Q3 2026

HomeLight’s Lender Insights & Predictions

Starter homes—not lower rates—are the affordability solution

Auto loans now create a bigger barrier than student debt

Property issues derail more deals than financing problems

Pandemic-era rates continue to anchor homeowners

Economic uncertainty tops lenders' housing concerns

HomeLight

About This Survey

HomeLight's Lender Insights & Predictions for Summer 2026 was fielded between June 10 and June 23, 2026, through an online poll of loan officers from 57 top lending companies across the United States, including American Pacific Mortgage, Fairway Independent Mortgage Corporation, loanDepot, and more.

Data for previous HomeLight surveys can be accessed at the links below:

- Top Agent Insights for Spring/Summer 2026
- Lender Insights & Predictions for 2026
- Top Agent Insights & Predictions for 2026
- Lender Insights Q3 2025
- Top Agent Insights Q3 2025
- Lender Insights Q2 2025
- Top Agent Insights 2025 AI Edition

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Loan officers say more starter homes — not lower mortgage rates — are the key to improving affordability

When asked to identify the biggest obstacle preventing qualified first-time buyers from purchasing a home today, mortgage loan officers overwhelmingly pointed to one issue: **the lack of affordable starter homes.**

Nearly half of lenders (46%) selected it as the No. 1 barrier — far outpacing saving for a down payment or closing costs (18%) and mortgage interest rates (14%).

That finding carried through to the survey's open-ended question asking lenders what single step would most improve housing affordability for first-time homebuyers.

The most common answer wasn't lower interest rates or bigger subsidies. Instead, loan officers repeatedly called for increasing the supply of attainable, entry-level homes.

> “The real solution is increasing the supply of homes that first-time buyers can actually afford... By building more starter homes, townhomes, and other attainable housing options, we create more opportunities for families to enter the housing market.”
>
> Ashlee Sheppard, a loan officer in Evans, Georgia

Sheppard adds, “When there are enough homes available to meet demand, affordability improves, and homeownership becomes more accessible for future generations."

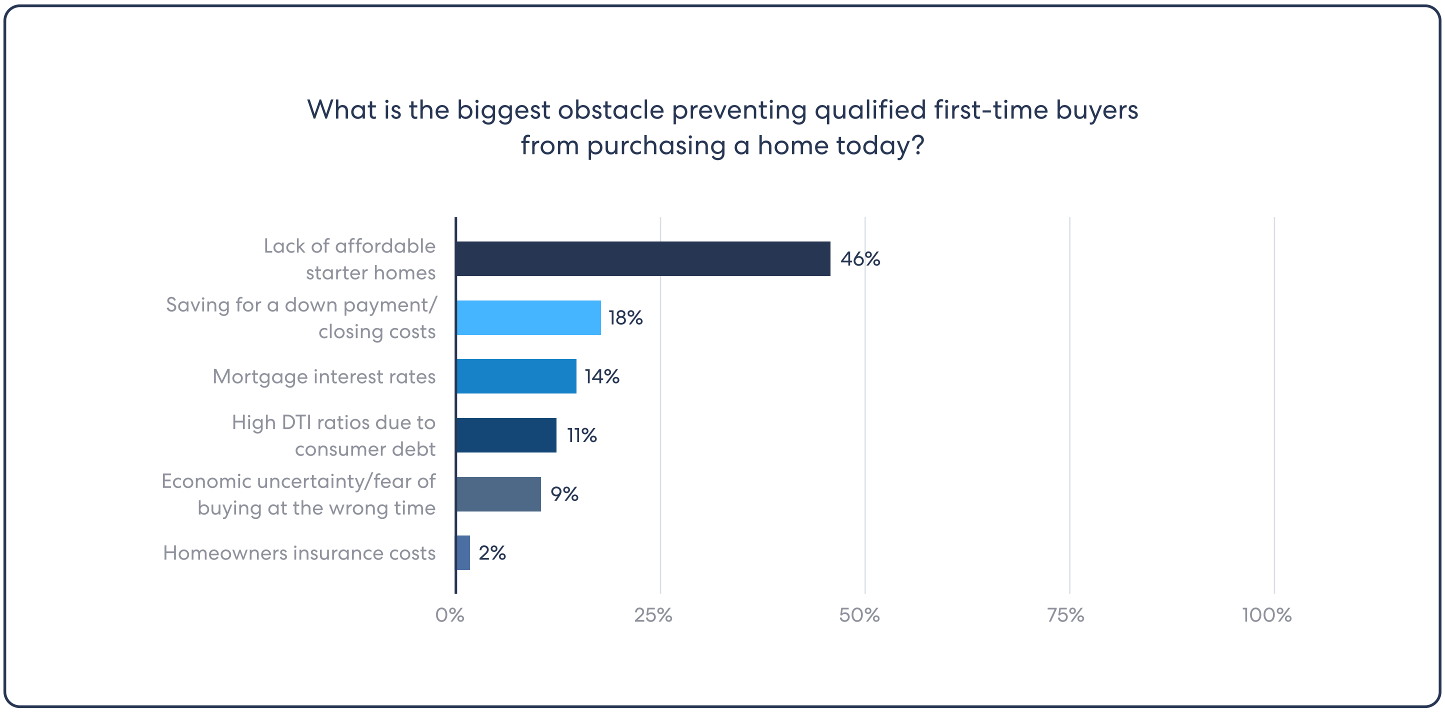
Many lenders said that while lower mortgage rates, down payment assistance, and other financing tools can help individual buyers, they don't address the underlying imbalance between supply and demand.

