

FIRST-TIME HOMEBUYERS: UPDATE FROM THE 2005 AMERICAN HOUSING SURVEY

In 2005, there were nearly 75 million homeowners in the United States, representing nearly 69 percent of all households. During the past decade, homeownership rates have risen fairly steadily from 64.0 percent in 1994. Historically low interest rates, real income growth, steady employment levels, and the introduction of new mortgage lending programs aimed at lower income and younger families have contributed to this growth in homeownership. The February 2004 issue of *U.S. Housing Market Conditions* contained the article, "First-Time Homebuyers: Update From the 2001 American Housing Survey." This current article updates and extends the first-time homebuyer information in that article, using the more recent 2005 American Housing Survey (AHS). First-time homebuyers are households that moved in the year preceding the interview and answered "no" to the question, "Did you ever own a home before?" According to the AHS, about 6.4 million homeowners moved into their housing units within the year before the AHS interview, and nearly 2.5 million, or 38 percent, of these homeowners were first-time homebuyers.

This article examines the characteristics of the 2005 AHS sample of first-time homebuyers, comparing them with other recent homebuyers (that is, repeat homebuyers) and with other homeowners (that is, homeowners who had not moved in the year before the interview).

Compared with other recent homebuyers and other homeowners, first-time homebuyers are younger, more often foreign born, and more likely to be minorities. They live less frequently in traditional families (for example, husband-wife families). First-time homebuyers are more likely to live in the Northeast and West or in the central cities of metropolitan areas and less likely to live outside

metropolitan areas. Although first-time homebuyers mostly purchase single-family detached structures, they are more likely to purchase townhouses, apartments in multifamily condominium or cooperative buildings, and manufactured (mobile) homes than are other recent homebuyers and other homeowners. Their housing units tend to be smaller and of more modest value than those of other homeowners. First-time homebuyers more often require mortgage financing, take out smaller mortgages, and more often rely on Federal Housing Administration (FHA) mortgage insurance and Department of Veterans Affairs (VA) guarantees. In general, first-time homebuyers in 2005 were very similar to first-time homebuyers in 2001.

The American Housing Survey

Every other year, the Census Bureau conducts the national version of the AHS. This national sample includes about 60,000 housing units. Occupants provide information to the Census Bureau's field interviewers.¹ The AHS collects extensive information on the housing structure and unit; social, demographic, and economic characteristics of the occupants; equipment in the unit; housing costs and mortgage information; condition and quality of the housing unit; neighborhood features and qualities; commuting and labor force information; remodeling and improvements; and moving and relocation data. Because the AHS is a statistical sample, the estimates presented here are subject to sampling and non-sampling errors, and the reader should consider the nature of the data when reading the discussion of the results.

Demographic Characteristics of First-Time Homebuyers

First-time homebuyers surveyed for the 2005 AHS were nearly twice as likely to be minorities as were other recent homebuyers and other homeowners. Exhibit 1 shows that 34.6 percent of first-time homebuyers were minority households: 10.9 percent were non-Hispanic, Black; 7.4 percent were non-Hispanic of other races; and 16.4 percent were Hispanic. In contrast, only 19.0 percent of other recent homebuyers were minorities: 4.3 percent were non-Hispanic, Black; 4.4 were non-Hispanic of other races; and 10.3 percent were Hispanic. Little



Exhibit 1. Homebuyers by Race and Ethnicity, 2005

Race and Ethnicity	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
White, non-Hispanic	1,615,288	65.4	3,214,516	81.0	54,831,856	80.0
Black, non-Hispanic	269,546	10.9	170,833	4.3	5,886,072	8.6
Other, non-Hispanic	181,761	7.4	174,710	4.4	2,853,028	4.2
Hispanic	404,837	16.4	409,885	10.3	4,937,635	7.2
All	2,471,432	100.0	3,969,944	100.0	68,508,591	100.0

difference in the minority representation was apparent among other recent homebuyers and other homeowners; that is, 19.0 percent and 20.0 percent, respectively. Within the minority group, however, non-Hispanic, Black householders have a higher representation among other homeowners (8.6 percent) than among other recent homebuyers (4.3 percent.) Minority representation among all three groups has increased since 2001. The minority representation increased from 31.7 to 34.6 percent among first-time homebuyers, from 17.4 to 19.0 percent among other recent homebuyers, and from 18.2 to 20.0 percent among other homeowners.

