

LOOK WHO ELSE IS BUYING THEIR FIRST HOME



FIRST-TIME HOMEBUYER SURVEY

OVERVIEW

- This survey was administered to agents who have worked with first-time buyers in 2009.
- 2,453 Keller Williams agents responded to the survey.
- They were asked to answer questions on the most recent first-time buyer they worked with.
- We analyzed the responses of those agents who worked with a first-time homebuyer in the last three months.

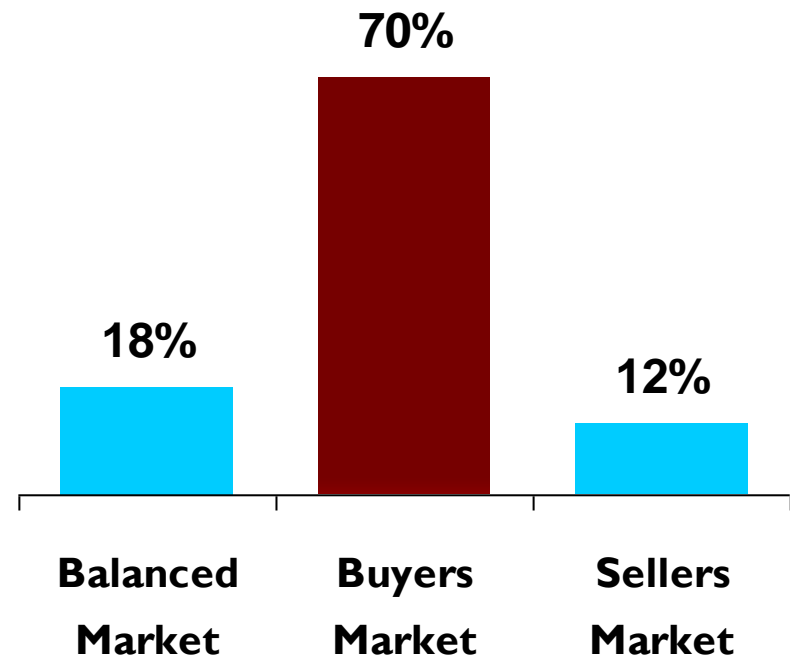
TABLE OF CONTENTS

What kind of market did they buy in?	4
What's their marital status?	5
How big is their household?	6
How old are they?	7
What kind of home did they purchase?	8
What size home did they purchase?	10
How many beds and baths?	11
What were their top five "Must Haves"?	12
What was their number one "Must Have"?	13
How did they choose their mortgage lender?	14
Were they preapproved for a mortgage?	15
How much did they pay?	16
Did they pay closing costs?	17
What were the most common seller concessions?	18
How big was their down payment?	19
Where did they come up with their down payment?	20
Did they have any issues with financing?	21
How did they solve their financing issues?	22
Did they close on time?	22



WHAT KIND OF MARKET DID THEY BUY IN?

The majority of first-time buyers in early 2009 purchased their home in a **Buyer's Market**.



WHAT'S THEIR MARITAL STATUS?

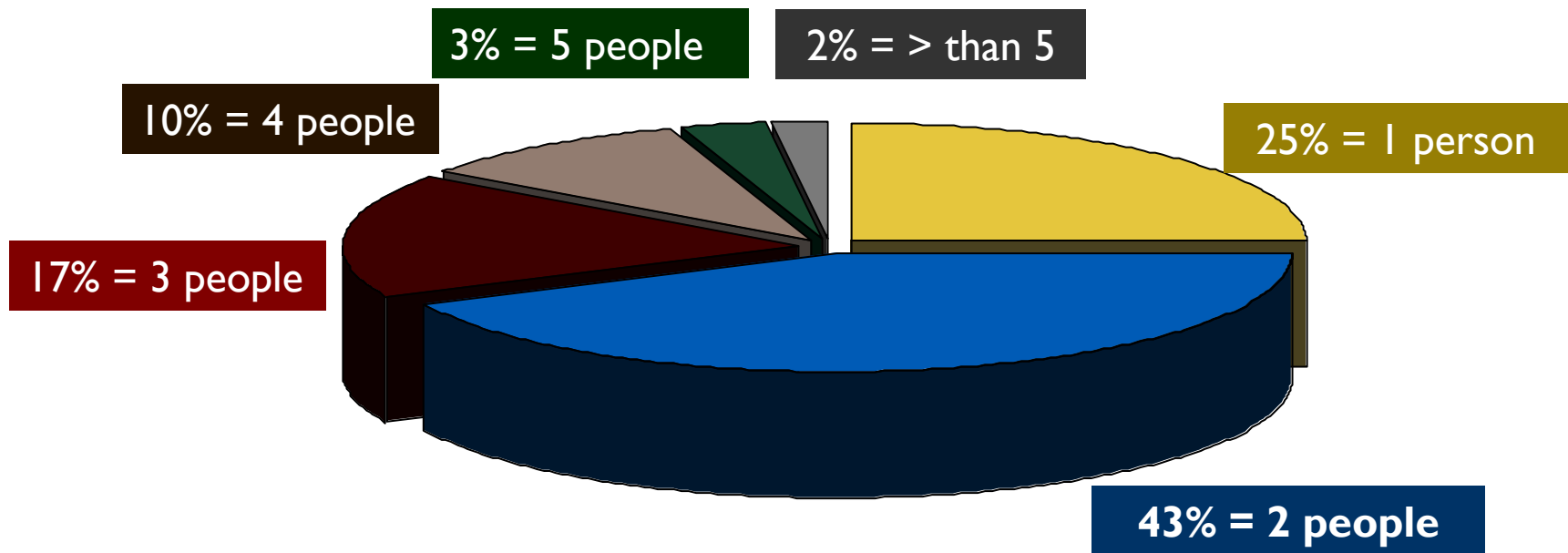
- **46%** of first-time home buyers were **married**. The proportion of married first-time buyers appear to be declining over time¹.
- Surprisingly, the number of single males buying homes are competitive to the number of single females buying their first home. In the last few years, the number of single females buying their first home far outnumbered the number of single males¹.

