HOUSING FINANCE POLICY CENTER

Barriers to Accessing Homeownership
Down Payment, Credit, and Affordability

November 2017

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Executive Summary

Saving for a down payment is a considerable barrier to homeownership. With rising home prices, rising interest rates, and tight lending standards, the path to homeownership has become more challenging, especially for low-to-median-income borrowers and first-time homebuyers. Yet most potential homebuyers are largely unaware that there are low–down payment and no–down payment assistance programs available at the local, state, and federal levels to help eligible borrowers secure an appropriate down payment. This report provides charts and commentary to articulate the challenges families face saving for down payments as well as the options available to help them. This report is accompanied by an interactive map.

Barrier 1. Down Payments

- Consumers often think they need to put more down than lenders actually require. Survey results show that 53 percent of renters cite saving for a down payment as an obstacle to homeownership. Eighty percent of consumers either are unaware of how much lenders require for a down payment or believe all lenders require a down payment above 5 percent. Fifteen percent believe lenders require a 20 percent down payment, and 30 percent believe lenders expect a 20 percent down payment.

- Contrary to consumer perceptions, borrowers are not actually putting down 20 percent. The national median loan-to-value (LTV) ratio is 93 percent. The Federal Housing Administration (FHA) and US Department of Veterans Affairs (VA) typically offer lower down payment options than the government-sponsored enterprises (GSEs), from 0 to 3.5 percent. As the share of FHA and VA lending has increased considerably in the postcrisis period (since 2008), the median LTV ratio has increased as well.

- Median LTV ratios and the share of borrowers taking out FHA and VA loans vary considerably by state. The share of FHA and VA loans tends to be markedly higher in states with lower average home prices.

- All down payment programs are not available from all lenders, and there are constraints to the availability of down payment funding and minimum eligibility requirements. This report includes additional information about general eligibility by state.

Barrier 2. The Credit Box

- Access to homeownership is not limited by down payments alone. Credit access is tight by historical standards. Accordingly, the median credit score of new purchase mortgage originations has increased considerably in the postcrisis period. The median credit score for purchase mortgages is 779, compared with the precrisis median of 692. Credit scores of FHA borrowers have historically been lower; the current median credit score is 671.

- Median credit scores, like LTV ratios, vary by state and by loan type. Credit availability continues to be a headwind for homeownership in most states.

Executive Summary

Barrier 3. Affordability

- Because of home price appreciation in the past five years, national home price affordability has declined. Low interest rates have aided affordability. If interest rates reach 4.75 percent, national affordability will return to historical average affordability. Our metric for determining affordability is based on median family income, median home values, and prevailing interest rates.

- Although lower down payments reduce the barriers to purchasing a home, they can increase monthly payments. The mortgage affordability index at the national level shows the affordability of monthly payments given different down payment and interest rate scenarios.

- Nationally, it is more affordable to buy a home than to rent. But the buy-versus-rent affordability equation varies by state and metropolitan area. In the state-by-state data tool accompanying this report, we compare mortgage affordability at both 3.5 percent and 20 percent down versus rental affordability and compare each state's mortgage affordability with national affordability given a 3.5 percent down payment.

Access to Down Payment Assistance

- Low–down payment mortgages and other down payment assistance programs provide grants or loans to potential homeowners all over the country. There are 2,144 active programs across the country, and 1,295 agencies and housing finance agencies offering them at the local, state, and national levels. One of the major challenges of the offerings in each state is that they are not standard, eligibility requirements vary, and not all lenders offer the programs. Pricing for the programs also vary, so counseling and consumer education about the programs is necessary to ensure consumers understand how the program works and any additional costs that may be incurred.

- Low–down payment loans are high-risk loans and require private mortgage insurance. Consumers who receive assistance with down payments should understand how their mortgage insurance works and what it costs. You can learn more about mortgage insurance in our recent report and data summary on the history of private mortgage insurance.

- Eligibility for down payment assistance programs is determined by such factors as loan amount, homebuyer status, borrower income, and family size. Assistance is available for many loan types including conventional, FHA, VA, and US Department of Agriculture (USDA) loans. The share of people eligible for assistance in select MSAs ranges from 30 to 52 percent, and the eligible borrowers could qualify for 3 to 12 programs with down payment assistance ranging from $2,000 to more than $30,000.

Because of the tight credit environment, many borrowers have been shut out of the market and have not been able to take advantage of low interest rates and affordable home prices. As the credit box opens, educating consumers about low–down payment mortgages and down payment assistance is critical to ensuring homeownership is available to more families.

Barrier 1. Down Payments

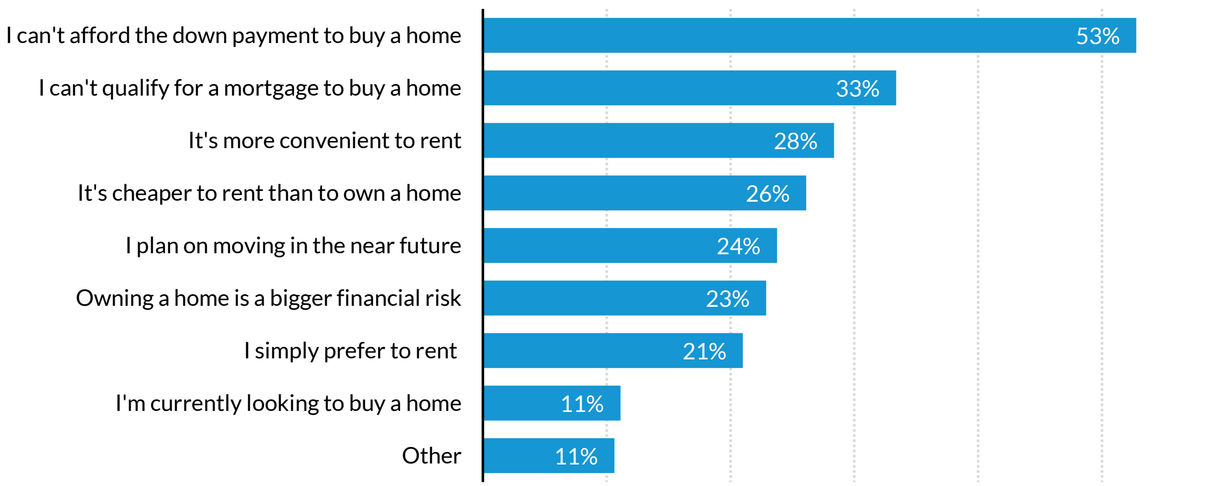
Over 50 percent of renters state that down payments are a barrier to owning a home.

DOWN PAYMENTS

Consumer Perceptions of Barriers to Homeownership

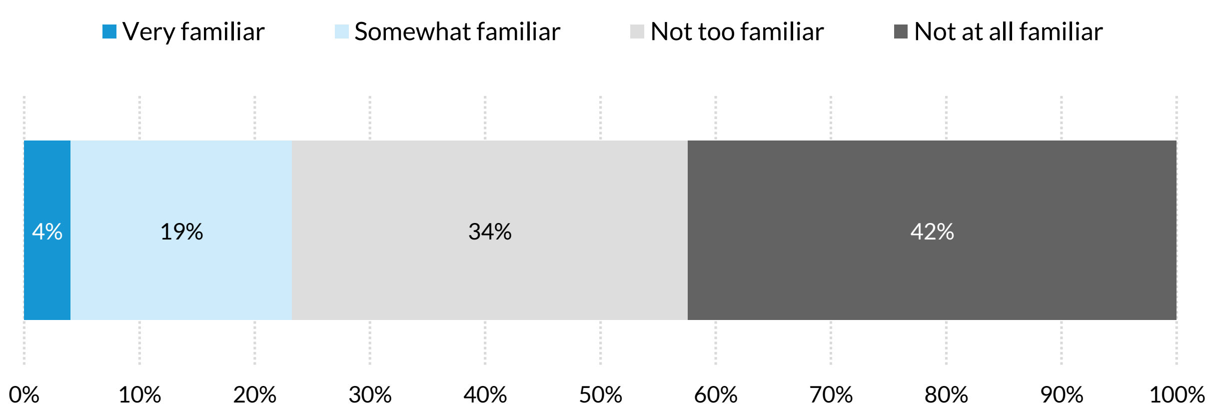
Renters see the inability to save for a down payment as one of the leading obstacles to homeownership. More than half of renters surveyed indicated that they chose to rent because they could not afford a down payment. Most consumers are unfamiliar with low–down payment programs.

More Than Half of Renters State Down Payment as a Reason for Renting



Sources: Survey of Household Economics and Decisionmaking, Board of Governors of the Federal Reserve, and the Urban Institute.

How Familiar Are Consumers with Low–Down Payment Programs?



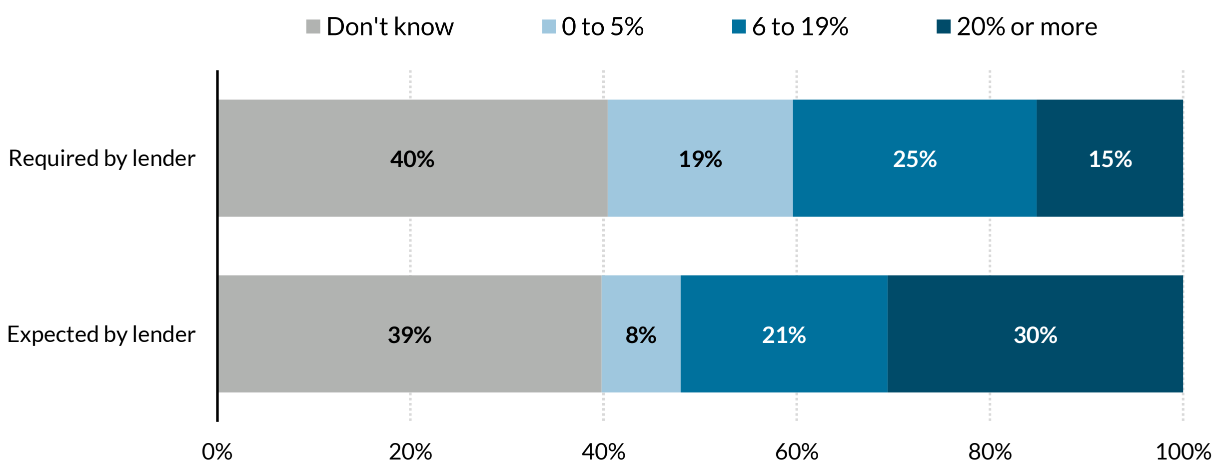
Sources: Fannie Mae American Housing Survey and the Urban Institute.