In 2005, first-time homebuyers were more likely than other recent homebuyers and other homeowners to be foreign born, both citizens and noncitizens. Exhibit 2 shows that 17.5 percent of first-time homebuyers were foreign born, with 6.4 percent being naturalized citizens and 11.1 percent noncitizens. The exhibit also shows that 11.4 percent of other recent homebuyers and 8.6 percent of other homeowners are foreign born. Foreign-born noncitizens show the sharpest contrast in representation across the three homeowner groups. First-time homebuyers

are much more likely to be foreign-born noncitizens (11.1 percent) than are other recent homebuyers (4.7 percent) or other homeowners (3.1 percent). When compared with 2001 data, the 2005 data show increases in the representation of foreign-born households among first-time homebuyers. The sharpest difference is in the representation of foreign-born noncitizens among first-time homebuyers. In 2001, 8.3 percent of first-time homebuyers were foreign-born noncitizens; in 2005, this figure increased to 11.1 percent.

First-time homebuyers are less likely to be traditional husband-wife families than are other recent homebuyers and other homeowners. Exhibit 3 shows that, in 2005, 51.6 percent of first-time homebuyers were husband-wife families compared with 64.7 percent of other recent homebuyers and 62.4 percent of other homeowners. First-time homebuyers are more likely to be nontraditional family households headed by other males and other females (such as families in which heads are widowed, divorced, separated, or single or are married but have a spouse who is absent for some other reason). Among first-time homebuyers, 5.5 percent were families headed

Exhibit 2. Homebuyers by Citizenship, 2005

Citizenship	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Native, born in the United States	1,956,786	79.2	3,445,875	86.8	61,307,641	89.5
Native, born in Puerto Rico or U.S. outlying area	71,019	2.9	42,527	1.1	940,798	1.4
Native born abroad of U.S. parent(s)	11,571	0.5	29,429	0.7	357,565	0.5
Foreign born, U.S. citizen by naturalization	158,550	6.4	264,180	6.7	3,791,028	5.5
Foreign born, not a U.S. citizen	273,505	11.1	187,932	4.7	2,111,557	3.1
All	2,471,431	100.0	3,969,943	100.0	68,508,589	100.0

Exhibit 3. Homebuyers by Family and Household Type, 2005

Family and Household Type	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Husband-wife families	1,274,418	51.6	2,567,840	64.7	42,780,348	62.4
Other male-headed families	135,612	5.5	142,815	3.6	2,312,922	3.4
Other female-headed families	256,967	10.4	333,338	8.4	6,151,971	9.0
Male-headed (nonfamily) households	521,370	21.1	441,021	11.1	7,214,128	10.5
Female-headed (nonfamily) households	283,064	11.5	484,930	12.2	10,049,221	14.7
All	2,471,431	100.0	3,969,944	100.0	68,508,590	100.0

by other males and 10.4 percent were families headed by other females. In comparison, 3.6 percent of other recent homebuyers were families headed by other males and 8.4 percent were families headed by other females. Among other homeowners, families headed by other males and other females amounted to 3.4 and 9.0 percent, respectively.

First-time homebuyers are more likely to be non-family households due to the increased representation of male-headed (nonfamily) households among first-time homebuyers.² Exhibit 3 shows that, in 2005, male-headed (nonfamily) households accounted for 21.1 percent of all first-time homebuyers compared with 11.1 percent of other recent homebuyers and 10.5 percent of all other homeowners. Female-headed (nonfamily) households accounted for nearly equal portions of first-time and other recent homebuyers (11.5 and 12.2 percent, respectively) but represented a slightly higher percentage of other homeowners (14.7 percent). Between 2001 and 2005, the portion

of first-time homebuyers who were male-headed (nonfamily) households increased from 16.4 to 21.1 percent and the portion of first-time homebuyers who were traditional husband-wife families decreased from 54.3 to 51.6 percent.

First-time homebuyers are considerably younger than other recent homebuyers and other homeowners. Exhibit 4 shows that, in 2005, 65.7 percent of first-time homebuyers were under age 35 compared with 21.4 percent of other recent homebuyers and 11.9 percent of other homeowners. This pattern holds true for each of the three age subgroups—under age 25, ages 25 to 29, and ages 30 to 34. Median ages also indicate the more youthful composition of the first-time homebuyer group. Although other recent homebuyers had a median age of 45 and other homeowners were the oldest of the three homeowner categories, with a median age of 53, first-time homebuyers had a median age of just 31. The 2005 age distribution shows a slight movement toward

Exhibit 4. Homebuyers by Age of Householder, 2005

Age of Householder	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Under 25	453,227	18.3	66,915	1.7	916,462	1.3
25 to 29	700,410	28.3	253,831	6.4	2,455,371	3.6
30 to 34	469,317	19.0	530,027	13.4	4,782,374	7.0
35 to 44	491,311	19.9	1,118,434	28.2	13,806,406	20.2
45 to 64	325,318	13.2	1,532,974	38.6	29,242,961	42.7
65 and over	31,848	1.3	467,763	11.8	17,305,016	25.3
All	2,471,431	100.0	3,969,944	100.0	68,508,590	100.0
Median		31		45		53



younger first-time homebuyers compared with the 2001 data; the February 2004 article reported that 63.0 percent of first-time homebuyers were under age 35.

