

# THE HOME STRETCH: CHALLENGES AND SOLUTIONS FOR ASPIRING HOME BUYERS



## INTRODUCTION.. AND ABOUT THE SURVEY

Mr. Cooper, the largest non-bank mortgage servicer in the United States, exists to keep the dream of homeownership alive — and recent survey results revealed that many people who rent their homes or have a living situation other than homeownership still do want to become homeowners themselves.

The goal of Mr. Cooper's research was to find out more about these aspiring home buyers, understand the obstacles that are standing in the way of achieving their homeownership and financial goals, and then use that information to help us become a better resource for anyone and everyone who wants to buy a home.

Mr. Cooper engaged Researchscape International to conduct this online survey, fielded in the fourth quarter of 2018. The 1,063 respondents were recruited from a range of sources, including a Researchscape panel, third-party panels, a house list of email addresses, and from social media postings on Facebook and Twitter. Throughout the research process, Researchscape followed a Total Survey Quality approach designed to minimize error at each stage, and a 43-step process for data cleansing that profiled responses on five behaviors. The results? You'll have to keep reading for the big reveal!

# WHAT DOES HOMEOWNERSHIP MEAN TO YOU?

## START WITH THE DREAM.

While there are many reasons someone might pursue homeownership, owning a home seems to create an emotional attraction for many of the survey respondents. Some of the top words and phrases cited by respondents provide a window into their thoughts about owning a home:

- 10% cited the word **Home**.  
“Owning a *home* means [that I can] continue the life I want to [live] with my children and husband.”
- 9% cited the word **Secure**.  
“It’s a huge responsibility. It means you are *secure* and preparing for the future.”
- 8% cited the word **Freedom**.  
“Home is a man or woman’s castle. *Freedom* to be yourself.”
- 7% cited the word **Means**.  
“It means I strive to build my wealth and security through smart investments. [It] *means* I built a home rather than just a place to reside.”
- 7% also cited the word **Place**.  
“The American Dream. To have a *place* that holds its value and comfortable surroundings to call home.”

### What does home ownership mean to you?



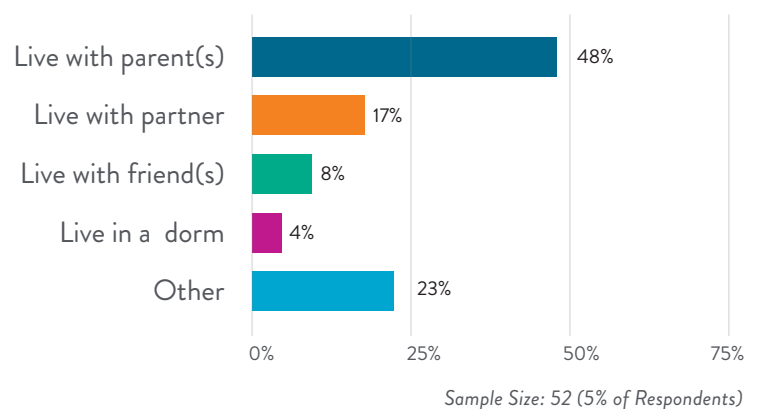
# LIVING ARRANGEMENTS & PURCHASE INTENT

## WHERE ARE THE RESPONDENTS NOW... AND WHERE WOULD THEY LIKE TO BE?

Among the respondents, 40% are currently renting a home or apartment, or have living arrangements other than homeownership. To break it down further:

- 32% identify as “Aspiring Homeowners”
- 8% view themselves as “Perpetual Renters”
- Most live with a parent (48%), a partner (17%), or a friend (8%)

