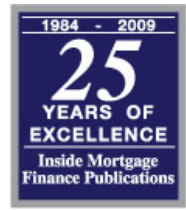




What the Mortgage Market Reads



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Home-Purchase Mortgage Market Sees Big Surge In FHA Financing Thanks to First-Time Homebuyers

A rush by first-time homebuyers to take advantage of the \$8,000 tax credit resulted in a big jump in the use of FHA financing in the home-purchase mortgage market in October, according to the latest *Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions*.

But even though the popular tax credit has been extended through early 2010, it remains far from clear that the surge in both first-time homebuyer activity and FHA financing will continue in the months ahead. In fact, real estate agents around the country already are reporting a drop in shopping by first-time homebuyers.

The new monthly survey revealed a significant change in the type of financing for home purchases in October. The FHA, which has accounted for about 32 percent of home purchases since July, saw its share of the housing market jump to 37 percent last month. Meanwhile, Fannie Mae and Freddie Mac financing slipped to 15 percent in October after hitting 19 percent in September.

The change in financing was clearly linked to a change in the mix of homebuyers active in the housing market last month. First-time homebuyers represented a hefty 47 percent of the home-purchase transactions tracked in the latest survey. This compared with a 42 percent first-time homebuyer share in September.

The October survey results also highlighted the dependence of first-time homebuyers on FHA financing. A huge 61 percent of first-time homebuyer purchases were financed by FHA loans during the month of October. This compared to 58 percent in September.

Importantly, the rise in market share of first-time homebuyers came at the expense of both current homeowners and investors. According to the latest survey, move-up homeowners saw their share of the home purchase market slip from 39 to 38 percent between September and October while the investor share tumbled from 19 to 15 percent.

“First-time homebuyers were an enormous factor in the housing market in October for two reasons,” commented Thomas Popik, research director for Campbell Surveys. “First, a lot of first-time homebuyers were trying to beat the expiration of the tax credit in November. Second, other

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buyers began to desert the market – particularly investors buying damaged foreclosed properties – and this increased the relative proportion of first-time homebuyers.”

The survey found that there were fewer foreclosed property sales in October. Damaged real estate owned properties – a favorite of investors – accounted for just 13 percent of transactions tracked in October. This was down from 15 percent in September. Meanwhile, non-distressed properties rose from 55 percent of the market in September to 58 percent in October, the survey found.

Real estate agents responding to the survey gave a hint that demand by first-time homebuyers may not continue at current levels. A diffusion index produced from survey results showed that first-time homebuyer traffic – a leading indicator of transactions several months from now – decelerated significantly from September to October.

The *Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions* is based on a national survey of more than 1,500 real estate agents each month and provides up-to-date intelligence on home sales and mortgage usage patterns. The share of home purchases by financing is based on home purchase transactions reported by respondents. ♦

[Note: For more information on the Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions, contact John Campbell at Campbell Surveys at (202) 363-2069 or john@campbellsurveys.com.]