That divide between existing homeowners and aspiring buyers is also reflected in broader housing market research.

"The housing market remains sharply divided between homeowners with equity and first-time buyers trying to break in — many of whom are younger Millennials," said Jessica Lautz, deputy chief economist at the National Association of Realtors. "For many younger households, affordability challenges and limited inventory are still making homeownership difficult to achieve."

To create lasting affordability, lenders said communities need to build more attainable housing by reducing barriers to new construction and embracing more cost-effective building methods and materials.

"The most effective way to improve affordability is simple: build quality starter homes, in nice suburban areas, that a first-time homebuyer would be proud to call home," explained Jeannie Smith, a loan officer in Frisco, Texas. "When supply goes up — especially smaller, entry-level homes — prices stabilize, and more first-time buyers can actually compete and win."



Beyond increasing the supply of starter homes

Three other solution themes consistently emerged from lenders' responses:

Improve homebuyer education and financial literacy.

Many loan officers said buyers delay homeownership simply because they don't realize how many financing options already exist. Respondents repeatedly called for earlier financial education to help prospective buyers understand the paths available to them.

"Too many buyers make decisions based on headlines, social media, or well-meaning advice from friends and family without fully understanding the options available to them," said Brit Alexander, a loan officer in Denver, Colorado. "The reality is that many affordable paths to homeownership already exist through down payment assistance programs, low down payment loans, seller concessions, temporary buydowns, and strategic financing structures."

One loan officer suggested creating a course for all high school students, similar to driver's education, which might be called "homeownership education."

Lower mortgage rates.

While only 14% of lenders identified mortgage rates as the single biggest obstacle facing first-time buyers today, many still said lower or more stable rates would improve affordability by reducing monthly payments and encouraging more existing homeowners to sell, adding much-needed inventory.

"Interest rates need to come down to trigger current homeowners holding low-rate mortgages to consider selling to boost inventory," said Terry Terzakis, a loan officer in Cheshire, Connecticut, with 26 years of experience.

"Interest rates today compared to 2021/2022 are effectively doubling mortgage payments from what they were when rates were lower," noted Oceanside, California, loan officer Walter Hanson.

Expand and strengthen down payment assistance programs.

Loan officers frequently called for more generous, easier-to-use down payment assistance programs, including higher income limits, broader eligibility, and forgivable assistance that helps first-time buyers overcome upfront cash barriers.

“I feel like a lot of the DPA programs have super strict requirements, which forces a lot of people out,” said Sean Rigsby, a Florida loan officer.

He adds that many programs also carry higher interest rates because they provide upfront funds to cover the down payment or closing costs. Lenders offset this risk by slightly bumping the primary loan's rate. “If someone is making $88k a year and their payment is $2,500, that's over 30% of their income.”

Some loan officers also pointed to **growing competition from investors** for entry-level homes.

> “There is a severe lack of inventory of affordable houses. Homebuyers have to compete against investors who, many times, pay cash for the house. Regular people struggle to compete against that.”
>
> Tim Whitmire, a loan officer in St. Louis, Missouri, with 25 years of experience.

