Leading Indicators of a Consumer Entering a Homeownership Journey

FinLocker has identified four leading indicators that a consumer intends to begin their homeownership journey. These indicators can be conducted concurrently, over a few weeks, or even a few months, depending on their motivation. How they conduct their research frequently exposes consumers to biased advice and distracting offers from competitors determined to obtain their business at each state.

FinLocker has purposefully integrated tools to enable consumers to work through their initial decision-making by interacting with their live data in a secure and safe space with no digital intrusion.

1 Consumers begin their homeownership journey by forming a mental picture of their new home

The decision to move from renting to home buying is primarily spurred by one or a mix of three factors:

1
Emotion:
The desire to achieve the American Dream by owning a home

2
Financial:
Buying a home rather than renting is perceived as a good long-term investment to build personal wealth

3
Practical:
To have a larger space to live, or a home of one's own not shared with housemates, or to start a new stage of life either with a partner or to raise children
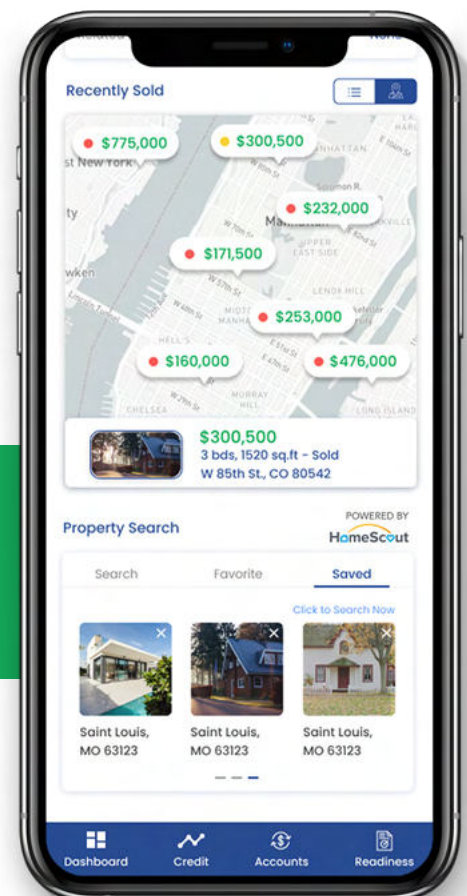
Whether a homebuyer is driven by one or a mix of these decisions, their first action on their homeownership journey begins by developing a mental model of where they want to live. The future homebuyer conducts a preliminary search of neighborhoods, looking at the types of homes offering their preferred bedroom/bathroom configurations and features and the current purchase prices.

Consumers often use third-party real estate sites designed to direct homebuyers to mortgage lenders and real estate agents doing paid advertising. Even if a mortgage originator has the budget to advertise, one of the leading players also competes with their mortgage advertisers, offering pre-approvals which funnels consumers to their own home loan service.

FinLocker is a gateway to the picture-perfect image of their American Dream

FinLocker aggregates and analyzes consumers' financial data to offer personalized journeys to achieve homeownership. Mortgage lenders and servicers private-label FinLocker's app to nurture leads, streamline the loan process, and create customers for life.

FinLocker has embedded property search, powered by HomeScout, that offers the future homebuyer the ability to see the cost of homes in their preferred neighborhoods by searching current MLS listings by zip code.

Having researched home sales prices, the next stop on future homebuyers' journey is home financing. Popular online searches for "how much home/house can I afford," "what will be my monthly mortgage payment," and "mortgage calculator" indicate the expectations of future homebuyers at this stage.

Related questions that future homebuyers frequently search, including "How much house can I afford on 80k salary" and "How much do I need to make to afford a 250k house / 400k mortgage" demonstrate that they begin to correlate a potential monthly mortgage payment with their salary early in the decision process.
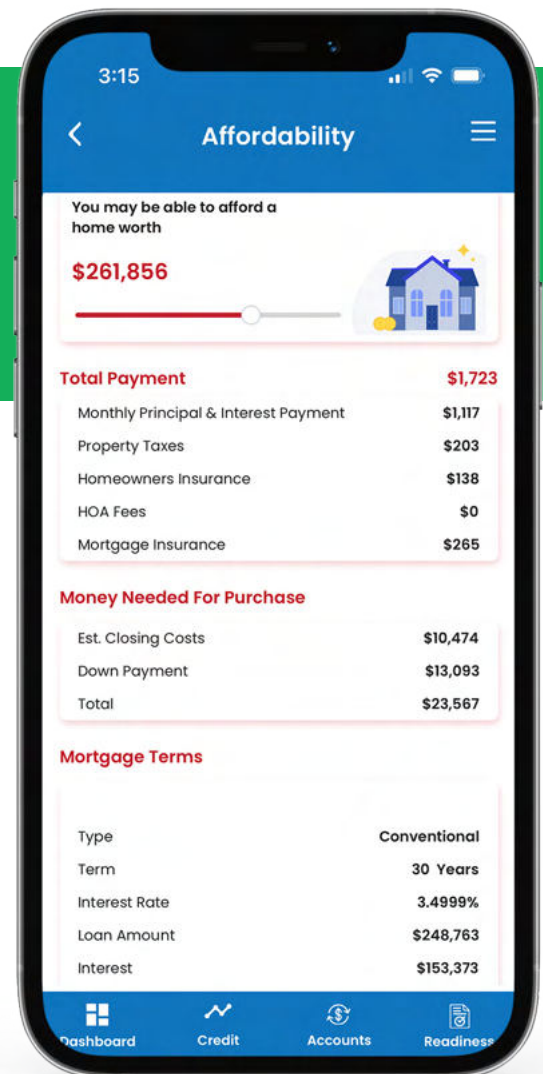
In response to these searches, search engines frequently display mortgage calculators on the first page of their search results. However, this is also when future homebuyers start getting lured to the websites of mortgage lenders and lead aggregators with large pay-per-click advertising budgets who can afford to bid on these search terms.

