

Featuring relevant data from a survey of 1,000 individuals who either purchased a home, or tried to purchase a home, within the past three years.

# The 2023 ServiceLink State of Homebuying Report



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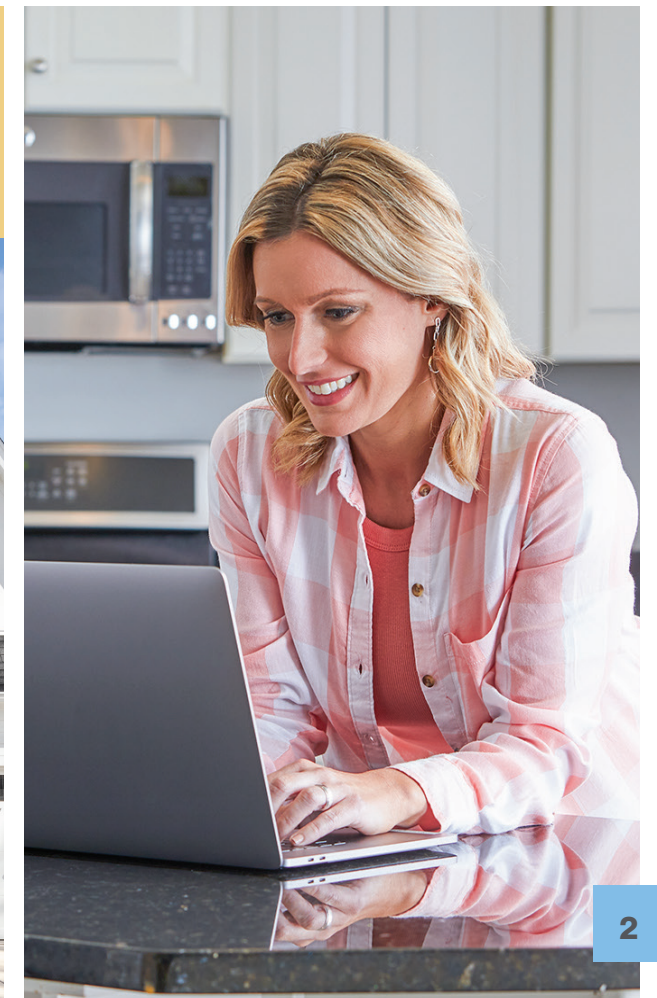
The 2023 ServiceLink State of Homebuying Report (SOHBR) features relevant data from a survey of 1,000 individuals who either purchased a home, or tried to purchase a home, within the past three years. ServiceLink partnered with Sago to uncover year-over-year (YoY) trends, generational preferences and other factors that shape the behavior of today's homeowners and prospective buyers.

While the majority of respondents were able to successfully buy a home in the past three years, nearly a quarter (22%) were unsuccessful in their pursuit of homeownership. For many, the barriers were tied directly to housing market conditions such as higher interest rates and home prices, and lower inventory. While these factors formed a familiar thread throughout the report findings, current homeowners and prospective buyers are seemingly optimistic about their future homeownership journey.

As the largest and most influential subset of buyers in the U.S., millennials (born between 1981 and 1996) are setting goals and trends with their appetite and purchasing power. Lenders' pipelines will likely be weighted with millennial borrowers throughout the year as this group tops the list of those considering purchasing and taking out a home equity loan. A smaller, yet mighty group known as Gen Z (born between 1997 and 2012) is emerging in the real estate landscape. These younger buyers are poised to make a mark with their positive outlook on the market and eagerness to secure a slice of real estate.

This report offers a snapshot into buyers' current desires, generational tendencies and their overall outlook on the future. Lenders and others in the housing space can benefit from the findings in this report to better understand what is driving consumers' decisions, how to best serve them and where more education is still needed to guide them in their homeownership journey.

*The opinions expressed in this survey are for general informational purposes only. The findings represent a random sample of consumer responses and do not necessarily support or reflect the opinions or views of ServiceLink or its members.*



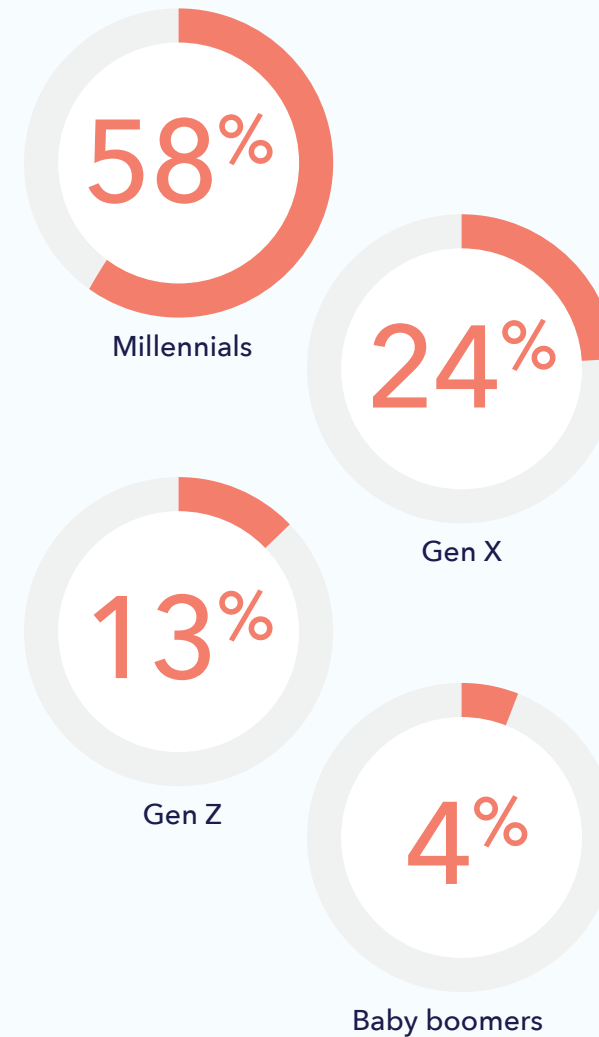
# Key Consumer Survey Findings



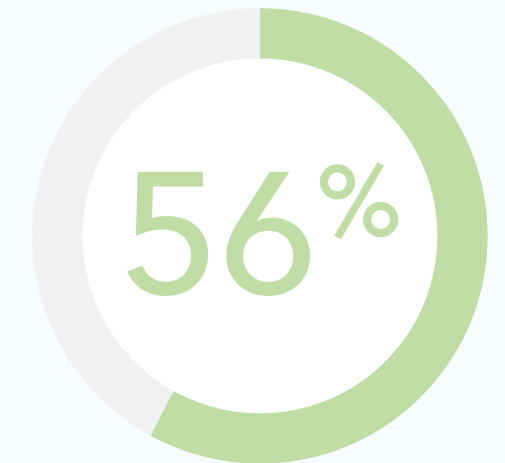
# Abandoning the homebuying process

Survey finds 49% considered buying a new home in the past 12 months, but decided against it (compared to 24% in the 2022 SOHBR).

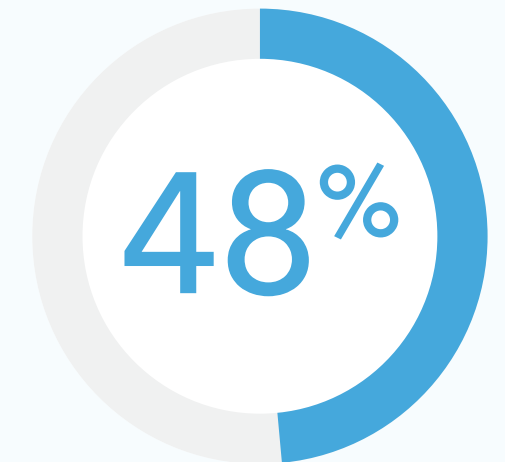
Of the 49% who considered buying but decided against it, the majority were millennials:



Why they decided not to buy:



Options were too expensive



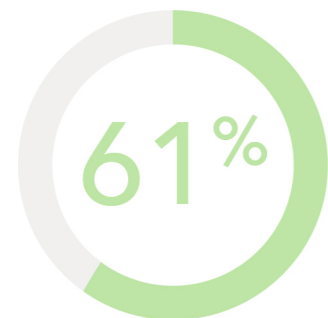
Mortgage rates were too high



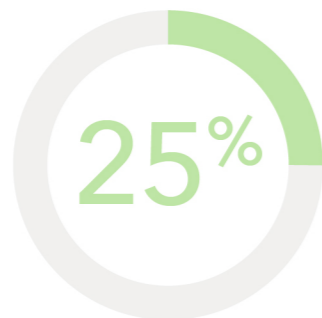
## Despite market conditions, demand remains strong

Although successfully purchasing a property has been a challenge for some, more than half of respondents said they plan to consider buying a home.

