



Veterans United®  
*Home Loans*

# 2023 Veteran Homebuyer Report

Despite a challenging year of higher home prices and interest rates, many military members and Veterans are still optimistic about homebuying, especially those currently serving our country.

Nearly three quarters of current service members (71%) plan to buy a home in the next five years, according to a new survey from Veterans United Home Loans conducted by data insights firm Sparketing.

Even with the rocky rate and affordability outlook, 3 in 10 current service members and 15% of Veterans plan to buy in 2023.

More than half of current service members anticipate buying a home in the next 2 to 3 years, especially Reserve and National Guard members.

“After facing significant headwinds over the last year, Veterans and service members are poised to rebound in 2023 as the market starts to shift back toward homebuyers,” said Chris Birk, vice president of mortgage insight at Veterans United. “For younger Veterans and service members, the VA loan benefit means they don’t face the same hurdles that keep many civilian counterparts out of the housing market, chiefly the need for a down payment and great credit. Younger buyers have led the way in VA lending in

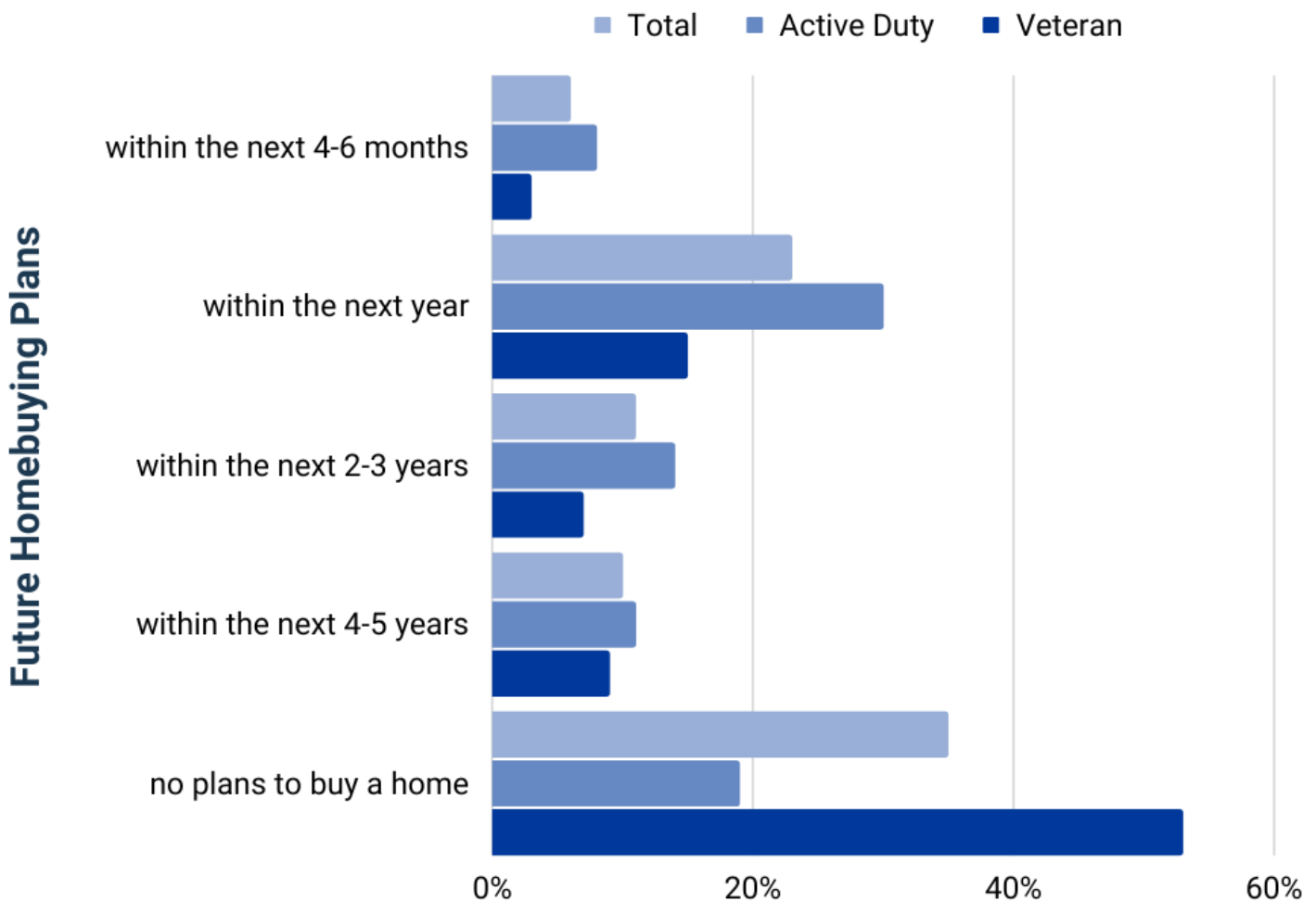
recent years, and that storyline will continue through next year and beyond.”