Household size does not appear to differ among the three groups of homeowners, as shown in Exhibit 5. In 2005, first-time homebuyers and other homeowners both had median household sizes of 2.8 people, while other recent homebuyers had a slightly larger median household size of 2.9 people. Few differences exist in the median household size for the three groups when compared with the 2001 results.

The household incomes of first-time homebuyers are considerably lower than those of other recent homebuyers but nearly equal to the household incomes of other homeowners. Exhibit 6 shows that, in 2005, first-time homebuyers had a median income of \$52,826, other recent homebuyers had a median income of \$69,797, and other homeowners had a median income of \$56,561. Although 52 percent of first-time homebuyers and 55 percent of other homeowners had incomes above \$50,000, 64.1 percent of

other recent homebuyers had incomes of more than \$50,000. These patterns for all three homeowner groups closely follow those reported for 2001.

Location of First-Time Homebuyers

First-time homebuyers are less likely to live in the Northeast but more likely to live in the West than are other homeowners. On the other hand, these first-time homebuyers are more likely to live in the Northeast and Midwest than are other recent homebuyers. Exhibit 7 shows that, in 2005, 37.2 percent of other homeowners lived in the South, 18.1 percent lived in the Northeast, 24.6 percent lived in the Midwest, and 20.1 percent lived in the West. First-time homebuyers are distributed in a similar manner except for a smaller share in the Northeast (14.5 percent) and a larger share in the West (23.6.) Compared with other recent homebuyers, first-time homebuyers were more likely to live in the Northeast

Exhibit 5. Homebuyers by Number of People in Household, 2005

Number of People in Household	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
One	520,793	21.1	741,908	18.7	14,941,553	21.8
Two	850,846	34.4	1,326,064	33.4	24,499,202	35.8
Three	422,809	17.1	696,072	17.5	11,017,393	16.1
Four	332,003	13.4	724,412	18.2	10,850,697	15.8
Five	230,911	9.3	335,553	8.5	4,719,135	6.9
Six	74,657	3.0	88,341	2.2	1,590,926	2.3
Seven	39,411	1.6	57,594	1.5	889,683	1.3
All	2,471,430	100.0	3,969,944	100.0	68,508,589	100.0
Median		2.8		2.9		2.8

Exhibit 6. Homebuyers by Household Income, 2005

Household Income (\$)	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Less than 25,000	405,750	16.4	578,573	14.6	14,823,789	21.6
25,000 to 49,999	774,386	31.3	847,186	21.3	16,356,551	23.9
50,000 to 99,999	983,389	39.8	1,412,339	35.6	23,426,604	34.2
100,000 and more	307,906	12.5	1,131,846	28.5	13,901,646	20.3
All	2,471,431	100.0	3,969,944	100.0	68,508,590	100.0
Median		\$52,826		\$69,797		\$56,561

Exhibit 7. Homebuyers by Census Region, 2005

Census Region	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Northeast	358,455	14.5	452,683	11.4	12,431,204	18.1
Midwest	624,634	25.3	854,747	21.5	16,880,457	24.6
South	905,776	36.6	1,638,927	41.3	25,458,247	37.2
West	582,566	23.6	1,023,587	25.8	13,738,683	20.1
All	2,471,431	100.0	3,969,944	100.0	68,508,591	100.0

(14.5 percent compared with 11.4 percent) and Midwest (25.3 compared with 21.5 percent) and less likely to live in the South (36.6 percent compared with 41.3 percent) and the West (23.6 percent compared with 25.8 percent.)

First-time homebuyers are slightly more likely to live in central cities of metropolitan areas and slightly less likely to live outside metropolitan areas than are other recent homebuyers. Exhibit 8 shows that, in 2005, 29.7 percent of first-time homebuyers lived in central cities compared with 21.5 percent of other recent homebuyers and 22.1 percent of other homeowners. Residing outside metropolitan areas was the choice of 27.2 percent of first-time homebuyers, 38.3 percent of other recent homebuyers, and 26.6 percent of other homeowners. For each homeowner group, most households lived in suburban areas—43.1 percent of first-time homebuyers, 40.2 percent of other recent buyers, and 51.3 percent of other homeowners. Significant shifts in preferences away from suburban locations in favor of locations outside metropolitan statistical areas have occurred since 2001. In 2005, first-time and other recent homebuyers were less likely to live in suburban locations (43.1 and 40.2 percent, respectively) than they were in 2001 (54.4 and 55.1 percent, respectively).

