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sale in the U.S. would run out in less than 5 months. According to *Trulia*, a six-month supply is a normal amount in the industry. First time home buyers are particularly impacted by high home prices and the lack of inventory exacerbates the high prices because limited inventory results in aggressive bidding from potential buyers that push prices up even higher. The main limitations for most first-time home buyers are lack of significant down payment and lower income levels that make it harder to qualify for a mortgage payment. There are a number of low down payment options available in the market, but they mostly come with some form of Mortgage Insurance, also known as Private Mortgage Insurance or PMI. Mortgage Insurance, whether private or government mortgage insurance, increases the monthly mortgage payments, thereby making it harder for middle to low income borrowers to qualify for properties at higher price points.

There are also loan amount limitations for conventional and government loan products that make it even more difficult for home buyers to qualify for without adding significant down payment, which many first-time home buyers don't have access to.

The solutions to these issues exist within limitations. We do have some options for first-time home buyers where the down payment percentage can be as little as 0% - 1%. The zero-down option is mostly available to military veterans only, but there is a 0% down product available for rural properties. The programs with less than 3% down come with loan amount limitations and even going with less than 10% down is restricted at loan amounts greater than the confirming loan limits that are determined by county. Some cities and municipalities have down payment assistance programs where the down payment can be forgivable if the borrower meets certain requirements, but the loan amounts are again limited to confirming loan limits.

It is also possible for borrowers whose income falls within a certain threshold of the county median income, as determined by the government census, to get a loan with 5% down and no mortgage

insurance where the mortgage insurance is waived. Some city districts also qualify for these programs despite the borrowers' income being above the census tract limits. There are many options available to first-time home buyers, but they are limited in one way or another and finding out about them takes a certain amount of research and/or working with a knowledgeable loan agent who has access to a wide range of lenders and products. I have access to over 100 lenders and many of the down payment assistance programs that will allow for as little as 1% down payment. I also have access to 2nd mortgage products that can piggyback with 1st mortgage products to help borrowers qualify for 10% down payment options at the higher purchase prices. Working with family members to help with down payment or qualifying at lower income levels plays into many of the solutions I have been able to help borrowers come up with to purchase real estate over the past 20+ years. Having good information and someone experienced in mortgage lending as well as a lot of patience will be necessary in the current market for any first-time home buyer who has limited access to funds for down payment and income.

Despite the current refinance boom that we are experiencing, I always make time for home buyers and give home buyers free mortgage education over the phone or in person. I refer to these sessions as Mortgage 101 and they happen in one or multiple sessions. Education is the key to making a successful home purchase and getting the right property and loan. Feel free to contact me for a free consultation for yourself or anyone else who could benefit from my time and expertise.

As always, your loan guy,
Viral (Vic) Joshi

P.S. If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, viral@vicjoshi.com, so that I can put you on the mailing list.

Vic's

Mortgage Report

"Home of Free Mortgage Consultation"

Viral (Vic) Joshi

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Hello Friends,
I can't report on the latest meeting from the Federal Reserve that happened 9/20-9/21 in this newsletter due to timing issues

with getting my content to the publisher. I will take a break on rates this month and focus more on home ownership challenges that first-time home buyers face from a lending perspective.

Real estate home ownership is at the lowest level seen in over 20 years due to a number of factors, despite the historically low interest rates. In California and the Bay Area in particular, home prices have inflated to such lofty levels that the median home price is now higher than at the peak of the market before the crash of 2007/2008. June of this year saw the third straight month of record prices in the Bay Area with the median price increasing to \$712,000 according to *CoreLogic*. While home prices keep increasing, June saw the number of sales in the Bay Area decline for the third straight month, down 6.5% from June of 2015. This is likely a result of a continued lack of inventory with record prices that are starting to drive some buyers from the market despite the low rate environment.

Trulia reported that inventory levels nationally dropped to the lowest levels since 1999. The National Association of Realtors reported in July of this year that there were 2.13 million homes for sale, which is a supply of 4.7 months, which means the current supply of homes for

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