



NextGen Financial Literacy Report

Measuring first-time homebuyer knowledge

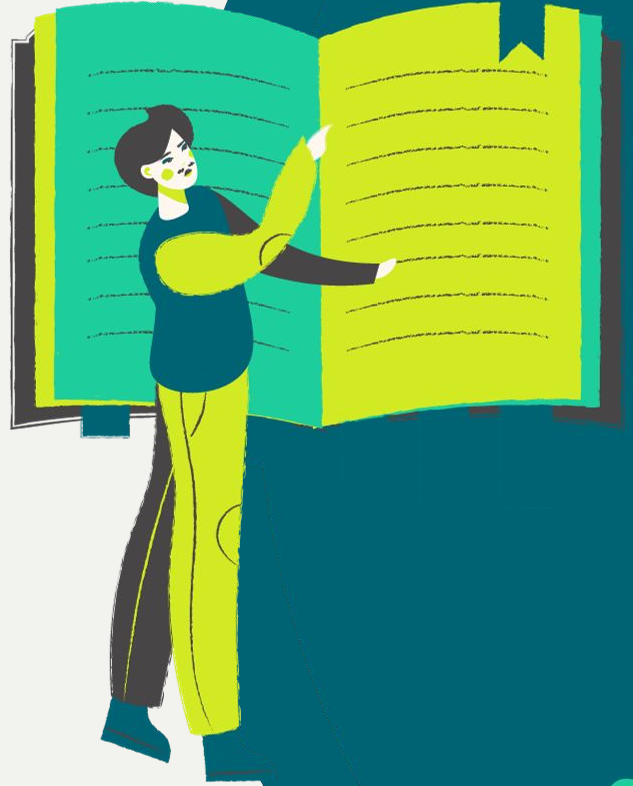
By Kristin Messerli, executive director of FirstHome IQ
Sponsored by National MI

*For informational purposes only



THANK YOU TO OUR ADVISORS

We are grateful to the FirstHome IQ Founder Friends who gave their time and energy to review the questions as we identified the best method of measuring homebuyer knowledge. Many have donated to support the growth of this mission of educating the next generation, and we dedicate this report to their ongoing efforts.



BACKGROUND

The ongoing study of Millennial and Gen Z homebuyers currently includes a total of over 4,000 respondents over three years. The majority of the research reflected in this study comes from data gathered in September 2023, which includes the following:

- 300 respondents
- Between the ages of 18-55+, including 100 respondents between the ages of 18-24, 100 respondents 25-44, and 100 respondents over 45
- Diverse sampling by race, income, and geography within the U.S., representing population demographics
- 48% male, 52% female
- Survey responses are collected through Pollfish, a market research software and survey tool
- Survey questions reviewed by FirstHome IQ mortgage advisors

The Need for Education

The Impact of Financial Illiteracy on the Next Generation

Problems in

Financial

Literacy

Student Loan Debt

Americans hold \$1.77T in student loan debt, and it is the number one barrier to Millennial savings for a down payment.

Credit Card Debt

At \$1T of consumer credit card debt, almost half of the credit card costs paid in the US were “due to ignorance” of fee structures and compound interest.

Financial Knowledge

Only one in three NextGen said they are confident in their knowledge of personal finance.

Source: NAR, [Financial Times](#), NextGen Homebuyer Report [2022](#)

Resulting in

Financial

Barriers

Lack of Savings

Nearly half of Americans couldn't cover a \$400 emergency without going into debt.

Stress from Money

Money is the leading cause of stress, according to the American Psychological Association.

Wealth Inequality

Over half of Gen Z make up ethnic minorities but make up only 20% of young homebuyers.

Source: Bankrate 2023, US Census, NAR 2022

The **FirstHome**iQ Score

Sponsored by **National**Mi.

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.

What's in a FirstHome*i*Q Score?