Types of Housing Purchased by First-Time Homebuyers

Although first-time homebuyers, like most Americans, generally live in single-family, detached homes, they are more likely to live in townhouses (single-family, attached), manufactured (mobile) homes, and multi-family units than are other recent homebuyers and other homeowners. Exhibit 9 shows that, in 2005, 70.8 percent of first-time homebuyers lived in single-family, detached units compared with 80.5 percent of other recent homebuyers and 82.9 percent of other homeowners. First-time homebuyers are more likely to live in single-family, attached units (9.5 percent) than are other recent homebuyers (5.8 percent) or other homeowners (5.1 percent). They also are more likely to live in multifamily structures (9.9 percent) than are other recent homebuyers (5.3 percent) or other homeowners (4.8 percent).³ Finally, first-time homebuyers and other recent homebuyers are more likely (9.8 percent and 8.5 percent, respectively) to live in manufactured (mobile) homes than are other homeowners (7.2 percent). Since 2001, some changes have occurred in the distribution of homeowners by

Exhibit 8. Homebuyers by Location of Home, 2005

Location of Home	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Inside metropolitan statistical area						
Central city	735,195	29.7	853,329	21.5	15,120,460	22.1
Suburban area	1,064,139	43.1	1,596,852	40.2	35,134,903	51.3
Outside metropolitan statistical area	672,097	27.2	1,519,763	38.3	18,253,227	26.6
All	2,471,431	100.0	3,969,944	100.0	68,508,590	100.0



Exhibit 9. Homebuyers by Home Structure Type, 2005

Home Structure Type	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Single-family, detached	1,749,388	70.8	3,194,759	80.5	56,783,420	82.9
Single-family, attached	235,125	9.5	228,477	5.8	3,512,384	5.1
Multifamily						
2 to 4 units	73,562	3.0	85,399	2.2	1,351,168	2.0
5 to 9 units	44,600	1.8	35,487	0.9	417,545	0.6
10 to 19 units	57,811	2.3	24,697	0.6	471,656	0.7
20 to 49 units	23,931	1.0	27,448	0.7	399,364	0.6
50 or more units	43,662	1.8	36,228	0.9	650,398	0.9
Manufactured house	243,352	9.8	337,449	8.5	4,922,656	7.2
All	2,471,431	100.0	3,969,944	100.0	68,508,591	100.0

structure type. First-time homebuyers are less likely to live in manufactured housing units (9.8 percent in 2005 compared with 12.9 percent in 2001) and more likely to live in multifamily housing units (9.9 percent in 2005 compared with 7.1 percent in 2001.)

Condominium and cooperative forms of ownership are more prevalent among first-time homebuyers than among other recent homebuyers and other homeowners. Exhibit 10 shows that, in 2005, 11.9 percent of first-time homebuyers and 7.5 percent of other recent homebuyers lived in condominiums or

cooperatives compared with only 5.3 percent of other homeowners. Since 2001, a slight increase has occurred in the proportion of first-time homebuyers choosing condominiums or cooperatives (11.9 percent in 2005 compared with 11.0 percent in 2001).

Compared with other recent homebuyers and other homeowners, first-time homebuyers tend to live in housing units containing fewer rooms. Exhibit 11 indicates that, in 2005, 17.8 percent of first-time homebuyers purchased homes with four or fewer

Exhibit 10. Homebuyers by Ownership Type, 2005

Condominium or Cooperative Ownership	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Yes	293,040	11.9	298,518	7.5	3,609,039	5.3
No	2,178,391	88.1	3,671,426	92.5	64,899,552	94.7
All	2,471,431	100.0	3,969,944	100.0	68,508,591	100.0

Exhibit 11. Homebuyers by Number of Rooms, 2005

Number of Rooms	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Four or fewer	439,026	17.8	368,764	9.3	7,122,229	10.4
Five	711,250	28.8	769,959	19.4	15,465,240	22.6
Six	651,299	26.4	902,985	22.7	17,947,116	26.2
Seven	344,805	14.0	698,328	17.6	12,048,031	17.6
Eight or more	325,051	13.2	1,229,908	31.0	15,925,974	23.2
All	2,471,431	100.0	3,969,944	100.0	68,508,590	100.0
Median		6.1		6.9		6.7

rooms, considerably above the rates for other recent homebuyers (9.3 percent) and other homeowners (10.4 percent). The same pattern holds true for homes with five rooms, which were purchased by 28.8 percent of first-time homebuyers, 19.4 percent of other recent homebuyers, and 22.6 percent of other homeowners. Only 13.2 percent of first-time homebuyers occupied large housing units with eight or more rooms, compared with 31.0 percent of recent homebuyers and 23.2 percent of other homeowners. The median number of rooms also reflects the purchase of smaller homes by first-time homebuyers—6.1 rooms compared with 6.9 rooms for other recent homebuyers and 6.7 rooms for other homeowners. Between 2001 and 2005, no major shift occurred in the number of rooms contained in housing units purchased by first-time homebuyers, with one exception: they purchased a higher proportion of units that had eight or more rooms (13.2 percent in 2005 compared with 11.9 percent in 2001) and purchased a lower proportion of units with seven or fewer rooms (14.0 percent in 2005 compared with 16.6 percent in 2001.)

