

# HOUSING HUSTLE FOR MILLENNIAL AND GEN Z HOME BUYERS

By Kevin Retcher,  
First Meridian Mortgage



# HOW TO BUY YOUR FIRST HOME RIGHT OUT OF COLLEGE OR GRAD SCHOOL .. AND BEGIN BUILDING WEALTH SOONER THAN YOU EVER THOUGHT POSSIBLE.

It seems that you can't read an article on real estate without at least a paragraph bemoaning the "refusal" of Millennial college grads to purchase their first homes. Forget the fact that they graduated during the build-up and aftermath of the Great Recession. Forget unprecedented levels of student loan debt. According to some, these young, highly educated consumers are wasteful with money, unwilling to give up their everyday luxuries to save for a home. One Australian mogul even blamed avocado toast. In reality, of course, Millennials are enthusiastically looking for home-buying opportunities.

For Gen Z, the desire to buy a home is a paramount goal, and many are just as motivated as their Millennial friends, siblings, and colleagues to begin looking ahead to home ownership. For each of these groups, student loans and lack of wage growth may make home buying seem like a distant goal. The good news? There are a variety of options to help Gen Z and Millennials with every step of financial planning for their home purchase.



# YOUR COMPLETE GUIDE TO MILLENNIAL AND GEN Z HOMEBUYING

Think ahead and create a plan for homeownership that gets you moving into your own home sooner.

## **Step One: Plan Ahead**

If your goal is to buy a home as soon as possible after graduating from college or grad school, you need to begin early building your professional resume. When you first arrive at college, begin early attending job fairs, even if you are not sure what field you want to major in. The experience you will gain in interview skills and networking will help you when it is time to land your first professional gig.

Secondly, landing internships should be a big part of your professional planning. Landing an internship early in your time as an undergrad can help make you more competitive and make you a frontrunner for other highly desirable internships. Even college freshmen can and do get internships, especially when reaching out and networking with friends, family, and other acquaintances.



47%

of DC homebuyers are  
Millennials

## **Step Two: Establish Good Credit**

At your first opportunity, get a credit card, even if it is a secured card with a \$300 limit. The key is to establish credit as early as possible. Mortgage lenders like to see that you have some credit accounts with at least a 12 – 24 month history.

I am often asked if someone can buy a house with no previous credit history and the answer is Yes. However, approval is dependent on the type of financing -- FHA or Conventional Fannie or Freddie. These rely on the automated underwriting engine for approval in most cases.

The minimum standards get tougher if a manual underwrite is required. It is better to have a few established credit accounts with you as a primary account holder and not as an authorized user. The key, of course, is to ensure that you use the card sparingly and pay it off completely each month. Late payments or carrying the maximum balance will set back your financial goals and stay on your credit report for years. If you currently have blemishes on your credit report, go ahead and pay them now and begin rebuilding your score.