25 questions testing your homebuying IQ in the following areas:



Preparation



Costs



Strategies

*Note that questions may overlap categorically but will only appear in one

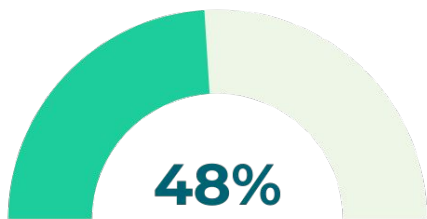
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The Average FirstHome*iQ* Score

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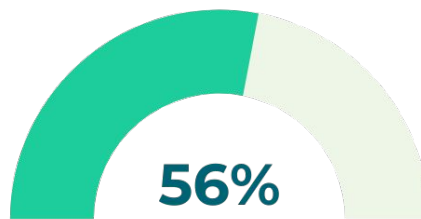
57%

By Age



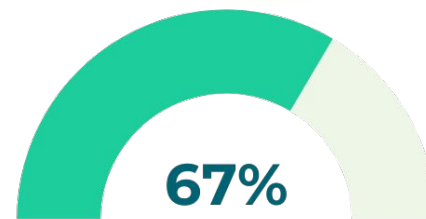
Gen Z

Ages 16-25



Millennials

Ages 26-44



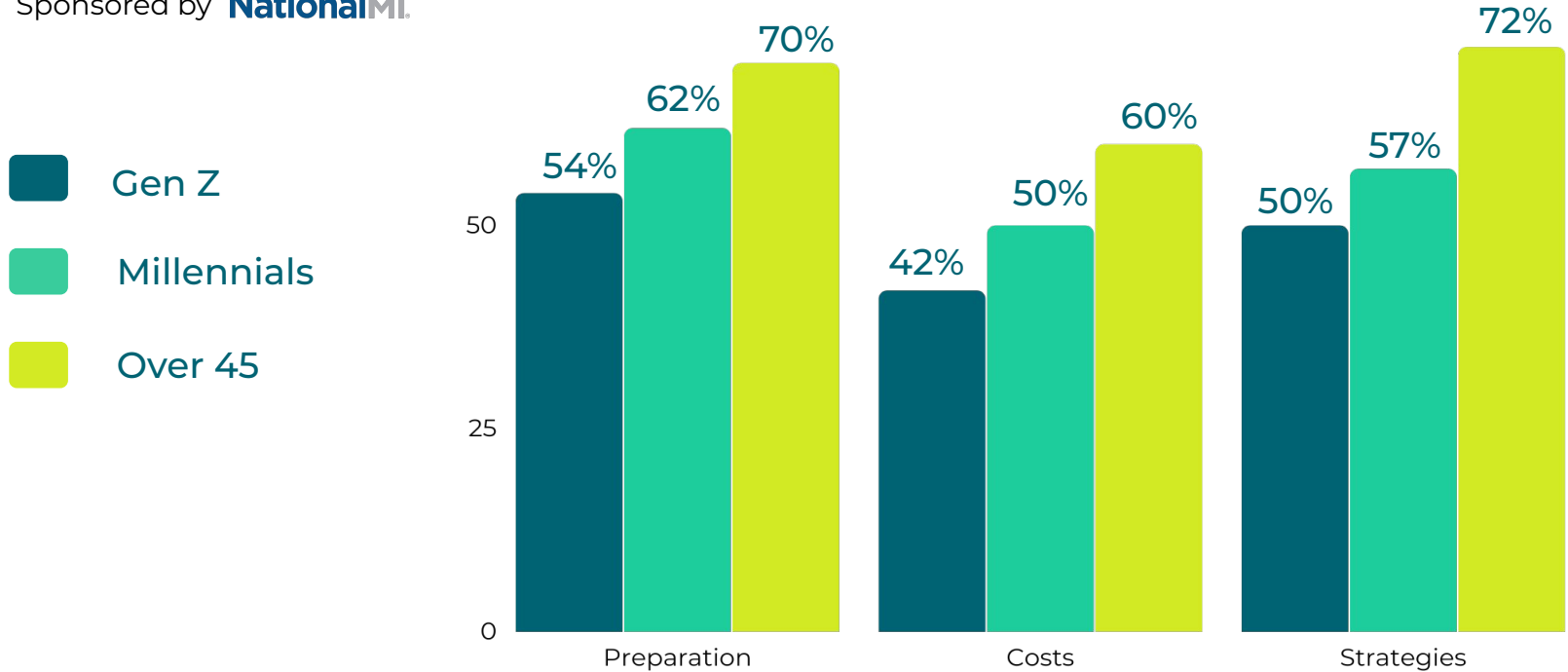
Older

Ages 45+

*Percentages reflect the respondents who answered quiz questions correctly

The Average FirstHome*i*Q Score

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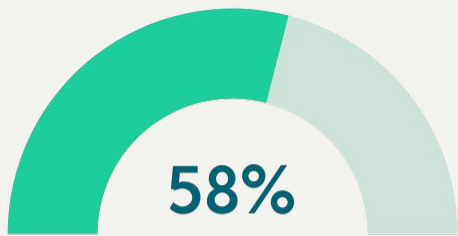
Segment 1:

Preparation to qualify & buy



Preparation Quiz Results

*Percentages reflect respondents who answered quiz questions correctly



NextGen

Ages 16-44

68% When applying for a traditional mortgage, are you typically required to verify your income?

78% What are the three most important criteria to qualify to buy a house?

