



# 2021 Veteran Homebuyer Report

Despite rising rates, surging home prices and lingering COVID-19 concerns, Veterans are hot on homebuying in 2021 and beyond.

On the heels of a challenging year, Veterans are optimistic about their personal finances and the homebuying outlook for 2021.

The COVID-19 pandemic forced nearly half of Veterans to change their homebuying plans in 2020, according to a new survey from Veterans United Home Loans conducted by global research firm Kantar.

But Veterans are bullish on homebuying this year and in the near term.

Nearly two thirds of Veterans believe the next 12 months will be a good time to buy a home, and about 1-in-3 plan to buy this year. An incredible 58% of Veterans – that’s 11.3 million consumers – plan to buy within the next five years.

“Veterans have a deep desire to own a piece of the American Dream they vowed to defend,” said [Chris Birk](#), vice president of mortgage insight at Veterans United. “Most Veterans expect to see their incomes and personal finances improve in 2021, and there’s widespread agreement that it’s still a great time to buy, despite surging home prices and the specter of higher mortgage rates. There’s a big year ahead for Veteran homebuying.”

## Key Findings

- COVID-19 affected homebuying plans for nearly half (49%) of Veterans.  
Economic shockwaves from the pandemic and the uncertainty that followed pushed nearly half of Veterans to change their homebuying plans in 2020. For most Veterans, that meant buying sooner than they had planned (43%) rather than pausing homebuying efforts entirely (32%). With interest rates at modern lows, 21% of Veterans decided to refinance.
- Veterans feel good about their finances and their homebuying chances.  
Most Veterans (60%) believe their personal financial situation will improve during this next year, but there’s less optimism regarding the broader economy. While 69% of Veterans expect their income to increase this year, only 55% believe the overall economy will get stronger. Still, 59% believe they will be able to get the home of their dreams.

- Veterans are hot on homebuying – and most plan to make a move soon.  
Nearly two thirds (61%) of Veterans believe the next 12 months will be a good time to buy a home, and 34% plan to buy in that span. A whopping 58% of Veterans plan to buy within the next five years.
- But rising home prices and interest rates, low inventory and the pandemic all loom as potential barriers to homeownership.  
Home prices hit record highs last year, in part because of limited housing inventory in communities across the country. A slim majority of Veterans (51%) believe homes will become less affordable this year, while 58% of Veterans expect mortgage rates to increase. Nearly half (46%) of Veterans cited the COVID-19 pandemic as a source of uncertainty and a potential barrier to homebuying this year.
- Most Veterans overestimate the kind of down payment and credit score they need for a loan – costly misconceptions that keep some from pursuing homeownership.  
Nearly 90% of Veterans believe they need at least a 670 FICO score to secure a home loan, while 41% believe they need to put down more than 20% of a home's purchase price. Most Veterans have access to the \$0 down VA home loan, yet only 3% of Veterans said it was possible to get a mortgage with no down payment.

## **Veterans Expect COVID-19 Affects to Linger**

The coronavirus pandemic disrupted the homebuying time line for nearly half of Veterans, most of whom accelerated their purchase plans rather than put them on hold. But nearly 60% of Veterans expect the pandemic's health and economic impacts to get worse before they get better.

More than half (55%) said COVID-19 will continue to meaningfully impact them, and two-thirds of Veterans said "normal" will not return to what it was pre-COVID.

Pessimism around COVID-19 has created uncertainty about the broader economy.

## COVID & Economy

Between now and the end of 2021, how much do you agree with each statement?



Veterans are split on what 2021 will bring in terms of continued economic recovery in the wake of the pandemic.