## Key Findings

- High home prices are the top reason that impact the decision to buy a new home among service members and Veterans, while uncertainty of income was the last reason. About 56% of service members and Veterans think it will be very or somewhat difficult to buy a home in the next year.
- Reserves and National Guard members are the most optimistic about buying in the next year (43%) compared to active duty at 20% and Veterans at 15%.
- Almost 70% of active duty military members surveyed are renting or live in base housing with only 29% owning homes, vs. 61% of Guard/Reserve and 58% of Veterans that are homeowners.
- The ability to buy without a down payment is the top reason Veterans choose a VA loan, followed by competitive interest rates and limits on closing costs and fees.
- There's a direct relationship between knowledge of the VA home loan and proximity to military bases. Awareness diminishes the farther one travels from active duty facilities, meaning reserve component service members and Veterans are less likely to be as knowledgeable about their benefits.
- Some service members and Veterans are not aware of their eligibility, which can cause some to pay more money out of pocket. Nearly half of service members and Veterans who haven't had a VA loan believe that other loan options may be more affordable and easier to use. About 25% are unaware of their benefit or didn't think they would qualify.

## Future Homebuying Plans

About 23% of service members and Veterans plan to buy a home within the next 12 months, while 35% have no plans to buy a home. When we break this down into currently serving and Veteran status, 30% of currently serving members plan to buy a home in the next year, while only 14% of Veterans plan to buy.



Nearly 43% of Reserve and National Guard military members surveyed believe they will buy a home in the next 12 months compared to 20% of active duty.

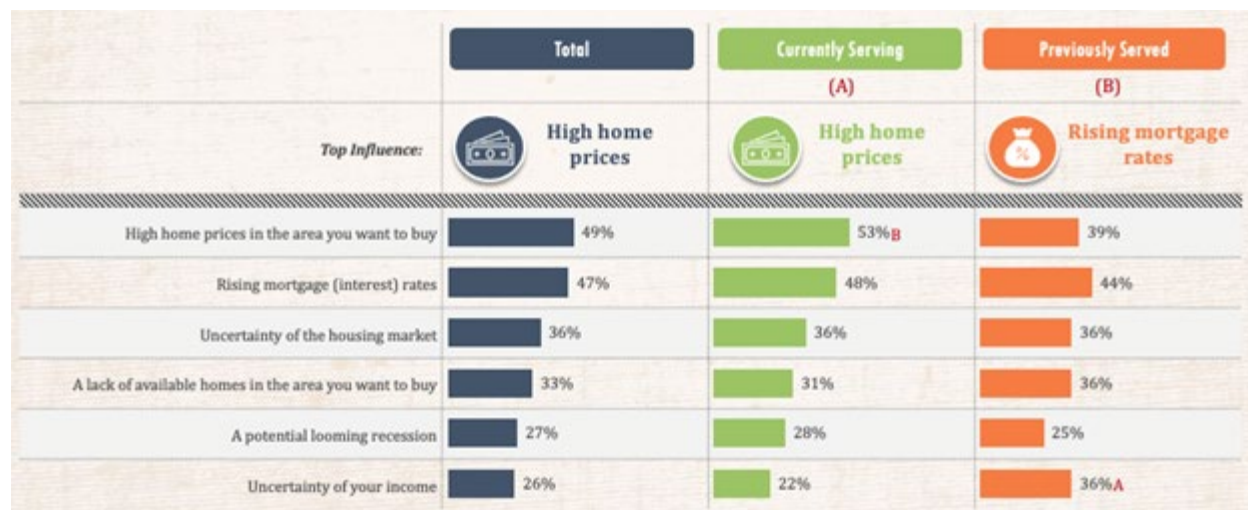
In the last two years, service members and Veterans weren't as competitive in the housing market due to bidding wars and repeatedly getting beat by all-cash offers. However, despite monthly payments rising in 2022, we saw an increase in government lending which shows the affordability challenge in the market.

