

## Letter from D. Steve Boland, Consumer Lending Executive



We are pleased to share the inaugural Bank of America Homebuyer Insights Report, which explores the attitudes, behaviors and preferences of the modern homebuyer. One thing rings clear — the dream of homeownership is alive and well.

Our 2016 research validates what we've been hearing from our clients: homeownership is still an important goal, and individuals see their home — and the equity they build in it — as an important cornerstone of their everyday life and their overall financial picture.

Homebuyers today are motivated by both emotional and practical reasons. Nearly all want more space, but a majority of homebuyers, especially those purchasing their first home, are also looking for a place to call their own, put down roots and make memories. They value the emotional benefits of owning a home as much as the financial ones.

In many cases, we found today's buyers are taking a long-term view of homeownership. They want to purchase a home that will meet their future needs and understand that, in some cases, that will require saving more, waiting longer and making sacrifices. As they get closer to purchasing a home, they're more willing to give up some features in their dream home.

The reality is that many buyers today are balancing important financial priorities. To them, saving for a home is as important as saving for retirement. And they are considering all of this while they are coping with student loans, credit card debt and college savings for their children. That's likely why the majority of aspiring buyers are expecting some type of support from their parents in buying a home.

The path to homeownership is a journey and can be as overwhelming as it is exciting. For many people, this is the single most significant financial transaction they will ever make. Bank of America offers a variety of tools and expertise to help homebuyers confidently save for and purchase a home, including our Save for a Goal tool, which assists individuals in developing a savings plan for a down payment, and the Down Payment Resource Center, a website where people can find down payment assistance programs for which they may be eligible.

This is an exciting time for homebuyers, and we hope that the insights within this report provide a roadmap for when, how and why to begin planning to purchase a home that's right for them.

## Methodology

Braun Research, Inc. (an independent market research company) conducted a nationally representative, online survey on behalf of Bank of America January 27–February 21, 2016. Braun surveyed 1,001 respondents throughout the U.S., comprised of adults 18+ who want to buy a home in the future. Select questions allowed respondents to choose more than one answer, resulting in a total response that may equate to more than 100 percent.

In addition, comparatively 300 adults were also surveyed in 10 local markets: Atlanta, Boston, Chicago, Dallas, Denver, Los Angeles, New York, San Francisco, Seattle and Washington, D.C. Braun also interviewed a total of 801 millennials (defined as 18–34 years old) in the national U.S. sample. The n=801 millennials are comprised of n=376 completes that came from the main, national sample. The remaining n=425 were obtained from an oversample of additional millennials to achieve the total n of 801. The margin of error for the national quota is +/- 3.0 percent; about +/- 5.7 percent for the oversampled markets; and about +/-3.5 percent for the national millennial group, with each reported at a 95 percent confidence level.

## Respondent Breakdowns

### Generational

- Millennials: Ages 18-34
- Gen X: Ages 35-49
- Boomers: Ages 50-68
- Seniors: 69+

### Homebuyer Categories

- First-time: Have not yet purchased a home
- Experienced: Have purchased a home
- Plan in place: Have a plan in place to purchase a new home
- Someday: Have not yet put a plan in place to purchase a new home

## Contents

### 2

First-time buyers want to skip the starter home

### 4

Nearly all homebuyers are willing to make sacrifices

### 5

First-time homebuyers are motivated by aspiration and emotion

### 6

Prospective buyers want help saving for a home

### 7

A single-family home in the suburbs remains the most common goal

### 8

Homebuyers largely stick to their budget, encounter few surprises

### 9

Buyers agree on the qualities they want from a mortgage or home loan provider

### 10

Millennial homebuyers expect support from family

### 11

Homebuying behaviors and preferences differ across the U.S.

### 11

About the Bank of America Homebuyer Insights Report

## First-time buyers want to skip the starter home

Seventy-five percent of first-time buyers would prefer to bypass the starter home and purchase a place that will meet their future needs, even if that means waiting to save more. Thirty-five percent want to retire there.

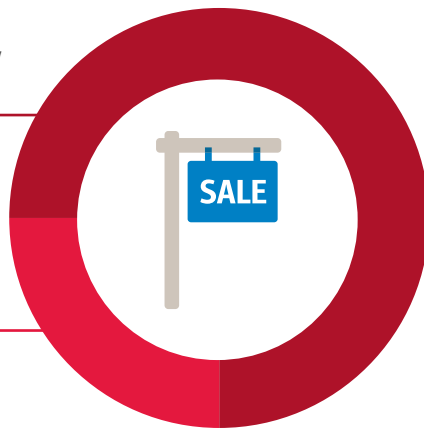
Which describes the type of home you're looking for?