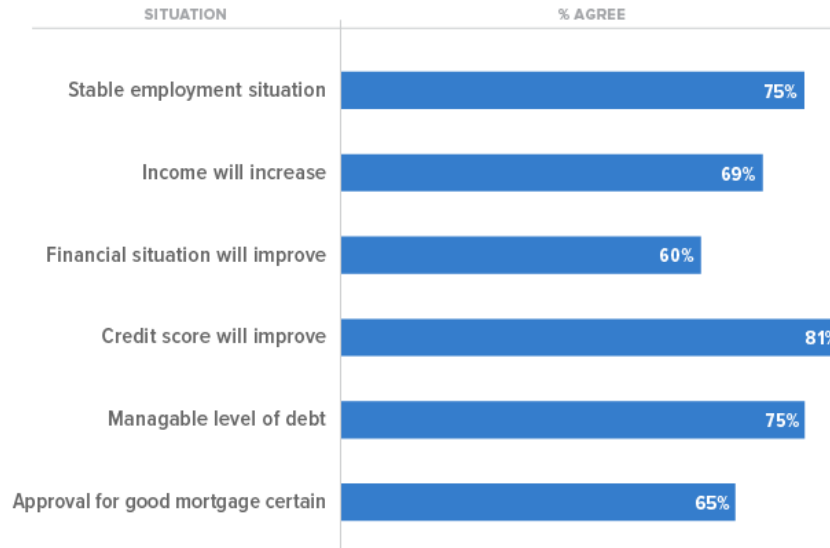
But they feel much more confident about their own financial situation, which is a positive harbinger heading into the spring homebuying season.

### Veterans Feel Confident About Their Finances

Despite the challenges and economic uncertainty post-COVID, Veterans overwhelmingly feel great about their employment stability, credit profile and potential for income growth over the next year. Those are all key factors when seeking mortgage qualification.

## Personal Financial Situation

How strongly do you agree with the following statements between now and the end of 2021?



While Veterans overall feel good about their personal finances, it's important to note that the economic impacts of the pandemic still hit Veterans hard, if not unequally. Younger Veterans and minorities have taken the brunt when it comes to job loss, diminished wages and pessimism about their economic future. The unemployment rate is higher among Post-9/11 Veterans, younger Veterans and Veterans of color than it is for the overall Veteran population, according to federal labor data.

Our survey found that Veterans ages 21 to 34 were much more likely to expect:

- An uncertain employment situation
- More challenging financial circumstances
- Worsening credit scores
- Worrisome levels of debt

Female Veterans were much more likely to expect a decrease in income and a more challenging financial situation in 2021.

## Veterans Feel Great About Homebuying in 2021

Veterans expect interest rates and home prices to tick up this year, but they’re bullish on buying. Nearly 80% of Veterans said it’s better to own a home right now than to rent, and 61% said the next 12 months will be a good time to buy.

“Even if [mortgage rates](#) rise this year, it’s still an incredible time to finance a home purchase,” Birk said. “Veterans already had access to the industry’s lowest average fixed rate because of their VA loan benefit. Rates are likely to be at or near modern-day lows for a while longer, giving Veterans an extended opportunity to lock in lower borrowing costs and even stretch their homebuying budgets.”

Most Veterans see homeownership as a good financial investment that also brings feelings of stability, security and pride.

### Homeownership Attitudes

How strongly do you agree with the following statements about homeownership?



