

Letter from D. Steve Boland, Consumer Lending Executive



We're excited to bring you our second annual Bank of America Homebuyer Insights Report, which explores the latest attitudes, behaviors and preferences of the modern homebuyer.

If there's one thing to take away from our report this year, it's that forward-thinking millennials are buying homes – and they're happy with their choice. This growing group of millennials is seeing the value of getting into a home. In fact, nearly 80 percent who bought homes report that homeownership has had a positive long-term impact on their financial picture. Clearly, the millennial generation is coming of age and realizing it might not make sense to wait anymore to purchase their first home.

While "dreamers" told us last year that they want to skip the starter home in favor of a house that suits their needs over the long term, the overwhelming majority of millennial homeowners say their current home is a "stepping stone" to their forever home. These millennial owners strongly believe owning a home is more affordable than renting. This stands in sharp contrast to those who have not yet purchased a home, who say they are roughly split in their view of whether renting or owning is more affordable.

Some prospective first-time homebuyers believe their personal circumstances should line up perfectly before buying a home. Would-be buyers may think they're not prepared in all the ways they need to be. For example, many first-time buyers in our report believe they need 20 percent or more of a home's price for a down payment, which may be why just less than a quarter think they can currently make one. For this group, having the proper financial means to purchase is the top reason for buying a first home, ahead of additional factors such as wanting a place to call their own and preferring a mortgage to paying rent.

The reality is that, with proper help, homebuyers can very often achieve homeownership in a way that is both sustainable and rewarding. Bank of America offers a variety of tools and resources to help homebuyers navigate the homebuying process and purchase an affordable home. Our Affordable Loan Solution™ mortgage, which requires a down payment as low as 3 percent, speaks directly to the needs of first-time buyers who are striving to overcome the down payment hurdle. Additionally, our Down Payment Resource Center is an online tool that helps consumers search a variety of down payment and closing cost assistance programs.

We're encouraged to see homeowners continuing to find the deep benefits – both financial and emotional – of homeownership. We hope that this report gives both prospective homebuyers and existing homeowners insights that will allow them to take advantage of everything that owning a home can offer.

Methodology

This survey was conducted by GfK Public Communications and Social Science, using GfK's KnowledgePanel®, which yields results that are statistically representative and projectable to the American population. The survey was conducted online January 24 –February 2, 2017. A total of 4,906 adults age 18+ were surveyed, including 1,268 current homeowners and 435 prospective homeowners. 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, an augment was conducted to achieve 300 adults in 10 local markets: Boston, Charlotte, Chicago, Dallas, Denver, Houston, Phoenix, Miami, St. Louis, and New York. The margin of sampling error for national data is +/- 3.0 percentage points.

Respondent Breakdowns

Generational

- Millennials: Ages 18–34
- Gen X: Ages 35–52
- Baby boomers: Ages 53–70
- Seniors: 71+

Homebuyer Categories

- First-time: Have not yet purchased a home
- Experienced: Currently own a home

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Millennial homeowners' advice to peers: Get off the sidelines

Millennials who have taken the plunge into homeownership are buying the house they can afford now and looking ahead to their ideal home in the future.

68 percent of millennials say their current home is a stepping stone towards the home they want to end up in...

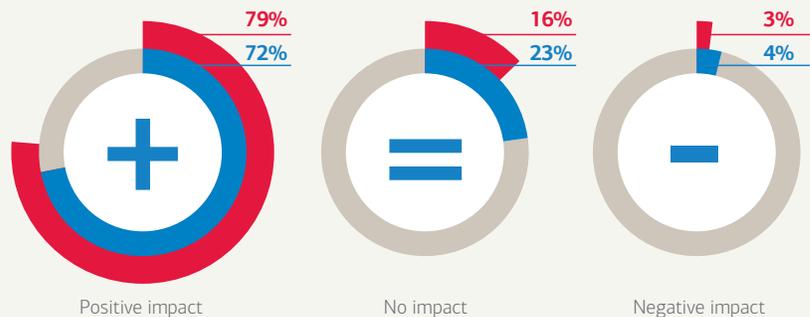


...compared to only **36 percent of homeowners** across all generations



Millennial homeowners are more likely to recognize the financial benefits of purchasing a home than prospective first-time buyers

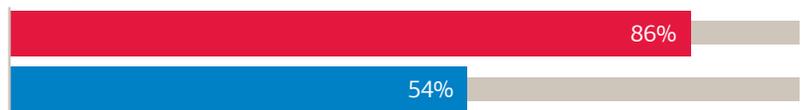
What type of impact do you believe homeownership will have on your long-term financial picture?