A home that I can grow into and will fit my needs in a few years, even if it doesn't now

75%

A home that fits my needs today, but may not be right for me in a few years

25%



Which would you rather do?

Wait to save more money and move into a nicer home in the future

69%

Move into a starter home now

31%



Buyers who have a plan in place for purchasing a home are more willing to consider a starter home than “someday” buyers who know they want to buy a home in the future, but don't have a plan for doing so.



I would prefer to move into a starter home now



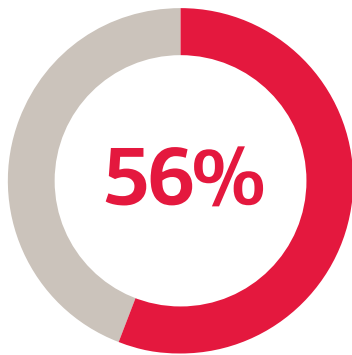
■ Someday buyers: Have not yet put a plan in place to purchase a new home

■ Plan in place: Have a plan in place to purchase a new home

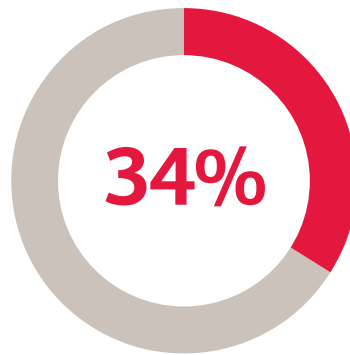
## First-time buyers want to skip the starter home

### Reasons why first-time homebuyers have not purchased a home yet:

Why have you not purchased a home yet?



I don't think I can afford a home or the type of home I'd want

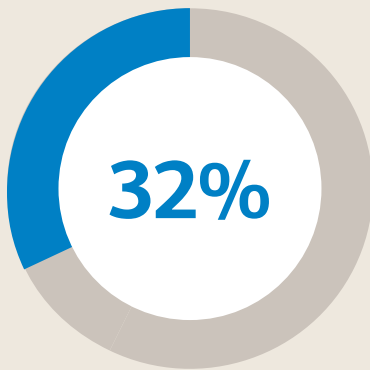


I am paying off debt

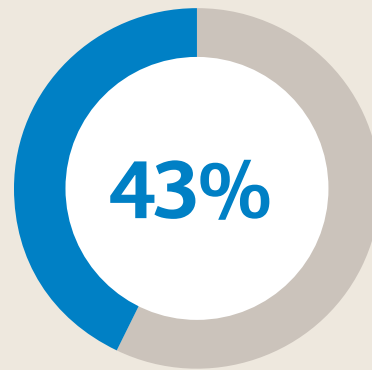


I don't need a home yet

### More Gen Xers than millennials have put off purchasing their first home because of debt.



Millennials (ages 18–34)



Gen X (ages 35–49)

Gen X homebuyers are balancing a variety of financial situations, including retirement savings (52 percent), credit card debt (40 percent) and saving for their child's college education (31 percent).



## Nearly all homebuyers are willing to make sacrifices

Ninety-five percent of first-time buyers are willing to make sacrifices to make homeownership a reality.

### What would you be willing to sacrifice to buy a new home?



Nice clothes

**54%**



New car

**51%**



My social life

**50%**



Traveling

**44%**



Features in my dream home

**36%**

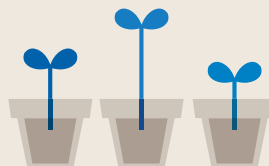


Desired location

**17%**

**More than three-quarters (76 percent) of experienced homebuyers sacrificed something the last time they bought a home.**

