Pittsburgh, Cleveland and Oklahoma City are the Best Cities for First-Time Homebuyers

January 29, 2019

New LendingTree study ranks 50 largest metros in the U.S. by how friendly they are to first-time homebuyers

CHARLOTTE, N.C., Jan. 29, 2019 /PRNewswire/ -- LendingTree®, the nation's leading online loan marketplace, today released its study on the best cities for first-time homebuyers, ranking the 50 largest metros in the U.S. by how friendly they are for first-time homebuyers.

The factors used for this ranking are:

- Average down payment amount
- Average down payment percent
- Share of buyers using an FHA mortgage
- Average FHA down payment as a percentage of average down payment for all loans - measures how much homebuyers are saving by using FHA loans
- Percentage of buyers who have credit scores below 680
- The Housing Opportunity Index score for the area - measures the percentage of houses affordable to middle-income families

Several down payment variables are included in the ranking because research has identified down payments as the biggest obstacles to homeownership. The down payments variable in this study are not precisely correlated, but each can have an impact on how easy it is for a first-time buyer to find a home.

Key Findings:

- **Pittsburgh, Cleveland and Oklahoma City offer first-time homebuyers the easiest time purchasing a home.** While these metros may not necessarily have the lowest credit score requirements or down payments in the country, they consistently rank highly across all six metrics that were considered in this study. Overall, Pittsburgh and Cleveland are tied for first place, while Oklahoma is third.
- **Oklahoma City, Cleveland and Memphis, Tenn., have the lowest down payments.** The average down payment in these three areas is $32,000, which is considerably lower than the average down payment for the top 50 metros overall — slightly higher than $50,000. This means buyers in these areas likely don't need to save up as much to make a down payment as they might in other areas.
- **Salt Lake City, Oklahoma City and San Antonio had the lowest down payment percentages out of the top 50 largest metros.** These three areas have an average down payment percent of 14 percent, which is two points lower than the average across all 50 metros surveyed.
- **Birmingham, Ala., Detroit and Columbus, Ohio, had the highest share of buyers who used an FHA mortgage.** Nearly 40 percent of buyers in these cities used FHA financing to secure a mortgage. This is not surprising considering that a large portion of buyers in these areas had credit scores below 680.
- **San Jose, Calif., San Francisco and New Orleans were the metros that saved the most by using FHA financing.** In each of these metros those who used FHA financing had down payments that were less than 30 percent of the average down payment in the area.
- **Detroit, Birmingham, Ala. and Cleveland have the largest share of homebuyers with credit scores below 680.** People who live in these cities can probably secure a loan with a lower credit score than they might need in some of the other cities on the list.
- **Indianapolis, Cincinnati and Cleveland contain the largest share of homes that are affordable to median income families.**

Best cities for first-time homebuyers

Pittsburgh
Average down payment amount: $34,049
Average down payment percentage: 15%
Share of buyers using an FHA mortgage: 36.5%
Average FHA down payment as a percentage of average down payment for all loans: 31.2%
Percentage of buyers who have credit scores below 680: 41.3%
HOI Index Score: 78.4

Cleveland
Average down payment amount: $32,775
Average down payment percentage: 15%
Share of buyers using an FHA mortgage: 32.95%
Average FHA down payment as a percentage of average down payment for all loans: 32.7%
Percentage of buyers who have credit scores below 680: 42.8%
HOI Index Score: 82.2

Oklahoma City
Average down payment amount: $30,234
Average down payment percentage: 13%
Share of buyers using an FHA mortgage: 25.4%
Average FHA down payment as a percentage of average down payment for all loans: 32.8%
Percentage of buyers who have credit scores below 680: 36.9%
HOI Index Score: 79

Worst cities for first-time homebuyers

Los Angeles
Average down payment amount: $95,418
Average down payment percentage: 18%
Share of buyers using an FHA mortgage: 14.1%%
Average FHA down payment as a percentage of average down payment for all loans: 33.6%
Percentage of buyers who have credit scores below 680: 9.2%
HOI Index Score: 9.1

Denver
Average down payment amount: $74,317
Average down payment percentage: 19%
Share of buyers using an FHA mortgage: 15.5%
Average FHA down payment as a percentage of average down payment for all loans: 38.8%
Percentage of buyers who have credit scores below 680: 16.8%
HOI Index Score: 51.5

San Francisco
Average down payment amount: $128,627
Average down payment percentage: 21%
Share of buyers using an FHA mortgage: 9.8%
Average FHA down payment as a percentage of average down payment for all loans: 27.1%
Percentage of buyers who have credit scores below 680: 11.4%
HOI Index Score: 11.1

"The peak home sales season starts next week," said Tendayi Kapfidze, Chief Economist at LendingTree. "For first-time buyers, the market should be more welcoming than last year. Inventories have picked up a bit, and home price appreciation has slowed. Even mortgage rates are cooperating, having fallen 50 bps from their peak levels of late last year, after being in an upward trend for two years. These factors may act to draw more buyers into the market, making it imperative for buyers to be well prepared. The keys to a successful homebuying experience are saving in advance for the down payment, making a homebuying budget and sticking to it and shopping for the mortgage by comparing rates with the same care as you shop for the house. LendingTree can help buyers find the mortgage that fits best for them."

To view the full report, visit https://www.lendingtree.com/home/mortgage/best-cities-for-first-time-homebuyers/.

About LendingTree
LendingTree (NASDAQ: TREE) is the nation's leading online marketplace that connects consumers with the choices they need to be confident in their financial decisions. LendingTree empowers consumers to shop for financial services the same way they would shop for airline tickets or hotel stays, comparing multiple offers from a nationwide network of over 500 partners in one simple search, and can choose the option that best fits their financial needs. Services include mortgage loans, mortgage refinances, auto loans, personal loans, business loans, student refinances, credit cards and more. Through the My LendingTree platform, consumers receive free credit scores, credit monitoring and recommendations to improve credit health. My LendingTree proactively compares consumers' credit accounts against offers on our network, and notifies consumers when there is an opportunity to save money. In short, LendingTree's purpose is to help simplify financial decisions for life's meaningful moments through choice, education and support. LendingTree, LLC is a subsidiary of LendingTree, Inc. For more information, go to www.lendingtree.com, dial 800-555-TREE, like our Facebook page and/or follow us on Twitter @LendingTree.

MEDIA CONTACT:
press@lendingtree.com

Ꮯ View original content to download multimedia:http://www.prnewswire.com/news-releases/pittsburgh-cleveland-and-oklahoma-city-are-the-best-cities-for-first-time-homebuyers-300786030.html