In April, the VA Funding Fee is scheduled to decrease which will also help with their overall mortgage payments. In fact, VA buyers will save about \$200 million over the life of their loans. Affordability is top-of-mind for prospective homebuyers and this change will significantly help this group of buyers, especially first-time homebuyers entering the market.

Service members and Veterans cited high home prices as the primary reason they wouldn't move forward

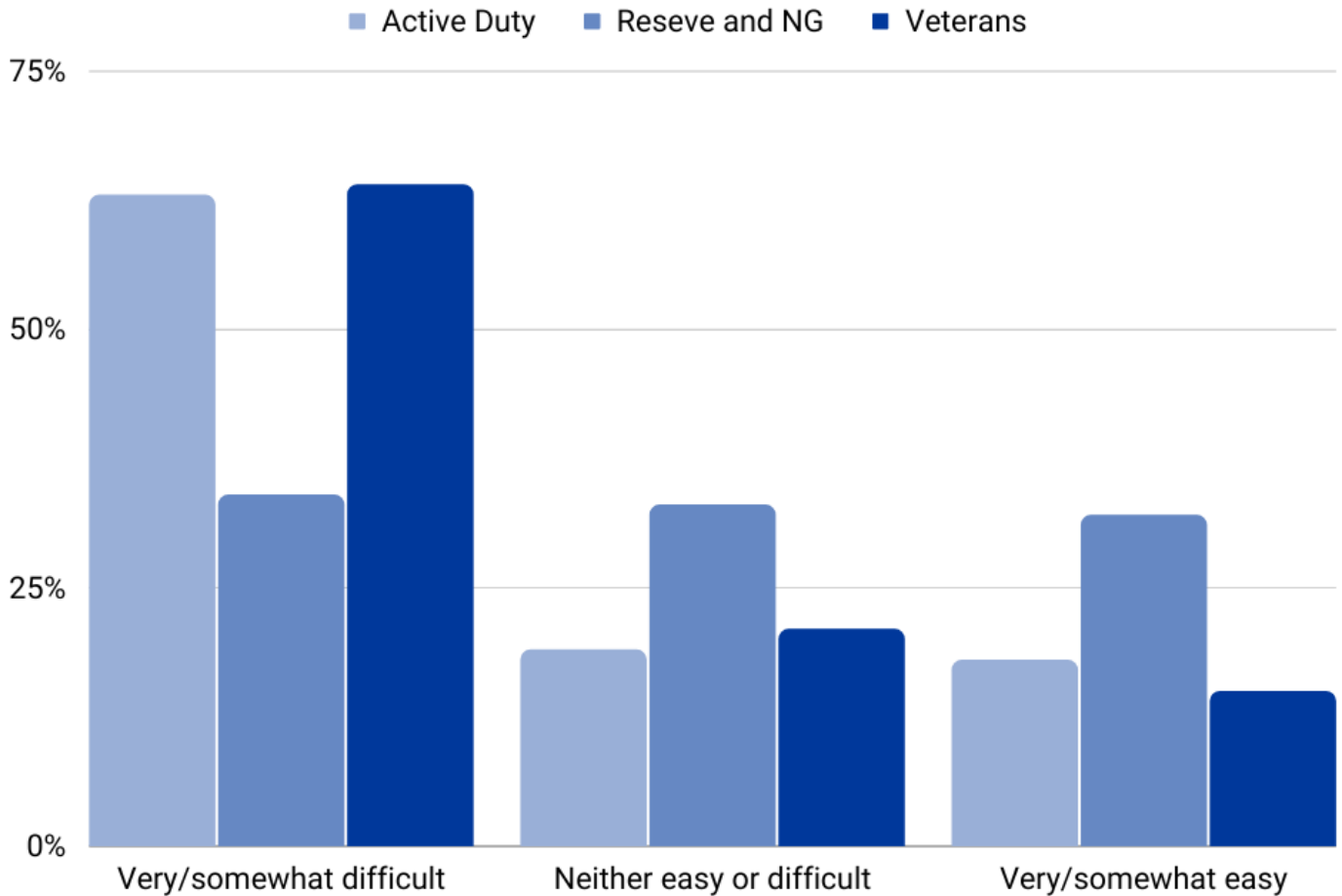
with a home purchase. Uncertainty of income wasn't high on their radar, which may indicate that service members and Veterans are better positioned to withstand various cycles in the economy.