Millennials made up the majority of those who said they will consider purchasing a new home.



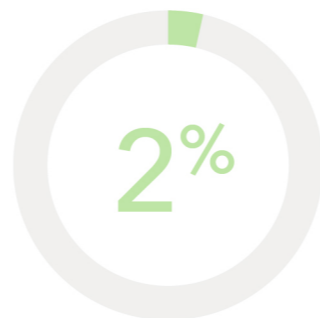
Millennials



Gen X

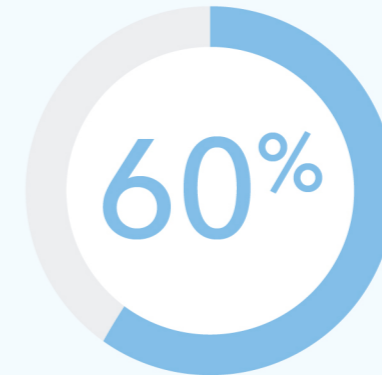


Gen Z

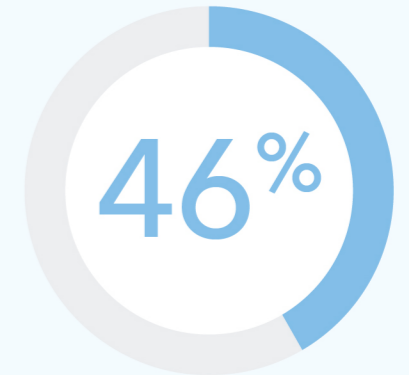


Baby boomers

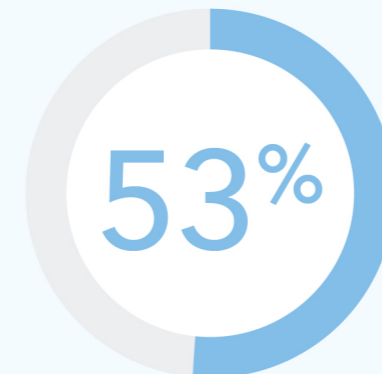
Despite challenges within the market, the majority of respondents said conditions are favorable for buying:



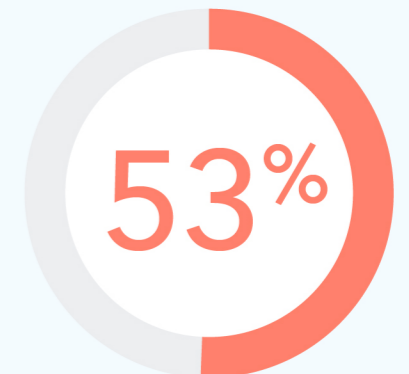
Millennials



Gen X

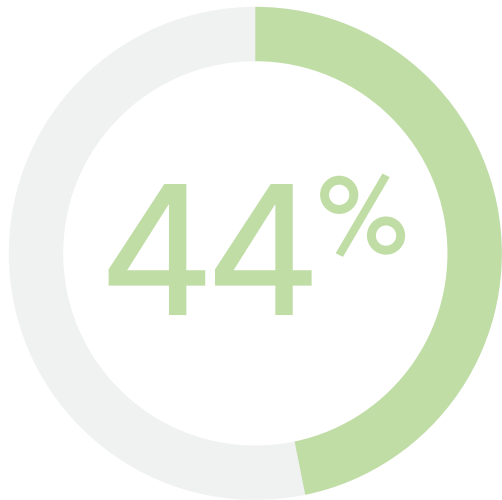


Gen Z

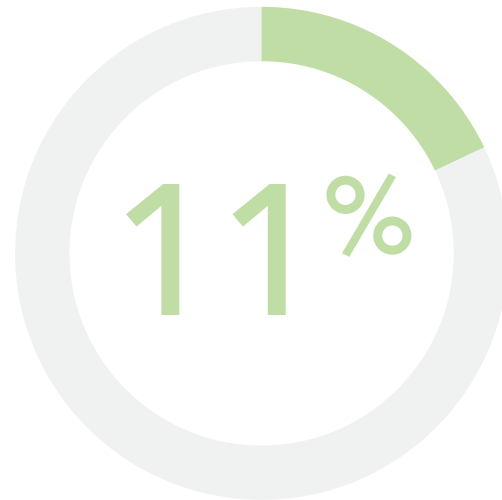


Baby boomers  
said conditions are not  
favorable for buying

# Home Equity (HE) is a bright spot in the market and a potential revenue driver for lenders

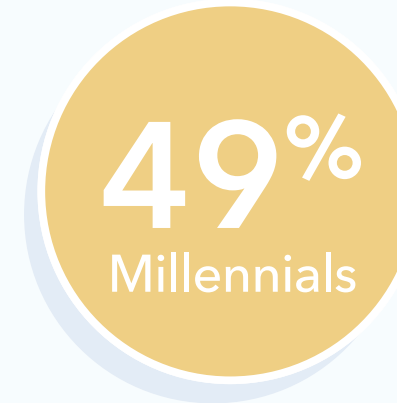


of surveyed homeowners plan to take out a home equity loan



don't know enough about them

Millennials are most likely to tap into their equity



plan to take out a HE loan in 2023

Plan to take out a HE loan in 2023

44%

Gen X

41%

Gen Z

12%

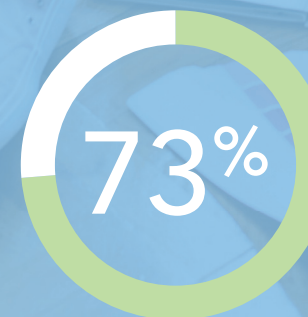
Baby boomers

# Homeowners have increased home equity

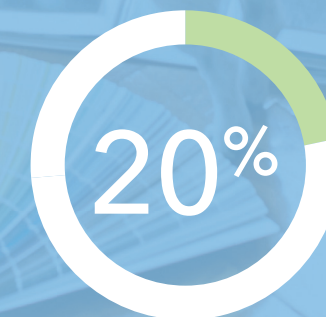
**21%** of homeowners in the study reported having over \$100,000 in equity in their home.



Potential equity usage:



plan to make home improvements

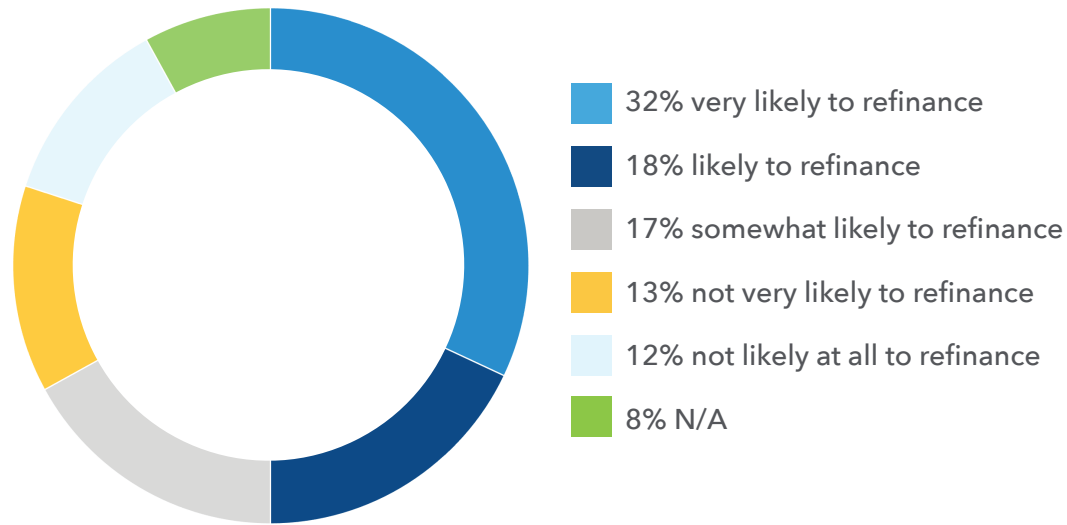


plan to pay off debt

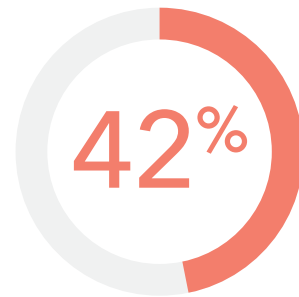


## State of Refinancing

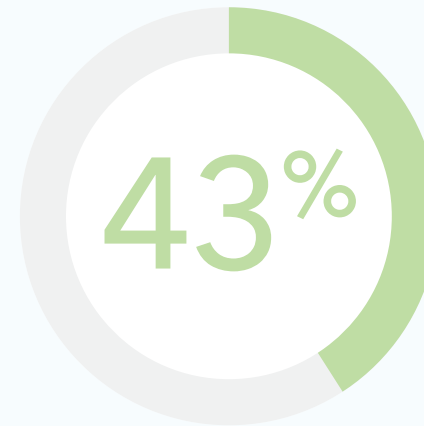
Even with increasing interest rates, there is still a pipeline of individuals watching the market waiting for an opportunity to refinance.



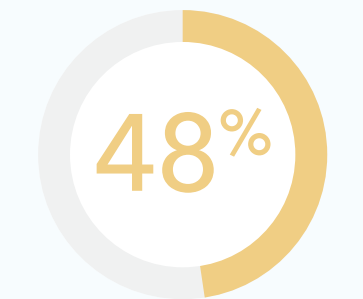
Baby boomers are least likely to refinance as 42% said they were not likely at all.



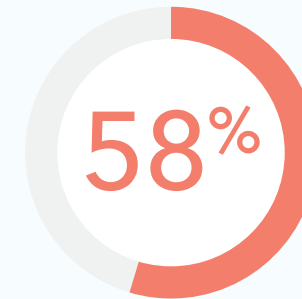
Respondents who refinanced their home in the past three years:



Many respondents chose not to refinance over the past three years:

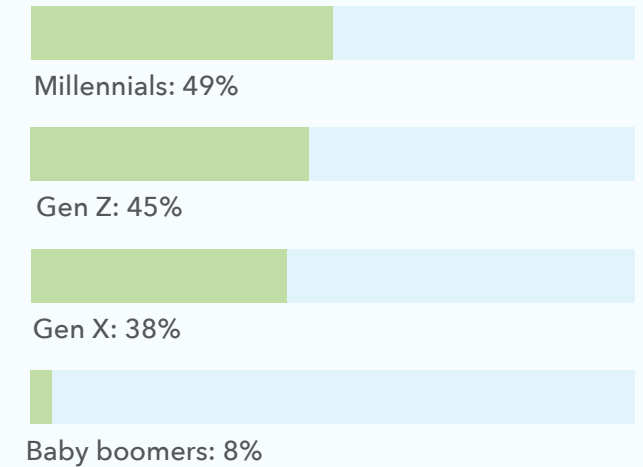


did not refinance their home in the past three years

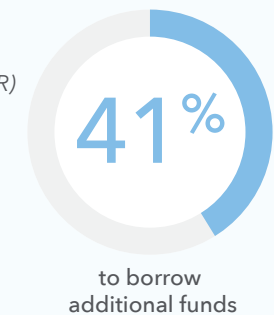
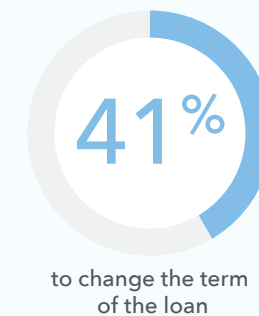


did not refinance because they had a rate they were already comfortable with

Who refinanced in the past three years:

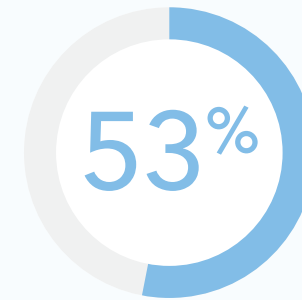


Top three reasons for refinancing:

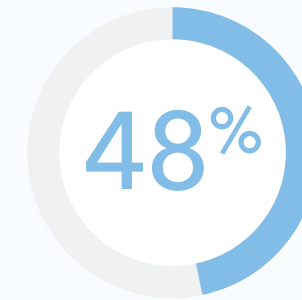


# Today's borrowers depend on mortgage technology

Technology continues to play a large role in the mortgage experience:

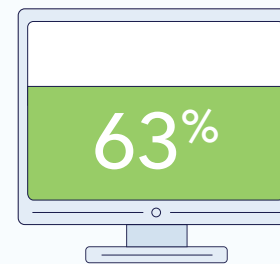


applied for a mortgage online



eSigned application or closing documents

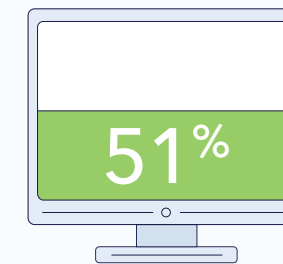
Top four benefits of technology:



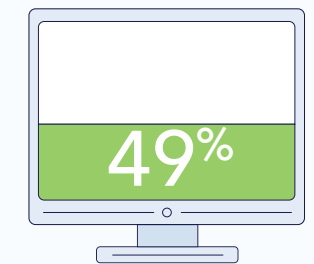
convenience and ease of use



time savings



flexibility to make progress on own schedule



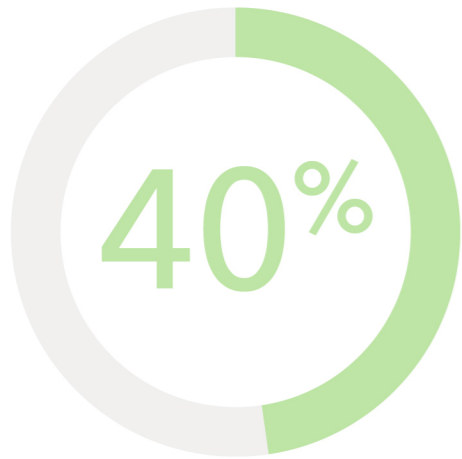
transparency into the process

Baby boomers are most averse to technology as 41% said tech did not play a role in the mortgage process.

77% of baby boomers cited convenience and ease of use as biggest benefits of technology

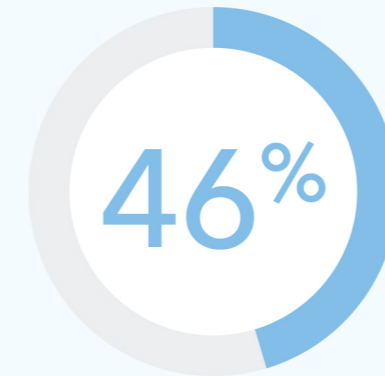
69% of baby boomers cited time savings as biggest benefit of technology

# Buying a home at auction is becoming more mainstream

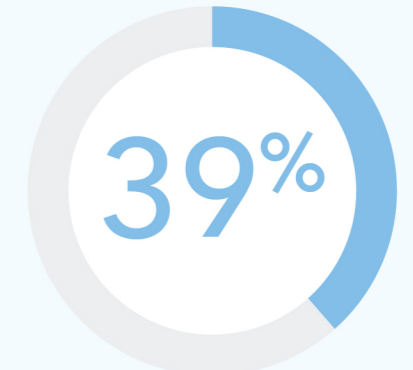


Willing to buy at auction  
but have not done so yet

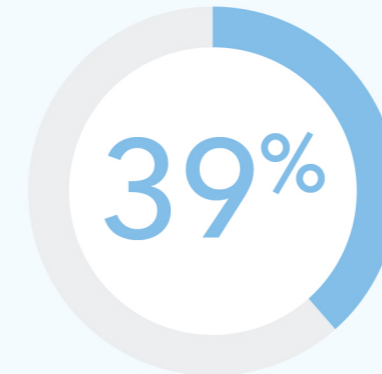
Of the 40% who are willing to buy at auction,  
Gen X responded most favorably:



Gen X



Millennials



Gen Z



Baby boomers

# Homebuying Findings

Homeowners, potential homebuyers and mortgage lenders in the U.S. have all learned some important lessons over these past three years. To be successful in today's up-and-down housing and mortgage market, one must be patient, flexible and ready to seize on opportunities. Despite the ebbs and flows in housing inventory, interest rates and home values, the appetite for homeownership is still strong and several generations are poised to make their mark on the market in 2023.