DOWN PAYMENTS

Consumer Perceptions of Down Payments

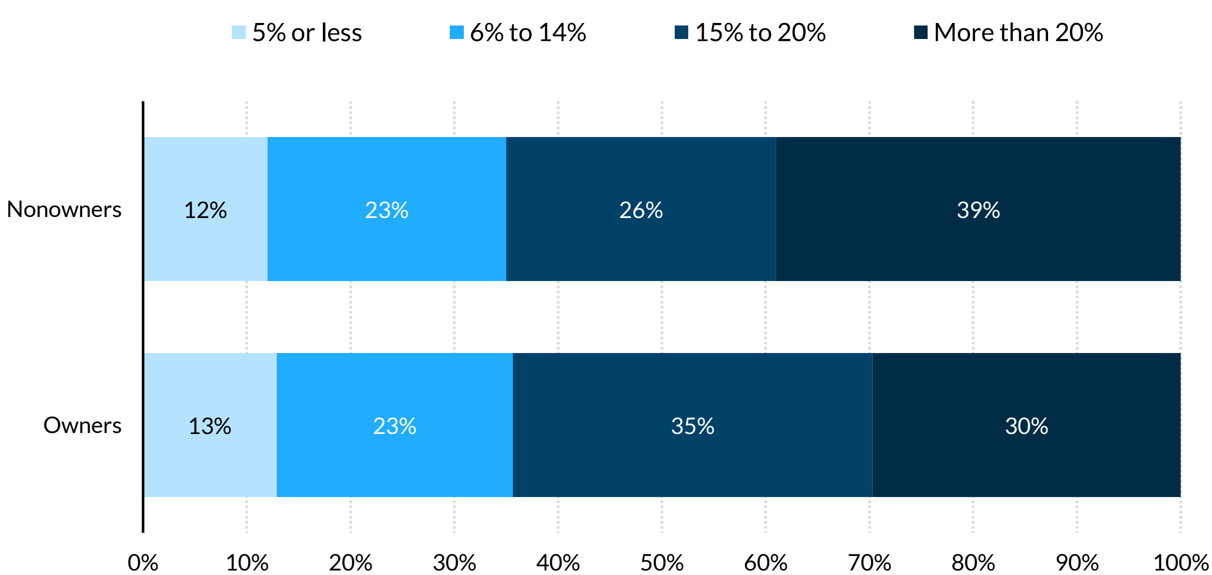
Consumers are often unaware of the option to take out low–down payment mortgages. Only 19 percent of consumers believe lenders would make loans with a down payment of 5 percent or less, while close to 40 percent of consumers do not know what to expect. A separate survey among renters and owners confirms that only 12 to 13 percent believe a down payment of 5 percent or less is required.

What Percentage Down Payment Do Lenders Expect or Require?



Sources: Fannie Mae American Housing Survey and the Urban Institute.

What Percentage Is Needed for a Down Payment?



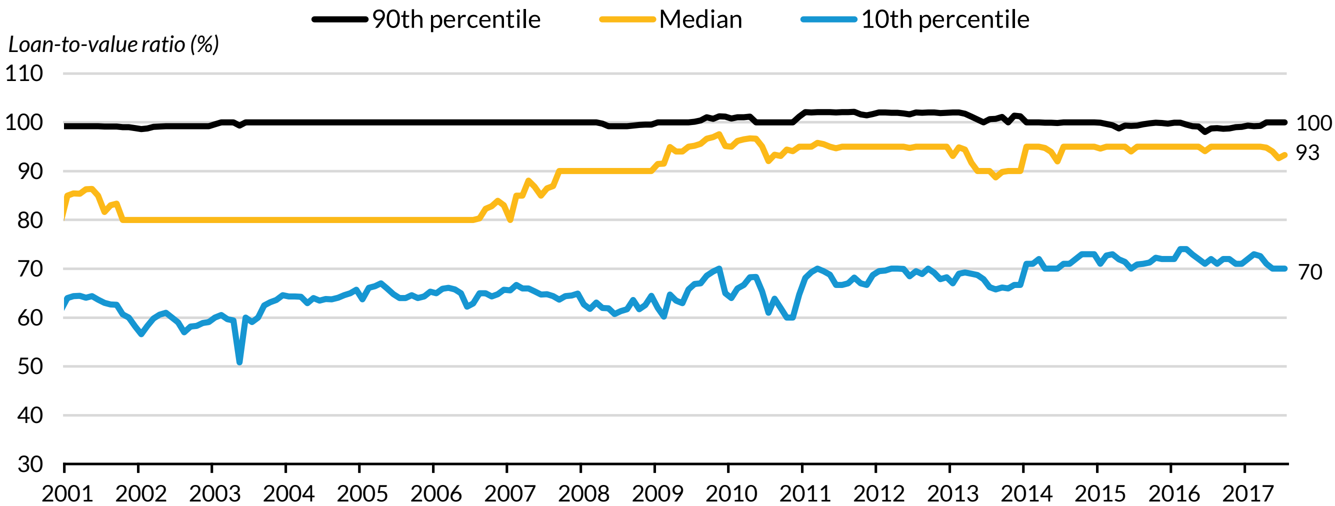
Sources: National Association of Realtors and the Urban Institute.

DOWN PAYMENTS

Down Payment Amount at Origination

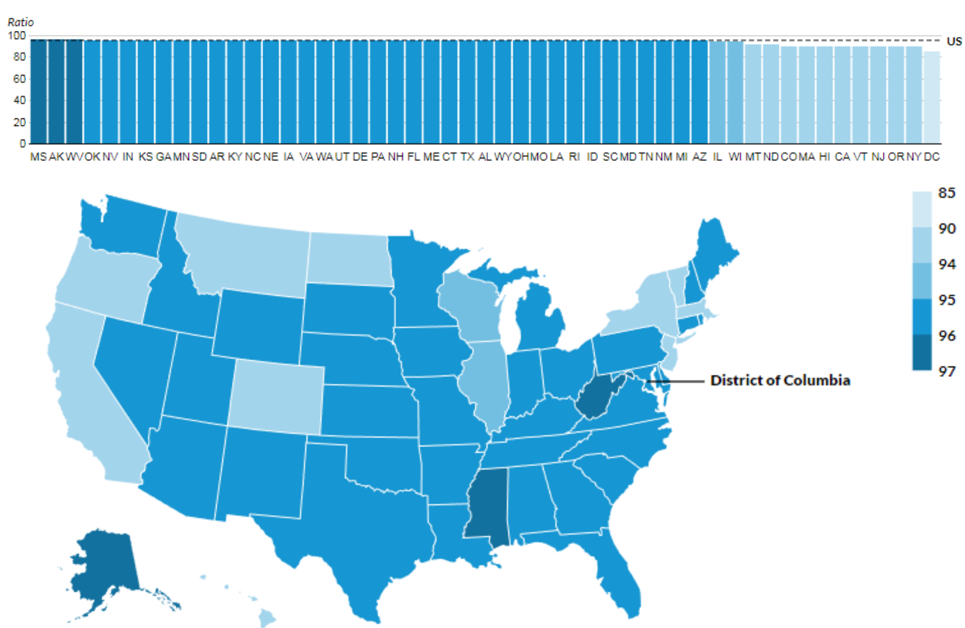
Since 2008, lower–down payment mortgages have become more important, as fewer consumers have the ability to save or access liquid resources for larger down payments. More borrowers are taking advantage of low–down payment programs through the Federal Housing Administration (FHA) and US Department of Veterans Affairs (VA) as a result. The median loan-to-value (LTV) ratio for purchase money mortgages has increased from 80 percent in 2006 to around 95 percent in 2016. Nationally, the median LTV ratio for loans originated in 2016 is 95 percent, but there are significant variations by state. Some high-cost regions, such as California, New York, and Massachusetts, have lower median LTV ratios of 90 percent, because of a higher percentage of jumbo loans in these markets.

Combined Loan-to Value Ratio at Origination



Sources: CoreLogic, eMBS, Home Mortgage Disclosure Act, Securities Industry and Financial Markets Association, and the Urban Institute.
Notes: Includes owner-occupied purchase loans only. Data are current as of July 2017.

Median Loan-to-Value Ratio at Origination, by State

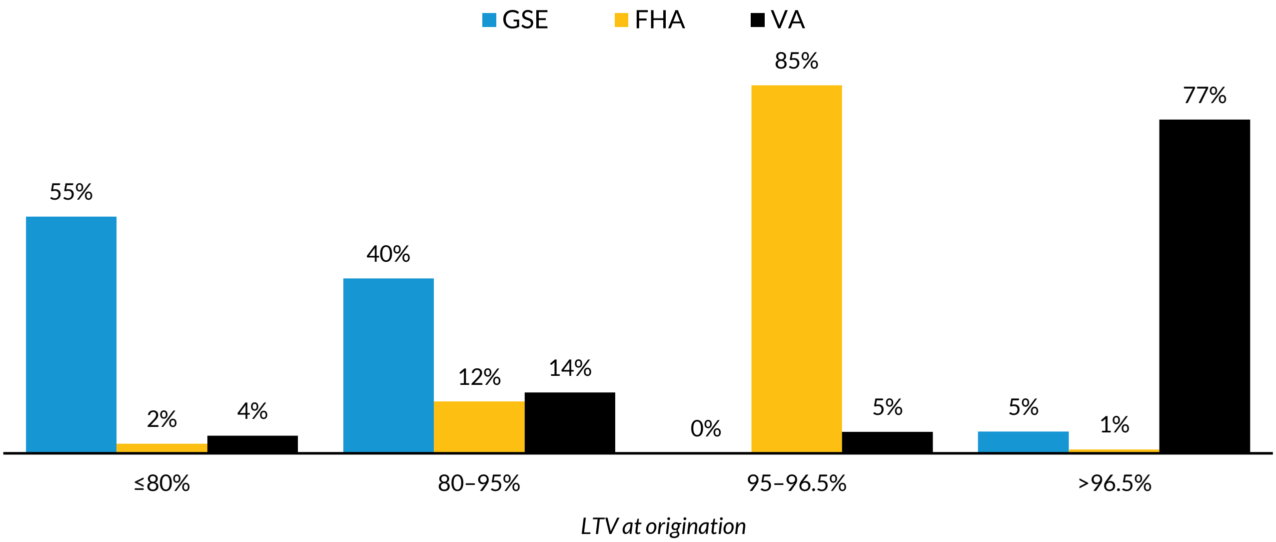


Sources: eMBS and the Urban Institute.
Note: Based on purchase money agency originations in 2016.

Agency LTV Distributions and First-Time Homebuyer Shares

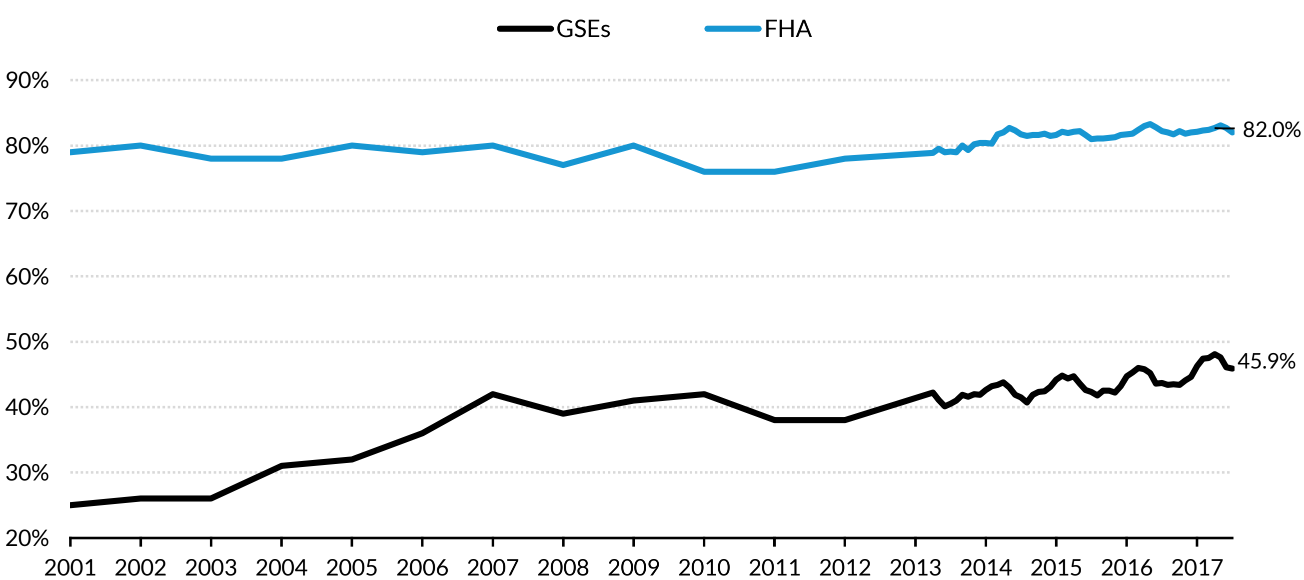
Federal Housing Administration and VA loans require lower down payments than conventional loans. Loan-to-value ratios for FHA and VA loans are concentrated between 95 and 100 percent, while LTV ratios for GSE loans are lower. Because first-time homebuyers often struggle to save for a down payment, the FHA has consistently had a higher share of first-time homebuyers than the GSEs (82 percent versus 46 percent as of July 2017).