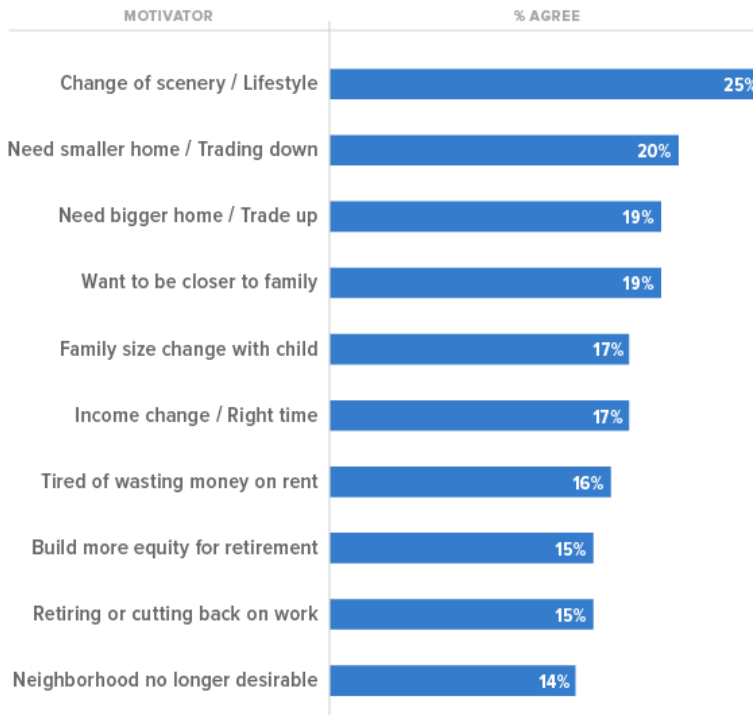
Veterans were split in terms of the factors driving their desire to purchase a home.

Half said they were likely to buy a home outside of their current town, which lends support to a growing body of evidence that many homeowners are leaving urban areas, often in search of cheaper housing. For others, post-pandemic work-from-home opportunities are creating a newfound freedom of movement where workers don't have to live in close proximity to their company's location.

But the primary drivers for most Veterans are more practical wants and needs, such as a desire to downsize or be closer to family.

## Homeownership Motivation

### Top 10 Drivers of Veteran Homeownership



Older Veterans and those closer to retirement are looking to downsize at a significantly higher rate than other Veterans. Veterans ages 21 to 34 are much more likely to upsize and to buy a home outside of their current city.

## 11+ Million Veterans Plan to Buy Within Five Years

As a group, Veterans are far more likely to own homes than the rest of the population. Census data put the Veteran homeownership rate around 80%, while the national homeownership rate hovers around 65%.

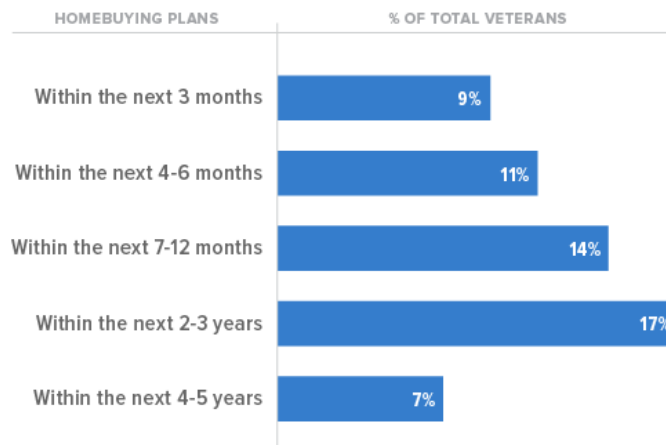
Veterans believe in the power of homeownership. Waves of them plan to make this dream a reality in the next few years, buoyed by low interest rates and rising personal incomes.

We found that 1-in-5 Veterans plan to buy a home in the next six months, while 34% plan to purchase by the end of 2021.

But if you stretch the time line, nearly 60% of Veterans plan to buy a home within the next five years. That's more than 11 million Veterans trading up, downsizing and otherwise creating major economic impacts in communities across the country.

### Future Homeownership Plans

How soon do you plan to make your next home purchase?



This pending homebuying activity also signals continued growth for the historic VA loan program.



Half of Veterans said they would strongly consider a VA loan when buying their next home, while only 34% said they would strongly consider conventional financing and just 30% would strongly consider FHA loans.

[Veterans have flocked to VA loans](#) in record numbers since the Great Recession, partly because of the tighter lending climate that followed.

Suddenly facing higher credit score and down payment requirements, scores of Veterans turned to their VA loan benefit for help. VA loans don't require a down payment and feature more flexible and forgiving credit guidelines than conventional mortgages.

