

Leveraging Financial Education to Build Your Homebuyer Database



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The mortgage industry faces new challenges with the entry of Gen Z and Millennials into the home buying market. These tech-savvy generations carry student loan debt, lack financial education, and have limited credit history. To thrive in this evolving landscape, mortgage lenders and loan officers must recognize the immense value of providing financial education content to attract and nurture future homebuyers. This paper explores the importance of homebuyer education, delving into specific strategies and tools that can help mortgage professionals build a robust customer database, enhance their reputation as trusted advisors, and enhance their customer database for future business opportunities.

Overcome Financial Barriers with Homebuyer Education

Mortgage professionals play a critical role in bridging the gap between aspiring homebuyers and homeownership. To succeed in today's market, lenders and loan officers must not only understand market trends, eligibility requirements for loan products, and regulations but also grasp the financial literacy of their customers. With Millennials and Gen Z facing unique challenges in their journey towards homeownership, homebuyer education provides an opportunity to connect and engage with these potential customers.

Millennials (born between 1981 and 1996) and Generation Z (born between 1997 and 2012) bring a new challenge to mortgage professionals.

They're tech-savvy but financially unprepared. Both generations have grown up using smartphones and ordering products and services online. However, they lack financial education, with 34% of Gen Z rating their financial knowledge as low and 40% saying they were never offered financial education in school. (*Better Money Habits*, Bank of America)

They carry student loan debt which impacts their credit scores. With high levels of student debt and student loan repayments weighing heavily on their finances and negatively impacting their credit scores and debt-to-income ratios, these generations find it challenging to build a strong credit profile, hindering their ability to qualify for mortgage loans.

While Gen Z and Millennials face multiple challenges to achieving homeownership, mortgage professionals who attract and engage with future homebuyers before they consciously begin their homeownership journey have significant business opportunities.

The problem facing many mortgage originators is finding ways to keep discouraged homebuyers motivated while helping credit-challenged consumers get in the game. This situation presents an opportunity for originators to build their pipeline with aspiring homeowners using homebuyer education.

The Power of Financial Education to Attract Future Homebuyers

Build trust and establish expertise

Many first-time homebuyers are apprehensive of the mortgage process, viewing it as complex and rife with unfamiliar jargon. Most first turn to family and friends for advice on buying a home and navigating the mortgage process.

Through financial education content, mortgage professionals can position themselves as trusted advisors to first-time homebuyers, assisting them to confidently navigate the homebuying and mortgage processes. This presents an opportunity for originators to use their real-world knowledge and collaborate with their referral partners to connect with prospective homebuyers using financial education.

To learn more about the financial advice that Gen Z consumers seek, FinLocker partnered with students in the American Marketing Association chapter at the University of California to interview their Gen Z peers. Here are the results:

General financial education

Understanding the broader personal finance topics that resonate with Gen Z and Millennials, such as investing, debt management, budgeting, and the home buying process, allows mortgage professionals to create social media content that aligns with their aspirations.

28% search How to invest my money - To attract people whose priority is investing, explain how buying a home is an investment that you control that is getting leveraged appreciation by building equity and increasing your net worth.

20% search How to pay off my loans and debts (ie: student loans, car loans) - Helping future homebuyers better manage their debt will also help to reduce their debt-to-income ratio

18% search How to save money - establishing positive saving habits early will make it easier to save for costs to close later

15% search How to create a budget - They're carrying car loans and student loans so help them learn how to budget to make on-time payments and save a portion of their income to build an emergency fund and achieve their financial goals.

16% search How to buy a home - Buying a home is a long-term goal (5-10 years) for Gen Z, so by attracting and nurturing them with your financial education content to establish positive financial habits and credit health, you can inform them how these financial factors lay the foundation to be eligible for a mortgage loan when they're ready to buy.



20%

Gen Z have no financial education

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Determining when to start their homeownership journey

Homebuyer education content should empower first-time homebuyers to recognize when they are ready to embark on their homeownership journey, whether through sufficient savings, improved credit scores, or major life events.

Here are the top three ways Gen Z will determine when they are ready to buy a home:

When they have sufficient savings - Help them to determine the amount to save for their down payment, closing costs, and reserves, provide practical savings tips that can be incorporated into their lifestyle, and highlight down payment assistance and first-time homebuyer programs in your city and state so they can buy a home sooner.