### What are your living arrangements?



# ON THE HORIZON...

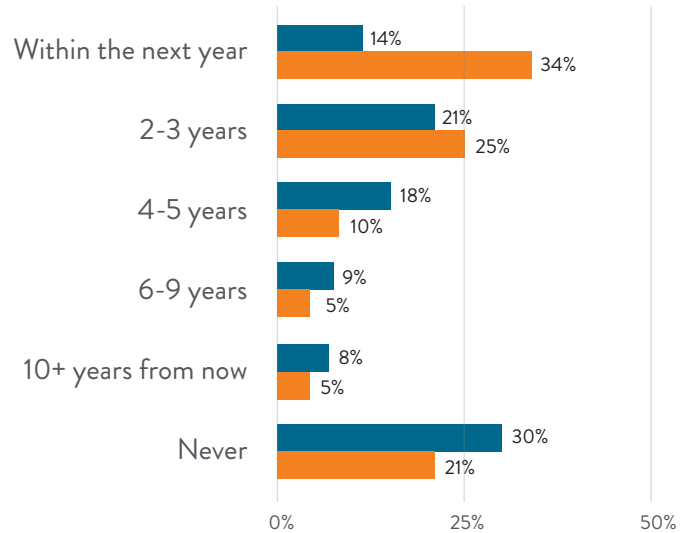
When respondents were asked when, if ever, they'd consider buying a home, there were three clear winners on the leaderboard:

- Never - 30%
- 2-3 years - 21%
- 4-5 years - 18%.

However, when this question came with a caveat, the results changed slightly. Among respondents posed with the question of when they'd buy a house if they didn't have to come up with a down payment, the three most selected responses were:

- Within the next year - 34%
- 2-3 years - 25%
- Never - 21%

- **When (if ever) will you consider buying a home?**
- **If you didn't have to come up with a down payment, when would you purchase a home?**

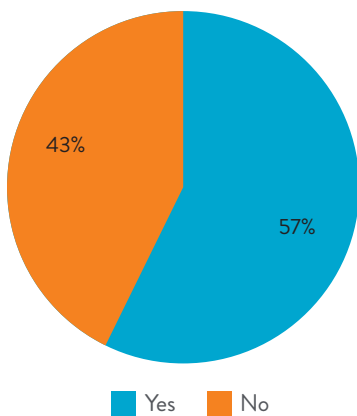


Sample Size: 428 (40% of Respondents)

# FINANCIAL PLANNING NEEDS (AND OBSTACLES)

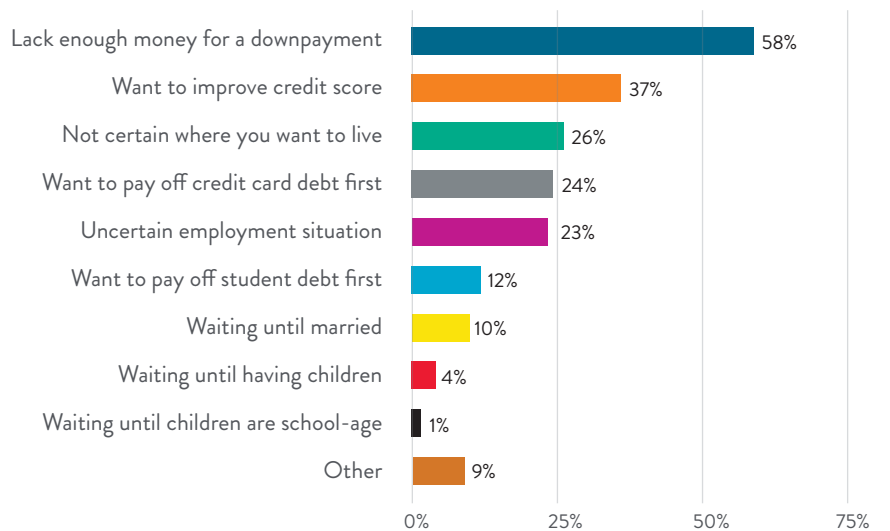
## WHAT IS STANDING IN HOME BUYERS' WAY?

**Do you have a financial plan in place to purchase a home someday?**



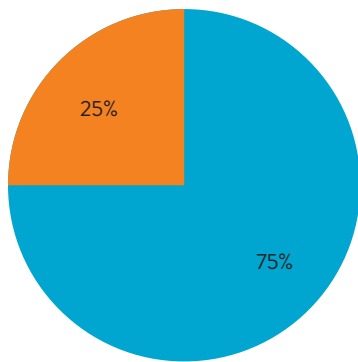
Sample Size: 301 (28% of Respondents)

**What is holding you back from purchasing a home?**



Sample Size: 340 (32% of Respondents)

## Would you be willing to work a side job if it meant owning a home sooner?



■ Yes ■ No

Sample Size: 340 (32% of Respondents)

Through this research, Mr. Cooper really wanted to get to the bottom of what exactly is holding aspiring homeowners back from making the move toward their first (or next) home purchase. When we posed this question to survey respondents, the most-selected responses were:

- 58% said they lack enough money for a down payment
- 37% want to improve their credit score before they buy
- 26% were not certain where they would want to live

Additionally, 24% of respondents want to pay off credit card debt before they buy, and 23% reported an “uncertain employment situation” that was keeping them from their homeownership dreams.