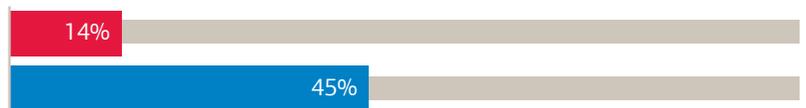
BUY **RENT**

Which do you believe is more affordable?

Owning



Renting



One in four prospective buyers plan to purchase within next two years

When considering major financial responsibilities, it's clear first-time buyers are planning ahead, as their top three priorities are also important factors when preparing for a home purchase.



Paying off debts and bills
61%



Improving credit score
47%



Saving for a new home
45%



Saving for retirement
39%



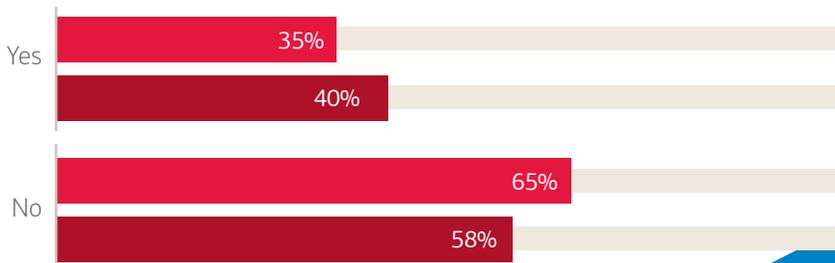
Paying off student loans
32%



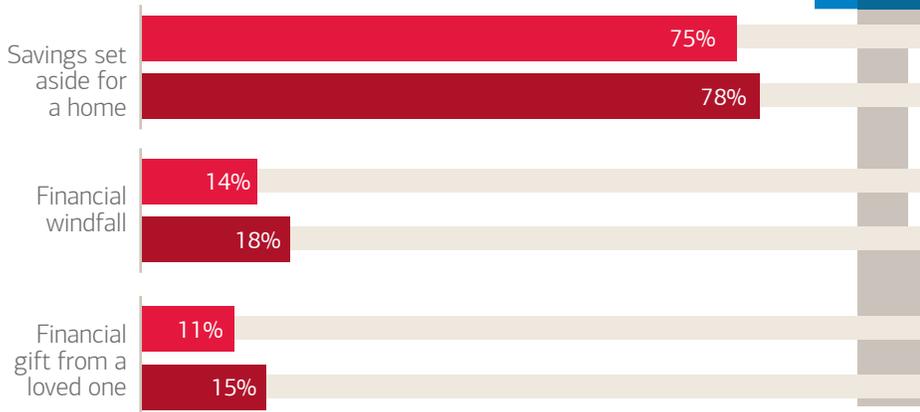
Saving for child's education
28%

Many aspiring buyers have already started to plan for a down payment, with older millennials just as likely to be planning

Have you started to plan for a down payment?



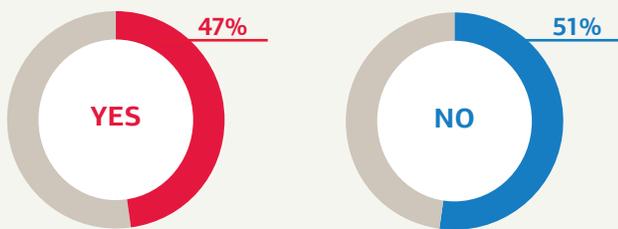
How do you plan to pay for a down payment?



■ Total first-time buyers (all ages) ■ Older millennial first-time buyers (ages 25-34)

Seeking support: Many first-time buyers would take advantage of assistance programs

Do you think you would qualify for a down payment assistance program?