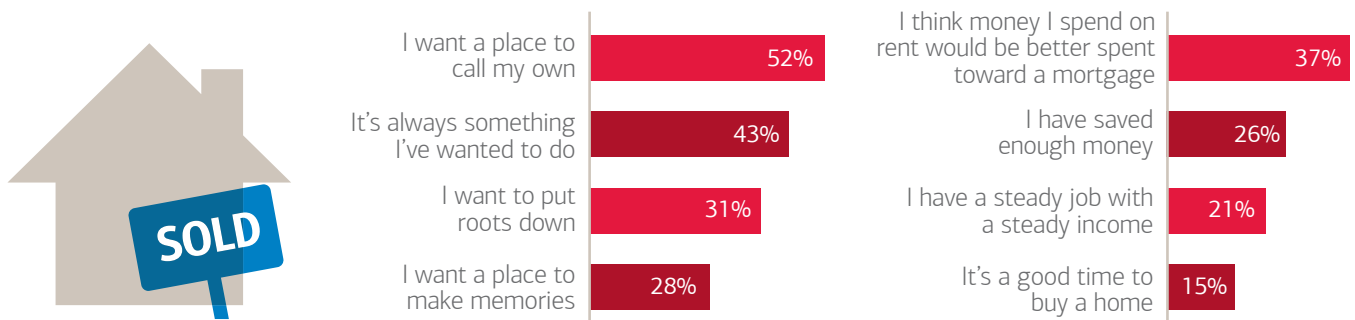
They most commonly sacrificed travel (46 percent) or a new car (37 percent), and 32 percent said they sacrificed some of the features they would have liked in their dream home.



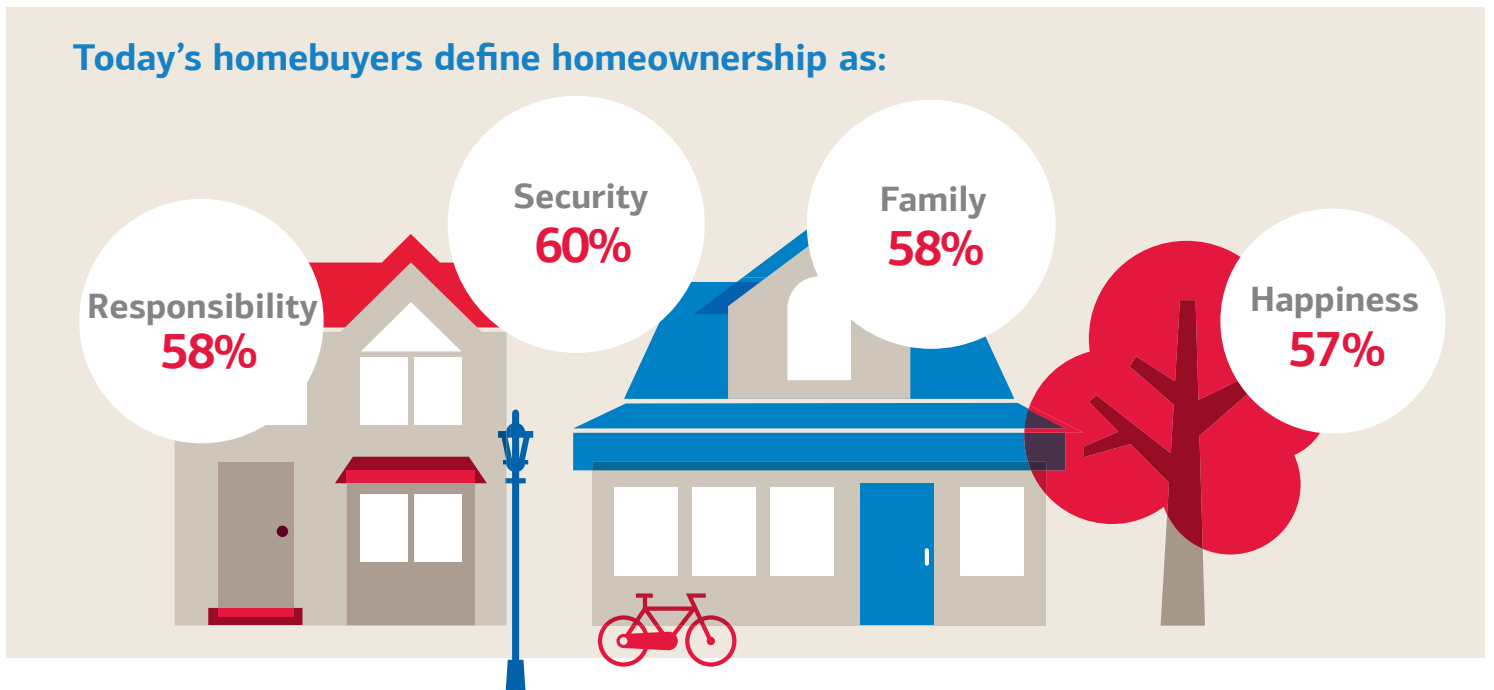
## First-time homebuyers are motivated by aspiration and emotion

More first-time buyers are motivated by emotional factors (76 percent) than financial factors (63 percent) when making the decision to buy a home.