# Seeking homeownership

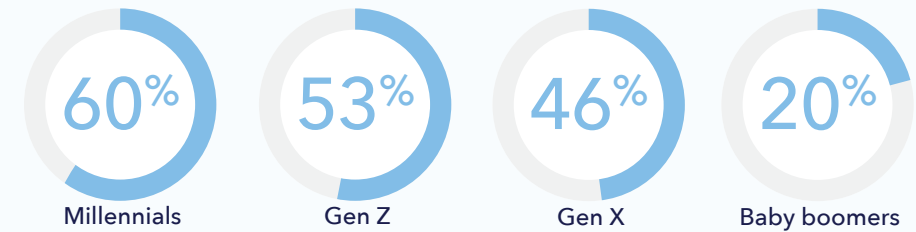
More than half (52%) of respondents in the survey say they are open to purchasing a home.

Making up nearly 22 percent\* of the U.S. population, millennials have once again proven to be the most dominant force in the housing industry. With its size, financial fortitude and positive outlook, this group wields trendsetting power as 61% of those willing to buy a home are millennials. Another 25% of potential buyers are from Gen X (born between 1965 and 1980), while Gen Z makes up 12%.

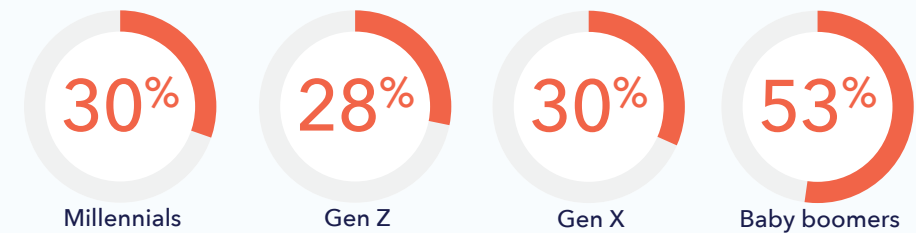
Even with challenging market conditions, homebuyers' perception of the market is generally optimistic as three of the four generations have a positive outlook - and consider conditions to be favorable for buying. Millennials lead this group at 60%, with Gen Z (53%) and Gen X (46%) following closely behind. However, the outlook isn't as rosy for baby boomers (born between 1946 and 1964), as only 20% said conditions are favorable for buying.

<sup>1</sup> Insider Intelligence

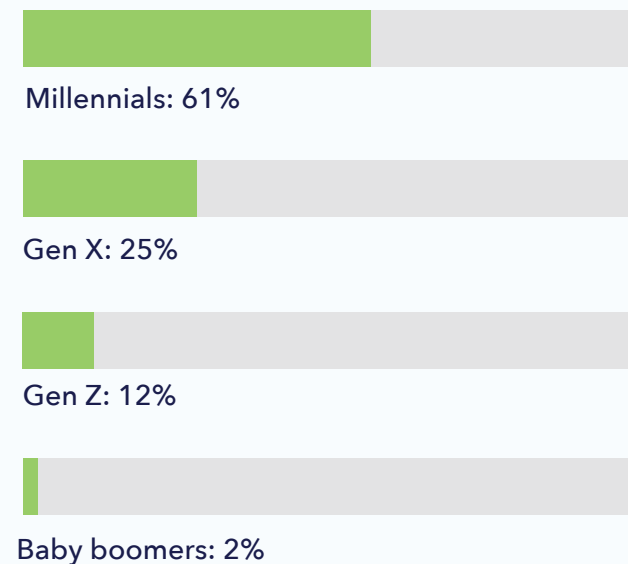
Despite market conditions, the majority of respondents found conditions to be favorable for buying:



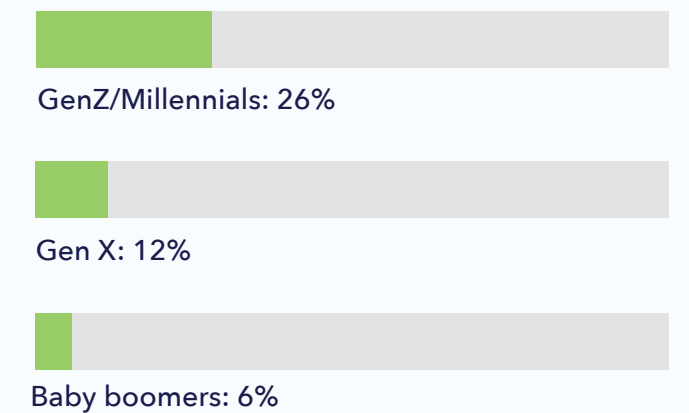
Said conditions are not favorable for buying:



Willing to buy in 2023:



Willing to buy in 2022:

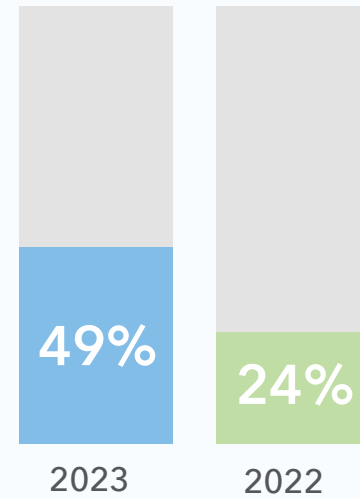


While the sentiment is strong, there's been a sharp increase in the number of buyers who have abandoned the homebuying process over the past three years.

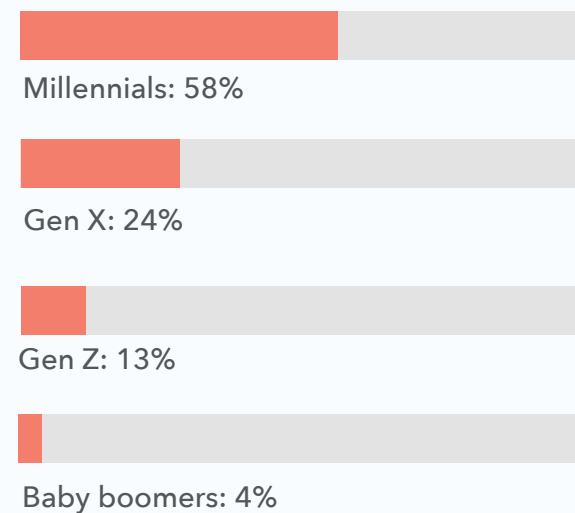
In fact, the overall number of respondents who considered buying a home in the last 12 months, but decided against it, has doubled in a YoY comparison - surging from 24% in 2022 to 49% in 2023. Millennials lead the group at 58%, followed by Gen X (24%) and Gen Z (13%).

Affordability was the main deterrent for this subset of would-be buyers. Of this group, 56% said options were too expensive and another 48% said mortgage rates were too high. Housing prices were also the main deterrent in the 2022 SOHBR, as 44% said options were too expensive.