Agency Loan-to-Value Ratio Distributions



Sources: eMBS and the Urban Institute.

First-Time Homebuyer Share



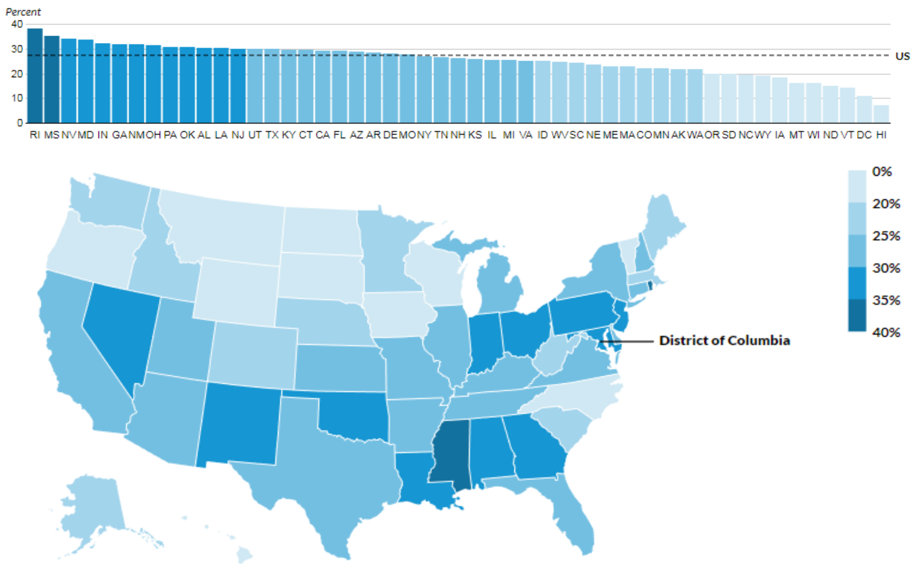
Sources: eMBS, FHA, and the Urban Institute.
Notes: FHA = Federal Housing Administration; GSE = government-sponsored enterprise. All series measure the first-time homebuyer share of purchase loans for principal residences.

DOWN PAYMENTS

FHA and VA Originations by State

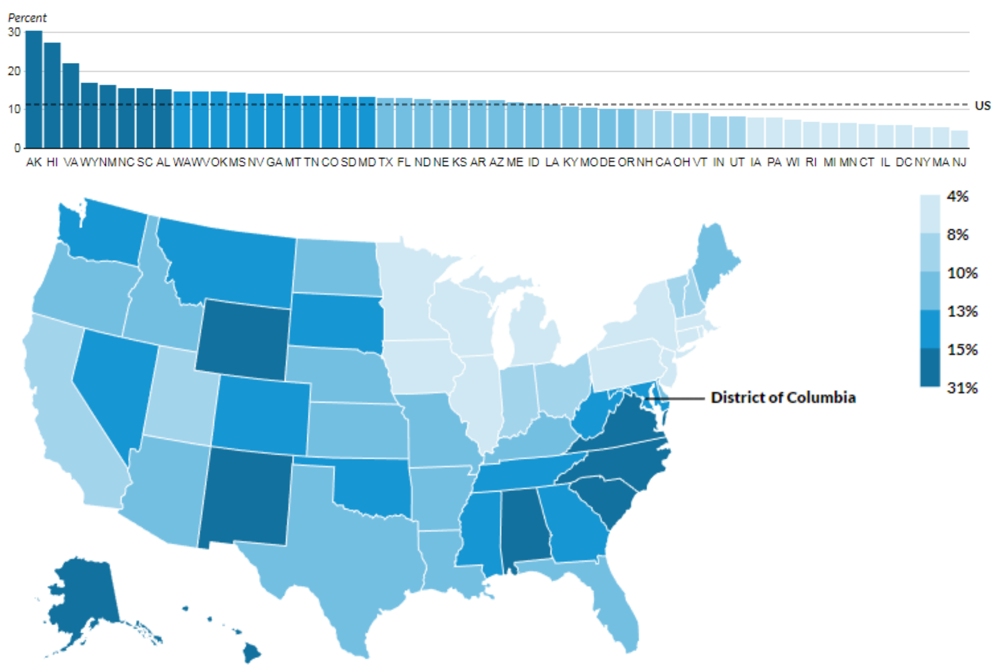
Both FHA and VA loans have lower down payment requirements than conventional loans and typically serve borrowers with low credit scores. Nationally, FHA shares are about 27 percent by loan count for purchase money mortgages, while VA origination shares for purchase money mortgages are around 11 percent. Federal Housing Administration and VA shares vary geographically; FHA shares range from 7 percent in Hawaii to 38 percent in Rhode Island, and VA shares range from 4.5 percent in New Jersey to 30.2 percent in Alaska.

Federal Housing Administration Originations by State



Sources: eMBS and the Urban Institute.
Note: Based on purchase money agency originations in 2016.

US Department of Veterans Affairs Originations by State



Sources: eMBS and the Urban Institute.
Note: Based on purchase money agency originations in 2016.

Barrier 2. The Credit Box

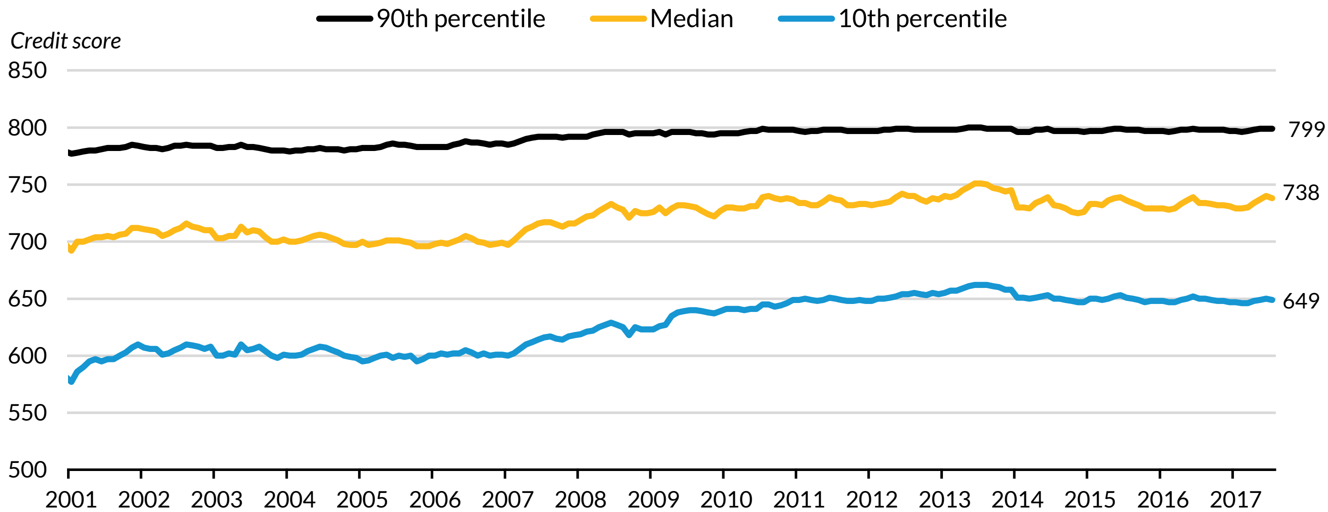
The median credit score for mortgages has increased 20 points over the past decade, preventing many potential homebuyers from obtaining mortgages.

CREDIT BOX

Historical Credit Scores and Agency Distribution

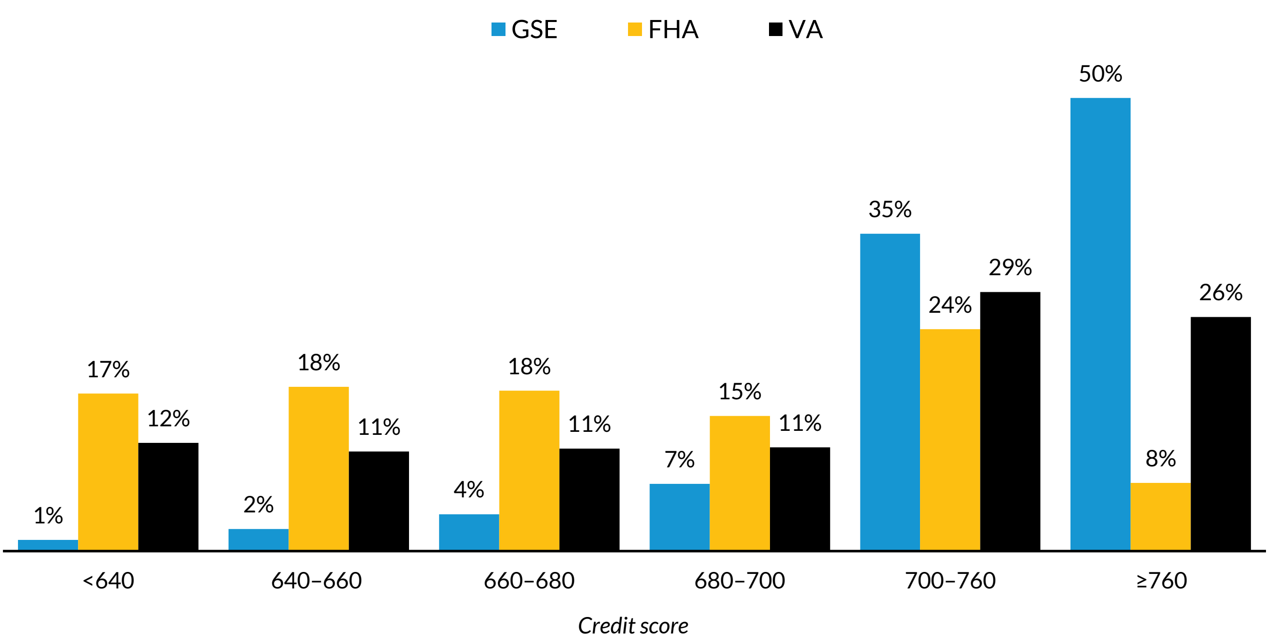
Borrowers with low credit scores have difficulty getting a mortgage. The median credit score on new purchase originations has increased 20 points over the past decade and stood at 738 in July 2017. Both the FHA and the VA serve more borrowers at the lower end of the spectrum. In 2016, 17.3 percent of FHA originations were to borrowers with credit scores below 640, compared with just 1.2 percent for the GSEs. Although 50 percent of GSE originations went to borrowers with credit scores above 760, the FHA's share was just 7 percent, and the VA's share was 26 percent.

Credit Score at Origination



Sources: CoreLogic, eMBS, Home Mortgage Disclosure Act, Securities Industry and Financial Markets Association, and the Urban Institute.
Notes: Includes owner-occupied purchase loans only. Data are current as of July 2017.

