Inside the mind of the modern homebuyer

The homebuyer's journey is laden with obstacles. Credit issues, low inventory, unreasonable sellers and complicated inspections can all alter a homebuyer's perception and taint the whole experience for some. For others, the process proves fairly breezy.

The results of Experian's 2017 Homebuyers Survey revealed that some potential buyers are steering away from homeownership due to affordability, credit or lifestyle preferences while others are working hard to overcome the setbacks keeping them from purchasing.

The study also found that:

- More homebuyers are beginning to recognize the importance of credit and work to improve it for the purpose of qualifying for a better home loan rate.
- Future buyers' credit scores and financing options can have a negative impact on the amount they can spend on their new home and their timeline for buying.
- After going through the homebuying process, recent homebuyers are more aware of the value of credit and now monitor it more often.

Homebuyer perceptions: Inventory, affordability, buying experience

Despite the industry's struggle with low inventory, overall homebuyers don't feel the pinch in that area: What they're struggling with is affordability (which is made worse by the low supply). The majority (64 percent) feel they have enough inventory to choose from, while 22 percent say it's an issue.

Over half of buyers firmly believe houses are less affordable than they were 10 years ago, while only 29 percent believe they are more affordable and 17 percent feel prices have remained the same.

As far as their satisfaction with the homebuying experience, 44 percent of future homebuyers say they are happy with how things are turning out for them at this point. A close 40 percent say they are not satisfied with the experience so far, while 16 percent remain indifferent.

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Results for recent homebuyers were quite different, with a sweeping 83 percent saying they are completely happy with their experience purchasing a home. A very small number (4 percent) claim to be disappointed by the experience, while 13 percent say they were neither happy nor unhappy with the experience.

The survey revealed that buyers most likely to be happy with their homebuying experience include those who 1) already know their credit score, 2) have exceptional credit, 3) benefit from an annual household income of $100,000 or more, and 4) are not first-time homebuyers.

Experian Homebuyers Survey Results 2017

The future of homeownership

Homeownership has been thought of as the cornerstone of the American dream for so long, but it seems the tides are turning for a small but notable group. According to the survey, 34 percent of adults age 18 to 34 are opting out of homeownership for a variety of reasons:

- 37 percent want the freedom and flexibility to relocate.
- 26 percent don’t want to incur so much debt and want to avoid the responsibility of owning a home.
- 23 percent are concerned about interest rates during the Trump administration.
- 22 percent have have their sights set on another investment.
- 11 percent feel the value of real estate has gone down.

Experian Homebuyers Survey Results 2017

A shift in homeownership goals isn’t the only cause of this changing landscape: Many (43 percent) potential buyers are having difficulty obtaining home loans. Poor or limited credit history are the culprits for 15 and 14 percent of potential buyers, respectively.

Experian Homebuyers Survey Results 2017

Insufficient income and outstanding debt are roadblocks for 11 percent, employment issues make it difficult for 7 percent, and 6 percent are denied because of insufficient assets or their spouse’s poor credit history.

Unverifiable income, a spouse’s limited credit history and unverifiable assets are reasons for loan denial for 5, 4 and 3 percent of potential homeowners, respectively.

Homeowners taking credit seriously

Twenty-two percent of surveyors reported that their credit score “negatively impacted their ability to get a home loan,” and 65 percent agree that their credit score affects their refinance interest rate. Some people (15 percent) don’t believe their credit score plays a role in refinancing at all, while others (20 percent) seem unsure.

Ten percent of buyers have already refinanced their home in the last year, and 9 percent expect to soon.

Experian Homebuyers Survey Results 2017

Fortunately, many homebuyers have started taking steps to clean their credit. Paying off debt has been the way to go for 56 percent of buyers, 51 percent have started paying bills on time and 29 percent have begun closely monitoring their credit score.

Twenty-three percent of homebuyers are watching their credit card balances, making sure to keep them low. Fourteen percent are actively protecting their credit card information from fraudulent activity and identity theft, while 13 percent have ceased opening new credit accounts.

The amount of buyers purposefully making changes to improve their credit in 2017 is 56 percent, an 8 percentage point increase from 48 percent the year prior.

Experian Homebuyers Survey Results 2017

As if credit itself weren't difficult enough to manage, homebuyers continue to face the damaging effects of identity fraud. These effects include difficulty securing a loan approval (64 percent), difficulty getting approved for a good interest rate (51 percent), difficulty securing a large enough loan (45 percent) and requiring a co-signer for approval (42 percent).

Twenty-eight percent of survey respondents agree "that identity fraud has impacted or will impact their experience buying a home," while 57 percent disagree with that statement and 16 percent neither agree nor disagree.

Experian Homebuyers Survey Results 2017

About the survey

This online survey was sent between June 21 and June 27, 2017 to 500 homebuyers who purchased within the year or plan to purchase in the next year.

Experian's objective was to collect research regarding homebuyers' thoughts on the purchase process, credit scores and financial responsibility.

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