

eBook

Gen Z: An Optimistic Borrower of the Future

A Simple Guide to Promoting a Shorter Path to Homeownership for this Up-and-Coming Demographic

The Freddie Mac logo features a stylized house icon above the text "Freddie Mac" in a bold, sans-serif font. Below this, the words "Single-Family" are written in a smaller, lighter font. The entire logo is positioned in the bottom right corner of the page.

Freddie Mac
Single-Family



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Did You Know?



of Gen Z want to see more diversity in the advertising they view.



Who is Generation Z?

- Are between the ages 10-24
- Are the **most diverse** generation
- Estimate being able to buy first home by age 30*
- Upbeat about homeownership and future finances

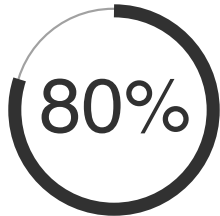
*Among those who believe it is either "somewhat" or "very likely" that they will purchase a home someday.



Gen Z Behaviors and Perceptions



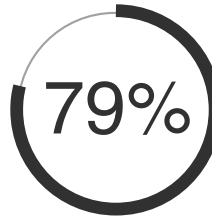
Zoom in
on the Data



80% of Gen Z teens say YouTube has helped them become more knowledgeable about something.



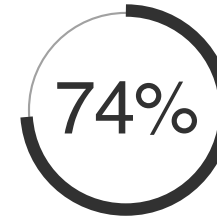
55% of Gen Z use their smartphones 5+ hours per day.



79% of Gen Z prefer conducting the homebuying process face-to-face with professionals.



30% of the U.S. workforce is expected to be made up of Gen Z by 2030.



74% of Gen Z is very or somewhat trusting of financial institutions.



What is Important to Gen Z?

As they look to prepare to buy a home, **which milestones are important** to Gen Z?

- Having a job
- Having good credit
- Saving for a down payment
- Finishing their education
- Paying off student loan debt



Helping Gen Z Find Their Dream Home

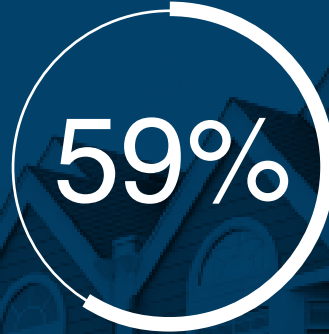
What amenities and attributes attract Gen Z?



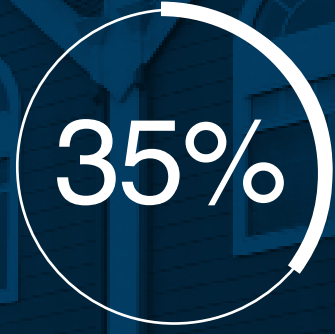
What Kind of Home Does Gen Z Prefer?



of Gen Z surveyed would choose a **single-family home**.



of Gen Z surveyed would choose a **medium home**.



of Gen Z surveyed would prefer to live in a **suburb** of a big or medium sized city.





Did You Know?

37%

of Gen Z are unsure how much is required for a down payment.

Challenges and Barriers: Affordability and Down Payment Perceptions

More than 60 percent of young people in their late teens and early 20s either don't know or overestimate how much they'd have to put down on a home. This misperception could unnecessarily delay an otherwise **financially optimistic generation** from buying their first home.

It's not surprising the oldest members of Gen Z don't know specifics on down payments, considering the "20 percent down" myth still holds sway over most people, particularly if they are renters.



MENU



Educating Gen Z About the Mortgage Process

Q. If you wanted to learn more about the process of buying a home what sources would you use?	Gen Z Total n=1,531
Parent	71%
Real estate agent / Realtor	58%
Internet and technology (e.g., real estate websites, smartphone apps)	54%
Other family (e.g., siblings, spouse) and / or friends	45%
Bank or mortgage lender	41%
Financial counselor	25%
Library and / or books	11%
Debt management counselor or credit counselor	9%
Government agency	6%
Religious institution (e.g., church, synagogue, mosque)	3%



Gen Z Overestimates the Down Payment Obstacle

A quarter of Gen Z adults between the ages of 18 and 23 said in a recent [Freddie Mac survey](#) they'd have to be able to put down at least 20 percent to even consider buying a home. Another 37 percent couldn't quote a percentage range.