Suggested solutions included giving owner-occupants a first opportunity to purchase affordable homes or creating stronger incentives that help first-time buyers compete against cash investors.

These loan officer concerns mirror a broader national conversation as policymakers debate ways to preserve more single-family housing opportunities for aspiring homeowners.

First-time buyers are prioritizing upfront savings

The affordability challenges facing first-time homebuyers are changing how they purchase homes and the financing strategies they use to get there. Rather than waiting for mortgage rates to fall, many buyers are negotiating for upfront savings that immediately reduce the cash needed to close.

More than one-third of loan officers (37%) said requesting seller-paid closing costs is now the most common affordability strategy among first-time buyers, making it the top tactic by a wide margin.

The next two common strategies are also centered on reducing upfront costs. 17% of lenders said buyers most often use low-down-payment mortgage products such as FHA, HomeReady, or Home Possible loans, while another 15% pointed to down payment assistance programs.

Rounding out the top five were seller-funded mortgage rate buydowns and gift funds from family members (10% each).

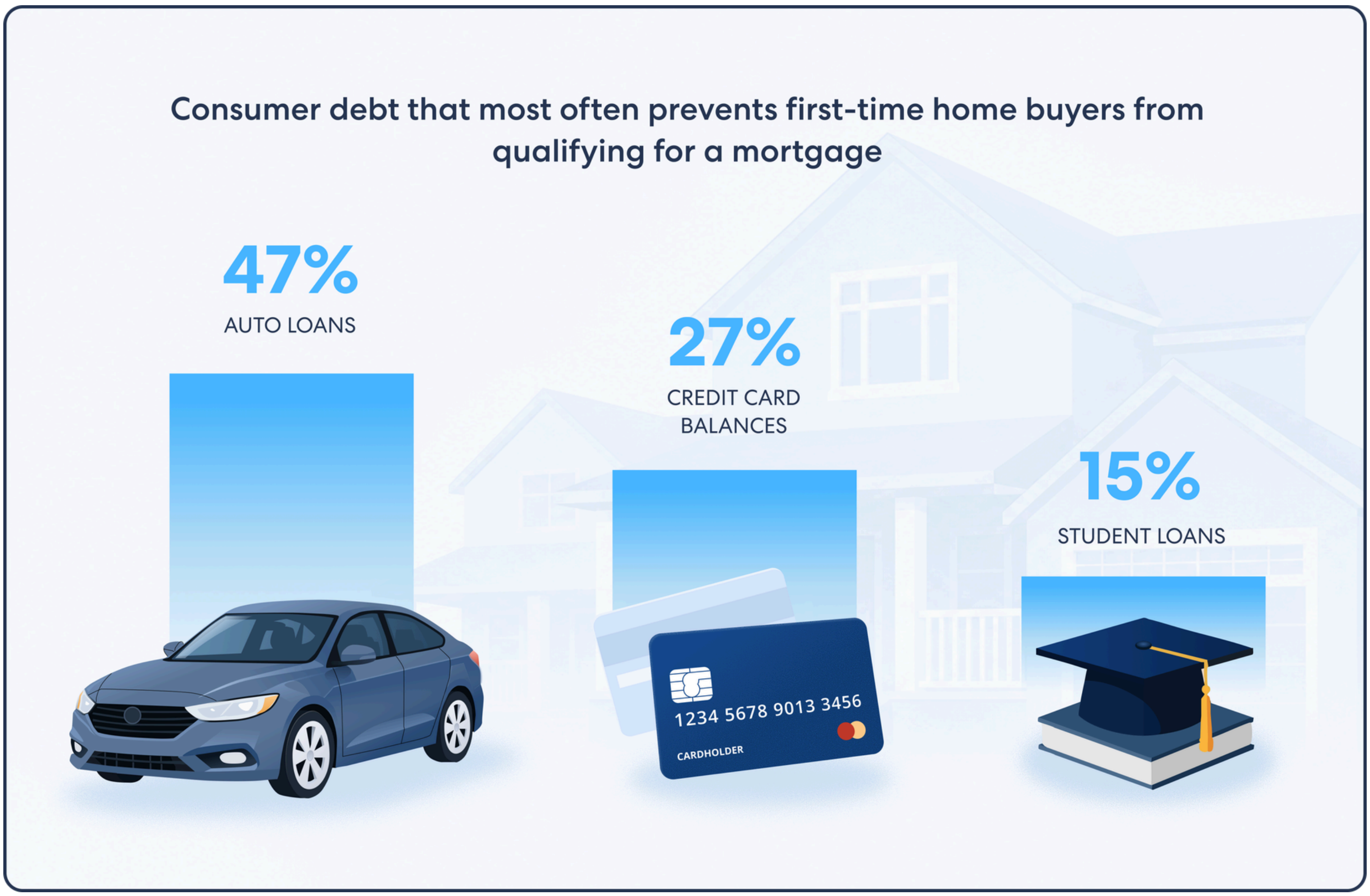
While fewer buyers rely on gift money from family than on seller-paid closing costs, the proverbial bank of “mom and dad” is still a part of many first-time buyer transactions. 80% of loan officers said at least 10% of their first-time homebuyers receive financial assistance from family members. 43% said one-quarter or more of their first-time buyers receive help from relatives.

