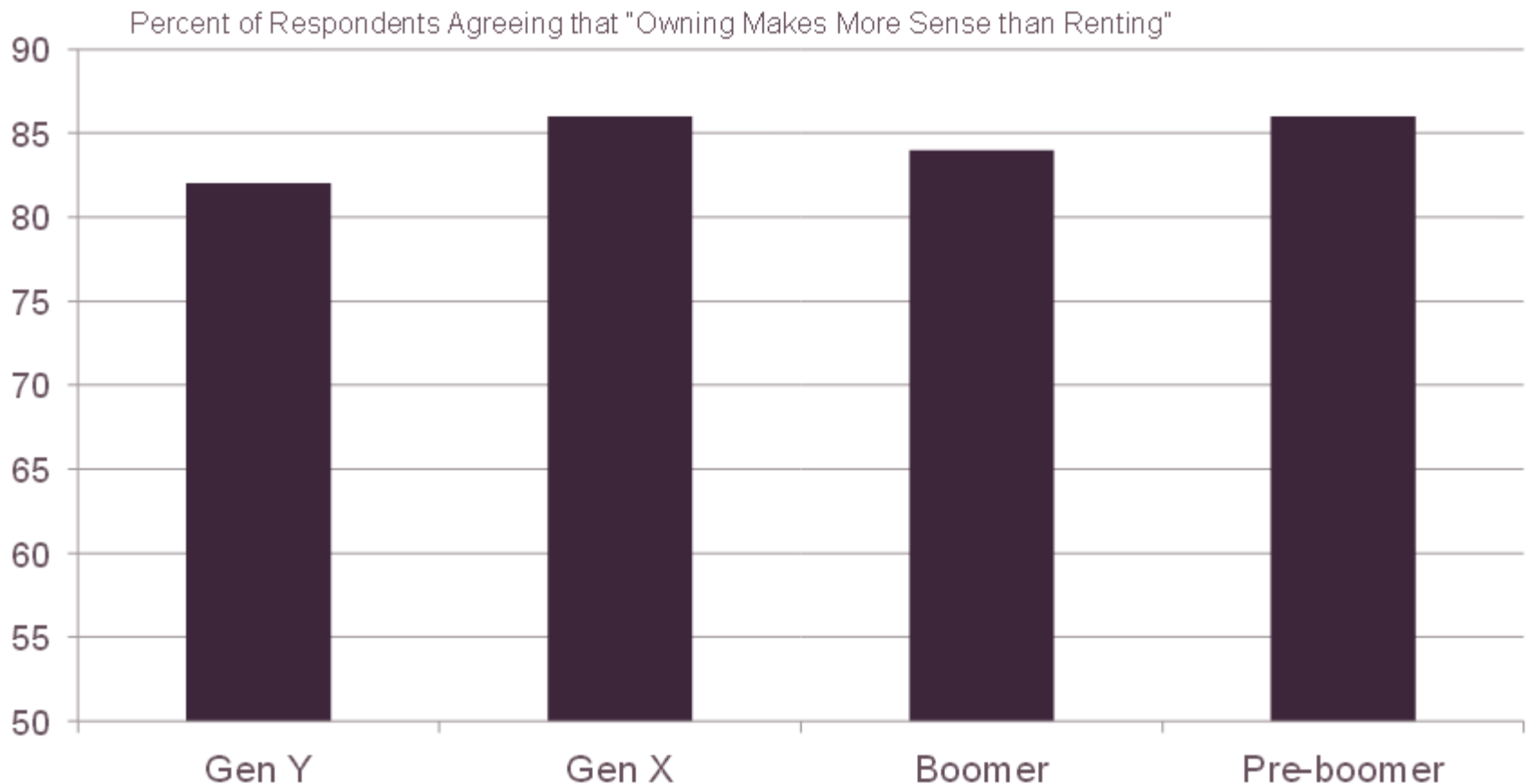


Five Financial Reasons to Consider Buying a Home

- *Housing is typically the one leveraged investment available*
- *You're paying for housing whether you own or rent*
- *Owning is usually a form of "forced savings"*
- *There are substantial tax benefits to owning*
- *Owning is a hedge against inflation*