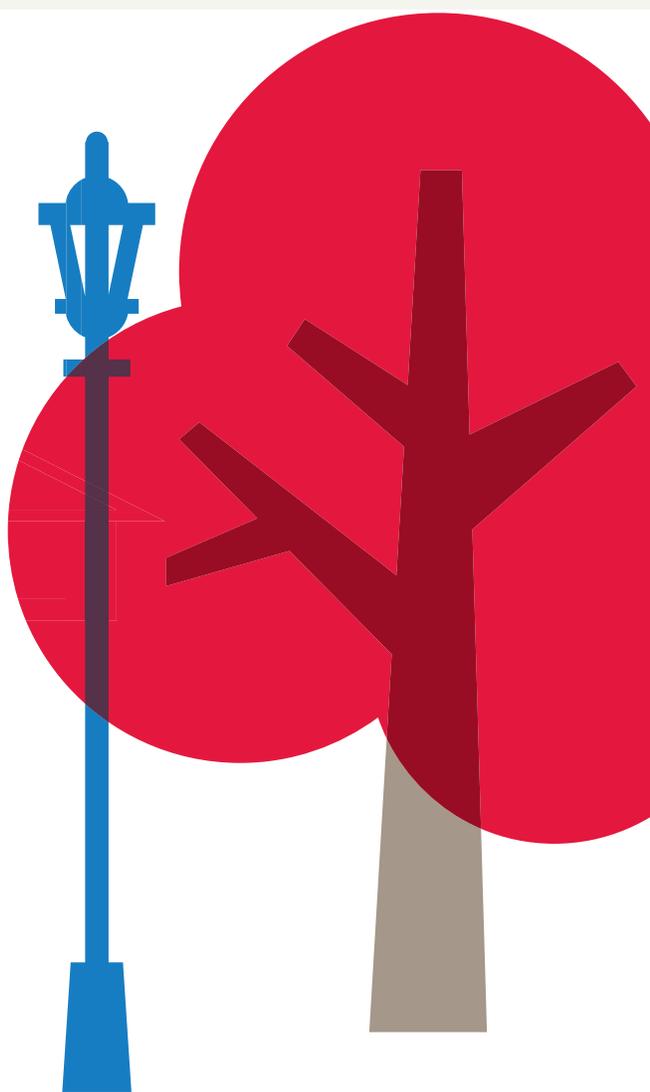
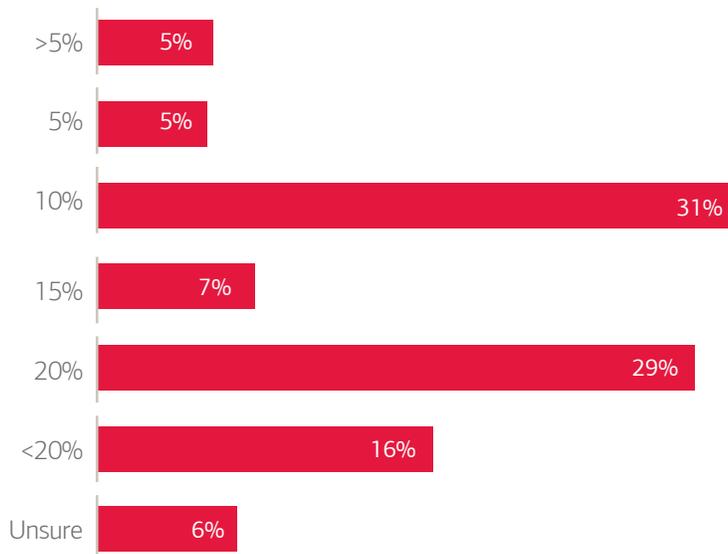


If yes, would you take advantage of these programs?



Down payment requirements remain a mystery for first-time buyers

What percentage of a home's price do you think is required for a down payment?



What makes first-time homebuyers pull the trigger

Prospective buyers: influenced by a variety of factors when considering their first home purchase



Having the financial means to purchase

52%



Wanting a place to call my own

40%



Having a steady job with a steady income

35%

BUY RENT

Thinking money I spend on rent would be better invested toward a mortgage

33%



Getting married

22%



Thinking interest rates and home prices are favorable

19%

Changing tides: For current owners in their second home and beyond, there is a clear shift in purchase motivation



