



Freddie Mac Insight Reveals Sources of Borrower Down Payment

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MCLEAN, Va., May 07, 2019 (GLOBE NEWSWIRE) -- [Freddie Mac](#) (OTCQB: FMCC) today released its [May Insight](#), which examines the perceptions prospective homebuyers have around down payments, the various funding sources they use, and how families and others assist them in fulfilling the dream of homeownership.

"In addition to the common misbelief that lenders require a 20 percent down payment on a mortgage, borrowers often mistakenly believe that a down payment can only come from savings," said Sam Khater, Chief Economist at Freddie Mac. "While borrowers most often use savings for their down payment, they also frequently use assistance from government or nonprofit organizations, gift money from friends and family, and seller contribution or proceeds from a previous home sale."

An analysis of the National Survey of Mortgage Originations (NSMO) found that 70 percent of homebuyers used savings, inheritance, other assets, or retirement monies for a down payment in 2016. That's down from 79 percent in 2013. The analysis also shows that over the four-year period, 31 percent of homebuyers used proceeds from the sale of another property, up eight percentage points from 23 percent, and home buyers who used assistance or a loan from a nonprofit or government agency, doubled from 5 to 10 percent.

"We believe the demand for down payment assistance of all types will increase in the coming years as more Millennials look to become homeowners," added Khater. "Nearly 25 percent of borrowers turn to 'The Bank of Mom and Dad' to help with the down payment. Moreover, family members are also providing support by co-signing for a mortgage or listing themselves as a co-borrower, especially among first-time homebuyers. Unfortunately, that won't help everyone."

Based on analysis of Freddie Mac's portfolio of purchase loans, last year 3.2 percent of first-time homebuyers listed a family member who was 55 years or older as a co-borrower. In high cost markets like San Jose, California, 7.2 percent of first-time homebuyers listed a family member who was 55 years or older as a co-borrower.

In 2016, 61 percent of respondents used down payment sources other than savings or help from friends and family. Of the 61 percent, 10 percent used assistance or a loan from a nonprofit or government agency. Excluding the dominant source of personal savings, around 85 percent of NSMO respondents used only one source of funds for their down payment.

Khater added, "The findings suggest a real opportunity for the mortgage industry to educate borrowers about low down payment products and sources of down payment assistance beyond personal savings. Doing so may help more first-time homebuyers realize the dream of homeownership sooner."

Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we've made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders and taxpayers. Learn more at [FreddieMac.com](#), Twitter [@FreddieMac](#) and Freddie Mac's blog [FreddieMac.com/blog](#).

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