First-time homebuyers are more likely to live in smaller housing units than are other recent homebuyers and other homeowners. Exhibit 12 shows that, in 2005, 30.0 percent of first-time homebuyers lived in smaller units with two or fewer bedrooms compared with 18.1 percent of other recent homebuyers and 21.3 percent of other homeowners. Likewise, first-time homebuyers are less likely to occupy larger units with four or more bedrooms (19.4 percent) compared with other recent homebuyers (34.6 percent) and other homeowners (26.6 percent). The median number of bedrooms also shows that first-time homebuyers (3.4 bedrooms) live in smaller housing units than do other recent homebuyers (3.7 bedrooms) and other homeowners (3.6 bedrooms). Despite these trends, first-time

homebuyers made a shift into larger units with four or more bedrooms between 2001 and 2005; 19.4 percent of first-time homebuyers purchased units with four or more bedrooms in 2005 compared with 16.6 percent in 2001.

First-time homebuyers and other recent homebuyers are more likely to live in newer housing (units built in 2000 or later) than are other homeowners. Exhibit 13 shows that, in 2005, 20.2 percent of first-time homebuyers and 33.4 percent of other recent homebuyers owned homes built in 2000 or later, which are significantly higher percentages than the 7.6 percent of other homeowners who lived in newer housing. Although both recent homebuyer groups are more likely to live in newer units than are other homeowners, first-time homebuyers tend to live in housing that is slightly older than the units occupied by other recent homebuyers. For example, in 2005, 21.5 percent of first-time homebuyers lived in units built before 1950 while only 11.9 percent of other recent homebuyers lived in units of a similar age. In terms of the median year that housing was built, other recent homebuyers lived in the newest housing (1988), followed by first-time homebuyers (1977) and other homeowners (1973).

Compared with other recent homebuyers and other homeowners, first-time homebuyers tend to live in less expensive housing units. Exhibit 14 shows that, in 2005, 31.8 percent of first-time homebuyers occupied homes valued at less than \$100,000, compared with 18.8 percent of other recent homebuyers and 29.8 percent of other homeowners. The median home values also show that first-time homebuyers have modest dwellings. Median home values were \$113,869 for first-time homebuyers, \$151,862 for other recent homebuyers, and \$123,955 for other homeowners. The 2001 data revealed that first-time homebuyers also selected lower valued

Exhibit 12. Homebuyers by Number of Bedrooms, 2005

Number of Bedrooms	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
None	0	0.0	3,555	0.1	32,725	0.0
One	149,122	6.0	98,079	2.5	1,549,988	2.3
Two	593,308	24.0	617,148	15.5	13,025,320	19.0
Three	1,249,263	50.5	1,875,829	47.3	35,690,736	52.1
Four or more	479,738	19.4	1,375,334	34.6	18,209,822	26.6
All	2,471,431	100.0	3,969,945	100.0	68,508,591	100.0
Median		3.4		3.7		3.6



Exhibit 13. Homebuyers by Year Unit Was Built, 2005

Year Unit Was Built	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
1919 or earlier	158,196	6.4	145,281	3.7	4,544,221	6.6
1920–29	101,585	4.1	83,989	2.1	2,509,652	3.7
1930–39	120,292	4.9	105,875	2.7	2,906,995	4.2
1940–49	151,721	6.1	135,809	3.4	4,168,761	6.1
1950–59	229,916	9.3	236,706	6.0	8,005,224	11.7
1960–69	214,377	8.7	297,633	7.5	8,709,993	12.7
1970–79	377,819	15.3	623,382	15.7	12,859,940	18.8
1980–89	306,585	12.4	424,159	10.7	8,970,351	13.1
1990–99	311,268	12.6	592,476	14.9	10,609,122	15.5
2000 or later	499,672	20.2	1,324,633	33.4	5,224,333	7.6
All	2,471,431	100.0	3,969,943	100.0	68,508,592	100.0
Median year		1977		1988		1973

Exhibit 14. Homebuyers by Value of Home, 2005

Value of Home (\$)	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Less than 50,000	315,271	12.8	320,257	8.1	6,774,704	9.9
50,000 to 99,999	471,520	19.1	426,315	10.7	13,635,965	19.9
100,00 to 149,999	536,920	21.7	555,938	14.0	11,417,981	16.7
150,000 to 249,999	593,635	24.0	894,202	22.5	14,939,566	21.8
250,000 and more	554,086	22.4	1,773,233	44.7	21,740,374	31.7
All	2,471,432	100.0	3,969,945	100.0	68,508,590	100.0
Median		113,869		151,862		123,955

homes earlier in the decade. In 2001, 43.4 percent of first-time homebuyers and 30.4 percent of other recent homebuyers selected homes valued at less than \$100,000.