Agency Credit Distributions



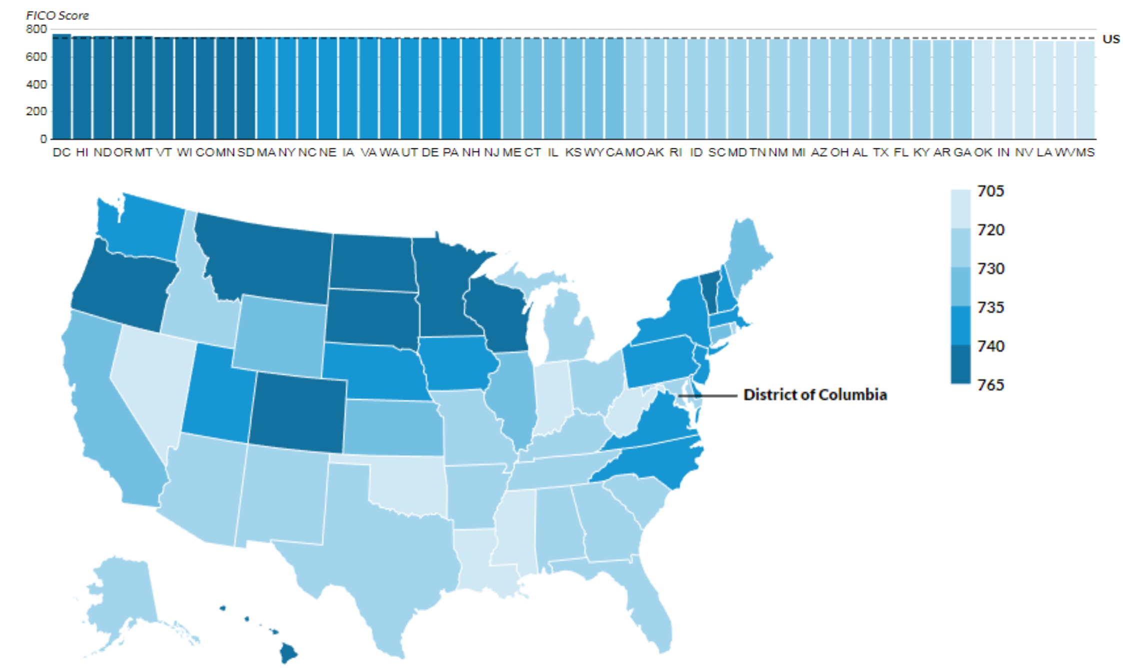
Sources: eMBS and the Urban Institute.
Note: Based on purchase money agency originations from 2016.

CREDIT BOX

Median Credit Score and Debt-to-Income Ratio by State

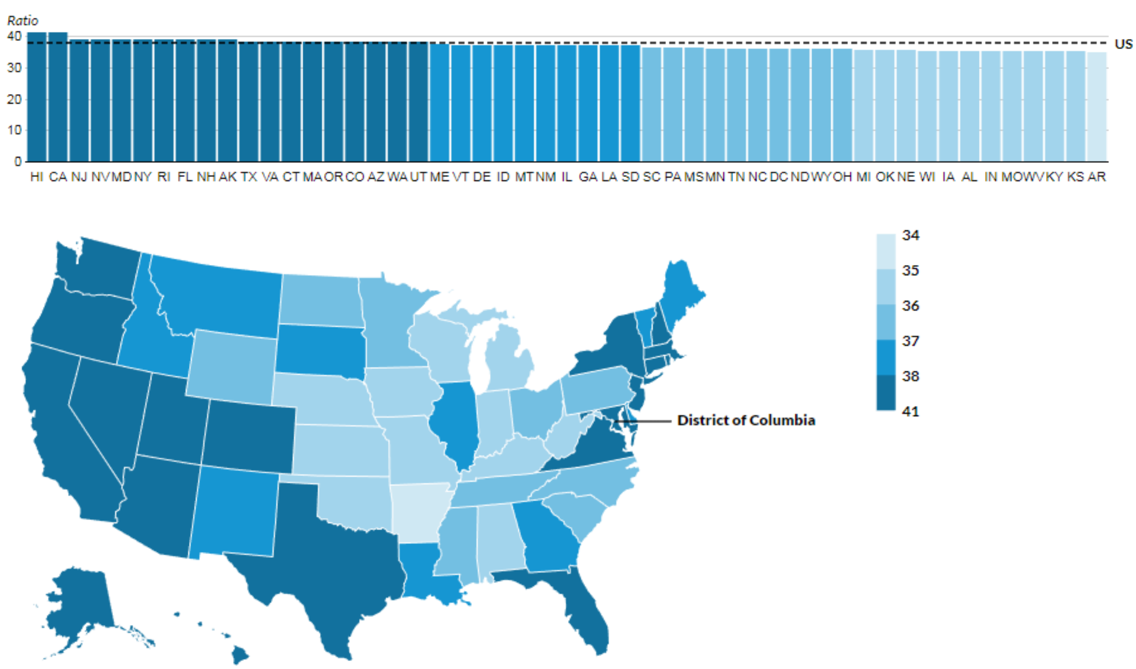
The national median credit score was 729 for all purchase money originations in 2016, but the state medians ranged from 707 in Mississippi to 764 in the District of Columbia.

Median Credit Score by State



Sources: eMBS and the Urban Institute.
Note: Based on purchase money agency originations in 2016.

Median Debt-to-Income Ratio by State



Sources: eMBS and the Urban Institute.
Note: Based on purchase money agency originations in 2016.

CREDIT BOX

Credit Availability by State

Nationally, credit is tight by historical standards. See where your state ranks. The median credit score is 729, and the median LTV ratio is 95 percent, but the share of borrowers with LTV ratios greater than 95 percent and credit scores below 700 is 23 percent. Some states have lower median credit scores and higher LTV ratios, and the share of borrowers with high LTV ratios and low credit scores ranges from 6 to 36 percent. The share of first-time homebuyers is about 51 percent nationally and ranges from 43 to 62 percent.

State	Credit score	LTV (%)	DTI (%)	LTV > 95% and credit score < 700	First-time homebuyer share
National	729	95.0	37.8	23%	51.1%
Alabama	722	95.0	35.0	30%	48.3%
Alaska	729	96.5	38.7	28%	50.0%
Arizona	723	95.0	38.0	23%	48.4%
Arkansas	720	95.0	34.8	30%	48.2%
California	730	90.0	41.0	19%	53.9%
Colorado	741	90.0	38.0	19%	45.8%
Connecticut	732	95.0	38.0	20%	60.3%
Delaware	736	95.0	37.1	24%	47.6%
District of Columbia	764	85.0	36.0	6%	61.5%
Florida	722	95.0	39.0	23%	48.7%
Georgia	720	95.0	37.0	29%	52.2%
Hawaii	751	90.0	41.0	14%	49.2%
Idaho	728	95.0	37.0	24%	44.4%
Illinois	732	94.0	37.0	19%	56.1%
Indiana	717	95.0	35.0	30%	51.3%
Iowa	737	95.0	35.0	20%	48.1%
Kansas	731	95.0	35.0	23%	48.0%
Kentucky	721	95.0	35.0	29%	50.3%
Louisiana	714	95.0	37.0	32%	54.3%
Maine	733	95.0	37.3	24%	46.5%
Maryland	728	95.0	39.0	27%	58.0%
Massachusetts	739	90.0	38.0	16%	56.7%
Michigan	725	95.0	35.7	23%	50.1%
Minnesota	741	95.0	36.0	18%	50.2%
Mississippi	707	96.5	36.1	36%	52.4%
Missouri	729	95.0	35.0	26%	48.5%
Montana	745	92.0	37.0	17%	42.8%
Nebraska	738	95.0	35.6	20%	48.9%
Nevada	716	95.0	39.0	26%	52.6%
New Hampshire	735	95.0	39.0	21%	50.8%
New Jersey	735	90.0	39.0	18%	58.3%
New Mexico	725	95.0	37.0	28%	51.7%
New York	739	90.0	39.0	16%	60.9%
North Carolina	738	95.0	36.0	21%	45.6%
North Dakota	747	91.3	36.0	14%	42.7%
Ohio	723	95.0	36.0	27%	53.0%
Oklahoma	719	95.1	35.7	30%	47.2%
Oregon	745	90.0	38.0	16%	46.7%
Pennsylvania	735	95.0	36.3	23%	56.4%
Rhode Island	729	95.0	39.0	25%	56.4%
South Carolina	728	95.0	36.3	26%	45.0%
South Dakota	740	95.0	37.0	20%	48.3%
Tennessee	727	95.0	36.0	26%	45.8%
Texas	722	95.0	38.2	26%	49.0%
Utah	736	95.0	38.0	21%	48.2%
Vermont	743	90.0	37.1	15%	47.8%
Virginia	737	95.0	38.0	24%	53.7%
Washington	736	95.0	38.0	20%	51.2%
West Virginia	713	96.1	35.0	31%	54.6%
Wisconsin	742	94.0	35.0	17%	49.6%
Wyoming	730	95.0	36.0	25%	47.4%

Sources: eMBS and the Urban Institute.
Notes: DTI = debt-to-income ratio; LTV = loan-to-value ratio. Based on purchase money agency originations in 2016.

Barrier 3. Affordability

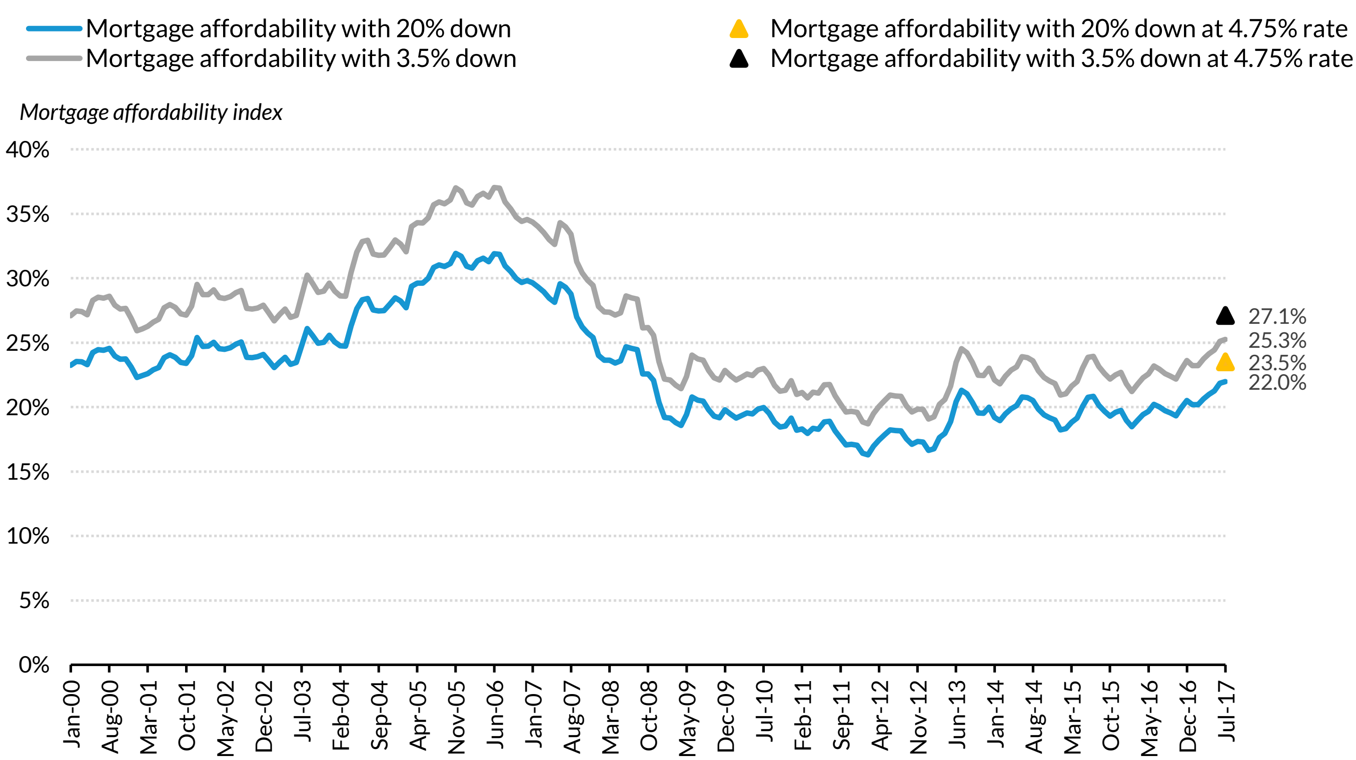
For a mortgage with 20 percent down, mortgage payments would make up 22 percent of the median borrower's income. With rising interest rates and home prices, this percentage will continue to increase.