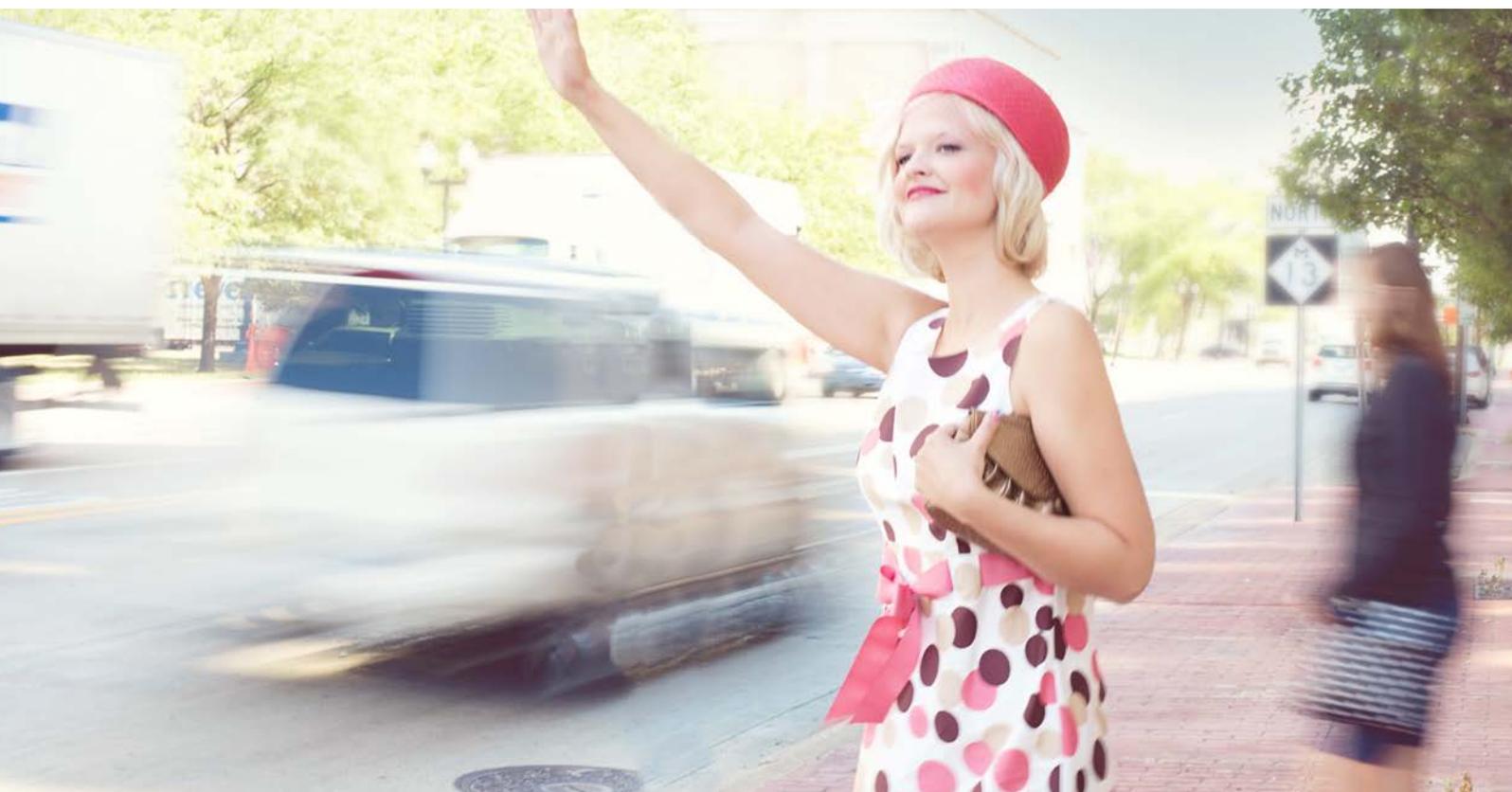


### **Step Three: Establish Work History and Income**

Once you graduate, the key to moving toward homeownership is a salaried job and a work history of two years in your field. The game-changing news for young home buyers? That time you spent in the classroom counts toward your two years of work history! In fact, all of the preparation you did for your job -- internships, field work, and classroom experience -- counts toward the time requirement.

Because commissions and bonuses don't count as income within your first two years of employment for mortgage underwriting, a salaried job is critical to meeting your lender's income requirements. However, if your company will guarantee a minimum commission and bonus as part of your employment verification, you may be able to include these as part of your income.

As soon as you confirm your new job and salary, contact your lender to start the pre-approval process. Get educated on the cost of a home in your chosen market and the costs associated with your purchase.



## **Step Four: Save for the Down Payment and Closing Costs**

Many College graduates ask how much down payment is required to be able to buy a home. The minimum is typically 3-5% or more depending on the type of financing. Most 3% and 5% down programs do allow a gift from a family member, or money that is remaining from a 529 college savings plan to be used as a gift. In addition, some loan products and programs offer down payment assistance and even grants to help offset costs.

Another strategy is to move back home and save money for 6-7 months to buy your home. Once you have saved \$15,000 to \$20,000 then you can contact a lender to get pre approved to buy a home. Share your goals and plans with your parents; they will usually be happy to help with this process. They may even choose to provide some gift funds to help you bulk up your savings. Be sure to use this time to save as much as possible; don't allow yourself to spend more just because your living costs are reduced.

The final step in the home buying process is closing, where you will need to provide several thousand dollars in taxes, fees, and other expenses. These are called closing costs, and depending on the market they can be very expensive. However, most closing costs can be paid for by the seller, the lender, or the real estate agent or broker. In addition, different mortgage programs and first-time homebuyer programs may provide credits and adjustments to the amount of the closing costs.



**Step Five: Put it all together**

When you're ready, talk to your lender about real estate agent or broker recommendations. Work with a trusted professional in your chosen market to ensure you have top-notch advice throughout the process. In addition, your agent will help during the negotiation process for the purchase and after the home inspection. The best part? The seller pays for all real estate commissions, so this professional representation comes at no cost to you.

In addition, your lender is a valuable resource for recommendations on title and settlement companies, as well as a variety of other professionals in your market. Don't hesitate to reach out if you have questions or need a referral.



## **Benefits and Strategies for Home Ownership**

You've been together through four years of college. Why not transition into your professional life along with your fraternity brothers, sorority sisters, or college roommates? Renting space to some of your best friends helps to defray your monthly expenses while paying down your mortgage and building equity.

You may also choose to purchase your home along with a trusted friend or family member. This can provide another source of income, helping you qualify more easily and helping to offset the cost of the monthly mortgage.

Delaying home buying because you might want to travel or you might transfer to a new city? No need. Purchase your home now and start building equity. If you find that your career takes you elsewhere, you can always rent out your home and have a property manager maintain it while you continue to build wealth.



**Ready? Let's get started!**

Wherever you are in your college or post-graduate journey, there's no time like the present to start thinking ahead to your home purchase. Let's discuss the various strategies and financial products available to help you make your dreams of home ownership a reality. I'm here to help with expert guidance for your DC metro home purchase.



FIRST MERIDIAN MORTGAGE CORP.  
KSA INSURANCE AGENCY INC.

# KEVIN S. RETCHEER

O. 703.799.5626

M. 703.201.6138

. KEVIN@FIRSTMERIDIANMORTGAGE.COM

WWW.FIRSTMERIDIANMORTGAGE.COM

8305 RICHMOND HWY 12A,  
ALEXANDRIA VA, 22309

F. 703.799.5636