VA loans represented about 2% of the overall mortgage market at the time of the housing crash. Today, they account for about 10%. The VA backed more than 1 million loans for the first time ever in Fiscal Year 2020.

"Part of the original GI Bill of Rights, this hard-earned job benefit was created to level the playing field and expand access to homeownership for those serving our country," Birk said. "Seven decades later, the VA loan program is still fulfilling its original mission for a new generation of Veterans and service members."

While many younger civilians are struggling to build the credit and liquidity needed to break into the housing market, younger Veterans and service members have been ahead of the homebuying curve because of their home loan benefit.

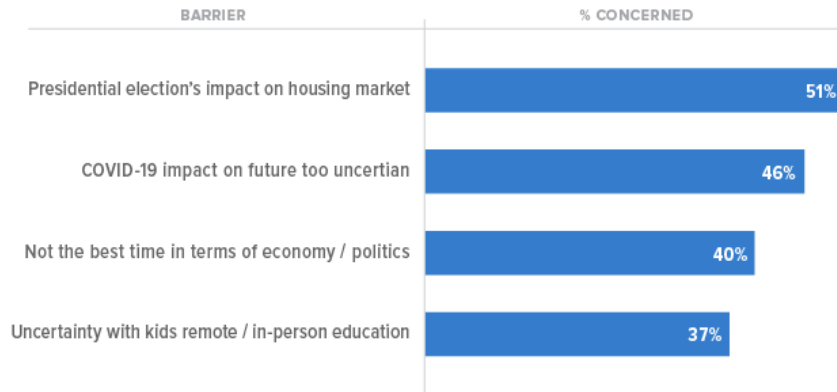
Millennial and Generation Z Veterans accounted for half of all VA purchase loans in FY20.

## **COVID-19 Uncertainty Among Homebuying Barriers**

Like many other consumers, Veterans have concerns about limited housing inventory and rising home values and interest rates. But many also cited the pandemic and politics as potential barriers to homeownership in 2021.

## Homeownership Barriers: Economy & Market

Imagine you were shopping for a new home today, how concerning would each of the following be?



Some of these political and economic concerns might dissipate as more Americans receive COVID-19 vaccinations and economic markets adjust to the Biden administration. But rising home prices and tight inventories are likely to remain a challenge for some Veterans considering a home purchase this year.

The National Association of Realtors expects home prices to increase 3% in 2021. Unless low rates and rising home prices entice more sellers to jump into the market, many Veterans will continue to struggle with limited housing inventory in communities across the country.

## Costly Mortgage Misconceptions Are Common

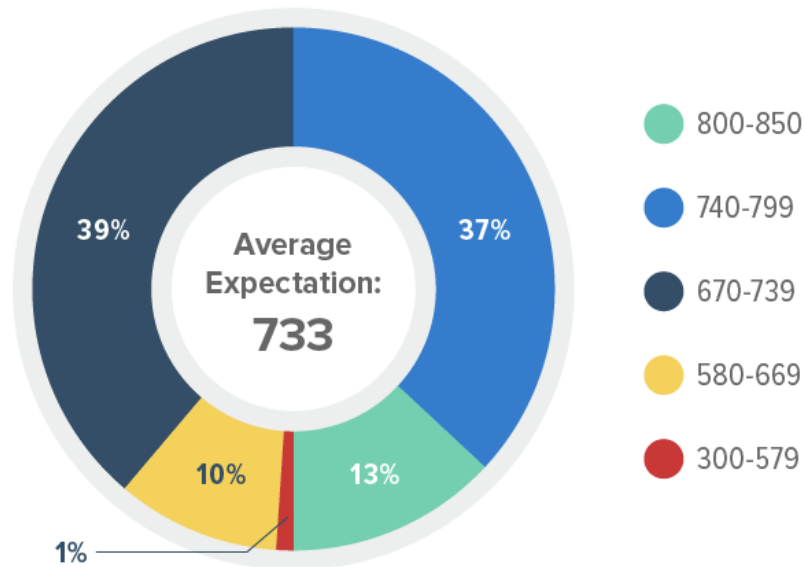
About two-thirds of Veterans say they're familiar with common credit score and down payment guidelines. But there's a clear disconnect between what Veterans think they know and what it actually takes to land a home loan.