AFFORDABILITY

National Mortgage Affordability over Time

Immediately after the crisis, interest rates were low and home prices were affordable. But home price appreciation in the past five years and the recent increase in mortgage rates has brought national affordability back down to historical levels. As of July 2017, the share of median income needed for the monthly payment with 20-percent-down mortgage on a median home stood at 22 percent, up from 18 percent five years ago. If the rate rose to 4.75 percent, the share would increase to the 2001–03 average of 24 percent. The mortgage affordability index with a 3.5 percent down payment shows an even higher share of income devoted to monthly payment but yields the same trend.

National Mortgage Affordability over Time



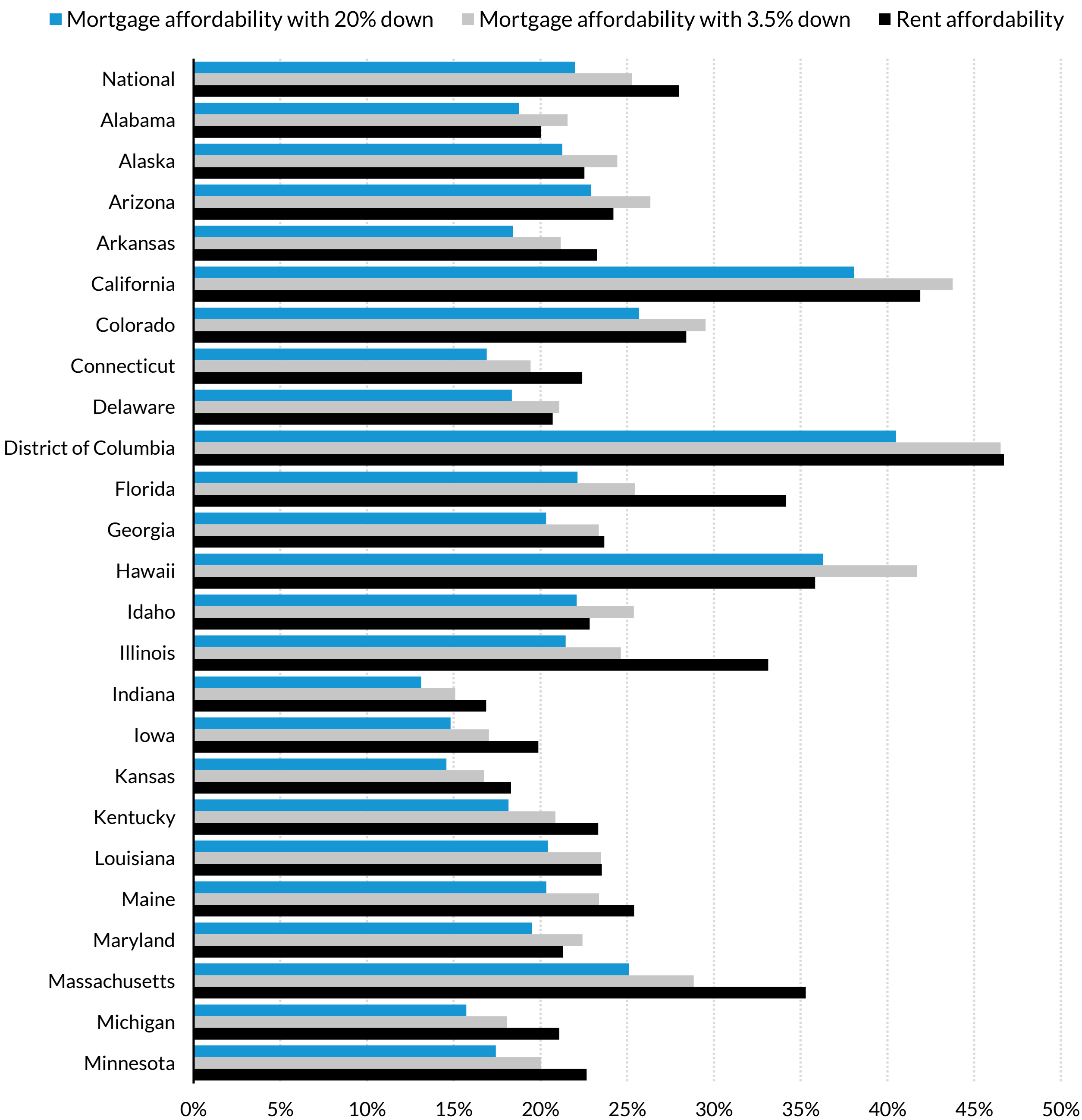
Sources: CoreLogic, US Census Bureau, Current Population Survey, American Community Survey, Moody's Analytics, Freddie Mac Primary Mortgage Market Survey, and the Urban Institute.
Note: Mortgage affordability is the share of median family income devoted to the monthly principal, interest, taxes, and insurance payment required to buy the median home at the Freddie Mac prevailing rate for a 30-year fixed-rate mortgage and property tax and insurance at 1.75 percent of the housing value.

AFFORDABILITY

Ownership versus Rental Affordability by State

Nationally, owning a home with a mortgage is more affordable than renting. At 3.5 percent down, a median family spends 28 percent of its income to pay rent but spends only 25 percent of its income to afford the monthly mortgage payment. Fifteen states require a higher income share to afford mortgage payments with 3.5 down, with the highest share being 47 percent for the District of Columbia and the lowest share being 15 percent for Indiana. Ten states have less-affordable rents than those at the national level.

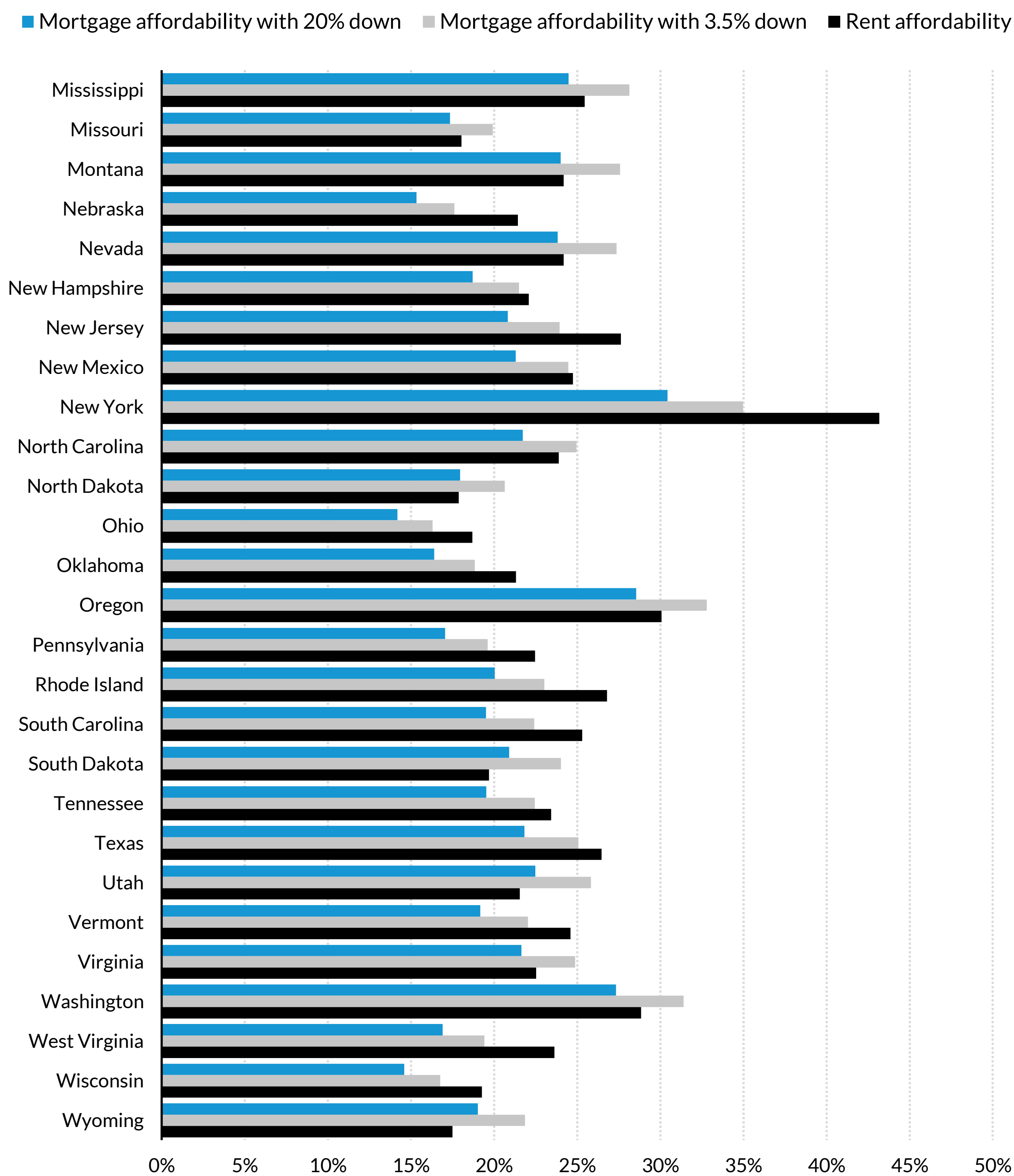
State Mortgage and Rental Affordability



Sources: CoreLogic, US Census Bureau, Current Population Survey, American Community Survey, Moody's Analytics, Freddie Mac Primary Mortgage Market Survey, Zillow, and the Urban Institute.
Notes: Mortgage affordability is the share of median family income devoted to the monthly principal, interest, taxes, and insurance payment required to buy the median home at the Freddie Mac prevailing rate for a 30-year fixed-rate mortgage and property tax and insurance at 1.75 percent of the housing value. Rent affordability is the share of median family income devoted to the median rent for a three-bedroom house. Based on July 2017 data.