For Veterans specifically, the top reason for not having homebuying plans was higher mortgage rates. More than half (56%) of service members and Veterans think it will be very or somewhat difficult to buy a home in the next year.



Reserve and National Guard members are far more optimistic about future homebuying plans. Approximately 55% of Reserve and National Guard members believe the buying process will be easier.

## Anticipated Ease of Buying



## VA Loan Usage

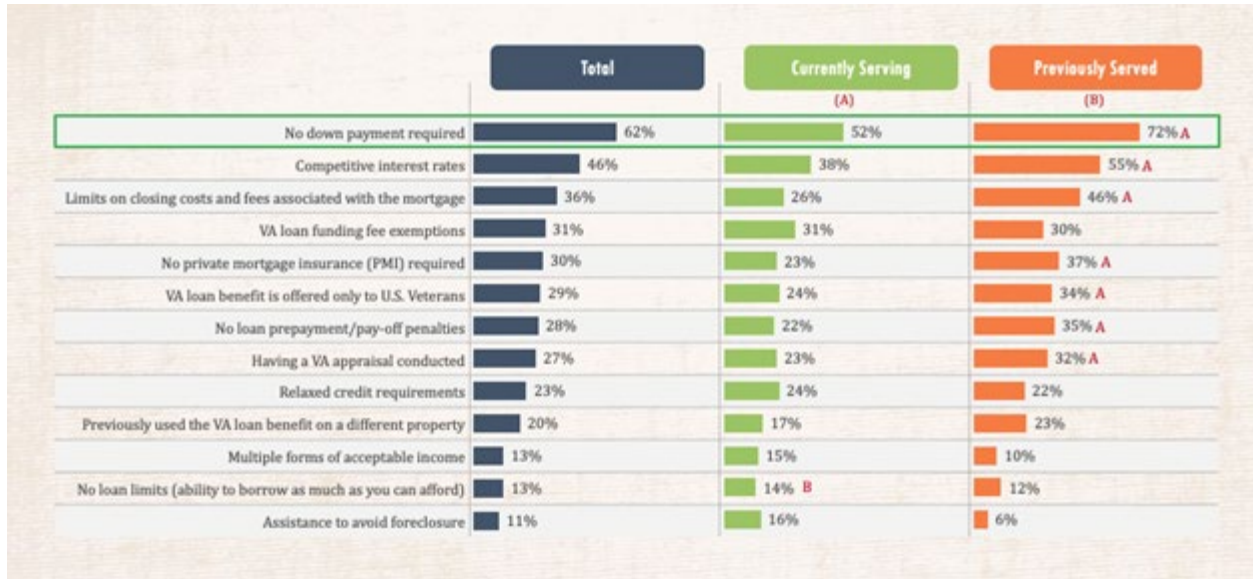
Among active duty respondents, 41% have used the VA home loan benefit, while 53% of Veterans have used the benefit. Overall, about 54% of service members and Veterans are currently using the VA home loan and about 28% have used the loan in the past.