First-Time Homebuyers' Mortgages

Of all the homeowner groups, first-time homebuyers are the least likely not to have a mortgage on their home. Exhibit 15 shows that, in 2005, 19.9 percent of first-time homebuyers reported not having a mortgage, while 24.5 percent of other recent homebuyers and 42.0 percent of other homeowners reported not having a mortgage. These proportions changed little between 2001 and 2005.

One of the most common sources of downpayments for homeowners is the proceeds of the sale of their previous home. In 2005, about 53 percent of other

recent homebuyers and 32.8 percent of other homeowners reported the source of their downpayments as the sale of a previous home, as shown in Exhibit 16. First-time homebuyers, of course, do not have access to this downpayment source. Exhibit 16 also shows the percentage distributions across the remaining sources of downpayments, revealing that the distributions differ mainly between two sources of downpayments: savings or cash on hand and no downpayment. The proportion of first-time homebuyers not making a downpayment was 23.7 percent compared with 17.0 percent for other recent homebuyers and 11.8 percent for other homeowners. Savings or cash on hand was the source of downpayments for 58.2 percent of first-time homebuyers, 63.9 percent for other recent homebuyers, and 70.1 percent for other homeowners. The other sources of downpayments were used fairly equally by the three groups. The major shifts that occurred between 2001 and 2005 were in the proportions of first-time homebuyers using savings or cash on hand or not making a downpayment. In 2001, 70.3 percent of

Exhibit 15. Homebuyers With or Without Mortgages, 2005

Mortgages on This Property?	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Yes	1,979,633	80.1	2,997,025	75.5	39,701,991	58.0
No	491,798	19.9	972,919	24.5	28,806,599	42.0
All	2,471,431	100.0	3,969,944	100.0	68,508,590	100.0

Exhibit 16. Homebuyers by Source of Downpayment, 2005

Source of Downpayment	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Sale of previous home if sold during 12 months prior to purchase of new home	NA	NA	2,006,481	53.2	21,062,694	32.8
Savings or cash on hand	1,337,638	58.2	1,125,416	63.9	30,220,892	70.1
Sale of other investment	27,864	1.2	41,272	2.3	668,884	1.6
Borrowing, other than a mortgage on this property	123,169	5.4	105,395	6.0	2,316,895	5.4
Inheritance or gift	80,102	3.5	40,393	2.3	1,499,967	3.5
Land where building was built used for financing	1,325	0.1	11,725	0.7	576,241	1.3
Other (specify)	181,885	7.9	139,166	7.9	2,724,725	6.3
No downpayment	545,021	23.7	298,745	17.0	5,097,145	11.8
All, excluding sale of previous home in past year	2,297,004	100.0	1,762,112	100.0	43,104,749	100.0

NA = Not applicable.

first-time homebuyers used savings or cash on hand and 11.8 percent made no downpayment, while in 2005, 58.2 used savings or cash on hand and 23.7 did not make a downpayment.

First-time homebuyers originate smaller mortgages than other recent homebuyers do, but they have larger mortgages than other homeowners do. Exhibit 17 shows that, in 2005, 34 percent of first-time homebuyers, 26.4 percent of other recent homebuyers, and 49.3 percent of other homeowners carried original mortgages of less than \$100,000. The low amount of initial mortgages that other homeowners carry reflects mortgages and purchases made over the past several decades. The median mortgage values also show that first-time homebuyers with a median mortgage amount of \$125,518 had smaller mortgages than did other recent homebuyers, who had a median mortgage of \$161,130 but had larger initial mortgages than did other homeowners, who had a median mortgage of \$101,497.

Between 2001 and 2005 the median mortgage amounts increased for all three groups as did the proportions of homeowners who had mortgages of \$250,000 and more.

The mortgage interest rates being paid by first-time homebuyers are very similar to those paid by all homeowners. Exhibit 18 shows the 2005 distribution of interest rate categories across the three homeowner groups. The three distributions were very similar, with first-time homebuyers (median interest rate of 5.70 percent) paying slightly more than other recent homebuyers (5.65 percent) but less than other homeowners (5.77). The major difference between 2001 and 2005 is that the interest rates reported in 2005 were 150 to 170 basis points lower than those reported in 2001.