Ownership versus Rental Affordability by State (continued)

State Mortgage and Rental Affordability

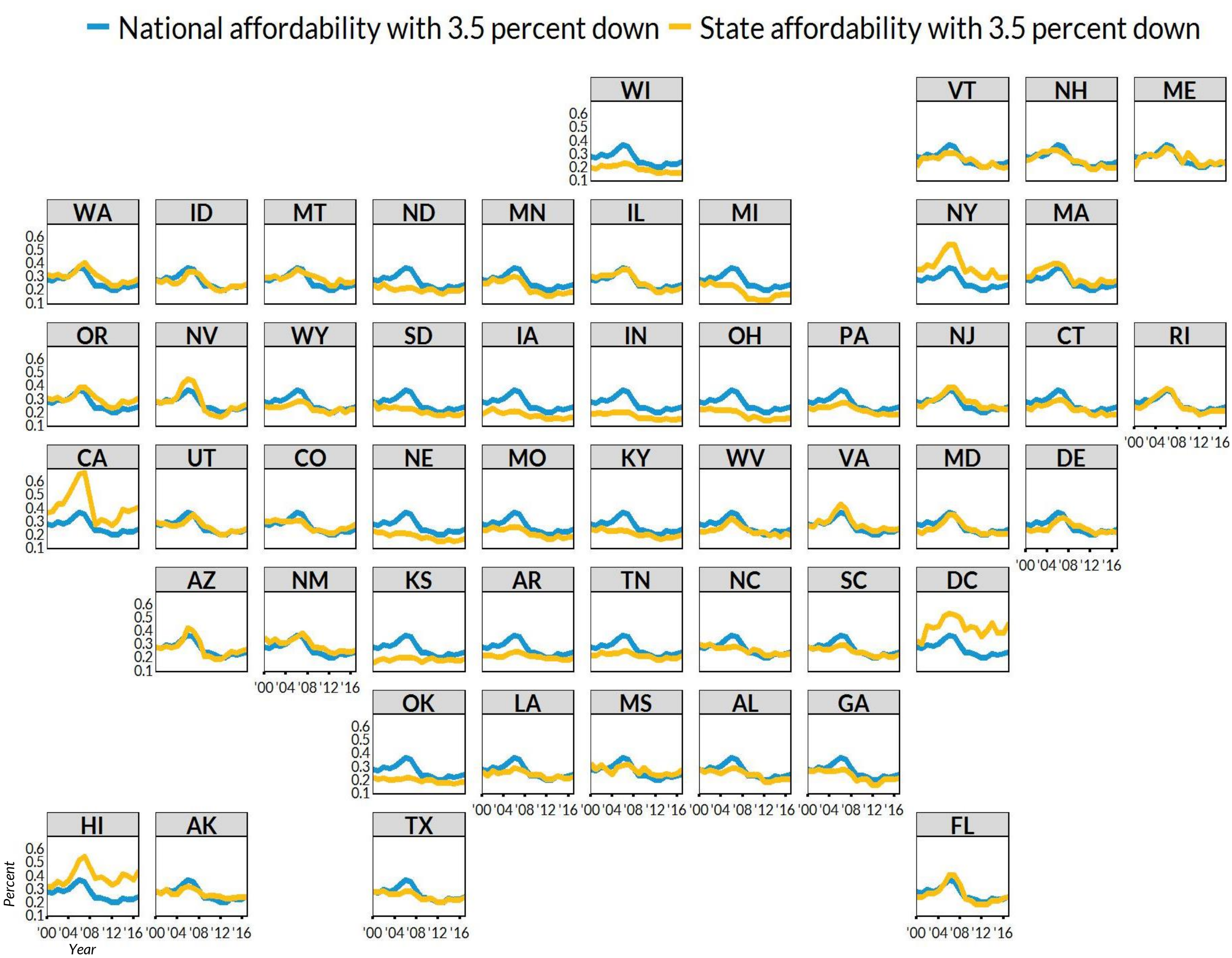


Sources: CoreLogic, US Census Bureau, Current Population Survey, American Community Survey, Moody's Analytics, Freddie Mac Primary Mortgage Market Survey, Zillow, and the Urban Institute.
Notes: Mortgage affordability is the share of median family income devoted to the monthly principal, interest, taxes, and insurance payment required to buy the median home at the Freddie Mac prevailing rate for a 30-year fixed-rate mortgage and property tax and insurance at 1.75 percent of the housing value. Rent affordability is the share of median family income devoted to the median rent for a three-bedroom house. Based on July 2017 data.

AFFORDABILITY

State Mortgage Affordability over Time

The chart below compares the state mortgage affordability index with a 3.5 percent down payment at the national level over time. Some states, such as California, Florida, Nevada, and New York, experienced more volatile changes during the housing boom and bust, while places such as the District of Columbia and Hawaii have always been less affordable than the national average.

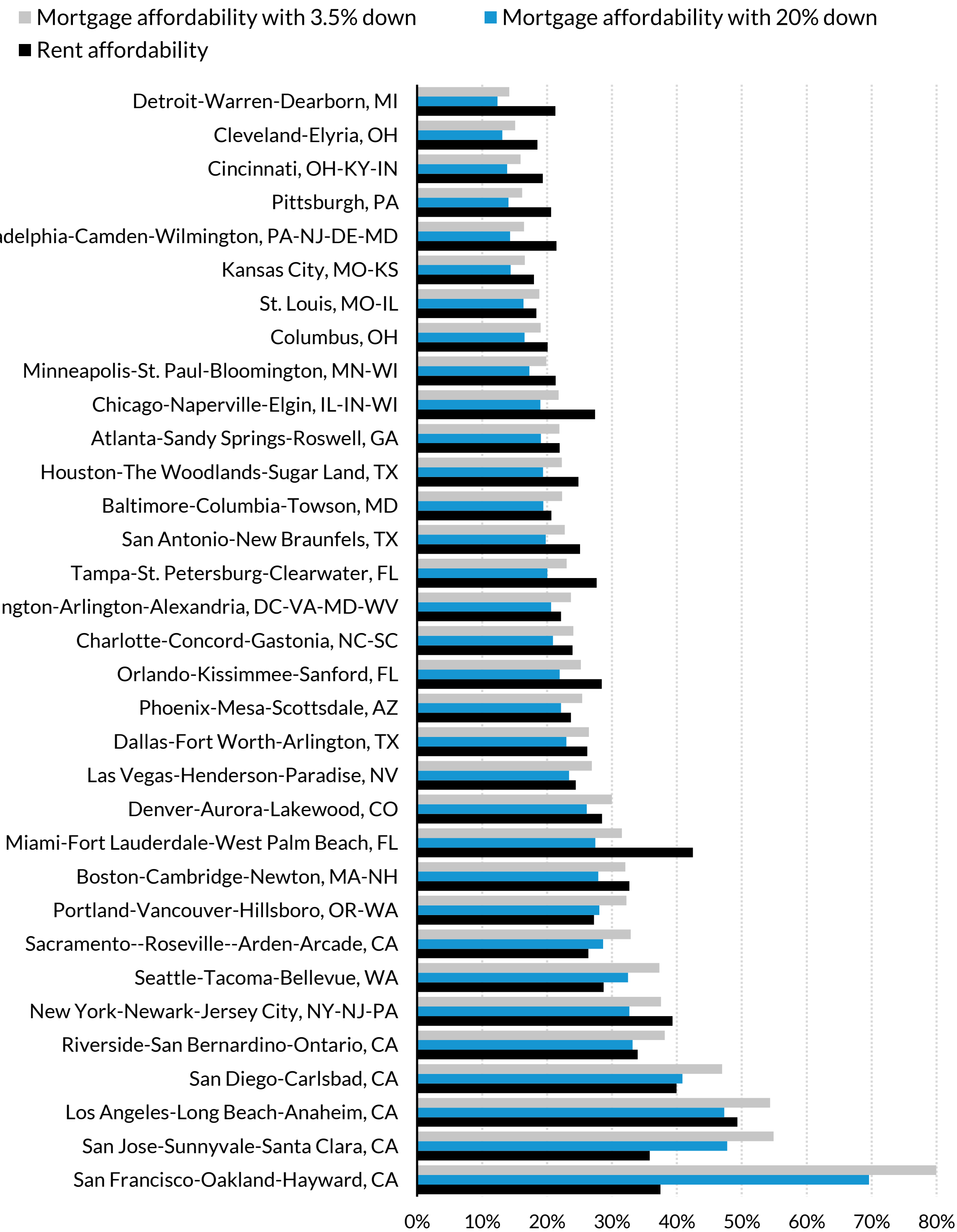


Sources: CoreLogic, US Census Bureau, Current Population Survey, American Community Survey, Moody's Analytics, Freddie Mac Primary Mortgage Market Survey, and the Urban Institute.
Notes: Mortgage affordability is the share of median family income devoted to the monthly principal, interest, taxes, and insurance payment required to buy the median home at the Freddie Mac prevailing rate for a 30-year fixed-rate mortgage and property tax and insurance at 1.75 percent of the housing value.

AFFORDABILITY

MSA Mortgage and Rental Affordability

The chart below ranks the 33 largest metropolitan statistical areas (MSAs) by mortgage affordability index with the least affordable at the bottom. The six least-affordable MSAs require more than a third of the median family income to pay for mortgage costs with 3.5 percent down. For MSAs with more affordable mortgages, renting is often the more expensive option, yet many potential homebuyers cannot enter the market because of the down payment barrier.



Sources: CoreLogic, US Census Bureau, Current Population SurveyAmerican Community Survey, Moody's Analytics, Freddie Mac Primary Mortgage Market Survey, Zillow and Urban Institute. Based on July 2017 data.

Access to Down Payment Assistance

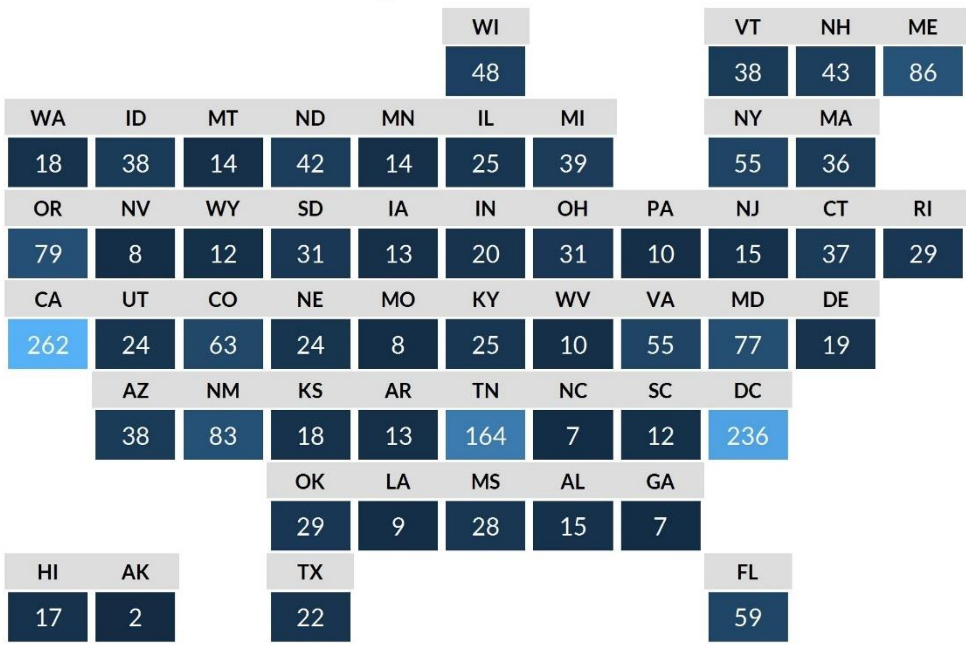
Nationwide, 2,144 programs provide grants and loans to make homeownership more attainable.