When they have a high credit score - Many first-time homebuyers are unaware of the minimum credit score needed to qualify for a mortgage, so it's important to explain the credit requirements for commonly used loan products, such as Conventional, FHA, VA and USDA. To help homebuyers reach their credit goal, explain the five factors that make up their credit score and provide tips and tools to build their credit history. Homebuyers who are concurrently saving for their downpayment can benefit from learning how having a higher credit score can help them be eligible for lower interest rates.

When they have a family - To attract future homebuyers who think they would only buy a home when they have a family, create content explaining how it can be easier to afford a smaller home while single or a couple without the financial burden of raising a family.

Overcoming Barriers to Mortgage Readiness

Developing content that addresses common barriers to mortgage readiness, including debt reduction, financial education gaps, uncertainty about the homebuying process, low credit scores, and inadequate savings, can motivate potential homebuyers and proactively address the top financial reasons mortgage applications are denied.

35% Paying down debt - car loan, credit card, student loan

20% Lack of financial education

20% Uncertain how to start the process

15% Unable to save enough money

9% No barriers

1% Insufficient income



27%
of future
homebuyers have
little to no
knowledge of the
mortgage process

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Misperceptions of the mortgage process

Attract and engage with homebuyers further along their homeownership journey with content that addresses commonly held misperceptions of the mortgage process. This type of content will help them overcome fears that they won't qualify and start getting prepared earlier and before they self-select out of the process.

- You must have a 20% down payment
- Down payment is your only upfront cost
- High credit score needed to qualify for a mortgage
- Pre-qualification is the same as pre-approval
- There is a perfect time of year to buy a home
- Applicant needs to be a W-2 employee and work a traditional job to qualify for a mortgage
- You do not need a home inspection

Educating prospective homebuyers at a local level will demonstrate how you are different from other loan officers can be very impactful.



77%

NextGen men and women equally stated they believed you need 20% down or weren't sure

2022 NextGen Homebuyer Report,
Cultural Outreach



How to Connect with Future Homebuyers

Harness the power of social media to build your database

After family and friends, Gen Z and Millennials turn to social media for financial advice. TikTok and Instagram are popular for researching and obtaining a variety of opinions on a topic. They use social media rather than a search engine like Google.

According to FinLocker's Future Homebuyers survey, almost 28% of Gen Z use TikTok, 25% use YouTube and 17% use Instagram to learn about personal finance.

YouTube is the preferred channel for obtaining in-depth education on personal finance, home buying, and the mortgage process. People further along their homebuying journey will watch a 30 - 45 minute video on the mortgage process.

Once people are further along their homeownership journey and require more specific information, they start using a search engine. This is the stage they will visit your website, read your blogs, and learn more about you and your company.

[Google Trends](#) is a free tool to identify blog topics and phrases people are searching to include in your blog title and content. One of the most consistently searched terms is "[mortgage calculator](#)," so ensure that page is optimized on your website to attract organic search traffic.

To learn how to optimize your website and blogs with keywords that homebuyers would enter into a search engine query, HubSpot has a [beginner's guide to keyword research](#) and Semrush has a [Keyword Magic Tool](#) and tips to [optimize your blog for search engines](#).



**37% NextGen women &
25% future homebuyers
turn to social media for
financial education**

Cultural Outreach, FinLocker



Homebuyer Workshops provide a way to meaningfully engage

Online webinars and in-person workshops, in collaboration with real estate agents, offer a powerful means of educating and nurturing potential homebuyers who have consciously begun their homeownership journey while also strengthening your referral network.

Mortgage originators should partner with local real estate agents to cover searching for a home, making an offer, and other related topics. This will enable you to split presentation duties and double marketing efforts.

Originators who focus on a specific city or town might find it advantageous to promote their local knowledge and present in-person workshops on the weekends in their community using free venues such as church and library meeting rooms.

Title online workshops with your city, such as “St Louis First-time Homebuyer Workshop,” to help drive leads from a broader audience and attract prospective homebuyers moving to your town from other cities or states.