First-time homebuyers are much more likely to have FHA-insured or VA-guaranteed mortgages than are other recent homebuyers or other homeowners.



Exhibit 17. Homebuyers by Amount of First Mortgage When Acquired, 2005

Amount of First Mortgage When Acquired (\$)	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Less than 50,000	239,566	12.0	318,696	10.5	7,773,059	18.9
50,000 to 74,999	212,543	10.7	274,307	9.0	6,607,189	16.1
75,000 to 99,999	232,124	11.6	210,993	6.9	5,854,796	14.3
100,000 to 124,999	307,066	15.4	360,524	11.8	5,007,131	12.2
125,000 to 149,999	249,529	12.5	253,225	8.3	3,674,654	8.9
150,000 to 174,999	170,130	8.5	234,415	7.7	3,143,342	7.7
175,000 to 199,999	94,864	4.8	224,992	7.4	1,924,437	4.7
200,000 to 224,999	114,155	5.7	226,143	7.4	1,817,115	4.4
225,000 to 250,000	73,511	3.7	142,926	4.7	997,876	2.4
250,000 and more	299,460	15.0	797,992	26.2	4,270,219	10.4
All	1,992,948	100.0	3,044,213	100.0	41,069,818	100.0
Median		\$125,518		\$161,130		\$101,497

Exhibit 18. Homebuyers by Interest Rate, 2005

Interest Rate (%)	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
5 or less	425,180	21.3	581,798	19.1	8,818,014	21.5
5 ¹ / ₈ to 5 ¹ / ₂	335,771	16.8	662,571	21.8	6,460,495	15.7
5 ¹ / ₈ to 6	583,572	29.3	936,169	30.8	9,571,349	23.3
6 ¹ / ₈ to 6 ¹ / ₂	253,251	12.7	385,856	12.7	4,600,994	11.2
6 ¹ / ₈ to 7	186,952	9.4	258,075	8.5	4,801,436	11.7
7 ¹ / ₈ to 7 ¹ / ₂	46,457	2.3	61,290	2.0	1,929,971	4.7
7 ¹ / ₈ to 8	64,048	3.2	63,572	2.1	1,886,545	4.6
8 ¹ / ₈ to 8 ¹ / ₂	14,248	0.7	30,663	1.0	576,419	1.4
8 ¹ / ₈ to 9	34,810	1.7	13,469	0.4	923,599	2.2
More than 9	48,657	2.4	50,753	1.7	1,500,895	3.7
All	1,992,946	100.0	3,044,216	100.0	41,069,717	100.0
Median		5.70		5.65		5.77

Exhibit 19 shows the 2005 distribution of mortgage types across the three homeowner groups. FHA-insured mortgages were reported by 16.9 percent of first-time homebuyers, 7.7 percent of other recent homebuyers, and 10.9 percent of other homeowners. First-time homebuyers used FHA insurance nearly twice as often as other recent homebuyers or other homeowners did. First-time homebuyers also used VA-guaranteed mortgages (5.2 percent) more often than other recent homebuyers (3.5 percent) and other homeowners (4.2 percent). In 2005, FHA and VA continued to be popular sources of mortgage credit for first-time borrowers although less popular than they were in 2001.

First-time homebuyers pay lower monthly housing costs than other recent homebuyers do but pay higher costs than other homeowners do.⁴ Exhibit 20 shows that, in 2005, 46.9 percent of first-time homebuyers, 40.3 percent of other recent homebuyers, and 58.7 percent of other homeowners had monthly housing costs of less than \$1,000. Median monthly housing costs also follow this pattern: the amounts were \$1,055 for first-time homebuyers, \$1,219 for other recent homebuyers, and \$828 for other homeowners. Much of the difference in monthly housing costs can be traced to higher initial mortgages for first-time homebuyers and other recent homebuyers (as shown in Exhibit 17) and the fact that

Exhibit 19. Homebuyers by Type of First Mortgage, 2005

Type of First Mortgage	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
FHA	325,900	16.9	226,309	7.7	4,140,634	10.9
VA	100,681	5.2	102,116	3.5	1,605,707	4.2
FmHA	27,170	1.4	22,789	0.8	314,341	0.8
Other	1,473,889	76.5	2,574,450	88.0	31,884,617	84.0
All	1,927,640	100.0	2,925,664	100.0	37,945,299	100.0

FHA = Federal Housing Administration.
 VA = Department of Veterans Affairs.
 FmHA = Farmers Home Administration.