65% What is the most commonly used credit scoring model?

50% Which credit score range is typically considered too low to qualify for a conventional mortgage?

62% As a contract worker, can you use your income to qualify for a mortgage?

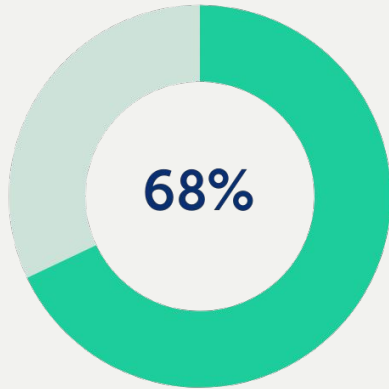
40% What is the difference between pre-approval and pre-qualification for a mortgage?

54% What is the debt-to-income ratio and why is it important for getting a mortgage?

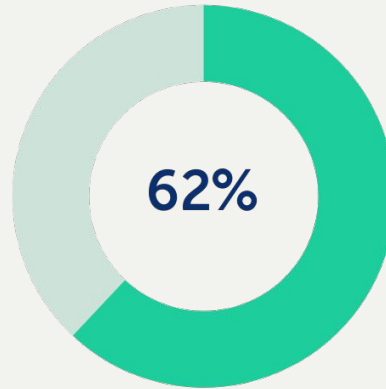
50% When buying a multi-unit property, can you account for the expected rental income from the other units in your mortgage application?

Questions about Income Verification

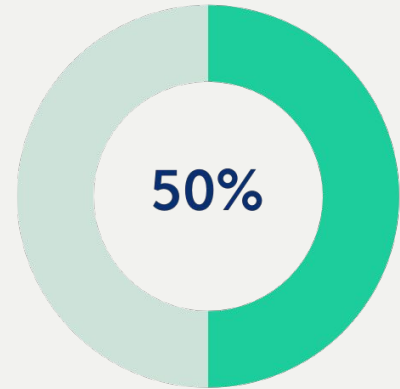
NextGen Respondents who answered correctly:



When applying for a traditional mortgage, are you typically required to verify your income?



As a contract worker, can you use your income to qualify for a mortgage?

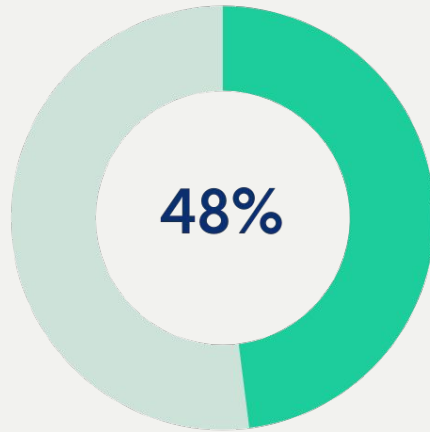


When buying a multi-unit property, can you account for the expected rental income from the other units in your mortgage application?