With an approximate purchase budget identified, the next step future homebuyers undertake is to start high-level research of their financing options. Online research, chat groups, and speaking to family and friends are the three common methods used to identify and compare loan products and down payment assistance programs. Future homebuyers use mortgage calculators to input advertised interest rates to determine their monthly mortgage payments.

FinLocker debunks the 20% downpayment myth

Despite the best efforts of the mortgage lenders, a scroll through first-time homebuyer groups on Facebook and questions on Reddit quickly reveals the myth that the 20% down payment is firmly held. This belief is supported by numerous research papers, including over 50% of respondents to the 2021 NextGen Homebuyer Report compiled by Cultural Outreach.

FinLocker provides future homebuyers with an interactive home affordability calculator that enables prospective homebuyers to compare Conventional, FHA, and VA home products. Analyzing the consumer's enrolled financial data, FinLocker recommends a home buying budget and monthly payment suited to their income, minimum down payment, estimated closing costs for their selected loan product.

Affordability

You may be able to afford a home worth

$261,856

Total Payment	$1,723
Monthly Principal & Interest Payment	$1,117
Property Taxes	$203
Homeowners Insurance	$138
HOA Fees	$0
Mortgage Insurance	$265

Money Needed For Purchase

Est. Closing Costs	$10,474
Down Payment	$13,093
Total	$23,567

Mortgage Terms

Type	Conventional
Term	30 Years
Interest Rate	3.4999%
Loan Amount	$248,763
Interest	$153,373

Dashboard   Credit   Accounts   Readiness

3 Consumers review their credit profile

With the prevalence of free and paid credit apps, credit score sites, and banking services, credit reports and credit scores have become more accessible to American consumers. Banks and credit unions are among the leading providers of credit score data, with 65% of consumers admitting to viewing their credit score in the past six months. Nearly 40% of consumers regularly interact with more than one provider for credit information.

While access to credit information has helped consumers build awareness and understanding of their creditworthiness, there is a discrepancy between what consumers perceive to be the minimum credit score that lenders require for a mortgage and actual credit score requirements. In a Fannie Mae study, "Consumers Continue to Overestimate Mortgage Requirements," consumers thought the minimum score for a mortgage was 650 (the actual minimum score was 580, which was in the range guessed by only 11% of respondents), and 53% either did not know or were out of range.

Most consumers with lower credit scores were either unaware of the factors that impact their credit score or held onto costly misperceptions. In a survey conducted by the Consumer Federation of America, 78% knew that high credit card balances were a factor, and 71% knew that personal bankruptcy was a factor. This awareness impacts a consumer's ability to raise a low score or maintain a high score. When asked how they would do this, 66% said to keep credit card balances under 25%, and 62% said to avoid opening several accounts at once. Fortunately, 87% knew to make loan payments on time – but it's the other 13% that need to be educated on the high impact that late payments have on their credit score.

FinLocker provides trusted credit resources

FinLocker offers consumers access to their credit score and credit report provided by TransUnion. The credit score is displayed on their dashboard to be easily viewed every time they sign into their app. Additionally, FinLocker provides the current standing of every line of credit open or closed listed on their credit report and displays monthly payment history on each open account for up to six years.

Future homebuyers who need to raise their credit score also have access to credit education and a credit score simulator. The credit simulator empowers the prospective homebuyer to test the impact of various credit-related scenarios that may lower or increase their credit score in a secure and private environment before making actual credit decisions.

With a down payment amount estimated, consumers start to review their finances to determine the implications of a monthly mortgage payment on their cash flow. If their current rent payment is similar or less than their projected monthly mortgage payment, they will likely determine they can afford to proceed with their homebuying plans.

