Generational Financing

Home Finance Options for Every Buyer

By Grant Simon

Every generation of home buyer is different. Their history, their values, their financial needs and resources greatly vary from one buyer to the next. Each has a unique perspective. Understanding generational financing will help you with the "know how" to discuss finance options that resonate with each customer and to meet their needs. You will gain insight into each of the four generations and understand why various financing options are generally ideal for each. The more you understand your customer and their financing needs, the more "success" you will experience with each transaction and the more referrals you will generate.

Jean Nidetch, founder of Weight Watchers, said "It's choice – not chance – that determines your destiny."

Choice not only determines *your* destiny, but the destiny of others as well. What is your destiny in real estate? Is it to help others obtain homeownership? Is it to help homeowners keep from losing their homes? Is it to provide for you and your family? We, as REALTORS®, have a daunting task to help our economy and stabilize our communities.

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This is where generational financing becomes a key to your destiny. We must understand and unlock the doors to our client's mind and heart. We do this through understanding. We break down barriers to all of our clients by understanding their generational values and characteristics. Without understanding and knowledge we are unable to gain a client's trust and develop a meaningful relationship.

What is it that separates you from other REALTORS®?

Why do some clients select you as their real estate agent while others gravitate away? Is it the way we relate to some and the way we don't relate as well to others? By understanding generational triggers, you will have a leg up on the competition and create lasting relationships to stimulate your business.

Generational financing explores loan products and programs. It will assist you in helping clients realize their dreams by understanding loan product advantages, limitations and restrictions. This will further separate you and establish you as a market expert. Why do clients select you? It is generally attitude, aptitude and your ability to build and develop trust. Generational financing will help in two of these three key areas.

Let's look at the four generations we have the opportunity to serve. They are, as follows, by name and general age classification:

Generation	Age
Gen Y	13 – 30
Gen X	31 – 42
Baby Boomers	43 – 62
Civics	63 and up

How do they differ? How are they similar? What do you need to know? What mistakes do agents make? What are the keys to success and what are the pitfalls to avoid?

According to Dr. Rick and Kathy Hicks in their book *Boomers, X'ers and Other Strangers*, they say, "One must look at the generation one has been raised in, see what is taking place as that generation moves through time, and understand what the changing trends are."

For example:

Gen Y	2010 - Change, record low interest rates, foreclosure, short sales
	2000 – Google, Facebook, dot com crash, real estate bubble
	1990 – Desert Storm, domestic terrorism, Internet, tolerance
Gen X	1980 – Diminished world respect, hostages, hi-tech, AIDS, computers
	1970 – Vietnam impact, Watergate, Me Generation, Equal Rights Amendment
Boomers	1960 – Vietnam, civil rights, space program, generation gap
	1950 – Korean War, indulgent kids, television, rock & roll
	1940 – WWII, the war effort, working women, the good life
Civics	1930 – Wall Street crash, Great Depression, the New Deal
	1920 – Aftermath of WWI, close family, radio, prohibition

"What you experienced defines who you are," say the Hicks. "If you ever wondered why people seem so different in their values, lifestyle and opinions, chances are it's because of how they saw the world when they grew up."

Tying all of this together relates to both home buying preferences and financing tools.

The young first-time home buyers (Gen Y's) do not prefer a home in the suburbs like their baby boomer parents did. They don't want to limit themselves to major metro areas. Instead Gen Y's are drawn to urban infill locations and want to live in culturally and ethnically diverse neighborhoods. They like homes that are bright, open spaces, windows and flexible use of rooms.

For the Gen Y's who are typically cash poor, USDA and FHA loans are ideally suited. These no down payment and low down payment loans with flexible ratios and reasonable underwriting guidelines are perfect.

Gen X'ers are now in their prime home buying years. It is said that Gen X'ers are also entering their peak trade-up years. Gen X'ers families often require that both parents work in order to sustain cost of living (lifestyle) as well as the mortgage payment. For this generation conventional financing and jumbo loan products including adjustable rate mortgage (ARM) are common.

Boomers are all over the board. Boomers did have an advantage in that they were the last generation that could comfortably support a household on one income and home prices were not exorbitantly out of proportion with salaries as they are now. However, with the recession and so many boomers losing their retirement nest egg, many have gone back to work to replenish it and have chosen to stay in the home they are currently in. When boomers choose to downsize to maximize their retirement dollars they may look at shorter amortizations instead of investing in the market with uncertain returns.

Civics 63 years old and older are predictable. Their values are in place; they grew up with the Great Depression and World Wars. They are fiscally conservative. Both the 30-and 15-year conventional fixed rate mortgages are the products of choice. Generally speaking they will make a substantial down payment. ARM's are not products of choice.

Some Civics, especially those who own their primary residence free and clear, may look into a reverse annuity mortgage. This product allows homeowners age 62 and older to spin their home equity into cash without having to move or make house payments. They do have to pay their taxes and insurance. Unlike typical mortgages where borrowers make payments to lenders, in a reverse mortgage the borrowers can receive payments from the lender and/or have a line of credit they can access. For some Civics this is a great program. It can improve cash flow and/or give them access to their equity.

The idea behind generational financing is that by better understanding the individual's generation (values) and by better understanding loan products that match those values, you will win his/her heart and mind. If you fail to consider a person's values and relate to them, clients may very well select another agent or delay their purchase. So, take advantage of this lesson and reach out to the generations. You will gain their trust and their business.

Grant Simon is celebrating 30 years in real estate and mortgage banking. Over the years, Simon has been a REALTOR®, loan officer, branch manager, regional manager and president of a mortgage company. He will present three sessions at the Triple Play REALTOR® Convention & Trade Expo in Atlantic City, N.J.: "Why Washington Changed the Real Estate & Mortgage Industry - Legislative Changes You Need to Know" on December 8th, "Generational Financing" on December 8th, and "Navigating the Waters of Short Sales and Foreclosures" on December 9th

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