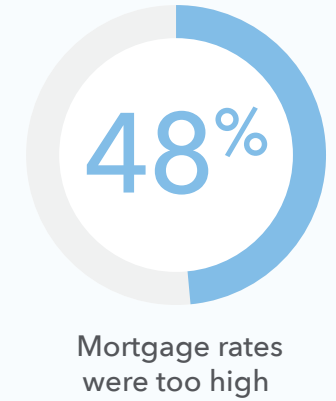
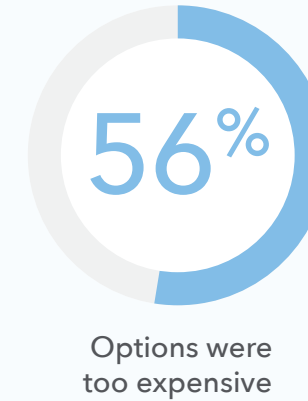
### Considered buying, but decided against it:



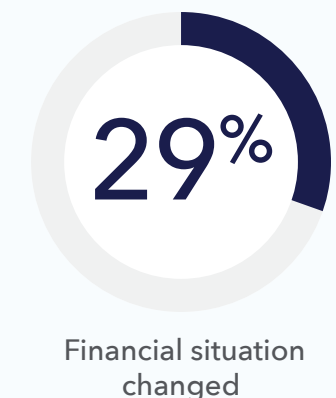
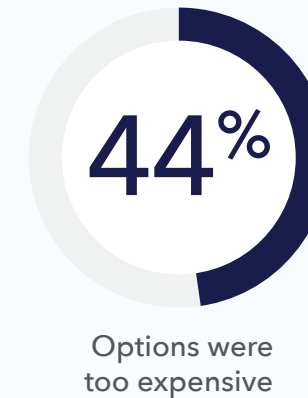
### Of those who considered buying, but decided against it, millennials led the way:



### 2023 SOHBR: Why they decided not to buy



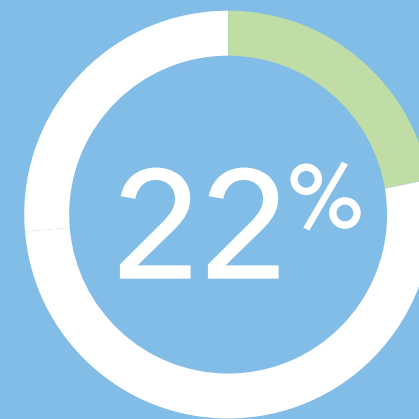
### 2022 SOHBR: Why they decided not to buy



## The complexities of the market these past three years have put the American dream out of reach for another set of potential buyers.

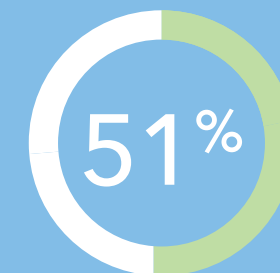
Twenty-two percent of respondents say they tried, but were unable to purchase a home. With the median sales price of a home in the U.S. around \$467,700<sup>2</sup> in the fourth quarter of 2022, it's not surprising that more than half (51%) said they were unable to buy because options were too expensive, followed by high mortgage rates (44%).

<sup>2</sup>Fred Economic Data

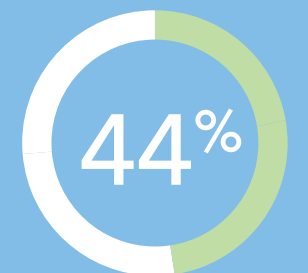


Were unable to purchase a home

Why:



Options were too expensive



High mortgage rates

## For those who were able to get to the closing table and sign on the dotted line, the journey wasn't always easy.

Respondents ranked their top three most difficult steps in the homebuying process which included: determining their budget range, finding a property within their budget range and finding a property in their preferred location. Women overwhelmingly ranked these three areas as more difficult than men.

According to today's buyers, there are distinct areas where lenders, mortgage brokers, real estate agents and others can improve upon the mortgage process. These improvements range from an increase in transparency to a decrease in documentation.

**Challenge:** Determining budget range



Women: 40% Men: 26%

**Challenge:** Finding property in budget range



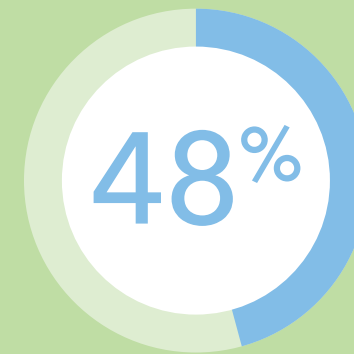
Women: 48% Men: 24%

**Challenge:** Finding property in preferred location

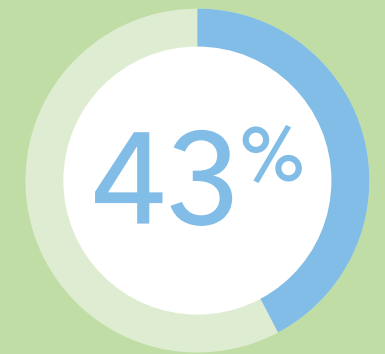


Women: 47% Men: 14%

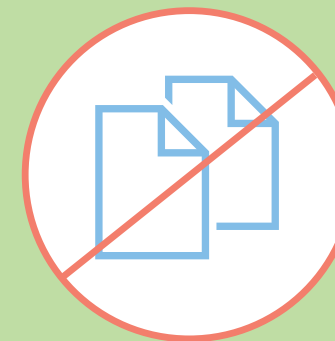
When asked what respondents would change about their mortgage experience, 48% said they want more transparency into the steps and fees, while another 43% said they would like more education from their real estate agent or lender.



Want more transparency into the steps and fees



Want more education from their real estate agent or lender

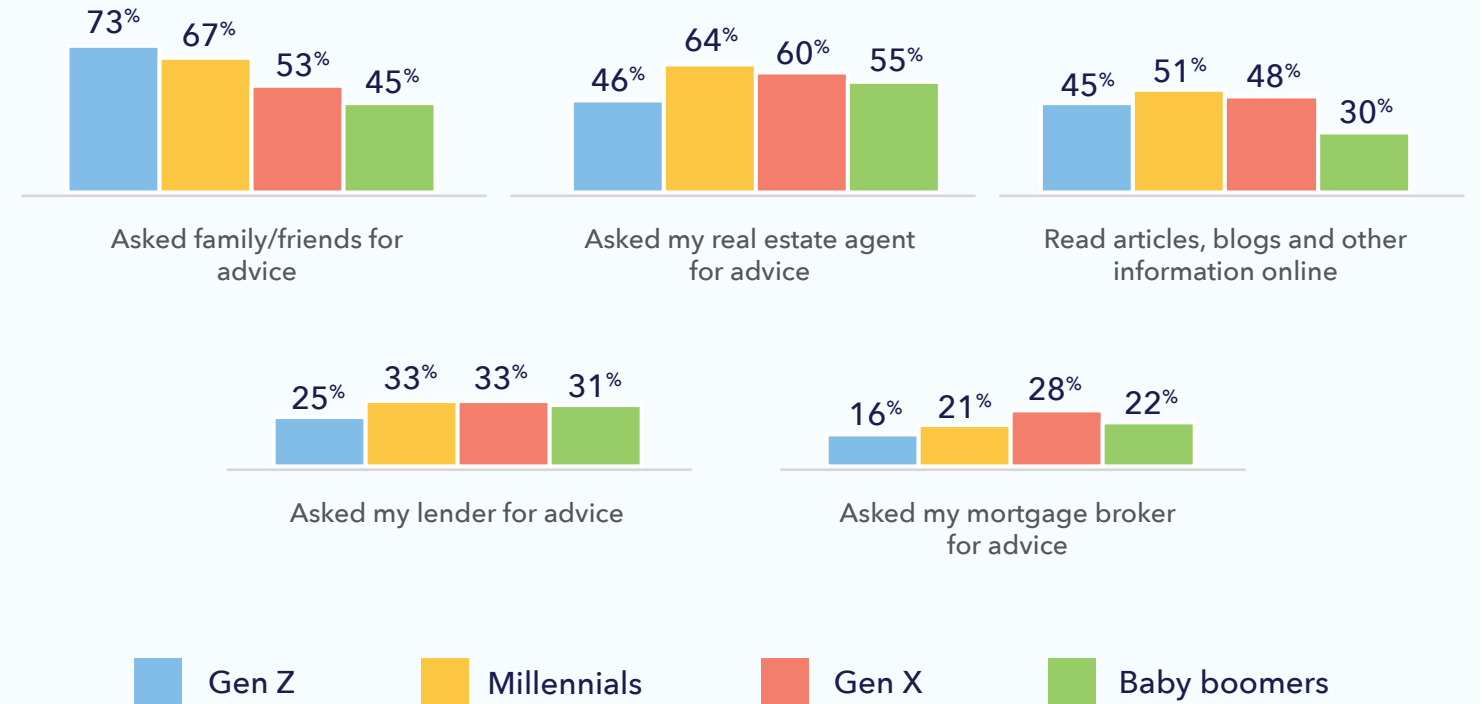


41% said they would like less paperwork and more electronic forms.

