CONVERGENCE: Strategies for Serving Millennial and Gen Z Homebuyers

November 2, 2023

Presented by

• Katelynn Harris Walker, Associate Director, Affordable Housing Initiatives, Mortgage Bankers Association
• Jung Choi, Researcher, Urban Institute
• Brian Gaudio, Co-Founder and Chief Executive Officer, Module Housing
• Kristin Messerli, Executive Director, FirstHome IQ
November 2023

Millennial & Gen Z Homeownership Trends

Jung Hyun Choi (jchoi@urban.org)
Housing Finance Policy Center
Age of buying first home matters

Homeownership is one of the important tools to building wealth in the US.

Median Home Equity at Age 60 or 61 and Median Value of First Home

- Median housing wealth at age 60 or 61, in 2015 dollars
- Median value of first house, in 2015 dollars

Median Home Value and Remaining Mortgage Principal at Age 60 or 61

- Median home value at age 60 or 61, in 2015 dollars
- Median remaining principal at age 60 or 61, in 2015 dollars

In recent years, young adults’ homeownership rate improved though it is still lower than the 2000 rate.

Source: Decennial Census & American Community Survey
Homeownership rate does not capture the ongoing delay in young adults’ household formation

### Young Adult Living Arrangement

<table>
<thead>
<tr>
<th>Age: 20-24</th>
<th>2000</th>
<th>2010</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>own: head/spouse</td>
<td>24.0%</td>
<td>26.0%</td>
<td>24.5%</td>
</tr>
<tr>
<td>rent: head/spouse</td>
<td>13.7%</td>
<td>1.9%</td>
<td>17.5%</td>
</tr>
<tr>
<td>live with parents</td>
<td>34.6%</td>
<td>34.2%</td>
<td>32.2%</td>
</tr>
<tr>
<td>live with others</td>
<td>29.3%</td>
<td>5.0%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Source: Decennial Census & American Community Survey

<table>
<thead>
<tr>
<th>Age: 25-34</th>
<th>2000</th>
<th>2010</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>own: head/spouse</td>
<td>39.9%</td>
<td>30.9%</td>
<td>29.3%</td>
</tr>
<tr>
<td>rent: head/spouse</td>
<td>17.3%</td>
<td>20.2%</td>
<td>23.8%</td>
</tr>
<tr>
<td>live with parents</td>
<td>53.3%</td>
<td>55.8%</td>
<td>54.1%</td>
</tr>
<tr>
<td>live with others</td>
<td>9.4%</td>
<td>8.7%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

Source: Decennial Census & American Community Survey

<table>
<thead>
<tr>
<th>Age: 35-44</th>
<th>2000</th>
<th>2010</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>own: head/spouse</td>
<td>7.6%</td>
<td>7.4%</td>
<td>10.0%</td>
</tr>
<tr>
<td>rent: head/spouse</td>
<td>5.3%</td>
<td>7.4%</td>
<td>8.7%</td>
</tr>
<tr>
<td>live with parents</td>
<td>26.5%</td>
<td>53.3%</td>
<td>55.8%</td>
</tr>
<tr>
<td>live with others</td>
<td>27.3%</td>
<td>10.0%</td>
<td>13.7%</td>
</tr>
</tbody>
</table>
Those living with parents between ages 25 to 34 continue to lag behind homeownership and household formation.
With the rise in interest rate, young adults home purchased decreased substantially.

Home Purchase Mortgage Originations

<table>
<thead>
<tr>
<th>Age: &lt;25</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>217,242</td>
<td>259,645</td>
<td>258,650</td>
<td>211,780</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age: 25-34</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,228,672</td>
<td>1,420,464</td>
<td>1,457,831</td>
<td>1,174,794</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age: 35-44</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>993,643</td>
<td>1,081,267</td>
<td>1,202,708</td>
<td>964,325</td>
<td></td>
</tr>
</tbody>
</table>

Those who were denied because of DTI increased

Denial Reason: Debt to Income Ratio (%)

Note: Purchase Mortgage Only.
Share of borrowers with DTI 40% of above also increased

Debt to Income Ratio 40% or Above (%)

<table>
<thead>
<tr>
<th>Age: &lt;25</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>23.4%</td>
<td>20.6%</td>
<td>21.4%</td>
<td>27.0%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age: 25-34</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.6%</td>
<td>18.9%</td>
<td>20.6%</td>
<td>26.4%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age: 35-44</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.3%</td>
<td>19.5%</td>
<td>20.3%</td>
<td>25.9%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Purchase Mortgage Only.
Lower income household purchase share has dropped

Income $75,000 or Below (%)

- **Age: <25**
  - 2019: 70.1%
  - 2020: 70.6%
  - 2021: 69.8%
  - 2022: 63.5%

- **Age: 25-34**
  - 2019: 39.6%
  - 2020: 39.7%
  - 2021: 39.2%
  - 2022: 33.5%

- **Age: 35-44**
  - 2019: 27.3%
  - 2020: 27.3%
  - 2021: 27.7%
  - 2022: 24.2%

**Source:** Home Mortgage Disclosure Act.
**Note:** Purchase Mortgage Only.
More young adults are putting 20% down to buy a home

Loan to Value Ratio 80% or Below (%)