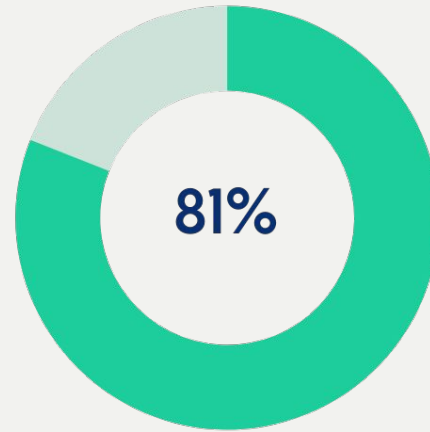
The **FirstHome**iQ Score

Gen Z shows limited knowledge of FICO and credit scoring models

“What is the most commonly used credit scoring model?”



Gen Z



Millennials

*Percentages reflect respondents who answered quiz questions correctly

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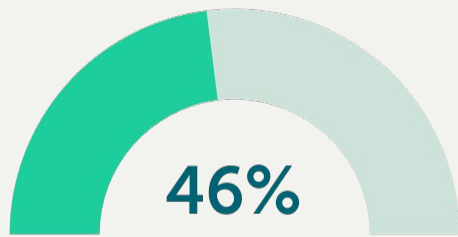
Segment 2:

Costs of Buying a Home



Homebuying Costs Quiz Results

*Percentages reflect respondents who answered quiz questions correctly



NextGen

Ages 16-44

53% What do interest rates primarily represent when getting a mortgage?

39% What is the typical range for closing costs as a percentage of your loan amount?

58% What are the costs of homeownership beyond the mortgage?

73% What is a home appraisal?

26% What is typically the lowest down payment percentage required for a conventional mortgage?

41% What is private mortgage insurance (PMI) and when is it required?

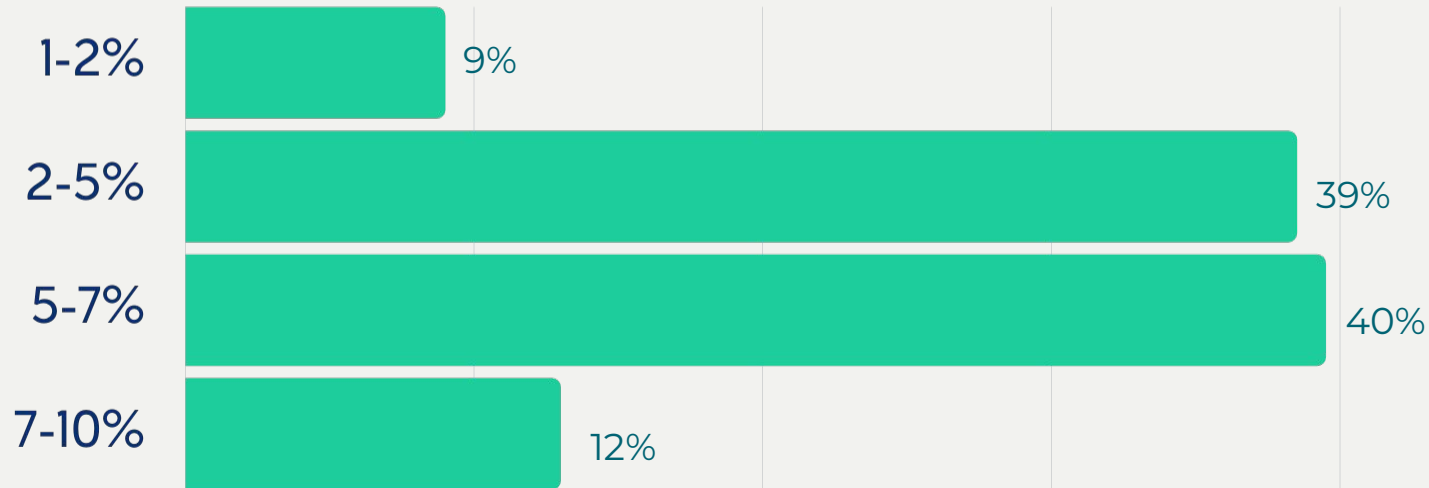
41% What is the primary role of escrow in a real estate transaction?