Fifty-seven percent of survey respondents acknowledged that they have a financial plan in place to purchase a home someday; a notable 43% do not have one.

A whopping 75% responded “yes” when asked, “Would you be willing to work a side job if it meant owning a home sooner?”

Clearly, the dream is still alive!

## EXPECTATIONS VS. REALITY

### HELP FROM PARENTS, THE QUESTION OF ROOMMATES, AND INFORMATIONAL NEEDS

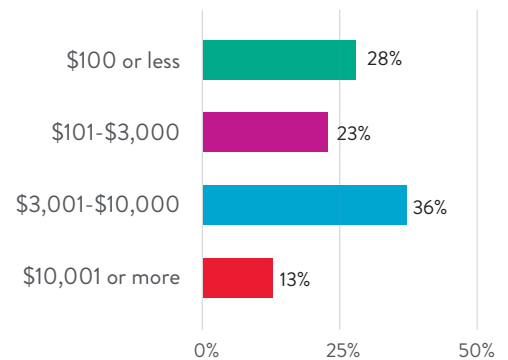
Our respondents were cautiously optimistic about the generational change in standards of living. When asked, “How do you think your standard of living compares to what your parents had when they were the age you are now?” the three most selected choices were:

- About the same - 42%
- Much better - 15%
- Somewhat better - 14%

When this question was qualified as, “In your lifetime, how do you think your standard of living will compare to what your parents had in their peak financial years?” the responses barely changed:

- About the same - 44%
- Much better - 15%
- Somewhat better - 14%

### How much do you anticipate your parents contributing to your down payment?



Sample Size: 61 (6% of Respondents)

# STANDARDS OF LIVING... AND SUPPORT

Parents are often the first line of assistance for new home buyers, both for advice as well as financial support. More than ever, rising home prices are sending first-time buyers to their parents to ask for help with down payments on homes. In fact, more than 26% of mortgage borrowers who used Federal Housing Administration-insured loans in the 12 months through September 2018 got assistance from a relative to make the down payment — up from about 22% in 2011, according to data released late last year.

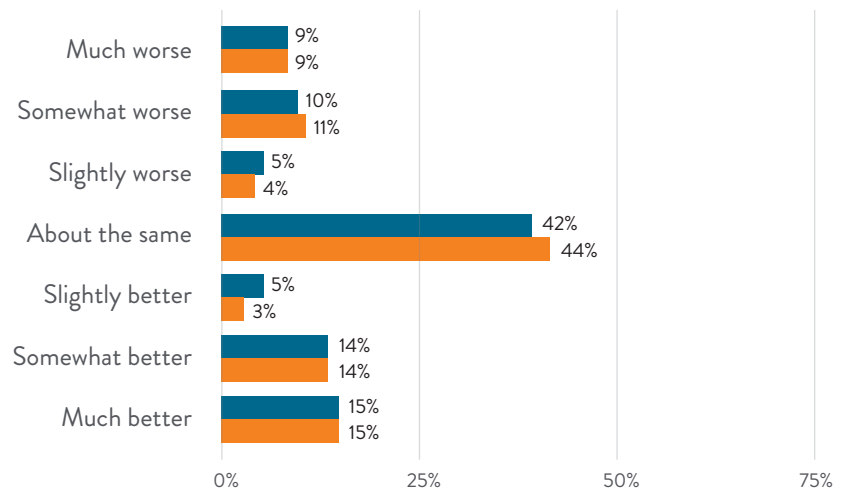
When posed with the question, “How did/will your parents help you afford the down payment for a house?” respondents said:

- 53% said their parents are/were not able to help
- 22% said their parents let them live at home rent free to save money
- 19% said their parents provided a gift to help with the down payment

For those whose parents were able to help out with their kids’ down payments, the amount contributed varies a little. When we asked respondents “How much money do you anticipate your parents contributing to your down payment?” the most frequent answer was \$5,000, with an average of \$7,539.20 and a median of \$3,000.

## ■ How do you think your standard of living compares to what your parents had when they were the age you are now?

## ■ In your lifetime, how do you think your standard of living will compare to what your parents had in their peak financial years?