Married Couple	46%	} 40%
Unmarried Couple	13%	
Single Female	21%	
Single Male	19%	
Other	1%	

¹ Source: NAR Profile of Homebuyers and Sellers

HOW BIG IS THEIR HOUSEHOLD?

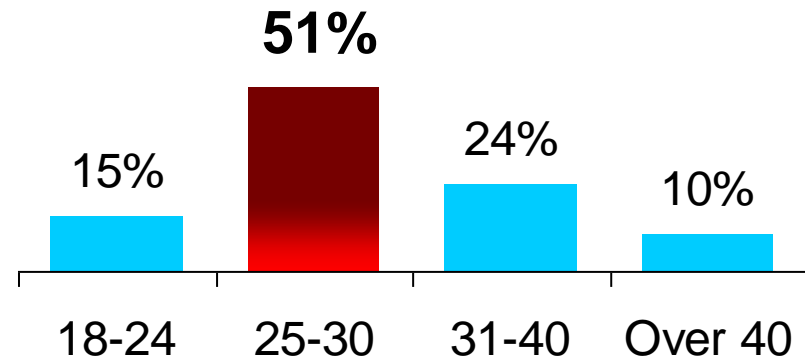
- The median household size is **two**.
- **75%** of first-time buyers had **two or more** people of any age living in the home.



HOW OLD ARE THEY?



- **51%** of first-time buyers are in the **25 to 30** age group.
- The overall median age is **28** which is significantly lower than the median age of **32** four years ago¹.



WHAT KIND OF HOME DID THEY PURCHASE?

81% of first-time buyers bought **single family homes**.



Single Family Detached	81%
Townhouse	9%
Condominium	7%
Duplex	1%
Other	2%

WHAT KIND OF HOME DID THEY PURCHASE?

- **76% viewed at least one** distressed property in their home search.
- **2 out of 5** first-time buyers **purchased** a distressed property.

WHAT SIZE HOME DID THEY PURCHASE?

- The median size home purchased was **1,600** square feet.
- **40%** of first-time buyers bought a home between **1,501- 2,000** square feet.



Median Square Feet =

1,600

0 to 1,000 sq ft	7%
1,001 to 1,500 sq ft	35%
1,501 to 2,000 sq ft	40%
2,001 to 2,500 sq ft	12%
2,501-3,000 sq ft	4%
More than 3,000 sq ft	2%

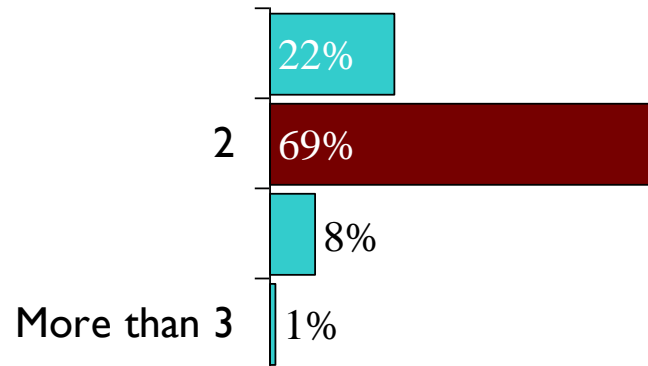
HOW MANY BEDS & BATHS?

- The typical home purchased was a **3 bedroom/2 bath** house.
- Approximately **2 out of 5** homes purchased had **half baths**.