The actual median down payment for first-time homebuyers in 2019 was seven percent, according to the [National Association of Realtors](#) (NAR).

The 20 Percent Down Myth is Already in Play

Compounding the problem of down payment misperceptions is that nearly 90 percent of Gen Z want to have fully saved for a down payment before attempting to buy a home and said it was the third biggest impediment to homeownership, after high home prices and job instability.





Hurdles to Overcome

When asked about obstacles they'd face, the oldest cohort of Gen Z (18-23 years), who think it is at least somewhat likely that they will purchase/own a home in the future, said the top three barriers were:

- High home prices
- Concerns over job security
- The ability to raise enough down payment cash

Gen Z is Mixed on Impact of Student Debt

Interestingly, student debt ranked fifth across the entire group surveyed, just below the lack of an established credit history. However, it was cited as a major obstacle for nearly half of respondents who plan to pay for college with a student loan.



Opportunities: Promoting a Shorter Path to Homeownership

With a deeper pool of younger potential borrowers maturing into the mid to late 20s, the mortgage industry can tap into this **next generation of working-age Americans**, beyond just targeting millennials who dominate today's first-time homebuying demographic.

Gen Z is Hopeful About Homeownership

Despite perceived barriers to achieving the goal of homeownership, the dream is alive among Gen Z. And while it's clear the majority of Gen Z surveyed want to own a home, they're also hopeful it will actually happen—with 89 percent saying it is at least “somewhat likely.”

**Among those who believe it is either “somewhat” or “very likely” that they will purchase a home someday.

Did You Know?



of survey respondents 14-23-years old want to own a home someday, with age 30 as the median self-estimated age of their first home purchase.**



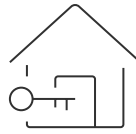
Why Does Gen Z Perceive Homeownership in a Positive Light?



It's something to be proud of.



Homeownership is a sign of success.



Homeownership offers increased privacy.



Owning a home gives you more independence and control vs. renting.



It provides stability and/or financial security.



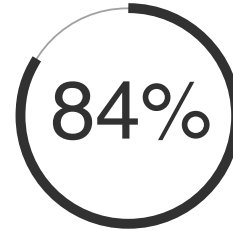
Owning a home makes you feel like you are part of a community.



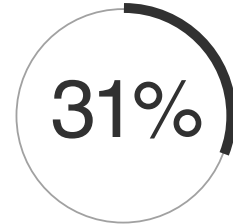
Educating Gen Z (Now) Could Help Them Prepare

Despite their youth, Gen Z would be well served if lenders helped them scale the homebuying learning curve now, as they move into their mid to late 20s. It could make a big difference—at that point—if they're able to buy a home—before they move into their 30s. The good news, this generation is financially savvy, according to a [Freddie Mac survey](#).

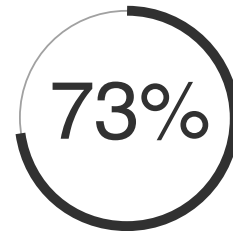
Financial Experience and Behavior



said their parents started teaching them about money early in their lives.



have used a credit card (which may offer opportunity for additional education about building credit).



said they make a conscious choice to save their money.

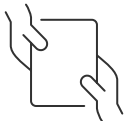


How can Housing Professionals Help?

[Guide Gen Z with resources](#) that will help them build credit, develop a plan for saving for a down payment and sustaining homeownership once they take the leap, including:



Technology and apps that will help them begin building credit.



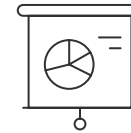
[Guidance about low down payment options](#) as they develop a savings plan.



Checklists and resources detailing the appropriate [steps associated with buying a home](#).



Encourage [engagement with housing counselors](#) and local financial resources.



[Online courses](#) that help provide financial education and prepare Gen Z for homeownership.



Offer information about the countless [agencies and nonprofits](#) offering down payment assistance.





Gen Z is Ambitious Yet Realistic About Homeownership

[Download the full survey](#)

➔ GET EDUCATION AND RESOURCES

Survey Methodology: This online survey was conducted between July 12–24, 2019, using the Ipsos KnowledgePanel®, a probability-based online panel of Americans. Ipsos conducted an online survey of 1,531 American teenagers and young adults—ages 14 to 23—who are members of the generational cohort known as “Generation Z” (Gen Z). These data were weighted and scaled. The margin of error for the total sample is +/-2.5 percentage points.