U.S. Housing Survey Finds Home Envy Rampant Among Young People

- *New survey from Mphasis Digital Risk suggests nearly 70% of Gen Z and Gen Y regularly check the value of homes belonging to friends and acquaintances; nearly 80% say it stresses them out*
- *Younger Americans blame government for lack of affordable housing*
- *Intended HELOC usage beginning to raise red flags, warrant industry attention*

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A large majority of young Americans (66%) say they “routinely” go online to check the value of homes belonging to friends and acquaintances, according to a survey of 1,386 people aged 46 years old or younger across the U.S. representing a broad spectrum of income levels, from lower to upper middle income.

The survey, conducted by Mphasis Digital Risk, a leading origination, risk, compliance, and technology services company for the residential real estate lending industry, showed that 79% of people who look up home values online said the activity left them feeling stressed, concerned, or upset. Seventy-four percent of respondents indicated they currently own a home. The results come as more U.S. adults primarily use digital tools for financial services activities and demonstrate the need for lenders and other service providers to meet consumers where they typically bank and conduct their home-buying: online.

Benchmarking, Boredom, and Comparing

The primary reason respondents gave for checking home prices through online searches was to use the search as a “benchmark to measure [their] own income and worth” (59%), while others are trying to get “a sense of their [friends’] income” (42%). Over half (56%) say their own home-buying decisions are “very much” or “somewhat” affected by their searches online.

Jeff Taylor, Founder and Managing Director of Mphasis Digital Risk said: “For the 80% of Gen Z and millennials stressed by viewing home prices of friends and acquaintances online, they should remember that lenders don’t benchmark borrowers against others to qualify for a home loan. They use the borrower’s profile, and you would be surprised how much a borrower can afford. Even with interest rates entering the Summer of 2023 higher at near 7%, millions of people qualify to buy median-priced homes with as little as 5% down.”

Three-quarters of respondents (74%) agreed that owning a home is “part of the American Dream,” almost nine in ten (87%) said it is “currently too expensive to purchase a home,” and only six percent said now is an ideal time to enter the market and look for a home. The results underscore that even if newer prospective homeowners are concerned about the market, they still regularly use digital tools to evaluate their prospects, providing an opening for lenders to move more of their services to digital formats as well.

Change the Law

Notably, those surveyed chiefly blame the government for the lack of housing affordability, and in particular would like authorities to loosen restrictions on lenders and zoning laws:

- 45% say state and local governments are to blame for current housing prices.
- 70% say the government “hasn’t done a good job” of making homes affordable.
- Many say the government should simply ease up on regulations that may inflate costs, with 62% calling for looser consumer protection rules and restrictions on lenders.
- On the local level, 72% say municipalities are more lenient on zoning rules to allow for more homes, or alternative types of homes (such as modular or 3D printed).

“It’s surprising to see that 62% of younger Americans call for lower consumer protection rules and restrictions on lenders,” added Taylor. “These rules were put in place after the Great Financial Crisis – which was caused by overly loose lending guidelines – to protect borrowers from getting into loans where the costs are low to start, then ballooned later.

But, first-time buyers should definitely talk to their local lender, because there are many specialty loans and down payment assistance programs that can help them in their community. These great Federal, state, and local programs never make headlines, but they exist, and your local lender knows about them."

HELOCs for Different Reasons

Although recent existing home sales have been stagnant, an increasing number of people have been taking out home equity lines of credit (HELOCs), although not always to make home improvements.

While 42% of those surveyed said that if they took out a HELOC they would use it for home improvements, 37% would use it to pay off medical expenses or debt and 28% would use it to pay day-to-day expenses, such as food, utilities, and travel. Notably, the trend is consistent for households earning under $50,000 a year, with 39% reporting they would use HELOCs to pay expenses, including 34% who would use one to pay medical expenses or debt and 35% who would use one to pay day-to-day expenses.

Four in ten (40%) of respondents said they would opt for a HELOC over other options, including traditional bank loans, peer-to-peer loans, and credit cards. For lenders providing HELOCs or other products, the trend highlights the shifting priorities of homeowners, as well as new considerations in the market that lenders should evaluate as they issue HELOC products.

"Home appreciation in recent years has given an overall wealth lift to homeowners, and responsibly tapping into this new equity is a good option for homeowners. This kind of loan has lower rates than personal loans or credit cards, but borrowers should remember that interest on one's home equity loan is not tax deductible like it is on your first mortgage unless you use the home equity loan funds for home improvement."

About Mphasis Digital Risk, LLC
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