### Why purchase a new home:



### Today's homebuyers define homeownership as:



When thinking back to the first time they purchased a home, experienced buyers said they wish they would have known about the **pride** (52 percent), **sense of accomplishment** (46 percent) and **joy** (46 percent) of owning a home.



## Prospective buyers want help saving for a home

More than nine in 10 (92 percent) buyers consider saving for or paying off a home to be important, the same number who said that saving for retirement is important (91 percent).



Saving for or paying off a home

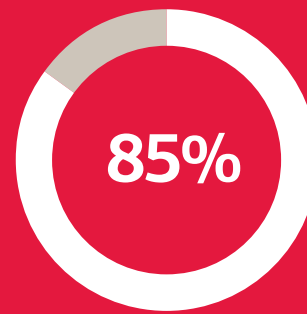
**92%**



Saving for retirement

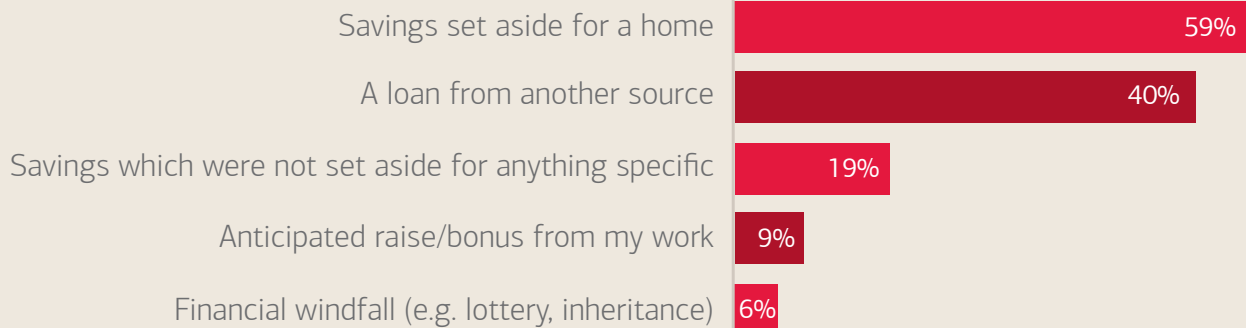
**91%**

Understanding the importance of saving for a home, the vast majority of first-time buyers would appreciate help doing so.



would use a tool that automatically saves money from their paycheck for a home purchase