As monthly mortgage payments rose for homebuyers in 2022, we saw an increase in government lending, while conventional lending declined, according to data from Black Knight.

Government lending is opening up doors to homeownership for those that may be priced out of conventional product offerings. In fact, the share of VA loans grew by more than 30% from January through December in 2022 compared to the share of conventional loans that declined by over 10% for the same time period.

## \$0 Down Difference-Maker

One of the VA home loan's cornerstone benefits is the option to buy without a down payment. That significant, transformational advantage has opened the doors of homeownership for generations of Veterans and service members who might struggle to secure home financing.



About 62% of service members and Veterans say zero down payment is the top reason for utilizing their VA home loan benefit. Veterans have a better understanding of the advantages of using the benefit as compared to active duty, Reserve and National Guard service members.

Mortgage rates more than doubled since the start of 2022, while home price appreciation saw double digit increases, making affordability a key issue in the housing market. According to the latest data, the median price of a newly listed home is \$370,000. A 3% down payment for this home would be \$11,100 and a 5% down payment would be \$18,500.

Unfortunately, misconceptions about the VA loan persist, particularly among those who live farther away from military bases. The lack of awareness could be detrimental to military families that may believe they need to save a down payment of 5% or more. This can put their dream of homeownership on hold, because it could take years for a military family to save for a large down payment.

