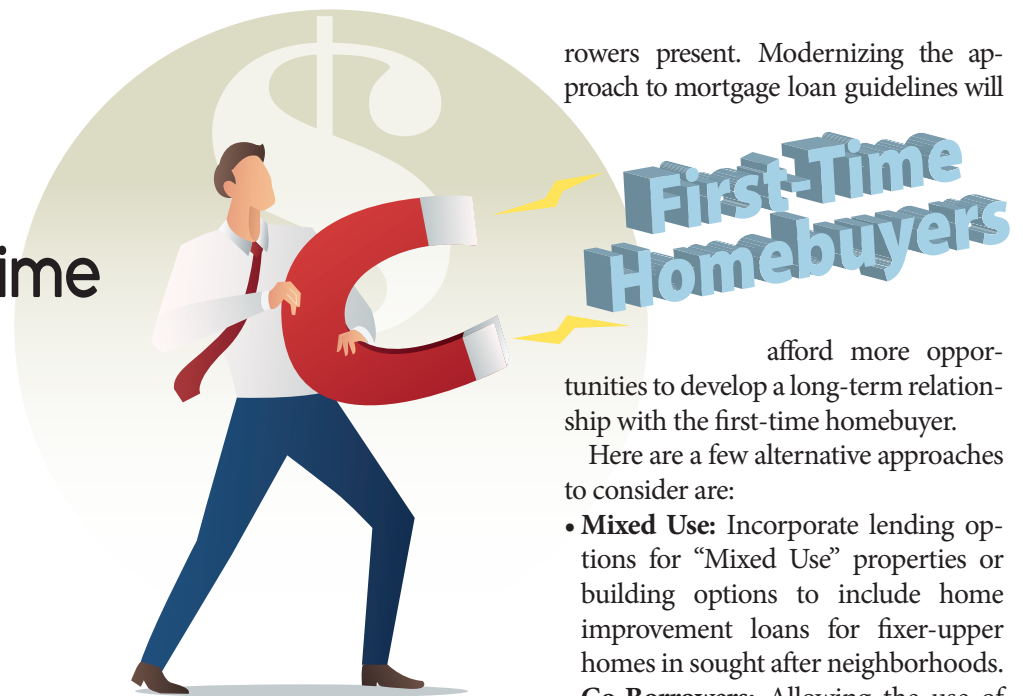


Enticing First-Time Homebuyers with Effective Loan Options

By Kathleen Ayer and Rick Hughes
NFP Financial Institutions



The percentage of housing shoppers currently classified as first-time homebuyers is now 33% of all potential buyers, with many surveys indicating that the largest future housing buyer sector, the Millennials, is beginning to move into home ownership.

While this emerging market presents an opportunity for mortgage lenders across the country, the first-timers segment also presents a unique set of constraints. Understanding these challenges will allow lenders to smooth the process for the buyer and to create effective loan options that will guide buyers as they realize their home ownership goals.

Credit unions can be uniquely qualified to help with difficulties and assist with:

- **Affordability:** More likely to seek popular urban and “surban” (new or redeveloped areas with an urban feel) environments in which to reside, today’s first-time buyers are faced with alternate housing choices and higher priced entry points to the housing market.
- **Debt Load:** More than 50% of Millennials are carrying additional debt, with the average 2016 graduate holding more than \$37,000 in student loans compared to \$18,000 for the average 2003 graduate, according to a recent article in Forbes magazine (A link to the story

appears at the end of this article.)

- **Income Differences:** The current “gig economy” following the 2008 downturn occurred just as Millennials were finishing college and beginning careers, leading to a high number of independent contractors in this cohort, according to Forbes.

“Many surveys indicate that the largest future housing buyer sector, the Millennials, is beginning to move into home ownership.”

- **Lack of Savings:** With the debt load that millennials are carrying there is little to no savings for the purpose of a downpayment on a home.

Lenders can truly differentiate their mortgage approval process by re-thinking guidelines and considering some of the unique challenges these bor-

rowers present. Modernizing the approach to mortgage loan guidelines will

afford more opportunities to develop a long-term relationship with the first-time homebuyer.

Here are a few alternative approaches to consider are:

- **Mixed Use:** Incorporate lending options for “Mixed Use” properties or building options to include home improvement loans for fixer-upper homes in sought after neighborhoods.
- **Co-Borrowers:** Allowing the use of co-borrowers. Those co-borrowers may be multiple people and they may not occupy the property.
- **Income Strategies:** Consider tenant income, as it may be the only option to affordability for the potential buyer, and build allowances for independent contracting employment.
- **Built-In Debt Restructuring and Higher Loan-to-Value:** Providing additional allowance in loan-to-value or providing debt restructuring as part of the lending process.

So, while there are obstacles to reaching the first-time homebuyer market, there are solutions that can help your financial institution attract your share of that market. ▲

Kathleen Ayer is the Managing Director and Rick Hughes is the Senior Vice President of Underwriting for NFP Financial Institutions Programs. NFP is a leading insurance broker and consultant that provides employee benefits, property & casualty, retirement and individual private client solutions through licensed subsidiaries and affiliates. NFP’s expertise is matched only by its personal commitment to each client’s goals.

Article Sources:

- www.forbes.com/sites/larryalton/2018/01/24/why-the-gig-economy-is-the-best-and-worst-development-for-workers-under-30/#16a97bdb6d76
- www.washingtonpost.com/sf/brand-connect/nar/millennials-go-surban/