Sample Size: 1,063 (All Respondents)

# ACHIEVING FINANCIAL GOALS

So, can the need to save for a down payment be enough to change your entire living situation? When we asked respondents if they would have roommates if it meant being able to afford a home sooner, 64% responded “no” — but a significant 36% responded “yes.”

Having strong financial knowledge can help potential homeowners become aware of how to contribute to and achieve their financial goals and expectations. And we get it; mortgages and home loans can be complicated. Here’s what we asked our survey respondents:

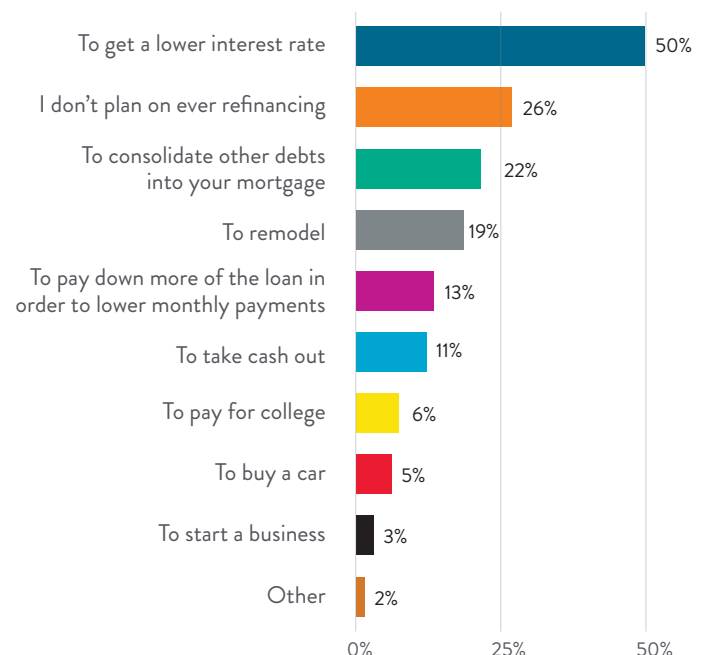
“How well do you understand how refinancing a home works?”

- 47% said very or extremely well
- 26% said slightly or not at all

As it turns out, 57% of respondents have never refinanced a home. When we posed the question, “Why would/did you refinance your home?” respondents said:

- To get a lower interest rate - 50%
- I don’t plan on ever refinancing - 26%

## Why would/did you refinance your home?



Sample Size: 635 (60% of Respondents)

# SHOPPING & BANKING PRACTICES AND TRENDS

## ONLINE BEHAVIORS ARE RESHAPING BUYING LANDSCAPES

As expected, the survey confirmed a high rate of device usage.

Here's the breakdown:

- Smartphones - 87%
- Desktop or laptop computers - 82%
- Tablets - 55%

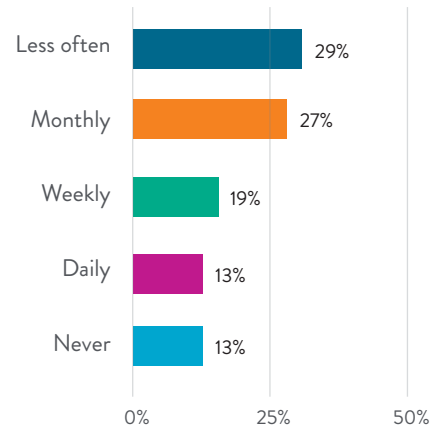
What's more, 87% of respondents acknowledge that they visit online real estate websites with some degree of frequency to look at homes. When we asked respondents whether they'd rather find a home online or through a real estate agent, they said:

- Online - 47%
- Through a real estate agent - 39%

However, when we changed the question from finding a home to purchasing a home online, the preferences seemed to flip:

- Through a real estate agent - 65%
- Online - 25%

### How often do you visit online real estate websites to look at homes?



Sample Size: 301 (28% of Respondents)

When it comes to how much time respondents expected it would take to close on a new home after submitting a mortgage loan application, 35% said they didn't know (but an estimate of around 30 days was the next most frequent response).