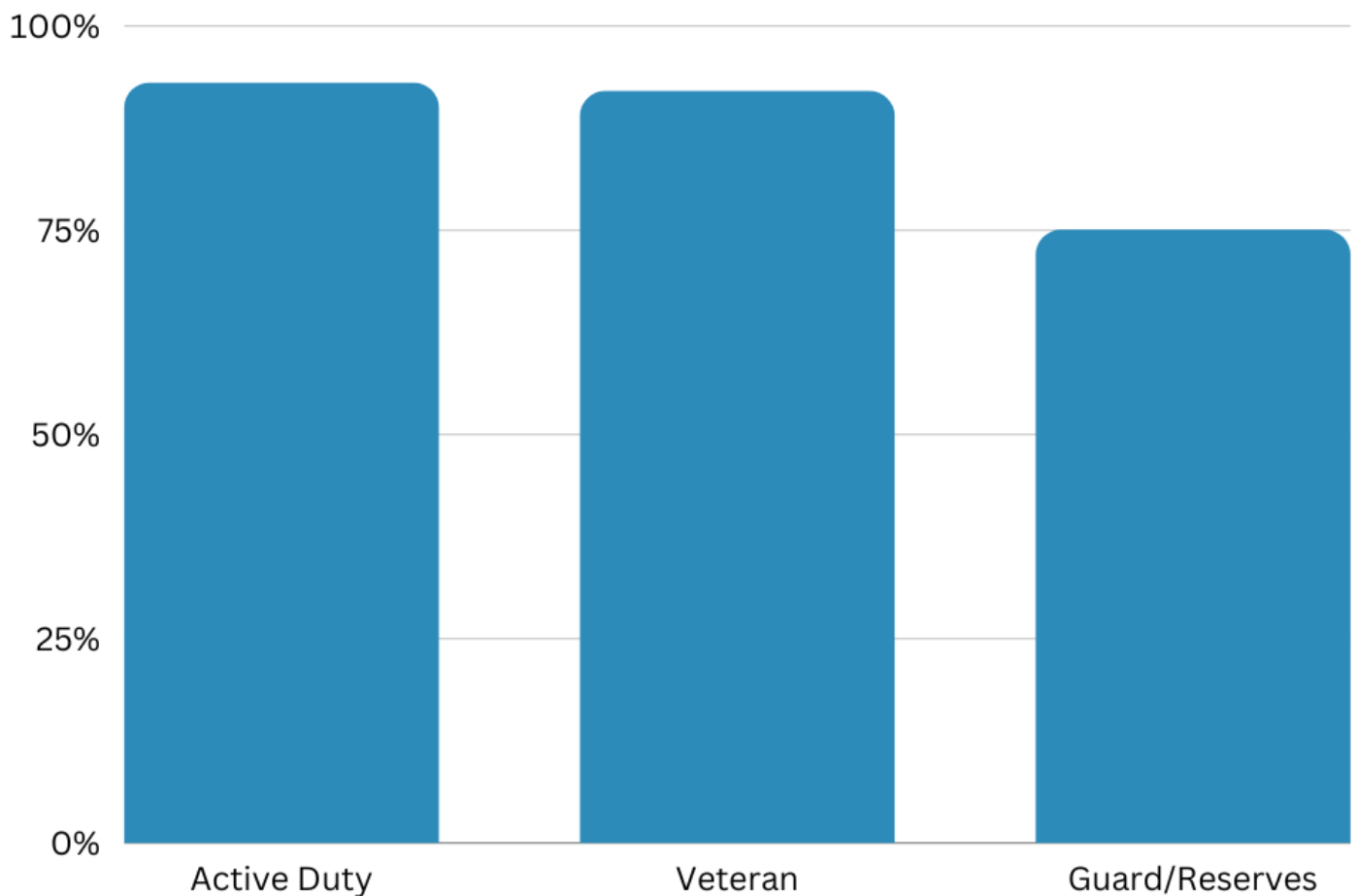
## VA Loan Benefit Awareness

About 90% of service members are aware of the VA home loan benefit. Awareness is the lowest among the Reserve and National Guard.

More than a third of active duty members are aware of the VA home loan program through another active service member, which speaks to the importance of benefit education for Reserve and National Guard members.

Additionally, National Guard members and Reservists may not be aware of their eligibility for a VA home loan after the passage of the Veterans Health Care and Benefits Improvement Act of 2020. This legislation extends VA loan eligibility to those ordered to full-time duty under Title 32 for a period of at least 90 days, with 30 of those days served consecutively.