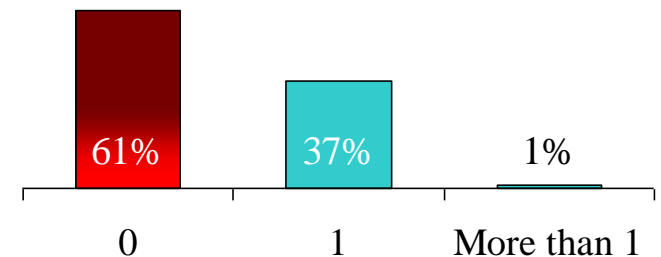
of Bedrooms

1	1%
2	14%
3	63%
4	19%
5	2%
More than 5	1%

of Full Baths



of Half Baths



Decimals not shown. Percentages will not equal 100%.

WHAT WERE THEIR TOP FIVE MUST HAVES”?

Percentage that selected the following reasons as one of their **top 5 criteria**

1.	Location/Neighborhood	100%
2.	List price	73%
3.	Number of bedrooms/bathrooms	41%
4.	Distance from work/transit	35%
5.	Type of home (single family, condo, etc.)	32%
6.	Floor plan	28%
7.	Square footage	25%
8.	Updates in home	21%
9.	Age of home	17%
10.	Garage	15%

** Respondents had to rank their top 5 criteria from a list of 24 items.

WHAT WAS THEIR NUMBER ONE “MUST HAVE”?

Number 1 Criteria

1.	Location/Neighborhood	36%
2.	List Price	31%
3.	Type of home (single family, condo, etc.)	12%
4.	Distance from work/transit	4%
5.	Schools	3%

** Respondents had to rank their top 5 criteria from a list of 24 items.

HOW DID THEY CHOOSE THEIR MORTGAGE LENDER?

- **82%** of agents **recommended mortgage professionals** to their first-time buyers.
- **Two out of three** first-time buyers **used** a recommended mortgage professional to finance their home purchase.

WERE THEY PREAPPROVED FOR THEIR MORTGAGE?

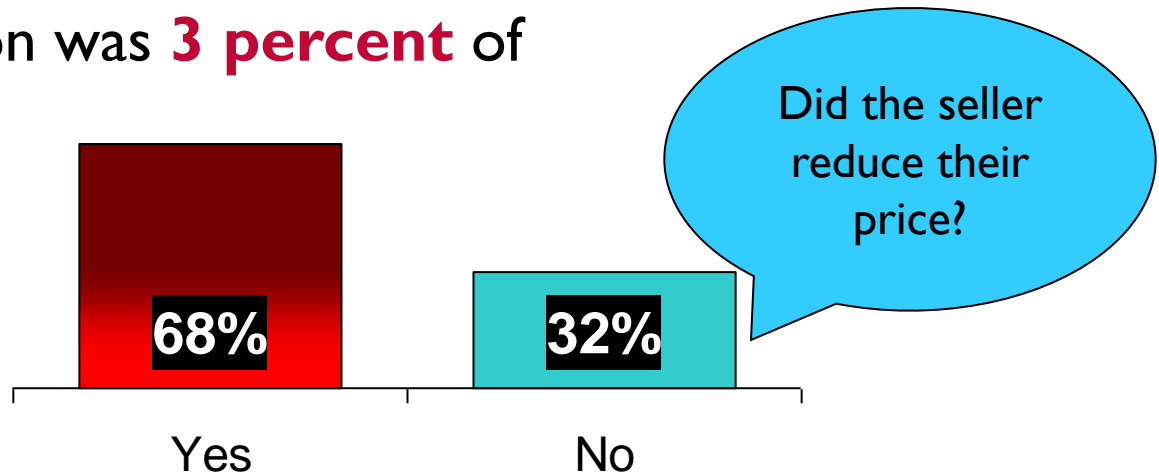
- **95%** of first-time homebuyers who needed financing were **prequalified** before their agents started searching for homes.
- **80%** were **preapproved**.

Prequalified (GOOD) – Process by which a loan officer estimates the amount you can borrow based on information you provide about your financial situation. There is no formal application, verification or commitment from the lender.

Preapproval (BETTER) – Involves a formal application that goes through underwriting for independent verification of the information you provide. Upon preapproval, you will receive a **FORMAL COMMITMENT** from the lender stating how much you can borrow and at what rate.

HOW MUCH DID THEY PAY?