To leave no stone unturned, we asked several more questions about shopping and banking practices and intentions among survey respondents:

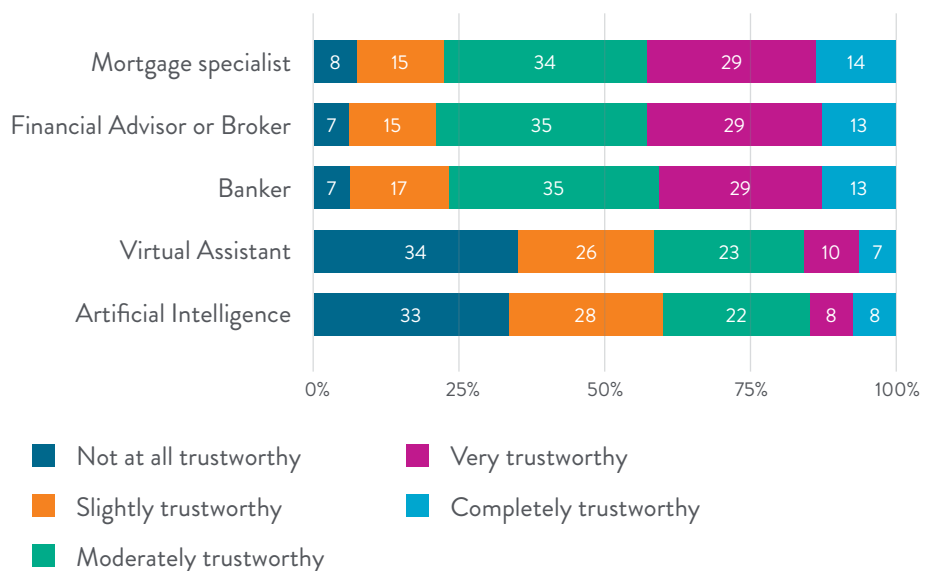
“How many financial apps do you currently have downloaded on your phone?”

- 0 - 40%
- 1 - 19%
- 2 - 19%

“Would you use a virtual assistant such as Siri, Alexa, or Google Assistant for banking?”

- Yes - 30%
- No - 70%

### How trustworthy would you find financial advice provided to you by...?



Sample Size: 1,063 (All Respondents)

“Would you use a virtual assistant to get a home loan?”

- No - 79%
- Yes - 21%

“How trustworthy would you find financial advice provided to you by a...?”

- Mortgage specialist - 43%
- Financial Advisor or Broker - 42%
- Banker - 43%

(\*see graphic on page 6 for more details)

“How trustworthy are financial companies in general?”

- Moderately trustworthy - 48%
- Completely or Very trustworthy - 26%
- Slightly or Not at all trustworthy - 26%

“When was the last time you went to the bank specifically to talk to a bank teller or other bank employee?”

- Past month - 26%
- Past 6 months - 24%
- In the past 1-5 years or never - 50%

“Compared to a year ago, how often do you visit the bank specifically to talk to a bank teller or other bank employee?”

- As often - 32%
- Much less often - 24%
- Somewhat less often - 16%

Only 51% of respondents have a rainy-day fund.

When asked, “How much is in your rainy-day fund?” the most frequent responses were:

- \$3,001 - \$10,000 - 26%
- \$501 - \$3,000 - 25%
- \$10,001 or more - 23%

## WHAT EXPERIENCED HOME BUYERS ALREADY KNOW

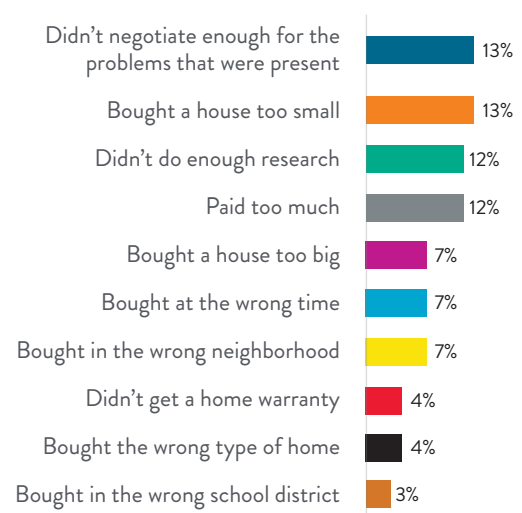
### WHAT HAVE THEY DONE... AND WHAT WOULD THEY DO DIFFERENTLY?

Respondents provided insight into their decisions on where to live, finding the right home, and their biggest mistakes.