According to the National Association of Realtors®, saving for a down payment was the most challenging task in the homebuying process, as identified by a quarter of millennials in 2021. Student loans, high rent, credit card debt, and car loans were the top debts that delayed saving.

Student debt and car loans often contribute to future homebuyers self-determining that those debts will prevent them from qualifying for a home loan. Providing prospective homebuyers with advice on the acceptable level of debt-to-income ratio for a mortgage and how different loan products calculate student loan payments is critical at this juncture.

Budget planning tools obtained from their banking provider or personal financial management apps are frequently used by future homebuyers to save for their down payment, closing costs, and any reserves they might need for their mortgage. However, these solutions often expose consumers to distracting offers of credit that can derail saving goals or paid advertising from competing banks and lenders.

FinLocker helps future homebuyers save their costs to close
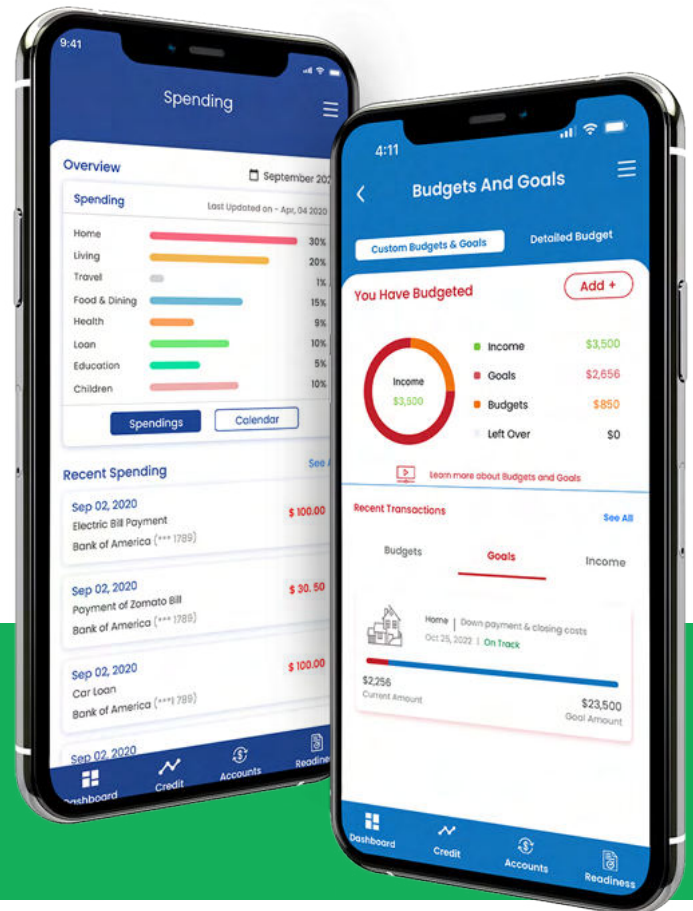
The respondents to the National Association of Realtors® "2021 Home Buyers and Sellers Generational Trends Report" were prepared to make some sacrifices to purchase a home. They primarily cut spending on luxury items or non-essential items, entertainment, and clothes to achieve their savings goals.

FinLocker's tools are integrated into the app to provide a seamless experience that leads homebuyers to the lender's closing table. When consumers enroll their bank accounts, loans, and credit card accounts, FinLocker categorizes every transaction to show their cash flow and exactly where they are spending their money.

The categorized transactions populate their FinLocker app's budget tool, which they can customize to reduce spending and lower expenses further to reach their down payment saving goals. The home affordability calculator helps determine their actual costs to close for their chosen loan product which can be added to their saving goals. Consumers can easily track their progress by saving in one of their enrolled bank accounts with monthly alerts sent to the phone or email.

FinLocker empowers mortgage lenders to nurture consumers from the point of thought through to homeownership

FinLocker's comprehensive financial management tools remove the consumer's challenge of utilizing multiple apps and websites to begin their homeownership journey. Consumers use FinLocker to work through their decision-making process by interacting with their live data in a secure and safe space, safe from external digital intrusion.

FinLocker improves lead to loan pull-though rate

For mortgage lenders, the FinLocker product offers a modern engagement tool to insulate their consumers during their decision-making process. Mortgage originators who have saved time in addressing the individual needs of their homebuyers are now able to manage a larger sales pipeline. They can focus on closing the loans of mortgage-ready applicants, confident in knowing that FinLocker is nurturing their future homebuyers through their personal homeownership journey in their company's private-label FinLocker.

If you would like a competitive advantage that will nurture prospective homebuyers from the point of thought, click here to watch our online demo or schedule a 1:1 personal consultation. We'll show you how the FinLocker platform can drive your purchase business and consumer engagement to a new level.

FINLOCKER®