These same factors, which are linked to borrower satisfaction, also ranked highly in the 2022 SOHBR.



When it comes to receiving solid counsel during the homebuying process, results show that the ‘greenest’ buyers on the market didn’t wander far from home.



Gen Z overwhelmingly turned first to family and friends for advice (73%), and millennials weren’t too far behind (67%). Millennials also relied heavily on their real estate agents, as well as read articles, blogs and other information online. Gen Z respondents were least likely of all the generations to ask their real estate agents, lenders or mortgage brokers for advice.

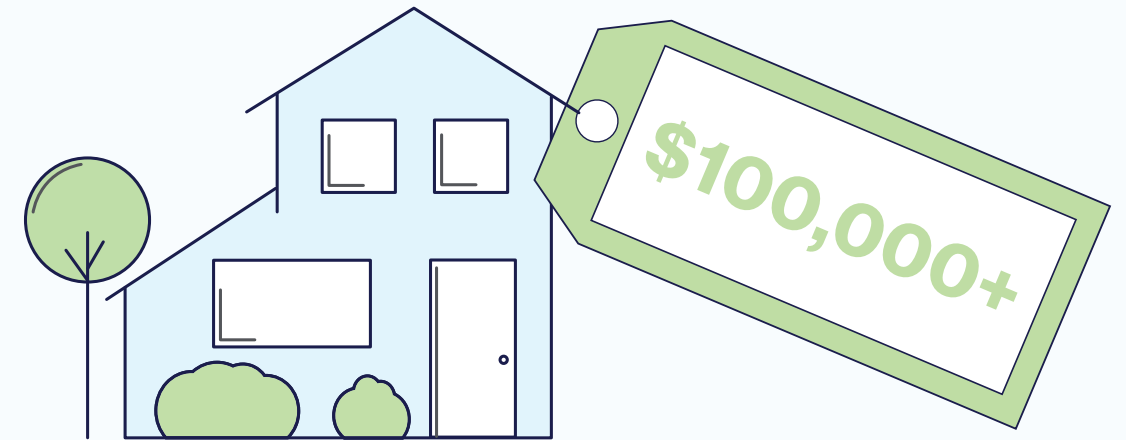
# Home Equity Findings



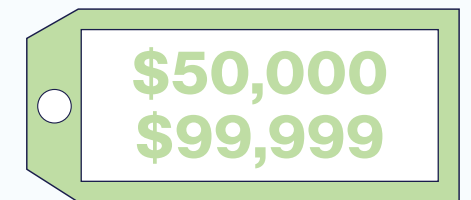
## The home equity market is shaping up to be a promising revenue driver for lenders in 2023.

Those in the mortgage space generally had to pivot and realign priorities in 2022 due to shifts in market dynamics. With higher interest rates causing refinance numbers to slow considerably toward the middle and latter portions of the year, more homeowners sought to take advantage of the increasing value of their home. And there's plenty of equity to go around.

Results show that 21% of surveyed homeowners reported having over \$100,000 worth of equity in their home



A combined 41% reported having between \$50,000 and \$99,999 in tappable equity



Conversely, 3% reported having zero or negative equity in their home

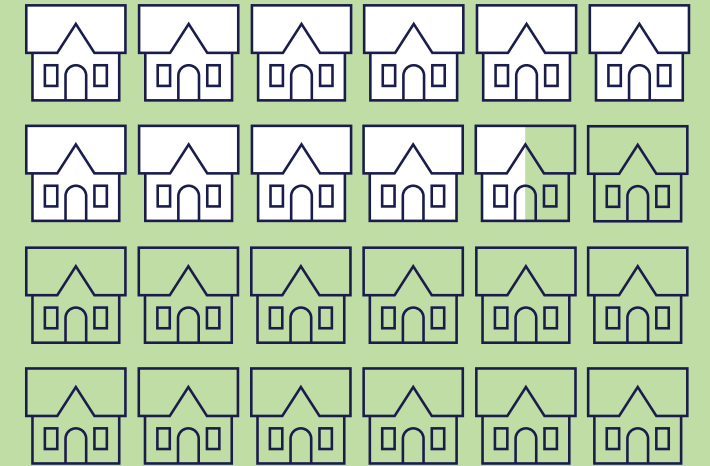


## There are opportunities available to today's homeowners to tap into quick cash.

Of those who currently own a home, 44% of that group said they would take out a home equity loan. Through education and outreach, lenders could leverage even more of the market as another 11% said they don't know enough about home equity loans to consider them.

# 44%

Of surveyed homeowners plan to take out a home equity loan.



## Top motivators to take out a home equity loan:

**73%**

use the money to make home improvements

**20%**

use the money to pay off debt including student loans

Results show men are more likely to put the money toward home improvements, while women would use it to pay off debt.

Millennial dominance continues even in the home equity market as survey results show this group is most likely to seek a home equity product.



# Refinance Findings



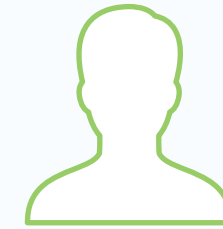
## Despite the fluctuating interest rates, which eclipsed the 7%\* mark in the fall of 2022, homeowners are showing signs of future interest in refinancing.

In general, the likelihood of refinancing largely depends on the opportunity to secure a more attractive interest rate. However, even with increasing interest rates, there is still a pipeline of individuals watching the market waiting for an opportunity to refinance. Of the subset of respondents who own a home, 32% said they are 'very likely' to refinance, while 12% said they are 'not likely at all.'

*\*themortgagereports.com*

### Very likely to refinance:

---



Men: 41%



Women: 21%

### State of Refinancing:

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**32%** of homeowners are 'very likely' to refinance

**18%** of homeowners are 'likely' to refinance

**17%** of homeowners are 'somewhat likely' to refinance

**13%** of homeowners are 'not very likely' to refinance

**12%** of homeowners are 'not likely at all' to refinance

When it comes to baby boomers, these respondents overwhelmingly (42%) said they are 'not likely at all' to refinance, which is unsurprising considering many in this generation no longer have a mortgage.

## The pendulum is swinging in terms of why 43% of respondents chose to refinance over the past three years.

All four of the top responses saw an increase in this year's report. The percentage of homeowners who were seeking a better mortgage rate jumped by ten percent from the 2022 SOHBR. However, the biggest yearly jump was the percentage of those who refinanced in order to change the terms of their loan, from 23% in 2022 to 41% in 2023.