The three most selected choices to the question, “What was the biggest mistake you made in looking for a home?” were:

- Didn't negotiate enough for the problems that were present - 13%
- Bought a house too small - 13%
- Didn't do enough research - 12%

### What was the biggest mistake you made looking for a home?



Note: Showing only the top 10 most selected options.  
Sample Size: 635 (60% of Respondents)

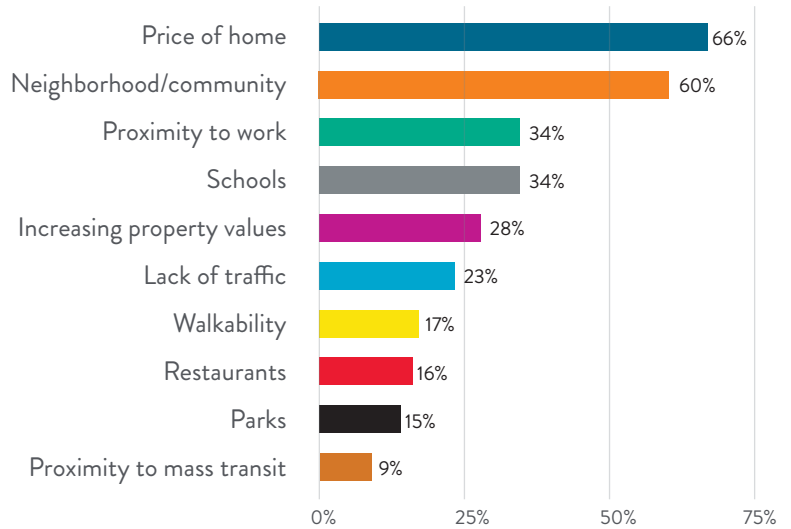
“When it came to choosing where you would live, what were the most important factors?”

- Price of home - 66%
- Neighborhood/community - 60%
- Proximity to work - 34%

“When it came to choosing your home, what were the most important factors in choosing the house you live in?”

- Number of bedrooms - 50%
- Yard - 39%
- Number of bathrooms - 36%

## When it came to choosing where you would live, what were the most important factors?

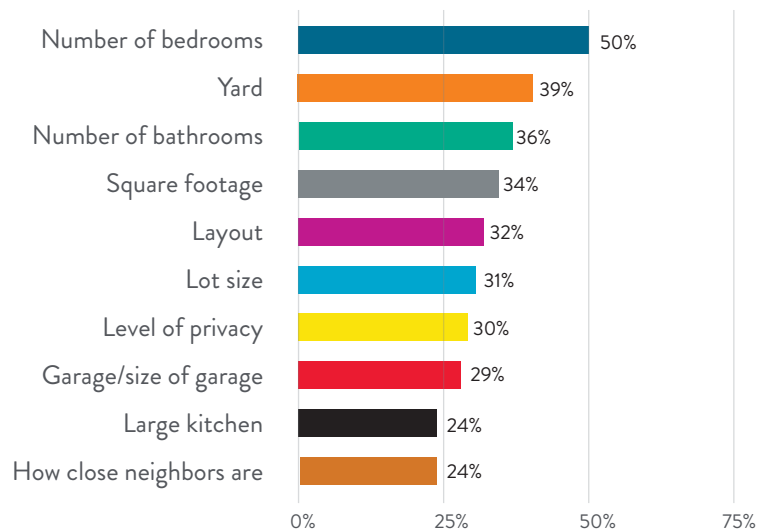


Note: Showing only the top 10 most selected options.  
Sample Size: 635 (60% of Respondents)

In addition to criteria for finding the right home, experienced homeowners can surely attest to the benefits:

- **Equity:** When you buy a home, you start building equity with the portion of its current value that you own free and clear (not including your mortgage). If your home increases in value, that accumulated wealth could help fund your next purchase.
- **Stability:** Buying a home means you're not spending money on rent that you cannot recuperate, and that you are establishing roots in a neighborhood and community.
- **Financial Flexibility:** Once you build equity in your home over time, you could potentially leverage that equity to pay off high-interest debt, cover other needs, and ease financial stress.

## When it came to choosing your home, what were the most important factors involved in selecting the house you live in?



Note: Showing only the top 10 most selected options.  
Sample Size: 635 (60% of Respondents)