The disparities are particularly challenging given that most Veterans have access to the VA loan, which allows qualified buyers to purchase with \$0 down and just "Fair" credit.

Credit score requirements can vary by lender, but Veterans can often secure VA financing with a FICO score in the 620 to 650 range. But Veterans believe they need significantly higher scores in order to qualify for a mortgage.

## Credit Score

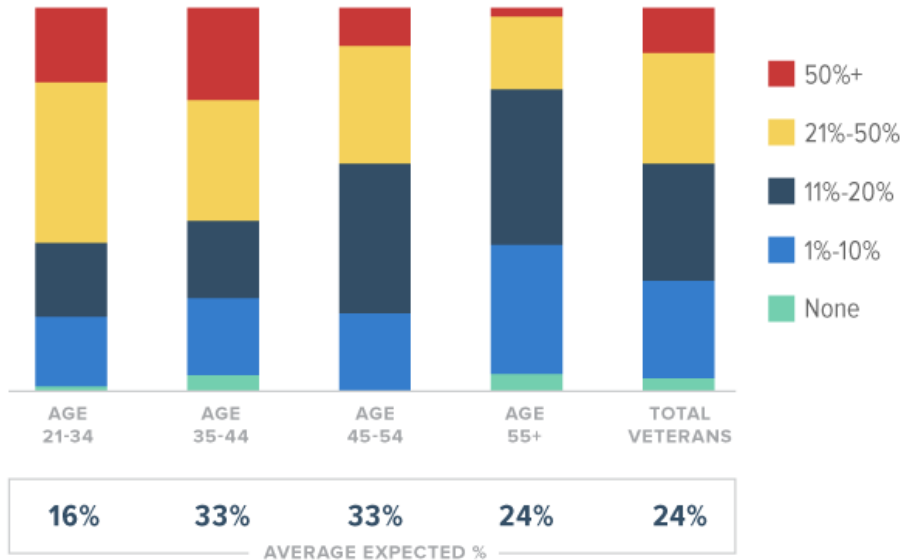
What is the minimum credit score you feel you need to qualify for a mortgage?



There are similar misconceptions and overestimations when it comes to down payment requirements. This lack of awareness about down payment guidelines can be particularly devastating, because it can take years for Veterans and military families to save 10-to-20% of a home's purchase price.

## Down Payment

What percentage is needed for a down payment on a mortgage?



Millions of Veterans ages 21 to 44, in a prime season of life for homebuying, believe they need a 33% down payment on average to secure a mortgage.

The reality is that qualified Veterans can purchase with \$0 down using their VA loan benefit or a USDA loan. FHA loans require just a 3.5% down payment. Conventional loans often require 5% down, although there are options that allow for even lower down payments.

In addition, 47% of Veterans said mortgage providers are all the same, and they just look for the best rates. Comparing mortgage rates is important, but Veterans should consider other factors, too.

“Rates, costs, fees, customer service and expertise can all vary significantly depending on the lender and the type of financing,” Birk said. “Some lenders specialize in niche products like VA and USDA loans, while others focus primarily on conventional financing. Compare Loan Estimates from multiple lenders, read customer reviews and make sure lenders and mortgage originators answer all your questions and help assess all your home financing options.”

## METHODOLOGY

Veterans United Home Loans worked with Kantar to conduct this online survey of 1,000 respondents ages 21 and older from Oct. 15-28, 2020.

Veteran population estimates come from the National Center for Veterans Analysis and Statistics.

Veterans United is the nation's largest VA purchase lender, a distinction it's held for the last five years.

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