Majority of All Age Groups Think Owning Makes More Financial Sense than Renting



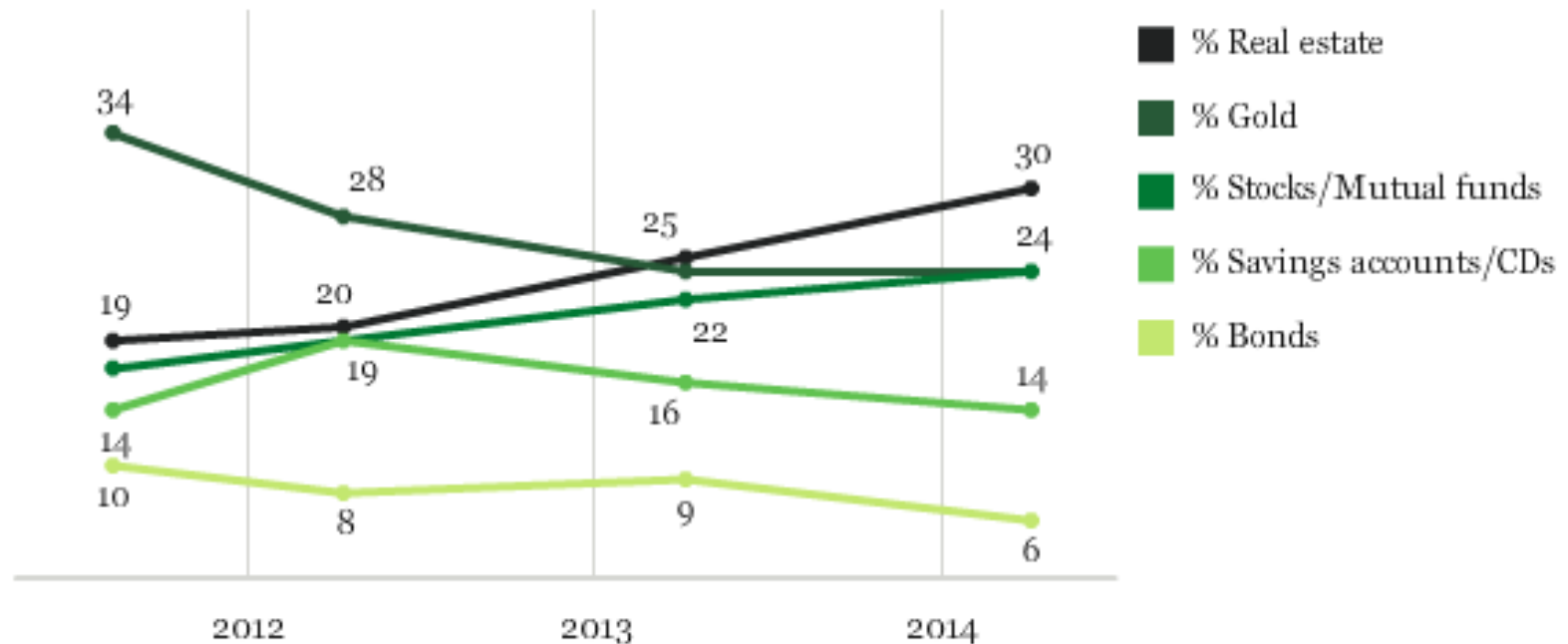
SOURCE: Fannie Mae, National Housing Survey Q1 2012, Joint Center for Housing Studies of Harvard University



Real Estate is Considered the Best Long Term Investment

Americans Say Real Estate Is the Best Long-Term Investment

Which of the following do you think is the best long-term investment -- [ROTATED: bonds, real estate, savings accounts or CDs, stocks or mutual funds, (or) gold]?



April 2012 question asked to a half sample



THANKYOU!

www.car.org/marketdata

oscarw@car.org