## VA Loan Awareness By Service Type

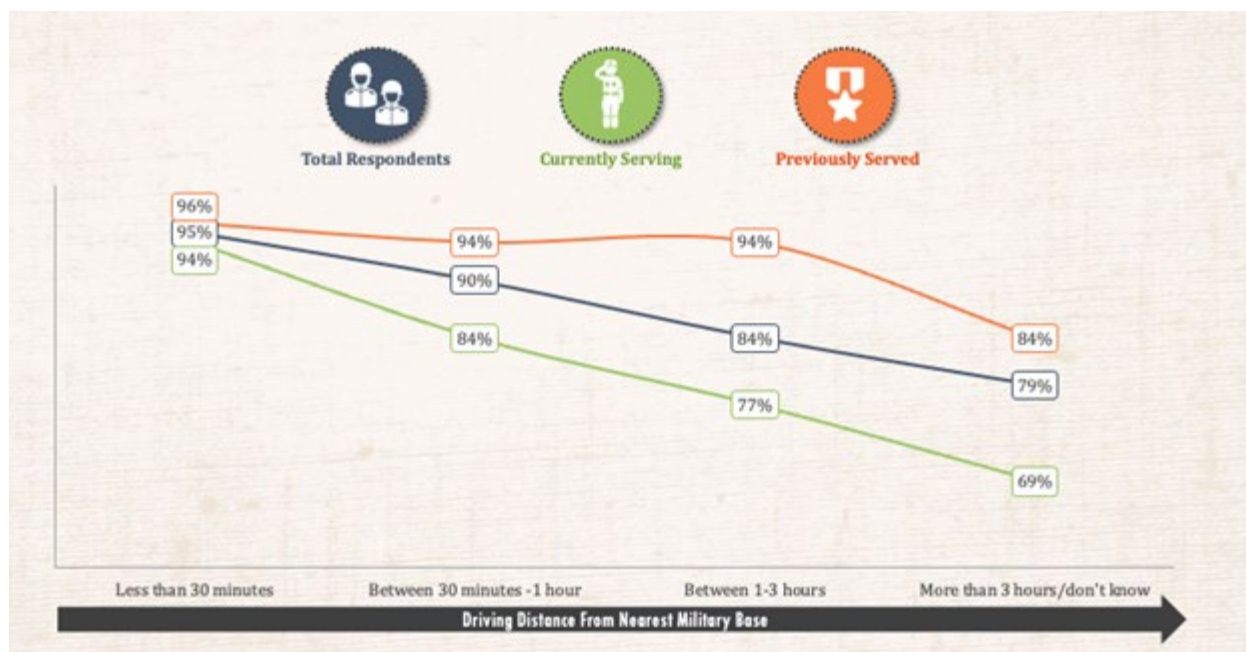


## Awareness Drops with Distance from Bases

One of the key influencers of awareness about the VA home loan program is the proximity to a military installation. Active duty service member awareness drops significantly if they are more than one hour from the nearest military base.

For example, 94% of active duty service members from all components who live less than 30 minutes away from a military base are aware of the VA home loan benefit, compared to 69% who are more than three hours away. This particularly impacts National Guardsmen and Reservists, who live and work in every community across the United States.

While serving, Reserve component service members may not be as knowledgeable about their benefits and eligibility, unlike Veterans who receive benefit education when they leave the service or retire.