### Reasons to Refinance:

	2023	2022
To get a better rate on mortgage:	72%	62%
To change terms of loan:	41%	23%
To make home improvements:	29%	25%
To pay down debt:	26%	23%

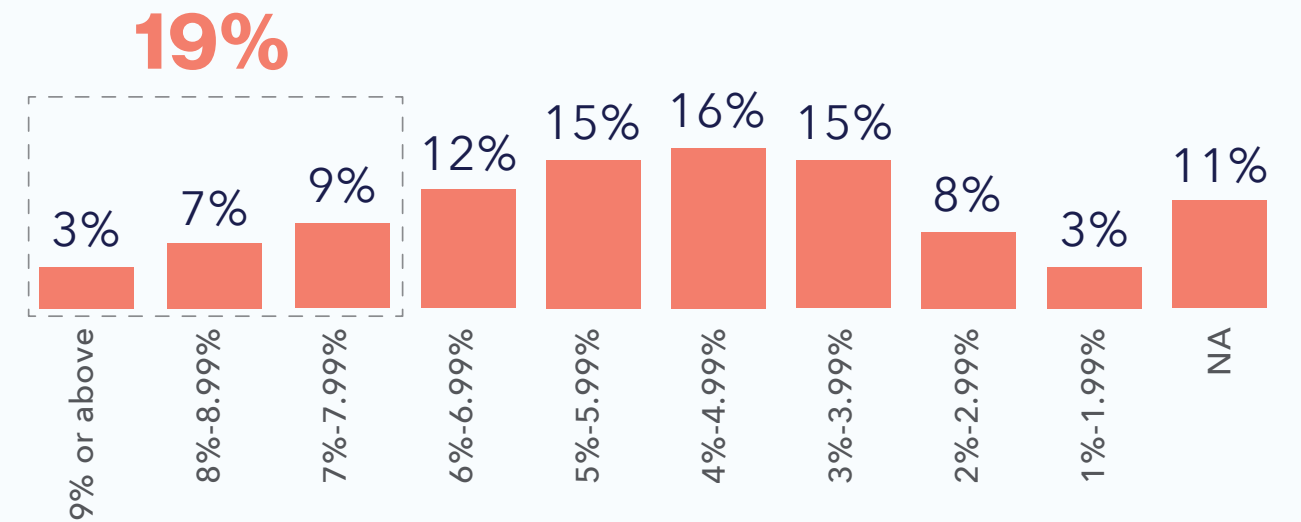
The remaining respondents who did not refinance over the past three years say they had good reason for it.

- 58% said they already had a rate they were comfortable with
- 21% said interest rates were too high and it didn't make sense to refinance
- 11% said they didn't know how to refinance



Even with fluctuating rates,  
there is still opportunity for  
some borrowers to save  
money on their mortgage.

## Interest Rates Among Surveyed Respondents:



While the majority of borrowers reported having interest rates between 3-5.99%, a combined 19% of respondents have interest rates anywhere between 7% and 9%. These borrowers perhaps have the largest opportunity to lock in a lower rate and save on their monthly mortgage payments. Even securing a rate that's 1% lower has the potential to save a borrower tens of thousands of dollars over the life of a 30-year loan.

Despite the opportunities that may exist, many borrowers seem comfortable where they are.

## When asked how they feel about their current mortgage rate:

**66%** said they were happy with their rate

**13%** said they were unhappy with their rate because it was too high

# Auction Findings



# Once a market dominated by investors, buying a home at auction is becoming more mainstream.

In fact, there has been an increase in the number of individuals who are willing to buy a home using this alternative method to homeownership.

However, lenders, servicers and attorneys that operate in this market have an opportunity to educate borrowers about auctions considering 23% said they don't know enough about the process to consider purchasing a property in this way. This response suggests that, by providing additional information on the fees, processes and programs, the potential pool of buyers could expand even more.



## Willing to buy at auction, but haven't done so yet:

2023	2022
40% would consider it	33% would consider it

## Breakdown of generations who say they are willing to buy at auction:

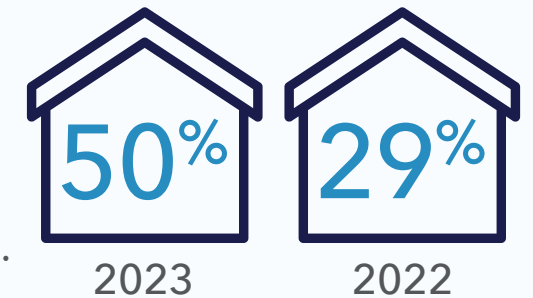
46%	39%	39%	30%
Gen X	Gen Z	Millennials	Baby boomers

## Motivation to buy at auction comes down to two factors that are crucial to buyers: cost and speed.

Some 67% of respondents said potential cost savings would motivate them to buy at auction, and 50% cited a faster homebuying process. These findings align with the sentiment of 2022 SOHBR respondents who ranked these areas as 72% and 44%, respectively.

The use for a property bought at auction is shifting as more buyers are looking to this market to purchase their primary residence.

In this most recent report, half of respondents (50%) said they would use it as a primary residence, whereas that number was only 29% in the 2022 SOHBR.



Potential usage for an auction property:

2023	2022
20% Fix and Flip	31% Fix and Flip
50% Use as primary residence	29% Use as primary residence
23% Leverage for rental income	23% Leverage for rental income

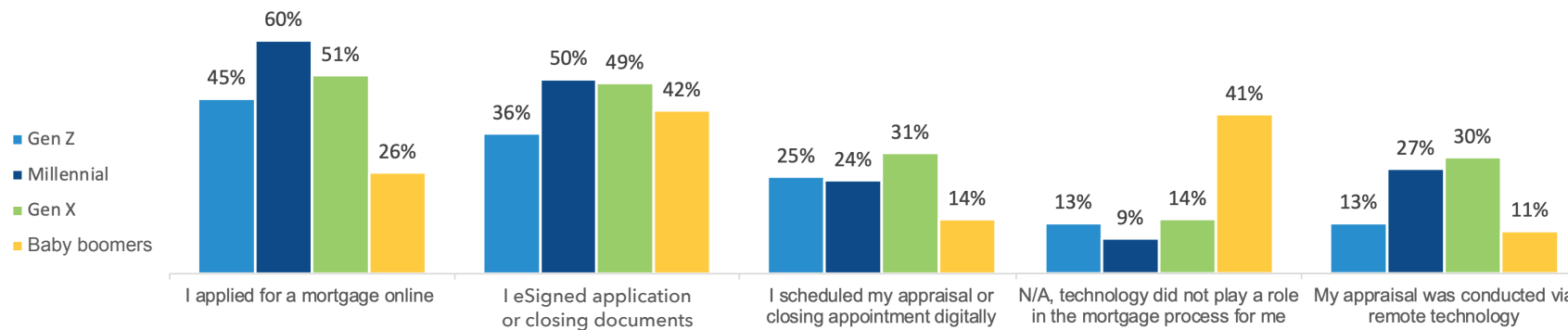
# Technology Findings



# One of the most rapidly growing facets of the mortgage process is the addition of digital tools to facilitate the transaction.

This is an area that has been overhauled in the past decade, and many borrowers are eager for their home purchase to align with other digital transactions in their everyday routines.

While many segments of a home purchase used to be manual, now lenders are giving borrowers more opportunities to make progress via technology. Among these advancements: online mortgage applications, electronic document signing, remote closings, remote appraisals and digital scheduling capabilities.



### Technology's Influence on Mortgage Process:

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53% Applied for mortgage online

48% eSigned application or closing documents

25% Conducted appraisal remotely via virtual platform

25% Scheduled appraisal or closing digitally

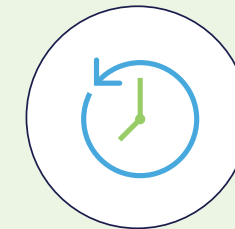
**One of the biggest motivators for lenders to incorporate these types of tools is to provide borrowers with a seamless process, and many have found that to be the case.**

Sixty-three percent of respondents said convenience and ease of use were the biggest benefits of technology, followed by time savings (59%), flexibility to make progress on their own schedule (51%), transparency into the process (49%) and cost savings (40%).