Exhibit 20. Homebuyers by Monthly Housing Costs, 2005

Monthly Housing Costs (\$)	First-Time Homebuyers		Other Recent Homebuyers		Other Homeowners	
	Number	Percent	Number	Percent	Number	Percent
Less than 250	136,424	5.5	235,687	5.9	6,975,761	10.2
250 to 499	364,961	14.8	495,824	12.5	14,336,483	20.9
500 to 749	283,346	11.5	429,403	10.8	10,216,752	14.9
750 to 999	374,693	15.2	437,207	11.0	8,708,382	12.7
1,000 to 1,249	345,736	14.0	441,439	11.1	7,279,676	10.6
1,250 to 1,499	286,736	11.6	417,560	10.5	5,603,360	8.2
1,500 to 1,749	194,540	7.9	305,396	7.7	4,222,404	6.2
1,750 to 1,999	112,378	4.5	302,341	7.6	3,144,655	4.6
2,000 or more	372,617	15.1	905,087	22.8	8,021,119	11.7
All	2,471,431	100.0	3,969,944	100.0	68,508,592	100.0
Median		1,055		1,219		828

many people in the other homeowners group did not have mortgages (Exhibit 16). The major difference between the 2001 and 2005 monthly housing cost results is that costs were \$100 to \$200 higher for all homeowner groups in 2005 than they were in 2001.

Notes

¹ The survey was called the Annual Housing Survey from 1973 to 1983 and the American Housing Survey (AHS) from 1985 to 2005. Copies of the 1973 to 2005 reports are available on the Internet at <http://www.census.gov/prod/www/abs/h150.html>. Information on the AHS is available at the HUD USER website (<http://www.huduser.org/datasets/ahs.html>) or at the Census Bureau website (<http://www.census.gov/hhes/>

[www/ahs.html](http://www.ahs.html)). The latter two websites also provide information on ordering printed copies of the reports.

² Nonfamily households consist of individuals living alone or with nonrelatives only.

³ In smaller multifamily structures (building with two to four and five to nine units), many households may be landlords/owners living in rental apartment buildings they own rather than cooperative and condominium occupants.

⁴ Monthly housing costs for owner-occupied units include monthly payments for all mortgages, installment loans or contracts, real estate taxes, property insurance, homeowner association fees, cooperative and condominium fees, mobile home park fees, land rent, and utilities.



U.S. Housing Market Conditions is published quarterly by the U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

Alphonso R. Jackson	Secretary
Darlene F. Williams	Assistant Secretary, Office of Policy Development and Research
Harold L. Bunce	Deputy Assistant Secretary for Economic Affairs
Kurt G. Usowski	Associate Deputy Assistant Secretary for Economic Affairs
Ronald J. Sepanik	Director, Housing and Demographic Analysis Division
Edward J. Szymanoski	Director, Economic and Market Analysis Division
Pamela R. Sharpe	Deputy Director, Economic and Market Analysis Division
Eileen Faulkner	Director, Research Utilization Division
Robert R. Callis	Bureau of the Census
Kevin P. Kane	Chief Housing Market Analyst
Robert A. Knight	Social Science Analyst
Marie L. Lihn	Economist
Carolyn D. Lynch	Economist
William J. Reid	Economist
Lynn A. Rodgers	Economist
David A. Vandenbroucke	Economist

HUD Field Office Economists who contributed to this issue are as follows:

Regional Reports

New England: Michael W. Lockett	Boston
New York/New Jersey: William Coyner	Buffalo
Mid-Atlantic: Beverly M. Harvey	Philadelphia
Southeast/Caribbean: Charles P. Huggins	Atlanta
Midwest: Joseph P. McDonnell	Chicago
Southwest: Donald L. Darling	Fort Worth
Great Plains: W. Victor Crain	Denver
Rocky Mountain: George H. Antoine	Denver
Pacific: Robert E. Jolda	San Francisco
Northwest: Sarah E. Bland	Seattle

Housing Market Profiles

Austin-Round Rock, Texas: W. Victor Crain	Denver
Burlington-South Burlington, Vermont: William Coyner	Buffalo
Corpus Christi, Texas: L. David Vertz	Fort Worth
Indianapolis, Indiana: Kristin M. Padavick	Columbus
Oklahoma City, Oklahoma: Carol A. Covington	Fort Worth
Phoenix, Arizona: Robert E. Jolda	San Francisco
Roanoke, Virginia: Emilio Abarca	Philadelphia
Spokane, Washington: Sondra S. King	Columbus
St. Paul, Minnesota: Rodney E. Johnson	Minneapolis
Ventura County, California: Ikuo J. Nakano	Los Angeles
Washington, D.C.: Beverly M. Harvey	Philadelphia