DOWN PAYMENT ASSISTANCE PROGRAMS

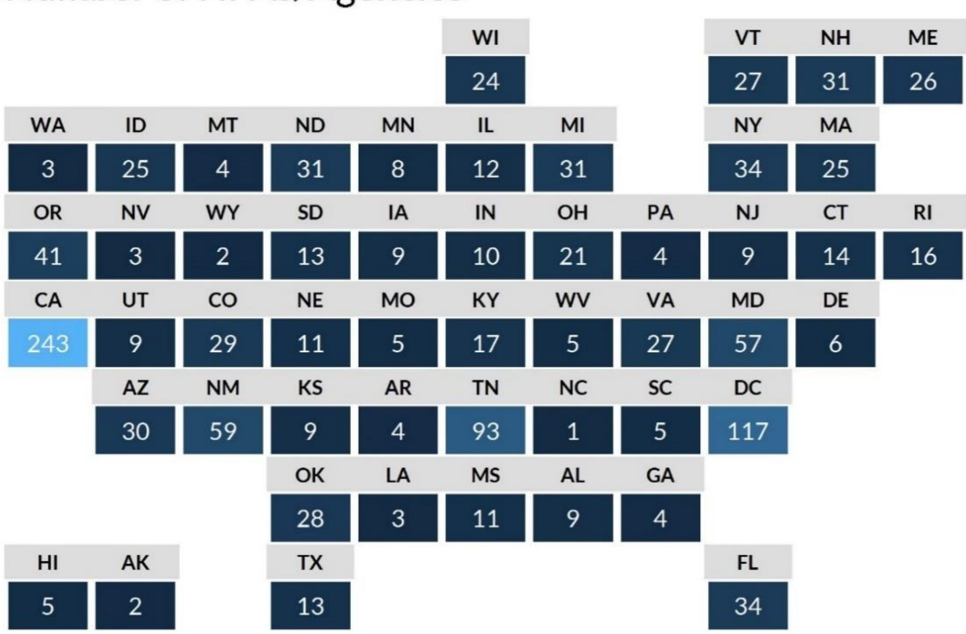
Programs and HFAs and Agencies by State

The charts below shows the number of active programs in each state and the number of state agencies and state housing finance agencies (HFA) offering them. More detailed information can be found on the state housing finance agency websites in our state interactive map. In addition, 42 programs offered by 36 agencies at national and regional levels are available in more than one state.

Number of Active Programs



Number of HFAs/Agencies



Sources: Down Payment Resource and the Urban Institute.
Note: HFA = housing finance agency.

PROGRAM ELIGIBILITY

Down Payment Assistance by MSA

The table below shows the number of 2016 purchase mortgage originations in 20 MSAs and how many of these loans are eligible for potential down payment assistance (DPA) programs. For example, in New York City, 36 percent of loans are eligible for a DPA program, and on average, borrowers are eligible for 8 programs. These borrowers qualify for average assistance of $13,484.

MSA	Loan type	Loans eligible for assistance	% eligible for assistance	Median loan amount ($)	Median income ($)	Average programs eligible for	Average DPA ($)
New York-Newark-Jersey City, NY-NJ-PA	All	89,016	36%	333,000	111,000	7.9	13,484
	Conventional	62,491	28%	347,000	124,000	7.8	13,379
	FHA	23,246	73%	300,000	87,000	8.1	13,849
	VA	2,976	44%	320,000	93,000	7.6	13,167
	USDA	303	79%	183,000	66,000	8	9,784
Chicago-Naperville-Elgin, IL-IN-WI	All	85,042	43%	210,000	82,000	7.5	5,647
	Conventional	55,056	33%	229,000	95,000	6.9	5,713
	FHA	25,855	79%	177,000	62,000	8.8	5,599
	VA	3,790	45%	225,000	79,000	7.1	5,303
	USDA	341	79%	136,000	50,000	8	4,269
Dallas-Fort Worth-Arlington, TX	All	64,173	36%	224,000	92,000	12.4	2,768
	Conventional	36,252	25%	247,000	105,000	11.9	2,741
	FHA	20,769	72%	185,000	70,000	13.4	2,958
	VA	6,345	37%	244,000	88,000	11.6	2,362
	USDA	807	79%	172,000	61,000	14.9	2,098
Atlanta-Sandy Springs-Roswell, GA	All	44,255	30%	206,000	75,000	4.1	7,899
	Conventional	18,437	17%	242,000	96,000	4.1	7,877
	FHA	20,361	61%	171,000	55,000	4.3	8,103
	VA	3,799	26%	222,000	74,000	3.8	7,805
	USDA	1,658	77%	138,000	48,000	2.8	5,853
Washington-Arlington-Alexandria, DC-VA-MD-WV	All	58,624	39%	357,000	107,000	12.6	13,222
	Conventional	31,487	28%	380,000	121,000	12	16,328
	FHA	17,332	75%	290,000	78,000	15.1	10,861
	VA	8,542	37%	412,000	116,000	9.6	7,928
	USDA	1,263	79%	227,000	68,000	12.4	3,651
Los Angeles-Long Beach-Anaheim, CA	All	58,653	38%	455,000	120,000	10	21,151
	Conventional	39,843	29%	475,000	132,000	9.7	19,402
	FHA	15,793	76%	417,000	95,000	10.9	26,504
	VA	2,985	44%	479,000	108,000	9.6	19,282
	USDA	32	79%	190,000	58,500	17.5	46,547

Sources: HMDA, Down Payment Resource, and the Urban Institute.
Notes: DPA = down payment assistance; FHA = Federal Housing Administration; HMDA = Home Mortgage Disclosure Act; USDA = US Department of Agriculture; VA = US Department of Veterans Affairs. Based on 2016 HMDA purchase originations. Down payment assistance eligibility assumes household size of three and first-time homebuyer shares to be 44 percent for conventional loans, 82 percent for FHA loans, 52 percent for VA loans, and 78 percent for USDA loans.

PROGRAM ELIGIBILITY

Down Payment Assistance by MSA

As mortgage affordability declines, the availability of assistance for a wide range of incomes will be critical in reducing barriers to homeownership. The table below shows that down payment assistance programs can support middle-income borrowers in some high-cost markets. For example, in Houston, median incomes eligible for assistance can be as high as $111,000.

MSA	Loan type	Loans eligible for assistance	% eligible for assistance	Median loan amount ($)	Median income ($)	Average programs eligible for	Average DPA ($)
Houston-The Woodlands-Sugar Land, TX	All	72,170	52%	212,000	92,000	9.6	3,258
	Conventional	42,395	39%	239,000	111,000	7.7	3,100
	FHA	23,628	82%	181,000	69,000	13	3,472
	VA	5,815	49%	230,000	86,000	9.8	2,909
	USDA	332	79%	173,000	60,000	14.4	4,228
Phoenix-Mesa-Scottsdale, AZ	All	68,460	51%	217,000	71,000	3.2	11,178
	Conventional	36,891	37%	237,000	82,000	3	11,132
	FHA	23,341	80%	191,000	58,000	3.8	11,197
	VA	7,875	48%	241,000	73,000	2.8	11,203
	USDA	353	79%	162,000	52,500	3.5	12,765
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	All	47,981	46%	222,000	83,000	8.4	5,240
	Conventional	27,353	32%	250,000	101,000	7.7	5,055
	FHA	16,716	79%	178,000	61,000	9.5	5,459
	VA	2,957	46%	246,000	79,000	8.1	5,449
	USDA	955	79%	188,500	63,000	10.5	5,184
Seattle-Tacoma-Bellevue, WA	All	44,156	40%	342,000	101,000	9.1	21,435
	Conventional	28,468	30%	373,000	115,000	8.4	23,029
	FHA	10,162	76%	288,000	78,000	10.8	19,580
	VA	5,117	46%	318,000	86,000	8.9	18,517
	USDA	409	79%	257,000	69,000	13.8	18,713
Minneapolis-St. Paul-Bloomington, MN-WI	All	36,328	34%	216,000	79,000	6.5	10,447
	Conventional	22,222	25%	227,000	90,000	6.4	10,447
	FHA	10,867	70%	194,000	61,000	6.8	10,532
	VA	2,104	34%	240,000	76,000	6.3	10,385
	USDA	1,135	78%	175,500	57,000	6.6	9,737
Miami-Fort Lauderdale-West Palm Beach, FL	All	35,230	36%	247,000	80,000	8.7	10,023
	Conventional	18,222	23%	258,000	94,000	8.6	9,748
	FHA	15,116	70%	230,000	64,000	8.8	10,513
	VA	1,892	32%	293,000	84,000	8	8,723
	USDA	0	n/a	n/a	n/a	n/a	n/a
Detroit-Warren-Dearborn, MI	All	27,203	30%	184,000	82,000	5.7	6,944
	Conventional	15,177	19%	134,000	53,000	5.6	7,005
	FHA	10,086	62%	181,000	70,000	5.9	6,834
	VA	1,221	28%	147,000	52,000	5.5	7,026
	USDA	719	72%	212,000	92,000	4.9	7,054

Sources: HMDA, Down Payment Resource, and the Urban Institute.
Notes: DPA = down payment assistance; FHA = Federal Housing Administration; HMDA = Home Mortgage Disclosure Act; n/a = not applicable; USDA = US Department of Agriculture; VA = US Department of Veterans Affairs. Based on 2016 HMDA purchase originations. Down payment assistance eligibility assumes household size of three and first-time homebuyer shares to be 44 percent for conventional loans, 82 percent for FHA loans, 52 percent for VA loans, and 78 percent for USDA loans.

PROGRAM ELIGIBILITY

Down Payment Assistance by MSA

Down payment assistance programs are available for conventional, FHA, VA, and USDA loans. The number of programs and amount of assistance is highest for FHA, VA, and USDA loans, which have a lower down payment requirement and are taken out by mostly low-to-median-income borrowers and first-time homebuyers.

MSA	Loan type	Loans eligible for assistance	% eligible for assistance	Median loan amount ($)	Median income ($)	Average programs eligible for	Average DPA ($)
Charlotte-Concord-Gastonia, NC-SC	All	21,388	28%	202,000	75,000	3.5	11,326
	Conventional	12,154	19%	224,000	87,000	3.5	11,827
	FHA	6,561	63%	162,000	55,000	3.6	11,333
	VA	1,542	27%	222,000	72,000	3.4	10,513
	USDA	1,131	76%	143,000	47,000	3.5	6,079
St. Louis, MO-IL	All	28,331	42%	164,000	70,000	7.3	2,773
	Conventional	15,011	29%	182,000	84,000	7.1	2,675
	FHA	9,201	76%	137,000	53,000	7.9	2,706
	VA	2,769	43%	187,000	72,000	7	3,274
	USDA	1,350	79%	131,000	48,000	6.3	3,338
San Francisco-Oakland-Hayward, CA	All	22,255	29%	588,000	157,000	8.7	90,267
	Conventional	17,446	24%	619,000	170,000	8.3	98,471
	FHA	4,059	72%	442,000	108,000	10.2	39,022
	VA	746	37%	518,500	121,500	9.9	44,379
	USDA	4	79%	412,500	93,000	12.2	0
Nashville-Davidson--Murfreesboro--Franklin, TN	All	20,792	35%	220,000	73,000	4.5	34,872
	Conventional	10,735	23%	240,000	86,000	4.5	34,856
	FHA	6,993	66%	189,000	59,000	4.6	34,926
	VA	1,718	34%	245,000	74,000	4.2	34,677
	USDA	1,346	79%	158,500	49,000	4.7	34,886
Indianapolis-Carmel-Anderson, IN	All	21,570	40%	160,000	68,000	7.9	3,181
	Conventional	10,963	26%	180,000	83,000	7.4	3,014
	FHA	8,134	74%	136,000	50,000	8.7	3,379
	VA	1,709	40%	176,000	67,500	7.4	2,961
	USDA	764	79%	122,000	44,000	7.5	3,678
Birmingham-Hoover, AL	All	9,969	40%	175,000	66,000	3.6	7,083
	Conventional	4,978	26%	199,000	79,000	3.5	7,099
	FHA	3,479	74%	152,000	54,000	3.8	7,054
	VA	816	37%	194,000	70,000	3.2	7,208
	USDA	696	79%	134,000	45,000	4.1	6,967
Memphis, TN-MS-AR	All	7,606	36%	173,000	68,000	5	15,296
	Conventional	2,665	19%	196,000	88,000	4.8	14,576
	FHA	3,613	64%	152,000	54,000	5.3	15,565
	VA	730	28%	213,000	75,000	4.4	14,216
	USDA	598	77%	144,000	46,500	5.3	18,373

Sources: HMDA, Down Payment Resource, and the Urban Institute.
Notes: DPA = down payment assistance; FHA = Federal Housing Administration; HMDA = Home Mortgage Disclosure Act; USDA = US Department of Agriculture; VA = US Department of Veterans Affairs. Based on 2016 HMDA purchase originations. Down payment assistance eligibility assumes household size of three and first-time homebuyer shares to be 44 percent for conventional loans, 82 percent for FHA loans, 52 percent for VA loans, and 78 percent for USDA loans.

