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LENDING

Mortgage lenders need to act now or miss the Millennial market

Waiting will cost your business

November 13, 2015 Kristin Messerli · 4 Comments

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News around Millennial homeownership usually entails discussion about the unprecedented low homeownership rates or that the real opportunity is still three to five years away. However, the “real opportunity” may be passing us by, as Millennials already hold a significant share of the market and trends suggest a significant increase in purchases over the next year.

Now considered the largest generation in U.S. history, Millennials make up the largest share of home buyers consisting of one in three purchases, and they dominate the first-time home buyer market, holding 68% of the market share, according to the [National Association of Realtors](#).

However, Millennials are underrepresented as a whole compared with other generations, as they hold only a 34% homeownership rate. Other than coming of age, there are several barriers that have held this generation back from homeownership such as student loan debt, slow job growth (as Millennials entered the job market during the crisis), and mortgage affordability and accessibility. All of these barriers are likely to improve significantly over the next year, along with additional positive market predictors.

Over the last year, job growth has steadily increased and more Millennials are able to find full-time jobs. Median income is projected to increase by 2.9% in 2016, and this will likely be significantly higher for the Millennial segment.

While Millennials have accumulated a large amount of student loan debt, which has previously prevented or slowed them from entering the housing market, their debts may start paying off in our economy. According to the [Institute of Education Sciences](#), a Millennial with a college degree makes twice the income of that of a non-degreed, and their unemployment rate is three percentage points lower than the average. [The number of millionaires in the Millennial generation already outpaces that of the previous generation](#). Millennials are significantly more educated than previous generations, which initially translates into more student loan debt, but later translates into higher incomes.

As Millennials become more confident in their financial stability, they are also more confident in assuming other life investments such as forming households and purchasing homes. [According to a recent Nielsen study](#), consumer confidence is at its highest in over ten years, yet Millennials are behaving cautiously when it comes to their finances. They save more than other generations, which will likely translate into the ability to save for a down payment. Roughly 70% of Millennials believe their finances will be either good or excellent in the next year.

Lastly, mortgages are becoming more affordable and accessible to Millennials and creditworthy borrowers. This year, the White House announced a reduction in private mortgage insurance premiums, making FHA mortgages more affordable. Public and private institutions have also begun investing time and money into education resources to help in informing Millennial homebuyers about the benefits of homeownership and how to qualify. As a generation who approaches their finances from a DIY perspective, preferring to have all of the information in front of them before making a decision, these resources cannot be underestimated.

The opportunity to reach the Millennial surge of buyers is not years away, and it won't happen automatically. This generation represents a change in the way they purchase products, which means they won't choose a provider simply because it happens to be the closest one to them. Millennials are not happy with the way most providers in today's environment are reaching them, which means there is an opportunity today to capture the current 1 in 3 purchasers and the countless other Millennials considering their next steps as financially stable households.

This opportunity is why companies like Prospect Mortgage are developing new platforms specifically designed to capture this market. Aaron LaRue, project lead for Prospect millennial strategy, expected to launch in Q1, states, “This cohort has really specific needs in terms of communication preferences, response time expectations, and mobile access to status.” As a Millennial and tech innovator, Aaron believes most companies are ignoring the generational changes or putting out superficial solutions that don't really invest in the opportunity. “We're working to build the right tools that cater to the borrower and hopefully make us more competitive so we can capture the tidal wave on the horizon.”

There is plenty of space for competition in today's market with Millennials. Companies that act quickly will gain the greatest share of the growth.



Kristin Messerli is the managing director of Cultural Outreach Solutions, specializing in helping companies in the mortgage industry better reach and serve Millennial and multicultural homebuyers through marketing, customer service and recruitment strategies. She is currently rolling out the first Millennial-focused product to empower loan officers through cutting-edge training and marketing solutions. Contact kristin@culturaloutreach.net for more information.