“Buyers are becoming ‘team buyers’ instead of solo buyers,” explained Jayne Combs, a loan officer in Pleasant Hill, California, with 42 years of experience. “It’s not just, ‘Can I afford the home?’ anymore. More often, the real question is: Who is helping them get there, parents, adult children, co-borrowers, gift funds, down payment assistance, VA benefits, or multigenerational living?”

Car payments are keeping more first-time buyers out than student debt

One of the survey's biggest surprises came when loan officers were asked which type of consumer debt most often prevents first-time buyers from qualifying for a mortgage.

Nearly half (47%) identified **auto loans,** far ahead of credit card balances (27%) and student loans (15%).



Student debt has long dominated conversations about homeownership, but lenders say today's borrowers are increasingly being constrained by rising vehicle costs and monthly auto loan payments, which directly affect debt-to-income ratios and mortgage qualification.

“First-time homebuyers need a wake-up call,” said Stephanie Sanger Robinson, a loan officer in St. Augustine, Florida, with 24 years of experience. “They are not buying the home their parents own. Starter homes are not always the forever home. Be realistic and don't over-commit. And for the love of all things holy — there is nothing sexier than a paid-off car.”

While in many cases the price of a vehicle and its payments might be a personal choice, young or new buyers are struggling against increasing homeownership headwinds.

How hard is it for first-time homebuyers today?

61% of loan officers say today's first-time homebuyers face greater affordability challenges and financial strain **than buyers did five years ago**.

Only 4% said first-time buyers are better financially prepared than they were five years ago.

Together, these findings paint a picture of a generation that must work harder to achieve the American dream. Buyers are relying on seller concessions, stretching to manage higher debt obligations, and navigating a market where affordability remains the defining challenge.

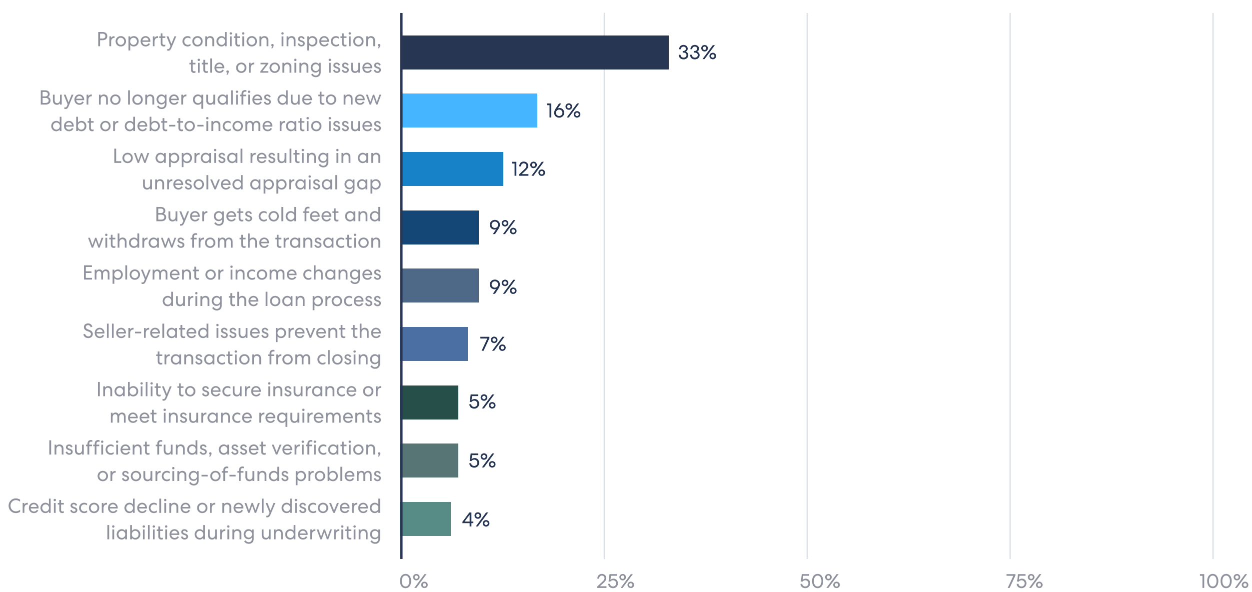
Property problems derail more deals than financing issues