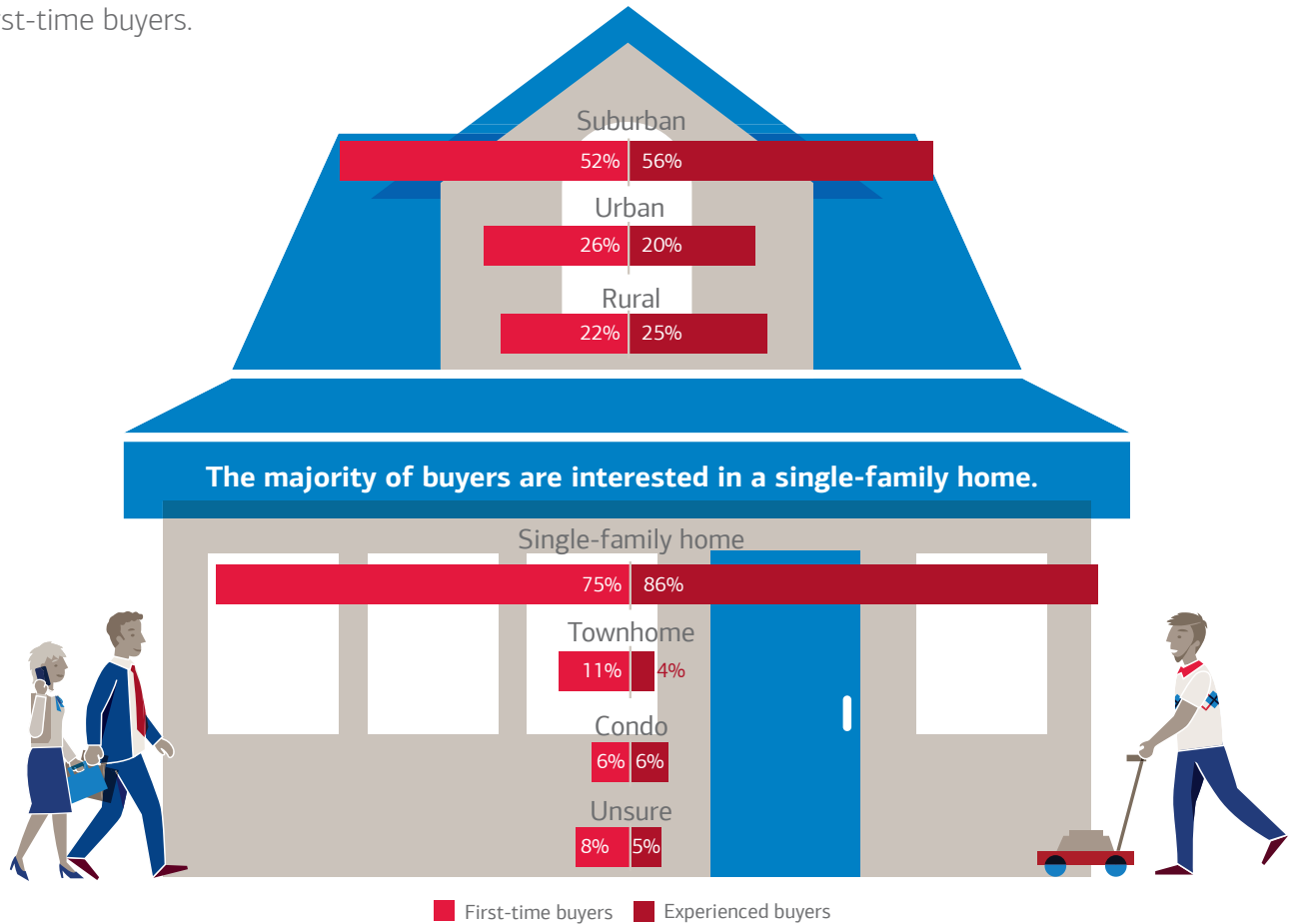
### How first-time buyers plan to make a down payment:



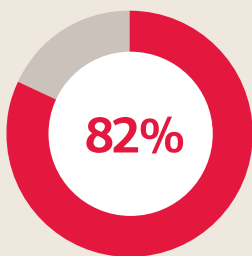
The top piece of advice experienced homebuyers would give their younger selves about purchasing a home is to start saving early (52 percent).

## A single-family home in the suburbs remains the most common goal

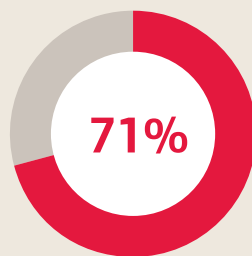
More than half (54 percent) of buyers are looking for a home in the suburbs, including 52 percent of first-time buyers.



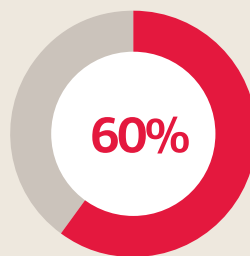
Four factors are extremely important to today's homebuyers when purchasing a home:



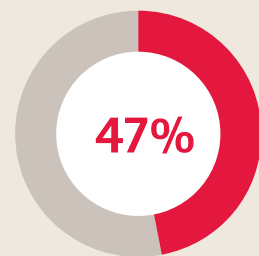
Cost



Neighborhood



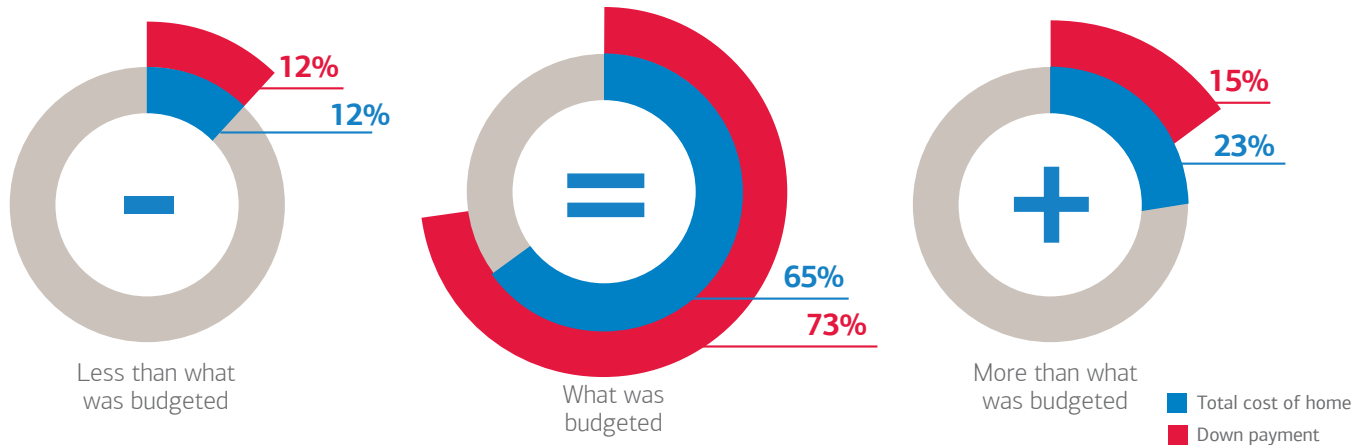
Floor plan



Square footage

## Homebuyers largely stick to their budget, encounter few surprises

Nearly three-quarters (73 percent) of experienced homebuyers said their down payment was what they budgeted, and 65 percent spent what they budgeted on the total cost of their first home.



Few individuals encountered surprises when buying a home, as a majority said the following aspects were about what they expected, or better:

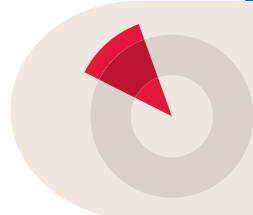


Getting a mortgage  
90%

Length of the process  
79%

Cost  
87%

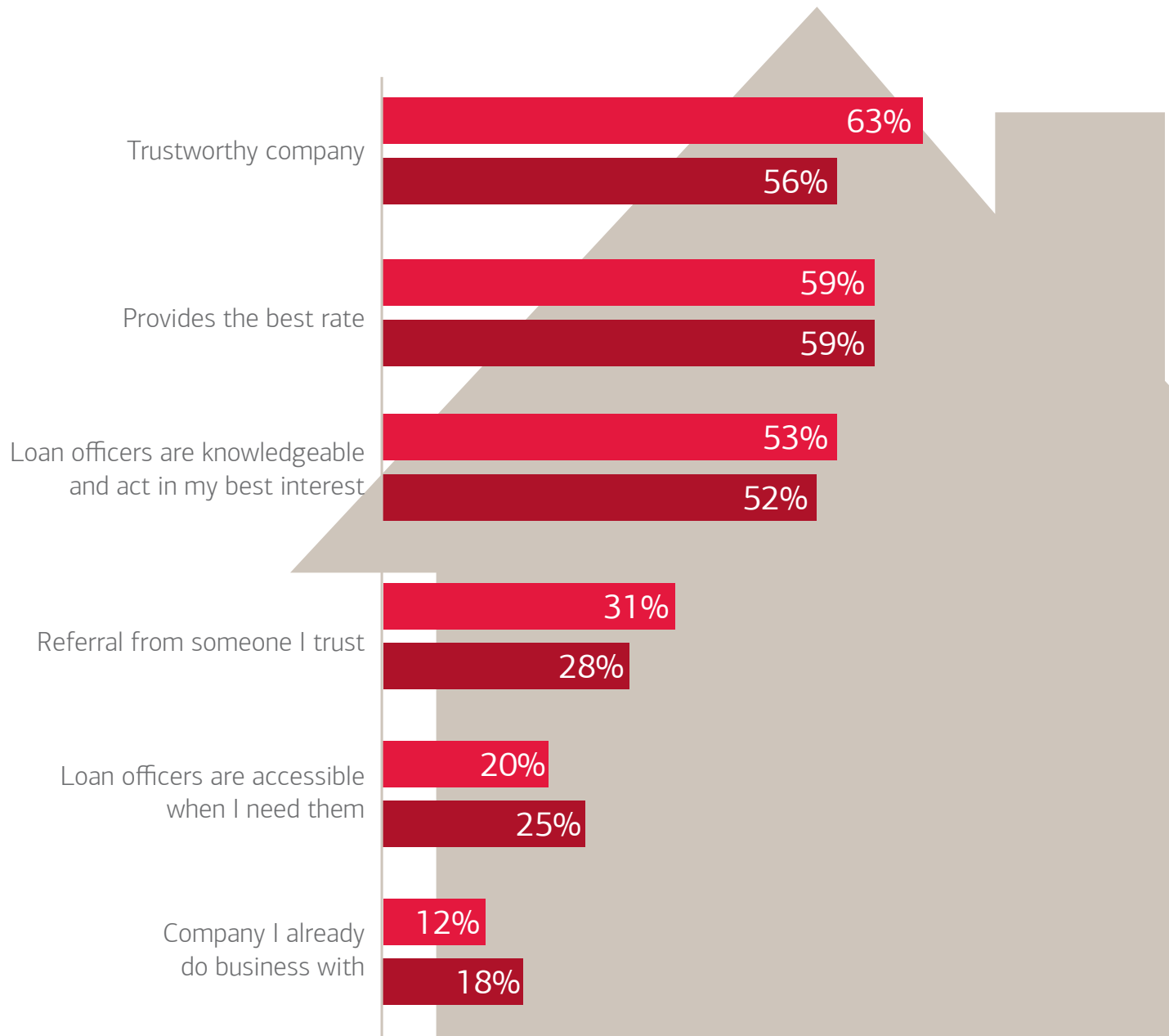
Stress level  
78%



More than one-third of experienced homebuyers would tell their younger selves to stick to a budget (35 percent) and factor in maintenance costs (35 percent).



## Buyers agree on the qualities they want from a mortgage or home loan provider



■ First-time buyers  
■ Experienced buyers

## Millennial homebuyers expect support from family

The majority of first-time millennial buyers associate homeownership with:



Adulthood

58%



Success

54%

However, two-thirds (66 percent) of first-time millennial buyers still expect some type of help from their parents when buying a home, ranging from financial support to assistance moving in.

### What type of help do you expect from your parents?

Help moving in

36%

Deciding which home to buy

25%

Money for a down payment

19%

Furnishing the home

19%

Money for monthly mortgage payments

15%

There are commonly strings attached when homebuyers accept support from their families. Seventy percent of millennials say their parents' help means they'll have a say in decisions.

### Financial and non-financial support means parents will have a say in...

How much to spend

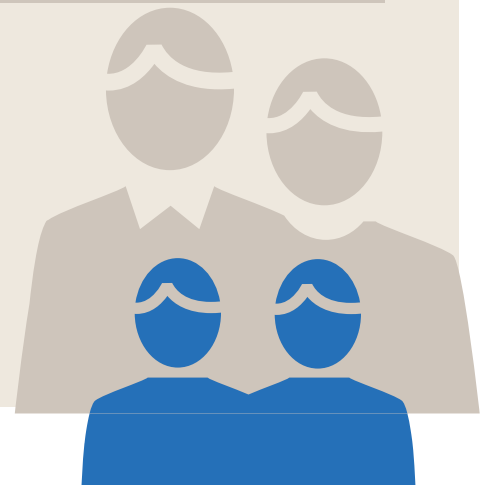
41%

Where to buy

33%

The final home to buy

28%



## Homebuying behaviors and preferences differ across the U.S.



## About the Homebuyer Insights Report

The inaugural Bank of America Homebuyer Insights Report explores the attitudes, behaviors and preferences of the modern homebuyer. The report reveals what homebuyers want in a home, their catalysts for making the home purchase, and the unique preferences of millennial and first-time buyers.<sup>1</sup>

## Bank of America Consumer Lending

Bank of America's Consumer Lending unit includes Merrill Lynch Banking, Global Wealth and Investment Management Real Estate, Home Loans and Consumer Vehicle Lending. Each business is focused on delivering a distinctive and consistent client experience through competitive product offerings, quality loan production, choice of multiple connection and delivery methods, and operational excellence based on a client's unique attributes and relationship with us.

The Braun Research survey results conducted on behalf of Bank of America and interpretations in this material are not intended, nor implied, to be a substitute for the professional advice received from a qualified accountant, attorney or financial advisor. Always seek the advice of an accountant, attorney or financial advisor with any questions you may have regarding the decisions you undertake as a result of reviewing the information contained herein. Nothing in this report should be construed as either advice.

<sup>1</sup> This material is provided for your convenience and information only. Bank of America assumes no liability for loss or damage as a result of your reliance on information in this publication. Our goal is for the content of this publication to be accurate as of the date this issue was printed. However, due to rapid changes occurring in the programs, products, and services offered within the home financing industry, we do not guarantee the accuracy or completeness of the information presented.