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Brace for the Millennial TSUNAMI

Originators should prepare for waves of this generation flooding the housing market

Millennials delayed — but did not give up — on the dream of owning a home. With many carrying a significant amount of student-loan debt, roughly half of millennials say they can't afford a home right now. Still, this generation's impact on the real estate market now and into the future is undeniable. ▶ ▶ ▶



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recent report from Realtor.com showed that millennials are responsible for 45 percent of all new home loans, more than any other generation. Experts predict this trend will continue, driving demand for new homes over the next two to five years.

Millennials might be late to the homebuying party, but the largest generation in America is starting to make its presence known.

This generation has its challenges. Millennials owe, on average, \$36,000 in debt, trailing only those in Generation X, who owe an average of \$39,000, according to a study by Northwestern Mutual. Although they're willing to take on larger mortgages, millennials make the lowest downpayments. As of this past December, the average downpayment for a millennial homebuyer was 8.8 percent of the purchase price, according to Realtor.com.

Technology is key to marketing mortgages to millennials as 99 percent start looking for homes online, with many browsing on their mobile devices. This generation likes to do their own research first, then hire a real estate agent. Here's how mortgage originators can capture millennials' attention in this new era of digital marketing.

Digital presence

Mortgage originators must have a digital presence. If they're not connected digitally, they won't reach millennials. This generation wants access to instant information and is taking its homebuying journey online.

Content marketing is a proven way to reach millennials through digital platforms. Mortgage originators need to show they're authorities in the industry. Millennials want valuable information from original content created by a trusted source.

Good content addresses any problems prospective homebuyers might encounter and then offers a solution. High-quality content examines possible scenarios millennials might encounter during the mortgage process.

If something is preventing them from qualifying for a mortgage, the content will present a solution. Many millennials, for example, believe they can't qualify for a mortgage because of low credit scores and less spending power. Applicants with credit scores of 580 can qualify for a mortgage with a downpayment as low as 3.5 percent, however.

Good content explains that qualifying for a mortgage is possible with less-than-average credit and a low downpayment. The content can discuss mortgage programs available through the Federal Housing Administration (FHA), U.S. Department of Agriculture (USDA), Fannie Mae and Freddie Mac that address these precise issues.

Your mortgage brand must have a good story. Millennials want to know why you work in a specific industry before you tell them what you have to offer. This is an authentic generation, so you must show you're honest and trustworthy and have their best interests at heart.

Convey a message

It's no secret millennials spend much of their time on Instagram and Facebook. They want instant social interaction through their digital screens, and they want it every day. Why not leverage social media to attract millennial homebuyers?

Building a winning social media strategy takes time. There are some simple tips, however, that mortgage originators can use immediately to get a millennial's attention. First, social media accounts should be a hub for easy-to-find resources on the homebuying process. Quick but valuable snippets about mortgage trends and housing-market statistics can help capture this generation's short attention span.

Social media accounts also should include links to reputable articles that provide insight into a millennial's homebuying journey. Links to articles with unique customer experiences and case studies are a must-have in social media marketing.

Continued on Page 58 >>



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Video is a powerful tool that helps convey a message. Social media strategists use video to tap into millennials' emotions. Video also presents an opportunity for originators to deliver a value proposition. Again, it goes back to the "why" of a business, and social media gives originators a platform to discuss their why.

Complex generation

It's been said countless times in marketing that you must know your target audience. With millennial homebuyers, this is more important than ever. This generation is complex and often the target of labels such as "entitled" or "spoiled."

Studies show millennials are willing to sacrifice more than previous generations to buy a house. Millennials view homeownership as a symbol of independence, the American dream. Understanding your audience requires you to learn where the homebuying journey starts for millennials. Many lenders, for example, see a big portion of their application activity happening outside traditional business hours.

Millennials have no interest in walking into a bank and filling out an application. Therefore, originators must market any digital mortgage applications used by their lenders. Although most lenders use some form of digital application to prequalify potential borrowers, a true digital experience lets millennials complete the entire application process online, including the ability to digitally upload all documents that lenders require for qualification.

Affordability key

Most people believe millennials want to buy their homes in urban locations with convenience and proximity to work in mind. The reality is more millennials buy homes in safe, affordable neighborhoods with good schools, according to a 2019 millennial homebuyer survey by Clever Real Estate. Walkability and short commute times play less of a factor than what many people are led to believe.

Also, this generation still wants people to answer their questions. Although millennials rely heavily on technology, they still value human interaction and want 24/7 access to mortgage and real estate professionals. This generation believes human interaction is lacking during the mortgage process.

The majority of millennials plan to stay in their homes for 10 years or less before they upgrade or move, the National Association of Realtors reported. Originators can discuss how adjustable-rate mortgages (ARMs) with low initial fixed interest rate terms of five, seven or 10 years

are ideal for millennials who know they won't be living in their first house for more than a decade. The initial rate on ARMs is often a quarter to half a percentage point lower than the rate on 30-year fixed-rate mortgages. Affordability is a big factor among millennials, so saving \$50 to \$100 each month on mortgage payments during the initial term is a huge selling point.

Millennials also are willing to buy a fixer-upper — 68 percent of millennials would make an offer on a home that requires major repairs, according to Clever. This is a golden opportunity for mortgage originators to market rehabilitation loans such as the FHA's 203(k) rehabilitation mortgage program, Fannie Mae's HomeStyle Renovation Program and renovation mortgages from Freddie Mac.

Attainable goal

Downpayments and affordability are the biggest concerns for millennial homebuyers. So, mortgage originators must emphasize affordable housing as an attainable goal.

In March 2019, interest rates hit their lowest levels in more than a year. The average rate on a 30-year fixed-rate mortgage went as low as 4.06 percent. Also, the Federal Reserve signaled there will be no new rate hikes for the rest of 2019. Experts suggested the announcement will drive rates lower over time.

With home prices stabilizing in many markets, 2019 could be the year millennials take control of the housing market. When interest rates are low, monthly mortgage payments are lower. When monthly payments are lower, debt-to-income ratios are lower. When monthly debt is lower, it leaves more in cash reserves. Each of these three factors are measures lenders use to determine if a borrower can repay a loan.

With many low- and no-downpayment mortgage programs available on the national and state levels, and from private lenders, affordability will start to loosen its grip on a millennial's decision to apply for a mortgage and buy a home. Mortgage originators must make it clear to this generation that homeownership is not only attainable but affordable.

Millennial buyers already know what they want when they hire a real estate agent, but they still place value in the professional services of an agent. Millennials want the best and the brightest, and that includes mortgage originators and Realtors. Understanding the mindset of this up-and-coming homebuying generation is more important than ever. It starts by offering something different and better than the lifestyles provided to generations past. ■