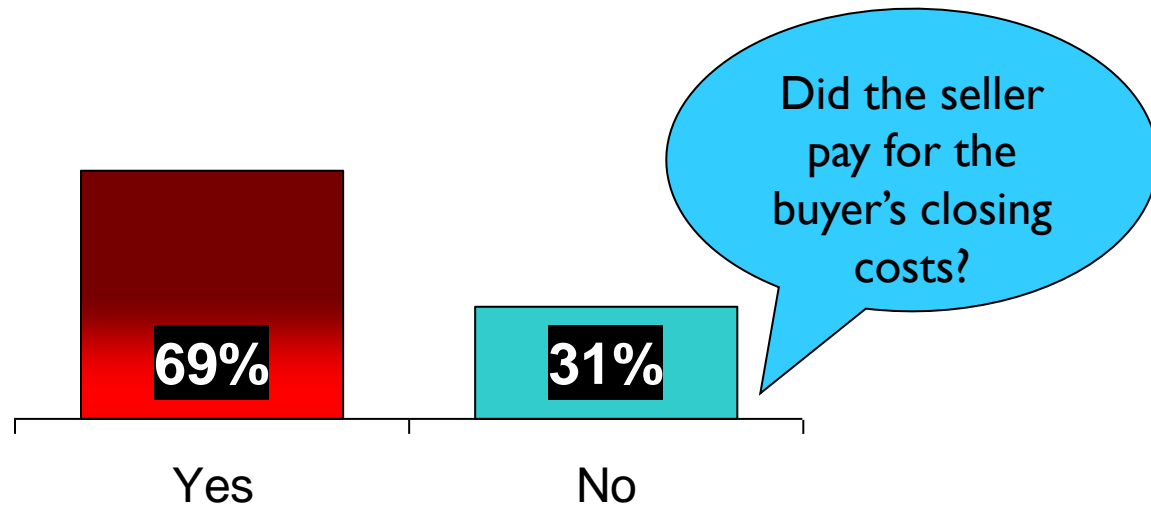
- The typical first-time homebuyer purchased a **\$155K** house.
- **2 out of 3** sellers made price concessions.
- The median reduction was **3 percent** of the list price.



	Initial List Price	Final Sale Price	List to Sale Price
Median Amount	\$160K	\$155K	97%

DID THEY PAY CLOSING COSTS?

- **2 out of 3** sellers actually paid for a portion of the **buyer's closing costs**.
- The standard amount paid was **3 percent** of the final sale price.



WHAT WERE THE MOST COMMON SELLER CONCESSIONS?

1.	Pay buyer's closing costs
2.	Reduce original list price
3.	Conduct repairs before closing
4.	Purchase home warranty protection
5.	Move closing date
6.	Purchase personal property (appliances, furniture, etc.)
7.	Provide repair allowance
8.	Pay buyer's origination fees
9.	Provide upgrades allowance
10.	Pay buyer's commitment fees

HOW BIG WAS THEIR DOWN PAYMENT?

- The typical down payment by first-time buyers is **3.5 percent**, which is the minimum amount required for FHA loans.
- **73%** put **less than 4 percent down** to get into their first home.

Zero Down	13%	} 73%
0.5 to 3%	12%	
3.5%	48%	
4 to 10%	14%	
11 to 20%	9%	
More than 20%	4%	

WHERE DID THEY COME UP WITH THEIR DOWN PAYMENT?

76% of first-time buyers withdrew from their savings for the down payment. **1 in 4** buyers received help from their family.

Own Savings Account	76%
Gift From Family	25%
401K Loan/Cash Out	4%
Stocks or Other Investments	3%
Down Payment Assistance Program	3%
Grants from City/County/State	3%
Other	6%



Percentages will not equal 100 as many home buyers had more than one source of down payment.

DID THEY HAVE ANY ISSUES WITH FINANCING?

- Approximately **1 in 5** first-time buyers experienced some issues with **financing**.
- **Credit** and **insufficient cash reserves** were the two main issues faced.

Primary Issues Faced

Credit issues (score, etc.)	28%
Insufficient cash reserves	15%
Income issues	13%
Appraisal was too low	10%
Insufficient down payment	8%
Tax returns	7%
Other	19%

Percentages are based on those who experienced issues with financing.

HOW DID THEY SOLVE THEIR FINANCING ISSUES?

- Removed incorrect negative information from credit report
- Lowered debt
- Family provided gift funds for down payment
- Parent's co-signed the loan
- Used different lending program (VA, FHA, USDA, etc.) that required smaller down payment
- Switched to alternative loan products (variable rate loan, etc.)
- Worked with lender to iron out issues
- Provided more documentation to lender
- Switched lenders
- Withdrew money from other investments to pay for closing costs



DID THEY CLOSE ON TIME?

70% of homes closed on time.

Common Reasons for Delayed Closings

- Short sale approval took longer
- Appraisal issues
- Lender took too long / was backlogged
- Loan underwriting took longer than expected
- Additional documentation needed
- Buyer did not provide documents to lender in a timely fashion
- Home repairs needed to be conducted
- Could not close with an active dispute on credit
- Additional requirements by down payment assistance program
- FHA loan requirements took additional time to complete
- HOA application
- Title issues
- Escrow company did not complete all required activities in a timely manner