51% What are inspections for and why are they important?

The **FirstHome**iQ Score

NextGen is Uncertain about Closing Costs

“What is the typical range for closing costs as a percentage of your loan amount?”

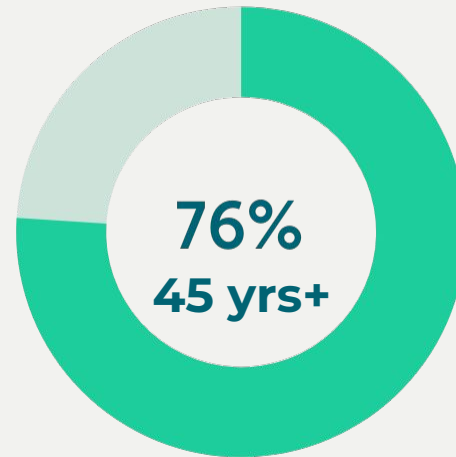
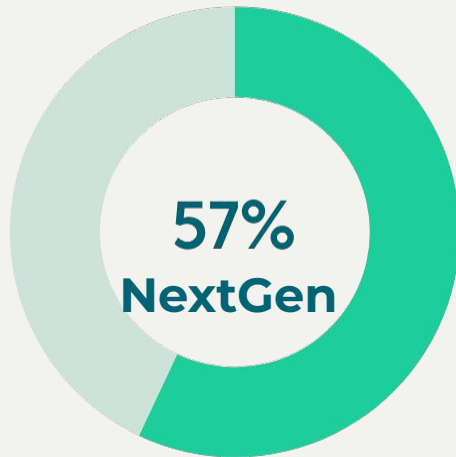


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The **FirstHome**iQ Score

NextGen less knowledgeable about costs beyond the mortgage

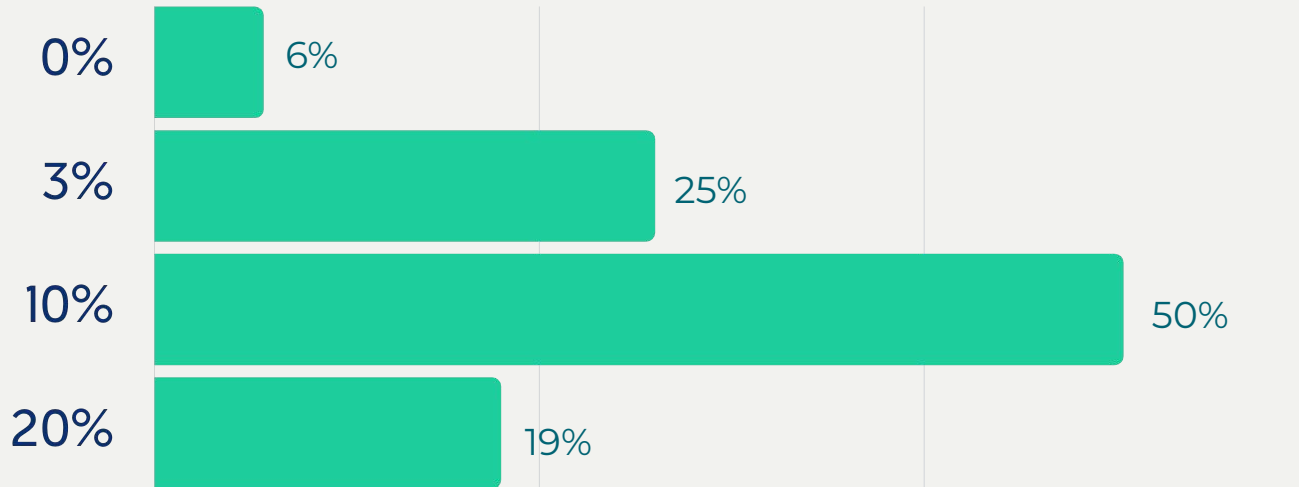
Only 57% of NextGen answered correctly, “What are the costs of homeownership beyond the mortgage?”