To attract homebuyers moving to your region who want an originator with local knowledge and referrals to local real estate agents, record the first-time homebuyer workshop using a solution like [Bomb Bomb](#) and publish it to your YouTube channel.

FinLocker offers a comprehensive suite of tools to complement homebuyer education programs and provides a personalized path to homeownership, nurturing prospective homebuyers to mortgage readiness at their own pace.



How FinLocker can provide practical support to a homebuyer education program

Topic	FinLocker
Factors that impact your credit score	Consumers can receive their credit score and credit report and use the credit simulator to test the impact of various scenarios on their credit score.
Basics of budgeting to pay down debt and save for a downpayment	Consumers can enroll their financial accounts for money management and create goals to pay down debt and save for their down payment. The spending tool categorizes their banking and credit card transactions which they can use to create a personal budget. FinLocker sends monthly notifications to keep them on track.
Loan options and mortgage payment. Originators specializing in VA loans or down payment assistance programs should highlight this in their marketing to attract home buyers with specific needs.	Consumers can use the Home Affordability Calculator to determine a home buying budget and mortgage payment that suits their income and lifestyle.
Mortgage eligibility guidelines	Prospective homebuyers can monitor their progress towards mortgage readiness using the Homeownership Snapshot and receive an action plan to overcome any barriers.
Documents required for a mortgage application	Short videos on common mortgage terms. Consumers can upload their documents in preparation for pre-approval and completing their mortgage application
Mortgage pre-qualification; the difference between pre-qualification and pre-approval; why it's important to get before starting a home search	Consumers can share their financial data and documents with their originator directly from their FinLocker app to pre-qualify for a mortgage before starting their home search.
Searching for a home to buy, determining location, and setting realistic expectations of wants versus needs in a first home.	Property search of MLS listings nationwide. When a property is saved, the sales price can transfer to the Affordability Calculator to receive down payment and closing costs.
Mortgage application process	Consumers can share their financial data and documents with their originator directly from their app, streaming the application process for the homebuyer, originator, and underwriters.

Promoting homebuyer workshops

In-person and online educational workshops can be promoted in similar ways

- Publish posts and videos to social media with tags like #FirstTimeHomebuyerWorkshop, #HomebuyingProcess, #MortgageProcess, and #FirstTimeHomebuyerEducation to attract attendees and viewers.
- Email invitations to leads and prospects already in your database.
- Email invitations to clients you are servicing or have closed. They might be considering buying another home this year or know someone who is.
- If you are not partnering with a real estate agent for the presentation, ask all the agents you work with to promote the workshop to their homebuyers. Alternatively, offer to present a homebuyer workshop with your top-tier agents in various parts of the city.

Longer educational or "how-to" videos are popular with first-time homebuyers

- Search "homebuyer education," "homebuyer course," "first time homebuyer class," and "mortgage process" on YouTube to see how other presenters have formatted their educational videos.
- Note how the videos with the most views are titled and use hashtags to attract more viewers and comments. Titles with high views include phrases like "What To Expect When Buying Your First Home," "How To Buy A House," "Understanding The Mortgage Process," "How To Get Approved For A Mortgage Loan," "FHA home loans," and "VA home loans."
- Conclude the video with your website URL, phone number, and email on the final screen so prospective homebuyers can contact or refer you.

In this challenging mortgage market, mortgage lenders and loan officers must adapt their strategies to connect with Gen Z and Millennials effectively. By understanding their unique challenges and leveraging social media, video, workshops to present financial education, mortgage professionals can position themselves as trusted advisors to build a customer database of informed and motivated homebuyers.

Partner with FinLocker to Attract and Nurture Homebuyers

FinLocker is more than a homebuyer readiness tool. It can also be used to generate leads. Mortgage originators can promote their FinLocker via their usual marketing channels with calls-to-action to download the app directly from the Apple App Store or Google Play.

Consumers can receive their credit score, credit report, and credit monitoring, financial account management tools, homeownership snapshot, trackable goals and budgets, home affordability calculator, property search, financial education, and motivational emails to achieve mortgage readiness and connect with their loan officer to apply for a mortgage.

FinLocker also offers KeySteps, which has the same tools as FinLocker, for individual mortgage originators and brokers.

[Click here to schedule a 1:1 personal consultation of FinLocker or KeySteps.](#)