## Technology Benefits:



**63%** convenience and ease of use



**59%** time savings



**51%** flexibility to make progress on their own schedule



**49%** transparency into the process

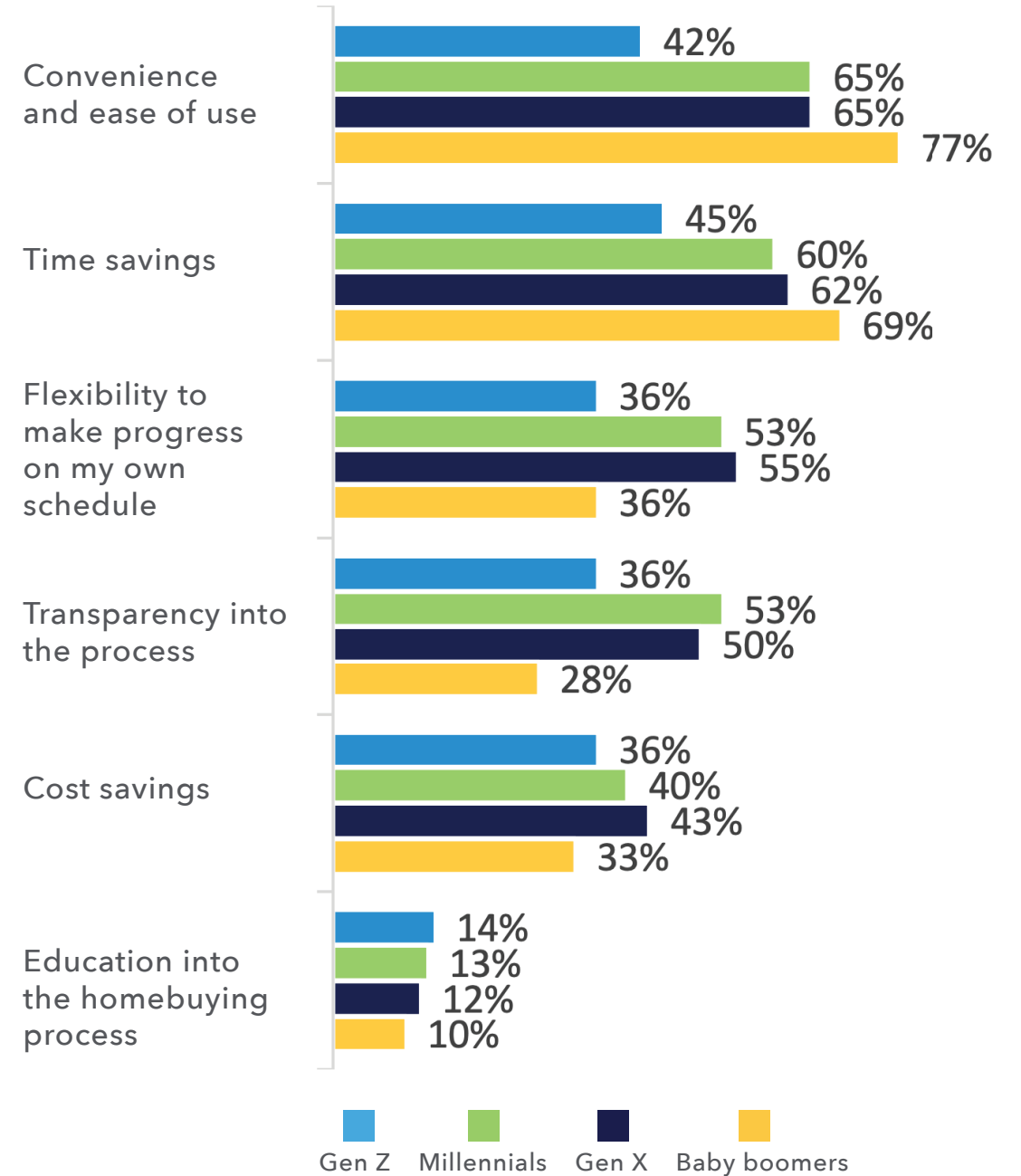


**40%** cost savings

**Although 41% of baby boomers said that technology did not play a role in their mortgage process, interestingly, this group ranked the top two benefits of technology in the highest numbers again for a second year in a row.**

Seventy-seven percent of baby boomers found convenience and ease of use to be the biggest benefit of technology. They also led all responses for time savings at 69%. Millennials and Gen X ranked the benefits of technology in solid numbers throughout, while Gen Z didn't respond as favorably in most categories.

### Technology Benefits:



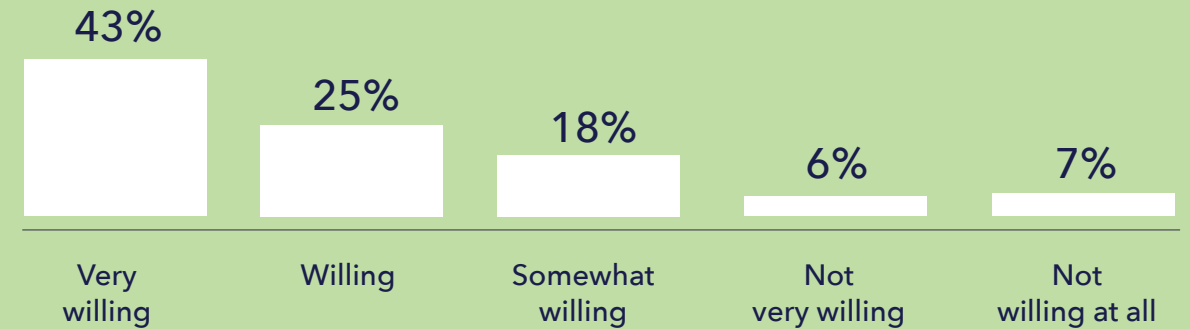


# More of today's homeowners are embracing emerging technology solutions.

Virtual inspections are growing as an alternative valuation product in the refinance and home equity spaces. These inspections utilize a smartphone to capture video of a home and its features to submit to an appraiser in order to complete a valuation.

A combined 68% of respondents say they are 'very willing' or 'willing' to submit videos or photos of their home to facilitate this process. However, a combined 13% said they are 'not very willing' or 'not willing at all' to use this technology.

Despite a bit of hesitancy, willingness to adopt virtual valuation solutions is quite a shift from 2022 SOHBR results where 45% said they would not feel comfortable with a virtual inspection.



# Key Takeaways

## Lenders:

**Opportunities abound.** As evidenced by the results, homeowners and prospective buyers have a mostly positive outlook on the housing market. Therefore, opportunities to secure home equity and first mortgage business are available, particularly among the millennial generation. Targeting this demographic to secure first-time, referral or repeat business could generate revenue in multiple channels.

**Be the source.** Today's buyers want and need someone in their corner when it comes to making homeowner decisions. While many seek out family and friends, buyers often turn to lenders, mortgage brokers and real estate agents for solid counsel throughout the transaction. Providing up-front education, resources and tech-enabled tools will not only win business but also produce loyal borrowers.

**Don't neglect the youngest borrowers.** It's been well documented that millennials still dominate the housing and mortgage market, but don't forget about the up-and-comers behind them. Gen Z is also eager to secure a slice of real estate and has a positive outlook on the housing industry. For what this group may lack in homebuying experience, it makes up for in eagerness. Understanding Gen Z's challenges, consumption patterns, and how they like to interact could go a long way in winning the loyalty of these newer borrowers.

## Borrowers:

**Auction is an option.** During times when inventory in the traditional market is running low, perhaps consider auction properties. Once dominated by investment firms, there are now programs in place that give first-time homeowners a chance to get their foot in the door. Due to this factor and others, auction could be a viable option for certain buyers looking for their first home, a rental property or even a fix and flip.

**Check your rate.** Knowing your interest rate and where it falls on the sliding scale can lead to money-saving opportunities. For the 19% in the survey who had rates anywhere from 7%-9%, these borrowers have the chance to save tens of thousands of dollars by refinancing at a lower rate, even if it's not a significant rate cut. When the rates dip, consider talking to your lender about your options, otherwise you could be leaving money on the table.

**Don't set out on your own.** When it comes to purchasing a home, refinancing or taking out a home equity loan, lean on the experts. Lenders, real estate agents and other housing professionals want to help walk you through the process. Find a trusted source and allow them to show you the opportunities, savings and options that would be in your best interest. Even if you've bought several homes in the past, the market is ever-changing and there's always something new to learn.

# Conclusion

The results of this survey provide a unique snapshot of the state of the current housing market, generational attitudes and perceptions and an overall outlook on the 2023 market through a consumer lens. They also offer a glimpse into what the future may hold as the power-packed duo of Gen Z and millennials continue to make their mark on the housing industry. Prepared to purchase, refinance and take out home equity loans, this subset of buyers will likely be the driving force behind new trends and innovation both now and in the years to come.

**Methodology:** This ServiceLink study was completed online via a panel of potential respondents who purchased a home, or tried to purchase a home, in the past three years. A total of 1,000 respondents, 18 years of age and older, completed the survey. Interviewing was conducted by Sago from January 7, 2023 to January 13, 2023.