Affordability isn't the only challenge pressing first-time or repeat borrowers. Even after buyers go under contract, a variety of obstacles continue to derail mortgage transactions before they reach the closing table.

Property-related issues, including inspection findings, title problems, zoning concerns, and home condition, were the most common reason otherwise active purchase loans failed to close, cited by one-third (33%) of loan officers.

Far fewer pointed to newly revealed debt-to-income issues (16%) or low appraisals resulting in unresolved appraisal gaps (12%).

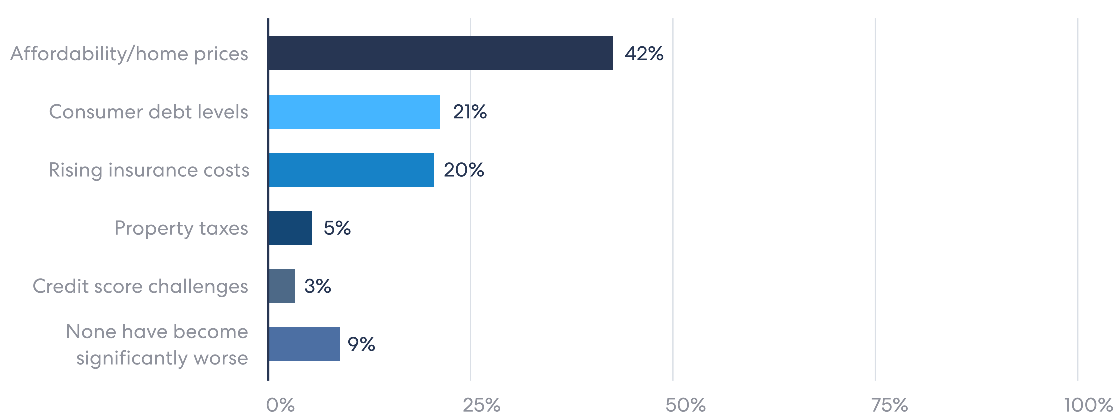
What specific event or issue most commonly causes an otherwise active purchase loan to fail before closing?



At the end of the day, the house itself may be the biggest deal killer after loan approval, but lenders reiterated that affordability remains the biggest obstacle to getting a deal started in the first place.

More than four in ten loan officers (42%) said rising home prices and affordability have become a greater obstacle to mortgage approval than they were just a year ago.

Compared to a year ago, which issue has become a bigger obstacle to mortgage approval?



Why more homeowners are unlocking equity before they move

For many homeowners, the current market is making it more difficult to sell one home and buy another. Unless they can access the equity in their current house before it sells, many must make an offer that's contingent on selling their existing property first — a condition that can make their offer less attractive in a competitive market.

Contingencies also add uncertainty for both buyers and sellers.

Lenders say more homeowners are looking for ways to unlock their equity earlier so they can strengthen their offers, compete with greater confidence, and purchase their next home before selling their current one.

39% of loan officers said at least half of today's move-up buyers need to unlock home equity before purchasing their next home.

Once homeowners gain access to that equity, there is little question about how it's being used.

60% of loan officers said homeowners most commonly use unlocked equity for the down payment on their next home.

Paying off high-interest debt ranked a distant second (21%), followed by home improvements or renovations (16%).

With more homeowners looking to buy before they sell, loan officers also shared which approaches they believe work best for navigating both transactions.