I thought money I spent on rent would be better invested toward a mortgage

I wanted a place to call my own

I had the financial means to purchase

I had a steady job with a steady income

I got or was getting married

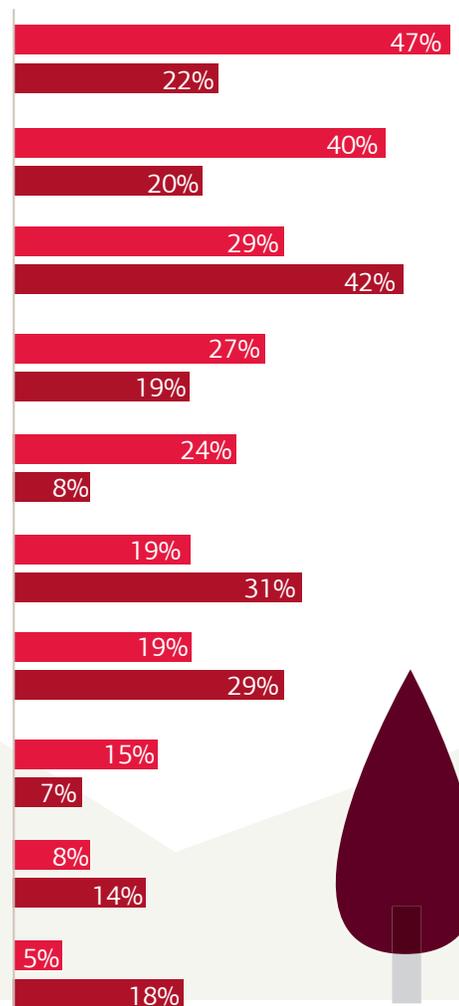
I wanted more space

I thought interest rates and home prices were favorable

I had or was planning to have a child

I relocated for a job

I wanted to live in a new city or town

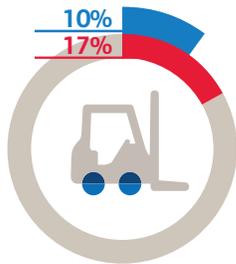


Fixer-upper or move-in ready?

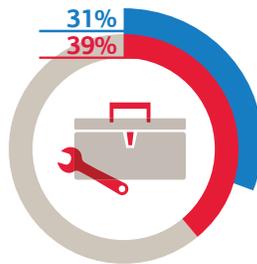
More first-time homebuyers prefer a fixer-upper, while experienced buyers prefer move-in ready

What best describes the type of home you're looking for?

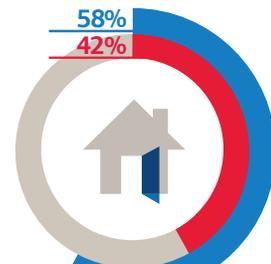
A home I can make major renovations to



A home I can make minor cosmetic changes to

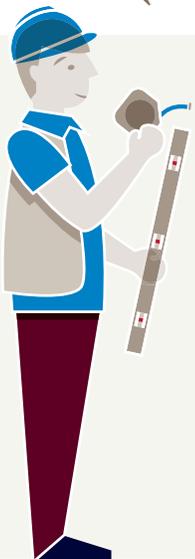
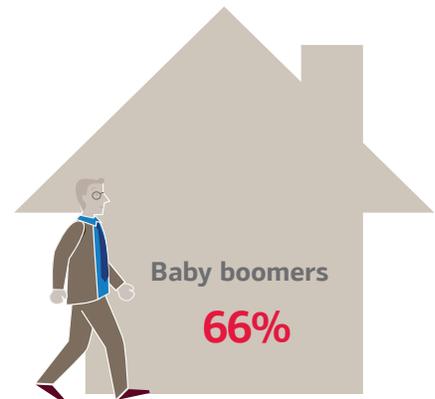
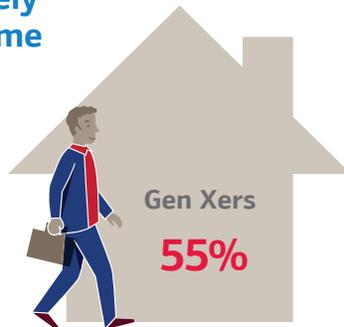
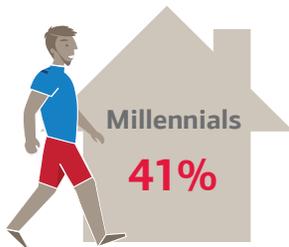


A home that meets my needs without having to make improvements



■ First-time buyers ■ Experienced buyers

Millennials are the least likely to seek a move-in ready home



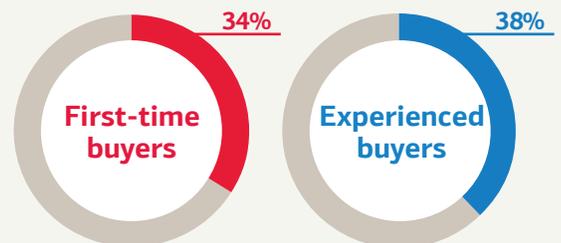
Many homebuyers plan to do their own home improvement work

When I think about making improvements on a house, I prefer to...