The **FirstHome**iQ Score

Only 25% of NextGen answered low down payment question correctly

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





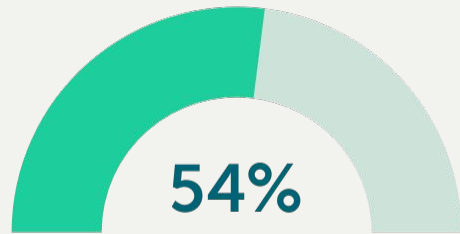
Segment 3:

Strategies for Buying a Home



Strategies Quiz Results

*Percentages reflect respondents who answered quiz questions correctly



NextGen

Ages 16-44

43% On average, historically, how much have homes appreciated in value each year in the U.S.?

63% What is the difference between a fixed-rate and variable-rate mortgage?

31% How is the repayment for many down payment assistance programs typically structured?

57% What is the typical loan term for a mortgage?

81% Which of the following is a common tax benefit of homeownership?

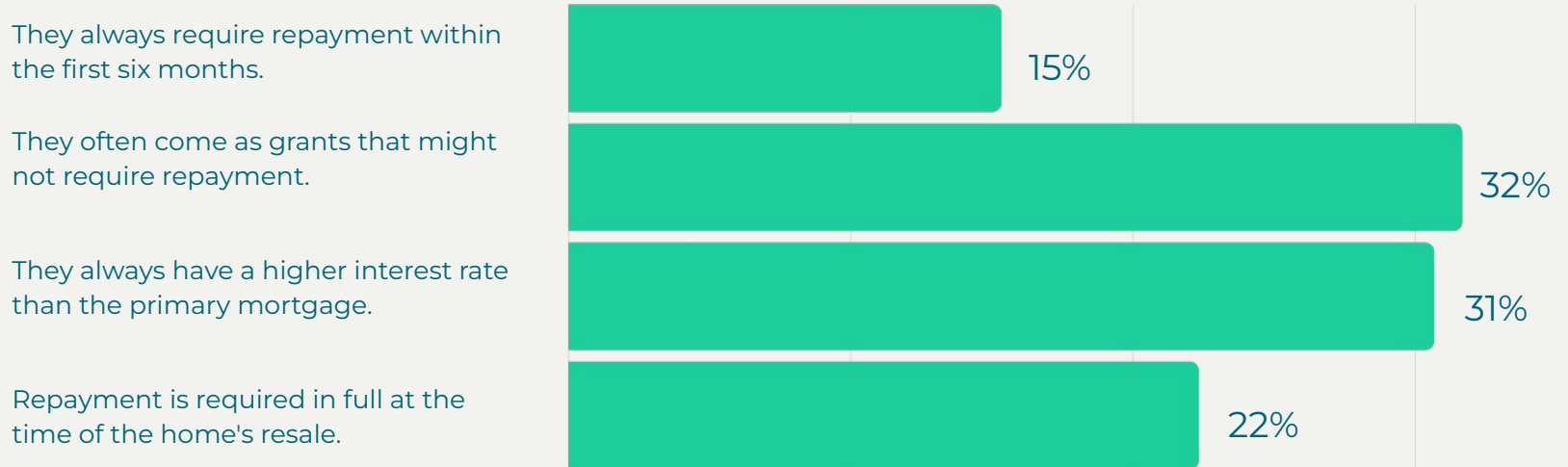
19% What down payment is required of a mortgage for veterans, called a VA loan?

50% When might a refinance loan be a good option?

54% Which of the following best describes a USDA loan?