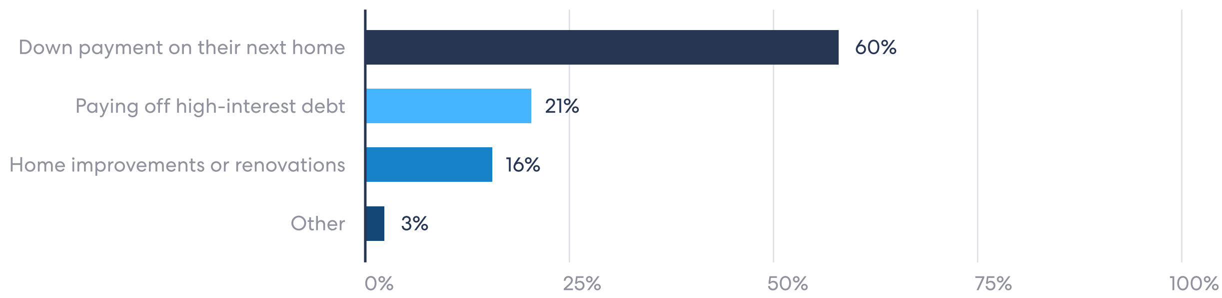
More than one-third of loan officers (35%) identified Buy Before You Sell programs as the most effective approach. Contingent offers ranked second (17%), while bridge loans and HELOCs each received 15% of responses.

How buy-before-you-sell programs generally work

1.  Unlock equity from the current home
2.  Close on the next home
3. 

Sell the current home with peace of mind


When homeowners access equity before selling, what is the most common use of those funds?



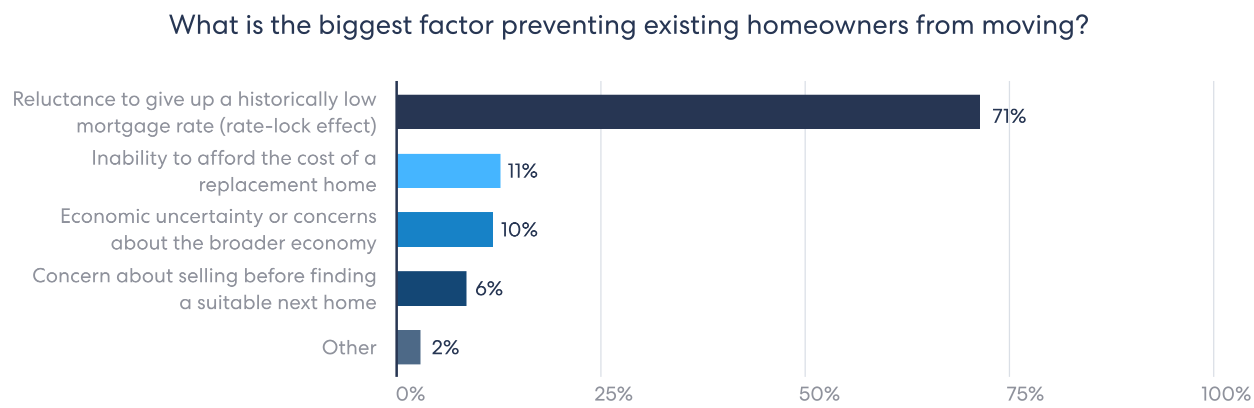
The findings suggest that loan officers increasingly favor solutions that give homeowners earlier access to their equity, allowing them to compete more effectively without relying on a home sale contingency.

In addition, buying first allows a homeowner to avoid the stress of a double move and costs like temporary housing or storage fees.

Pandemic-era rates continue to keep homeowners on the sidelines

Despite years of discussion and efforts to address the "lock-in effect," loan officers say it remains the biggest reason existing homeowners are staying put.

More than seven in ten loan officers (71%) said homeowners are primarily reluctant to give up their historically low mortgage rate, far outweighing concerns about the cost of a replacement home (11%) or broader economic uncertainty (10%).



Even so, some homeowners are deciding they can no longer wait.

39% of loan officers said growing families seeking more space are the homeowner group most willing to move despite having a mortgage rate below 4%.

Another 24% pointed to homeowners experiencing major life events such as divorce, death, health issues, or financial hardship.

