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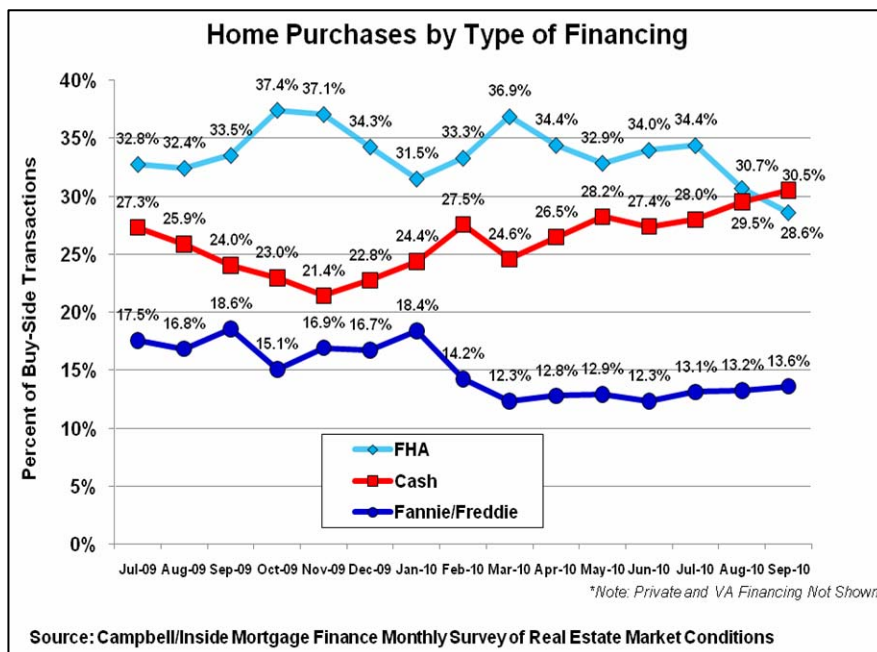
Cash Becomes Number One Financing Method In Home Purchase Market, New Survey Finds

A combination of more distressed properties on the market and an ongoing slide in first-time homebuyer activity created a very unusual home purchase market in September where cash was the number one source of new financing.

According to the latest *Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions*, cash was reported as the financing method for 30.5 percent of the home-purchase transactions tracked last month. That was not only up from the already high 29.5 percent level recorded in August, but way up from the 24.0 percent seen a year earlier.

Significantly, September's cash share of home-purchase transactions was the highest ever recorded by the *Campbell/Inside Mortgage Finance Monthly Survey*. It also marked the first time in the monthly survey's history that the percentage of cash transactions exceeded the percentage of FHA-financed purchases. FHA's share of the home purchase market came in at 28.6 percent during September, down from 34.4 percent as recently as July and a high of 37.4 percent in October of 2009.

Fannie Mae's and Freddie Mac's share of the home purchase market was 13.6 percent in September, the monthly survey found. This was roughly the same level seen in most of 2010.



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The sharp increase in cash home-purchase transactions this year has a lot to do with the percentage of distressed properties found in the housing market. The latest survey reveals that distressed properties – REO and short sales – accounted for 47.5 percent of purchase transactions tracked last month. That was up from 45.7 percent in August and was the highest distressed property share seen since March.

Although first-time homebuyers were big purchasers of distressed properties earlier in the year, the expiration of the federal homebuyer tax credit in April put the brakes on their activity going into the summer and fall. The new survey numbers show first-time homebuyers with only a 34.4 percent share of purchase transactions in September – down from 42.4 percent as recently as June and the lowest level ever recorded by the *Campbell/Inside Mortgage Finance Monthly Survey*.

Real estate agents blamed tough mortgage underwriting standards in part for the drop in activity of first-time homebuyers. “First-time homebuyers are having problems meeting credit score requirements, and FHA’s minimum downpayment of 3.5 percent is becoming a real stretch as the economy drags along,” reported one agent in Missouri.

The *Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions* is based on a national survey of more than 3,000 real estate agents each month and provides up-to-date intelligence on home sales and mortgage usage patterns. For more information on the survey, contact John Campbell at Campbell Surveys at (202) 363-2069 or john@campbellsurveys.com.♦