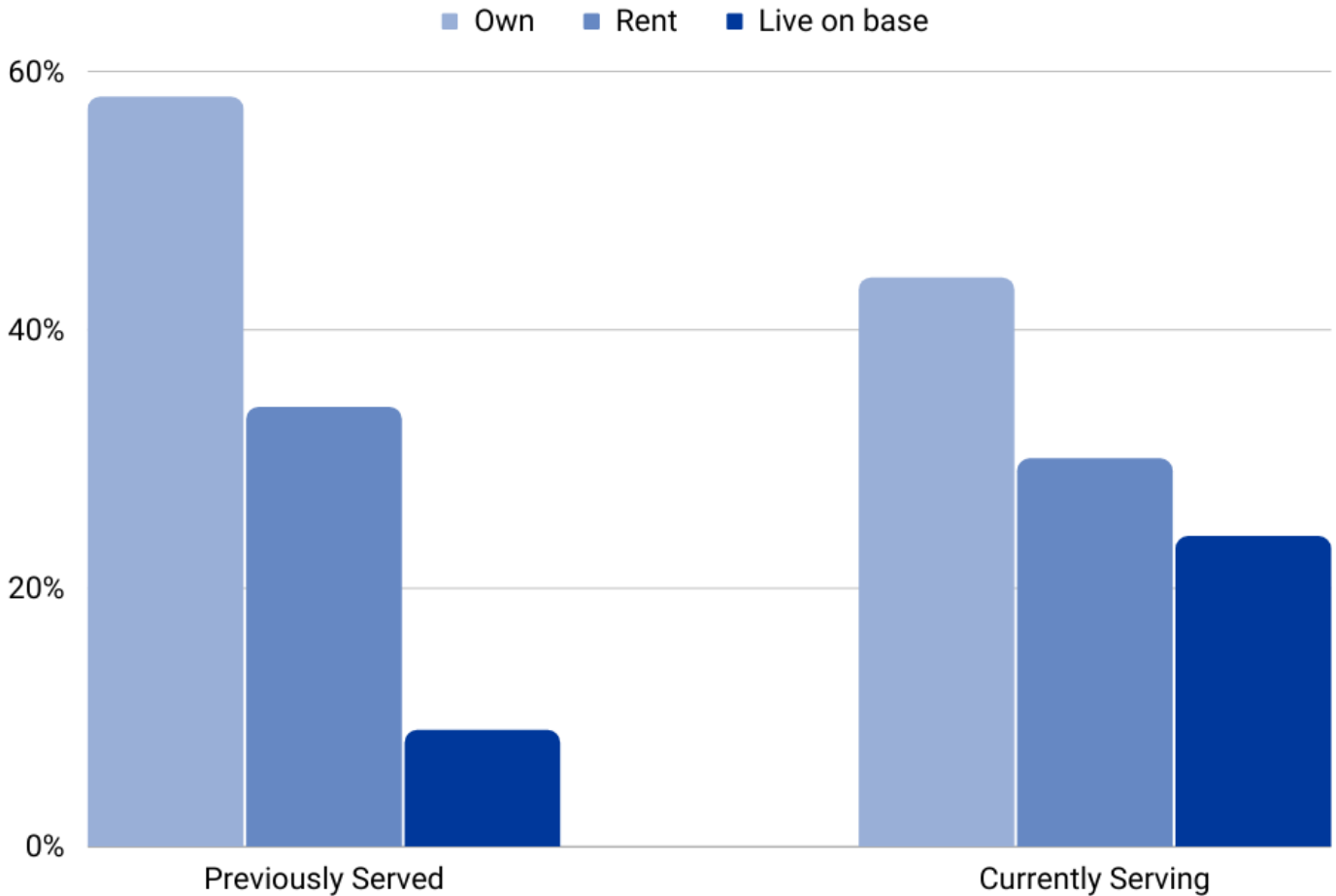


## Current living situation

Overall, 50% of service members surveyed own their home, while the remaining half rent or live in military housing. Reserve and National Guard have the highest share of homeowners.



## Current Living Situation



## VA Home Loan Satisfaction

About 75% of Veterans and service members are satisfied with the VA home loan benefit, with its ease of use and lower rates earning high marks. Over the last five years, the average fixed VA loan rate was more than half a percentage point lower than the average conventional rate, according to Federal Reserve data.

In comparison, about 19% of service members and Veterans were either neutral or dissatisfied with the program. One of the top reasons for not using the VA home loan benefit was another loan option being easier to obtain.

### Reasons for Not Using the VA Home Loan Benefit

		<i>Top Reason</i>
Another home loan option was easier for me to obtain	29%	20%
Another home loan option was less expensive for me to obtain	23%	16%
I didn't know about the benefit	16%	14%
I did not apply because I did not think I would qualify	10%	10%
I thought that the process for obtaining a VA loan would take too long	9%	3%
The VA funding fee	7%	2%
The property appraisal did not pass the VA appraisal requirements	7%	5%
I applied for a VA home loan, but did not qualify	5%	5%
I thought the seller might be less likely to accept an offer with a VA loan	5%	3%
My lender discouraged the use of the VA benefit	4%	3%
My realtor discouraged the use of the VA benefit	3%	2%
I was unable to use the VA loan for vacation or investment properties	3%	3%
Other	11%	11%

## Methodology

Sparketing conducted an online survey of 1,056 Veterans and service members, ages 18 and older, from August through September 2022.

We surveyed service members from both the active and Reserve components, as well as Veterans.

For the purpose of this survey, active duty military are full-time members of the Armed Forces. The Reserve component includes drilling National Guardsmen and Reservists. Veterans are military members who have been discharged or retired from the service and no longer serve in uniform.

## Past Reports

Data and insights for yearly Veteran Homebuyer Reports vary year to year to reflect the ever-changing environment impacting home purchases and the Veteran and military community. Study methodology and third-party research are also subject to change. Below are links to past reports:

- [2021 Veteran Homebuyer Report](#)

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