Myths in Repayment of Down Payment Assistance

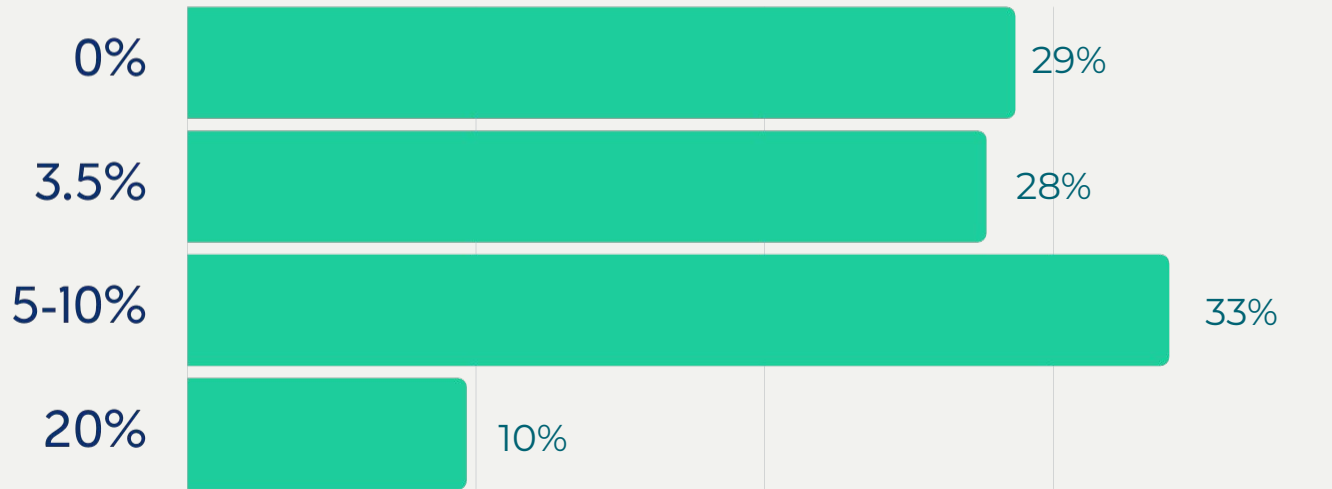
“How is the repayment for many down payment assistance programs typically structured?”



The **FirstHome**iQ Score

VA Loan Down Payment Requirements Not Understood

“What down payment is required of a mortgage for veterans, called a VA loan?”



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FirstHome*iQ*

own your **future.**

To learn more and support the nonprofit mission to educate and inspire the next generation of homeowners, visit [FirstHomeIQ.com](https://www.FirstHomeIQ.com).



We believe

There is a financial literacy crisis in America.

Our mission is

To deliver homeownership education, inspiration, and resources to five million young adults before they turn 25.

So that

We can reverse the trends in poor financial literacy, financial stress, and wealth inequality.



HOW WE DELIVER



gen z students

Interactive courses covering topics from financial literacy to buying and renting a home.



teachers

Course curriculum with presentation materials, handouts, and activities for classroom learning.



professionals

On-site presentation materials, Gen Z sales training and research, and volunteer matching.

ABOUT KRISTIN MESSERLI

Kristin Messerli is the Executive Director of FirstHome IQ, a nonprofit dedicated to educating the next generation about homeownership. Kristin is also a leading strategist and keynote speaker on housing and finance trends in young and diverse markets. Kristin has worked with hundreds of lenders, startups, and nonprofits to craft successful go-to-market strategies and build trust with their consumers.

Kristin founded and sold the digital marketing agency, Cultural Outreach, with the mission to promote sustainable homeownership in underserved communities. She was previously the VP of Sales and Strategy at Experience.com, and has consulted with numerous fintech startups across product design, marketing, and research. Kristin produced and authored the 2020-2022 NextGen Homebuyer Reports, highlighting key insights from over 4,000 NextGen homebuyers and she holds her Master in Public Administration from University of Oklahoma.

For more information about FirstHome IQ, visit firsthomeiq.com, and for all speaking inquiries, visit KristinMesserli.com.

ABOUT NATIONAL MI

National Mortgage Insurance Corporation (National MI) is a U.S.-based, private mortgage insurance company established with a mission to enable low down payment borrowers to realize homeownership, while protecting lenders and investors against losses related to a borrower's default. We take a straightforward approach to both our products and practices to ensure lenders' confidence in the loans they place with us. We adhere to high standards in insurance underwriting and processing, and customer service. National MI is committed to delivering mortgage insurance solutions that provide a path to coverage certainty.

For more information on National MI, visit nationalmi.com.

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NextGenHomebuyer.com

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