Do the work myself

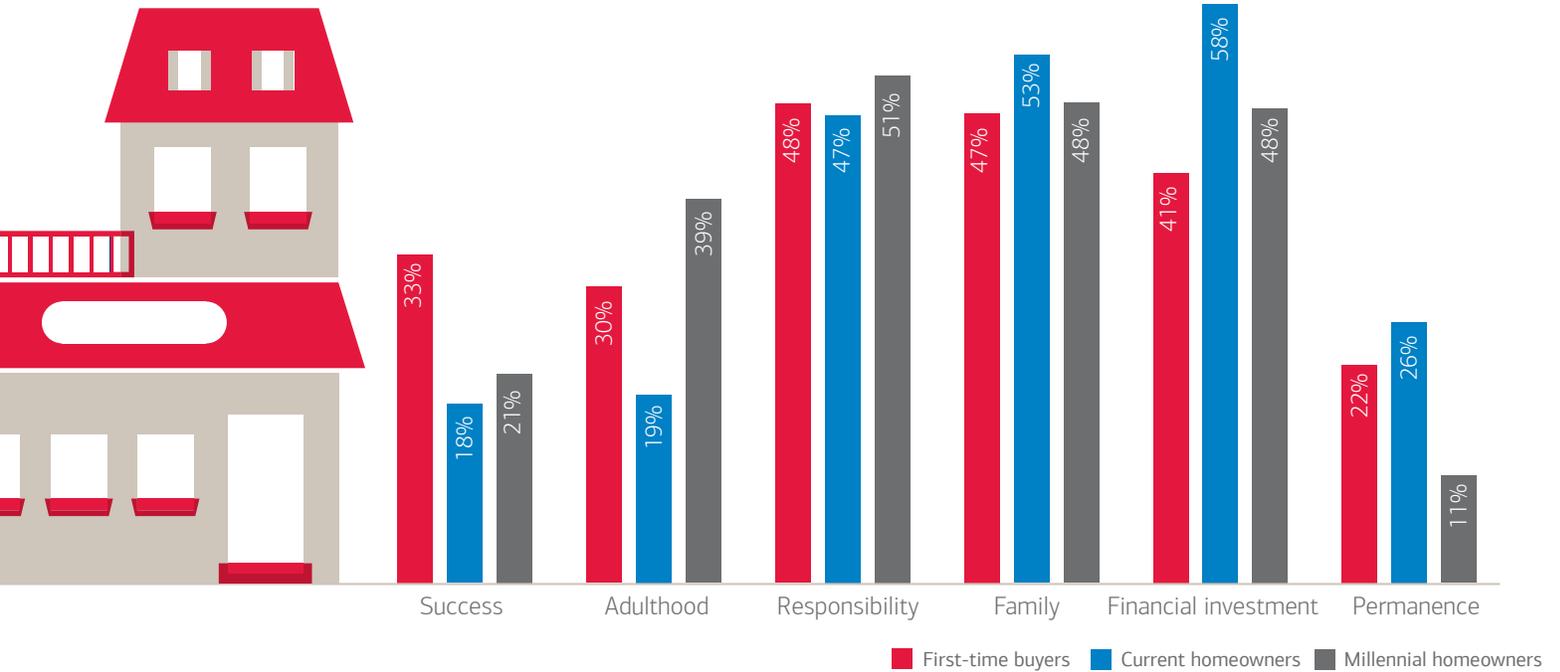


Hire someone to do the work

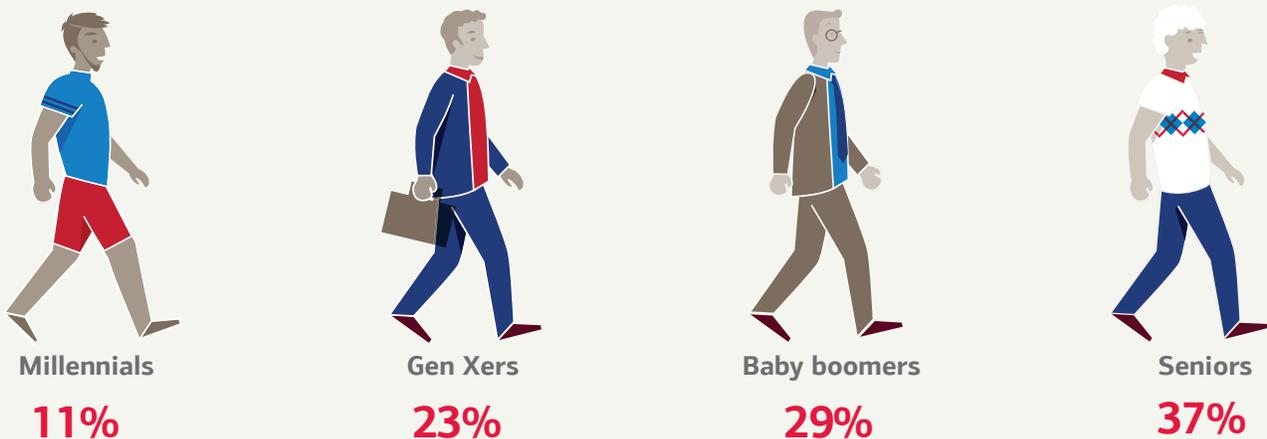


Homeownership means investment, family and responsibility

Defining homeownership:

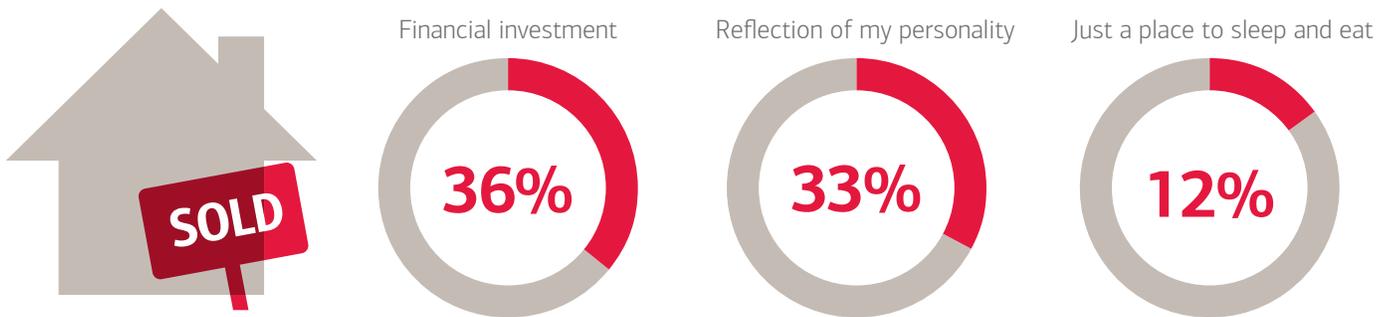


Millennial homeowners are the least likely to define homeownership as permanence



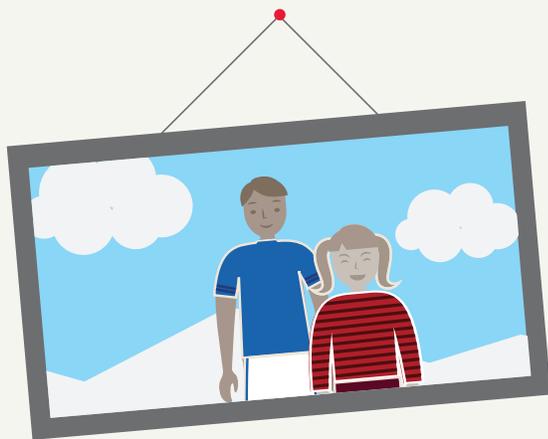
Experienced buyers are financially, emotionally committed to their homes

Which phrase best describes how you feel about your home?



For experienced buyers, value goes beyond dollars and cents

More than three-quarters (78 percent) of owners say homeownership is not a burden, and many show clear sentimental ties to their property.



95%

I feel proud of owning my own home

91%

I treasure the memories I have made in my home

Only one-third of owners say a home's value is determined by how much it cost to buy it, and they are increasingly investing in their asset.

70%

I spend a lot of my free time working on my home

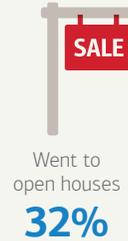
82%

I look for ways to make my home more valuable



Homebuying checklist: Engage a professional, set a budget, get prequalified

When homeowners decided to buy, they:



After buying a home, advice from owners includes:



Homebuying behaviors and preferences across the country



Bank of America Consumer Lending

Bank of America's Consumer Lending unit includes First Mortgage, Home Equity, Merrill Lynch Banking, 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.

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