<table>
<thead>
<tr>
<th>Age</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age: &lt;25</td>
<td>19.4%</td>
<td>17.3%</td>
<td>19.0%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Age: 25-34</td>
<td>27.4%</td>
<td>25.5%</td>
<td>28.4%</td>
<td>31.2%</td>
</tr>
<tr>
<td>Age: 35-44</td>
<td>35.6%</td>
<td>34.7%</td>
<td>38.5%</td>
<td>41.6%</td>
</tr>
</tbody>
</table>

Source: Home Purchase Disclosure Act.
Note: Purchase Mortgage Only.
The share of FHA borrowers have declined

**FHA Loans (%)**

<table>
<thead>
<tr>
<th>Age</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25</td>
<td>28.5%</td>
<td>27.5%</td>
<td>24.0%</td>
<td>22.5%</td>
</tr>
<tr>
<td>25-34</td>
<td>21.8%</td>
<td>21.1%</td>
<td>18.7%</td>
<td>17.3%</td>
</tr>
<tr>
<td>35-44</td>
<td>21.3%</td>
<td>20.2%</td>
<td>17.9%</td>
<td>16.8%</td>
</tr>
</tbody>
</table>

**Source**: Home Mortgage Disclosure Act.

**Note**: Purchase Mortgage Only.
Millennial & Gen Z Trends

By Kristin Messerli, executive director of FirstHome IQ
Presented to MBA, November 2023
Only half (56%) of NextGen consumers* said they have the financial advice and support they need to achieve their financial goals.

*Those reporting greater access to support identified as upper income, white, older, and male.

Source: 2022 NextGen Homebuyer Report, NextGenHomebuyer.com
White and Upper Income NextGen consumers were significantly more likely to report having access to the financial advice or support they need to achieve their financial goals.

<table>
<thead>
<tr>
<th>Race</th>
<th>Upper Income</th>
<th>Low-to-Moderate Income</th>
<th>White</th>
<th>Latinx</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>65%</td>
<td>50%</td>
<td>65%</td>
<td>48%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: 2022 NextGen Homebuyer Report, NextGenHomebuyer.com
Institutional distrust is at an all-time low in the U.S.

The U.S. Trust Index dropped below 50% for the first time in history, declining 10 points since 2017.

Source: 2022 Edelman Trust Barometer
Trust in Housing Professionals

Source: 2022 NextGen Homebuyer Report, NextGenHomebuyer.com
One in three (37%) of NextGen consumers said they did not feel confident in their knowledge of personal finance.

Source: 2022 NextGen Homebuyer Report, NextGenHomebuyer.com
NextGen women are less confident in where to begin the home buying process

“I don’t know where to start the process of buying a home.”

40% women

30% men

NextGen Homebuyer Report, Oct 2023, n=250

In 2020 and 2023, NextGen women reported their uncertainty about the process as a major barrier to homeownership.

“I think in the past, there hasn’t been a lot of transparency about the process and there’s just so many steps that are really intimidating.

- Reina, 31
NextGen women were more likely to report a lack of confidence in where to begin the home buying process as compared with men.

Women reported a fear of being taken advantage of as a primary reason for not turning to a financial advisor (2020), and only 47% said they have the financial advice and support they need to achieve their goals (2022).

NextGen Homebuyer Report, Oct 2022, n=1,000

Kristin Messerli | National MI

Confidence in knowledge of personal finance

58% of women say they are confident in their knowledge about personal finance

69% of men say they are confident in their knowledge about personal finance
Measuring & Building Homebuying Literacy

The FirstHome IQ Score is built of 25 questions tested and reviewed by mortgage professionals to measure basic knowledge in homebuyer education to support NextGen homeownership.
The Average First Home iQ

Sponsored by NationalMI

Score By Age

Gen Z
Ages 16-25
48%

Millennials
Ages 26-44
56%

Older
Ages 45+
67%

*Percentages reflect the respondents who answered quiz questions correctly
Only 25% of NextGen answered low down payment question correctly

“What is typically the lowest down payment percentage required for a conventional mortgage?”

- 0%: 6%
- 3%: 25%
- 10%: 50%
- 20%: 19%
Hi there, let's test your FirstHome IQ!

The following quiz questions were created by FirstHome IQ educators, reviewed by housing professionals, and tested with hundreds of consumers.

Ready to test your IQ?

Let's go! press Enter →

Takes 7+ minutes
Everyone deserves to live in a well-designed space they’re proud to call home.
The Result: an all-electric, urban housing product, 40% faster to build, 80% more energy efficient, and 10% lower lifecycle cost.
Our product is aimed for the missing middle.
Net zero Ready
Beautifully designed
40% faster

ZERO ENERGY READY HOME
U.S. DEPARTMENT OF ENERGY

WaterSense Meets EPA Criteria

EPA Indoor AirPLUS Qualified Home
Module’s product is factory-built in weeks, and can be installed in a day.
172 days faster to build
saves developer time & money.

80% more energy efficient home
Puts $$$ back in homeowners’ pockets.

- $29,410 estimated savings per unit

- $46,800 estimated savings over a 30 year mortgage
We’ve delivered new homes across various markets and product types.
14 units mixed-income housing
8 affordable for-sale homes

With a focus on Affordable & Mixed Income For-Sale Housing

4 units affordable housing
10 units, mixed-income housing
How can we drive even more impact?
Last Mile Network

1. Bring jobs and workforce to the communities we serve.
2. Reduce CapEx to start facilities.
3. Provide regionally specific products.

- Locally-owned, prefab facilities.
- Delivering net-zero ready housing @ scale.
- Built by & for the community.
Join us on the journey to deliver better housing!

www.modulehousing.com

info@modulehousing.com
Questions?
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