Conclusion: What's Next?

This report shows the availability of down payment assistance for conventional and government-guaranteed loans across the nation. With rising home prices and interest rates, access to sustainable mortgage credit is often only possible with low–down payment loans. In addition, borrowers need to be able to access down payment assistance beyond government-guaranteed loans. Many down payment assistance programs, particularly through most state housing finance agencies, can help more people achieve homeownership. Few data have been collected about historical use and types of programs, but borrower loan data show that many consumers are not taking advantage of these programs that could provide greater access to credit and homeownership. The benefits and costs of these programs are often not sought out, referred to, or communicated to potential homebuyers.

We need to increase these programs' visibility and ensure borrowers in mortgage transaction know about assistance they could be getting. Not all down payment assistance programs are created equal, and they come in different forms. These programs often include consumer education or housing counseling that allow potential borrowers to better understand whether homeownership is right for them. Homebuyers need to be better educated and made aware of the benefits and costs of these programs. It could particularly make the difference for a first-time homebuyer in a high-cost city, for example, who needs the assistance to bring their payment down even more. The GSEs could play a bigger role in first-time homebuyer access to credit by offering more education about the programs and by working with lenders, HFAs, and the real estate industry to make low–down payment lending programs more accessible.

APPENDIX A

Loan Type by State

Nationally, the FHA and VA share of originations has stayed steady after a rapid increase immediately after the crisis and a decline in the postcrisis period. The FHA share stands at 27 percent nationally, and the VA share is 11 percent. Federal Housing Administration and VA shares vary by state, ranging from 7 to 38 percent for FHA loans and from 5 to 30 percent for VA loans.

State	Conventional	FHA	VA
National	57.9%	27.2%	11.2%
Alabama	46.7%	30.4%	15.1%
Alaska	39.4%	21.7%	30.2%
Arizona	57.6%	28.8%	12.2%
Arkansas	46.2%	28.5%	12.3%
California	60.5%	29.2%	9.5%
Colorado	63.2%	22.1%	13.4%
Connecticut	62.3%	29.5%	6.3%
Delaware	56.4%	28.0%	10.2%
District of Columbia	83.3%	10.7%	6.0%
Florida	56.5%	29.1%	12.8%
Georgia	50.4%	31.9%	14.0%
Hawaii	59.5%	7.2%	27.2%
Idaho	59.6%	24.9%	11.5%
Illinois	66.5%	25.5%	6.0%
Indiana	52.8%	32.1%	8.1%
Iowa	68.1%	18.4%	7.9%
Kansas	57.7%	25.9%	12.4%
Kentucky	50.1%	29.7%	10.6%
Louisiana	47.0%	30.3%	11.2%
Maine	55.1%	22.8%	11.9%
Maryland	49.6%	33.8%	13.1%
Massachusetts	70.6%	22.7%	5.3%
Michigan	63.0%	25.4%	6.4%
Minnesota	67.2%	22.0%	6.4%
Mississippi	36.3%	35.1%	14.3%
Missouri	54.6%	27.8%	10.3%
Montana	63.0%	16.2%	13.5%
Nebraska	60.0%	23.4%	12.4%
Nevada	50.4%	34.2%	14.1%
New Hampshire	60.3%	26.1%	9.7%
New Jersey	64.7%	30.0%	4.5%
New Mexico	50.0%	31.6%	16.4%
New York	65.8%	27.1%	5.4%
North Carolina	59.9%	19.3%	15.5%
North Dakota	69.8%	14.9%	12.5%
Ohio	55.4%	31.3%	9.0%
Oklahoma	44.7%	30.5%	14.6%
Oregon	66.3%	19.9%	10.0%
Pennsylvania	57.4%	30.8%	7.8%
Rhode Island	54.3%	38.3%	6.7%
South Carolina	54.5%	24.3%	15.4%
South Dakota	55.2%	19.7%	13.3%
Tennessee	51.3%	26.4%	13.5%
Texas	55.9%	29.8%	12.9%
Utah	58.6%	29.8%	8.0%
Vermont	70.5%	14.1%	8.9%
Virginia	49.2%	25.0%	21.9%
Washington	61.6%	21.5%	14.7%
West Virginia	43.0%	24.6%	14.6%
Wisconsin	73.2%	15.9%	7.2%
Wyoming	51.6%	19.2%	16.9%

Sources: eMBS and the Urban Institute.
Notes: FHA = Federal Housing Administration; VA = US Department of Veterans Affairs. Based on purchase money agency originations in 2016.

APPENDIX B

State Home Prices

Median home prices have been rising across the country, making it increasingly hard for borrowers to save for a down payment. Paying a down payment of 3.5 percent, as opposed to 20 percent, can significantly reduce this burden. Affordability of homes varies significantly across states. For example, a 3.5 percent down payment on a median-priced home in the District of Columbia is 13 percent of the median home value in Kentucky.

	10th Percentile			50th Percentile			90th Percentile		
	Home value	3.5% down payment	20% down payment	Home value	3.5% down payment	20% down payment	Home value	3.5% down payment	20% down payment
National	110,881	3,881	22,176	227,100	7,949	45,420	457,500	16,013	91,500
Alabama	90,165	3,156	18,033	167,359	5,858	33,472	339,118	11,869	67,824
Alaska	175,000	6,125	35,000	275,101	9,629	55,020	467,742	16,371	93,548
Arizona	130,000	4,550	26,000	218,000	7,630	43,600	395,000	13,825	79,000
Arkansas	83,105	2,909	16,621	144,045	5,042	28,809	302,500	10,588	60,500
California	203,109	7,109	40,622	425,000	14,875	85,000	684,848	23,970	136,970
Colorado	175,000	6,125	35,000	304,950	10,673	60,990	509,091	17,818	101,818
Connecticut	130,000	4,550	26,000	228,400	7,994	45,680	435,000	15,225	87,000
Delaware	144,899	5,071	28,980	230,000	8,050	46,000	418,000	14,630	83,600
District of Columbia	265,000	9,275	53,000	529,497	18,532	105,899	780,000	27,300	156,000
Florida	119,171	4,171	23,834	202,500	7,088	40,500	399,000	13,965	79,800
Georgia	110,322	3,861	22,064	183,000	6,405	36,600	397,000	13,895	79,400
Hawaii	250,000	8,750	50,000	485,000	16,975	97,000	799,857	27,995	159,971
Idaho	120,000	4,200	24,000	197,406	6,909	39,481	355,000	12,425	71,000
Illinois	90,000	3,150	18,000	185,000	6,475	37,000	400,000	14,000	80,000
Indiana	76,190	2,667	15,238	151,963	5,319	30,393	300,000	10,500	60,000
Iowa	80,829	2,829	16,166	155,000	5,425	31,000	323,500	11,323	64,700
Kansas	79,793	2,793	15,959	179,947	6,298	35,989	340,000	11,900	68,000
Kentucky	85,578	2,995	17,116	147,500	5,163	29,500	306,400	10,724	61,280
Louisiana	109,500	3,833	21,900	179,950	6,298	35,990	344,000	12,040	68,800
Maine	112,692	3,944	22,538	196,626	6,882	39,325	375,000	13,125	75,000
Maryland	155,440	5,440	31,088	269,000	9,415	53,800	521,298	18,245	104,260
Massachusetts	174,000	6,090	34,800	345,000	12,075	69,000	551,000	19,285	110,200
Michigan	78,756	2,756	15,751	154,950	5,423	30,990	326,814	11,438	65,363
Minnesota	120,000	4,200	24,000	202,000	7,070	40,400	394,658	13,813	78,932
Mississippi	86,010	3,010	17,202	179,291	6,275	35,858	286,854	10,040	57,371
Missouri	85,000	2,975	17,000	164,008	5,740	32,802	324,947	11,373	64,989
Montana	136,000	4,760	27,200	234,973	8,224	46,995	391,228	13,693	78,246
Nebraska	91,192	3,192	18,238	160,000	5,600	32,000	322,581	11,290	64,516
Nevada	144,900	5,072	28,980	225,000	7,875	45,000	400,000	14,000	80,000
New Hampshire	143,567	5,025	28,713	249,933	8,748	49,987	407,798	14,273	81,560
New Jersey	147,150	5,150	29,430	285,000	9,975	57,000	545,455	19,091	109,091
New Mexico	111,917	3,917	22,383	191,284	6,695	38,257	354,211	12,397	70,842
New York	101,554	3,554	20,311	298,920	10,462	59,784	587,565	20,565	117,513
North Carolina	109,843	3,844	21,969	190,000	6,650	38,000	395,479	13,842	79,096
North Dakota	129,352	4,527	25,870	216,500	7,578	43,300	391,125	13,689	78,225
Ohio	74,900	2,622	14,980	138,000	4,830	27,600	307,000	10,745	61,400
Oklahoma	87,000	3,045	17,400	150,000	5,250	30,000	305,905	10,707	61,181
Oregon	164,464	5,756	32,893	292,000	10,220	58,400	474,684	16,614	94,937
Pennsylvania	90,000	3,150	18,000	176,000	6,160	35,200	382,430	13,385	76,486
Rhode Island	147,150	5,150	29,430	236,500	8,278	47,300	415,000	14,525	83,000
South Carolina	105,500	3,693	21,100	179,600	6,286	35,920	370,018	12,951	74,004
South Dakota	104,055	3,642	20,811	179,300	6,276	35,860	327,014	11,445	65,403
Tennessee	101,110	3,539	20,222	172,500	6,038	34,500	382,500	13,388	76,500
Texas	124,352	4,352	24,870	215,000	7,525	43,000	414,903	14,522	82,981
Utah	150,000	5,250	30,000	242,968	8,504	48,594	422,632	14,792	84,526
Vermont	126,422	4,425	25,284	215,500	7,543	43,100	380,000	13,300	76,000
Virginia	139,137	4,870	27,827	276,500	9,678	55,300	553,991	19,390	110,798
Washington	166,667	5,833	33,333	305,000	10,675	61,000	528,798	18,508	105,760
West Virginia	80,000	2,800	16,000	149,975	5,249	29,995	293,750	10,281	58,750
Wisconsin	92,000	3,220	18,400	157,000	5,495	31,400	335,000	11,725	67,000
Wyoming	137,000	4,795	27,400	222,517	7,788	44,503	383,333	13,417	76,667

Sources: eMBS and the Urban Institute.
Note: Based on 2016 agency purchase mortgage originations.

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