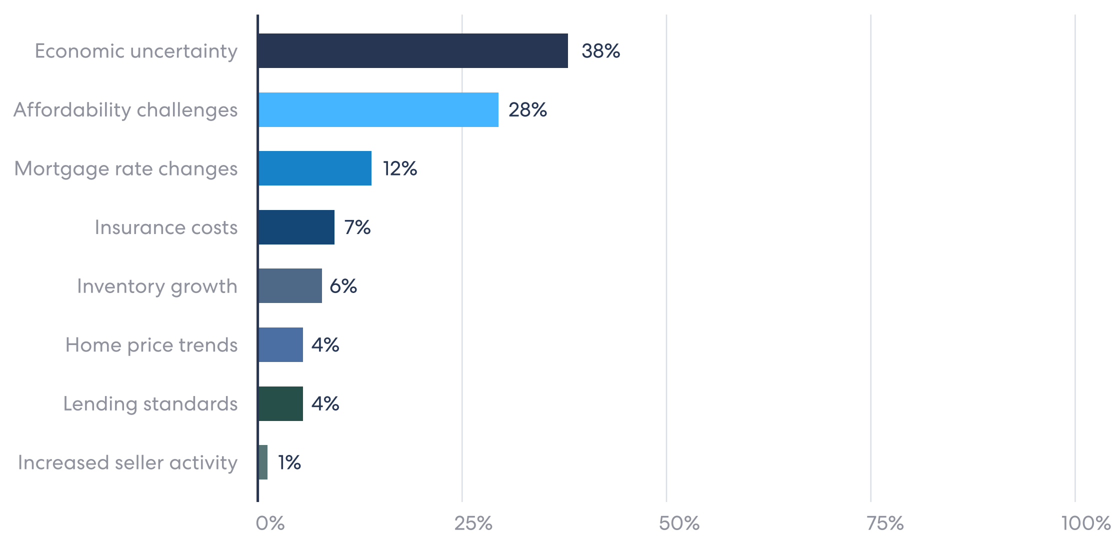
So while low mortgage rates continue to discourage many homeowners from moving, life circumstances are increasingly outweighing the financial incentive to stay put for a growing number of households.

Mortgage rates aren't the only story anymore

After several years of headlines focused on inflation and mortgage rates, loan officers believe the biggest housing market story for the remainder of 2026 may be something broader: economic uncertainty.

Nearly four in ten lenders (38%) said economic uncertainty will be the defining story through year-end, surpassing affordability challenges (28%) and mortgage rate changes (12%).

What do you believe will be the biggest housing market story for the rest of 2026?



While borrowing costs remain important, loan officers increasingly believe buyers and sellers are weighing a broader mix of economic factors — from employment and inflation to consumer confidence and household budgets — before making a move.

Where lenders expect mortgage rates to finish 2026

Most common prediction: **6.00%–6.24%**

More than one-third of loan officers (35%) expect the average 30-year fixed mortgage rate to end 2026 between 6.00% and 6.24%. Nearly three-quarters expect rates to finish below 6.50%, suggesting lenders anticipate modest improvement rather than a dramatic decline by year-end.

While most loan officers expect borrowing costs to ease somewhat, the survey suggests they believe affordability and economic uncertainty, not mortgage rates alone, will continue shaping the housing market in the months ahead.

5 underreported homebuying realities

We asked loan officers to identify the homebuying issue they believe isn't receiving enough attention. While their responses varied, many pointed to the same themes: financial preparedness, common misconceptions, and the gap between buyers' expectations and today's market reality. Here are five observations they believe deserve a closer look.

1

Buyers are sacrificing their financial safety net to become homeowners

Loan officers are concerned that too many buyers are so focused on reaching the closing table that they neglect the importance of maintaining emergency savings.

"Many buyers are willing to drain their savings account to become homeowners... The goal isn't simply to buy a home. The goal is to buy a home and remain financially comfortable once you're in it."
— Ashlee Sheppard, loan officer in Augusta, Georgia

2

Monthly payment matters more than home price

Lenders say buyers increasingly evaluate homes based on the total monthly cost — including taxes, insurance, and maintenance — rather than purchase price alone.

"Today's homebuyers are prioritizing monthly affordability over home size or amenities... The biggest factor driving decisions today isn't just the home price; it's the total monthly cost of ownership."
— Melinda Truitt, loan officer in The Colony, Texas

3

The 20% down payment myth is still alive

Despite years of education, many prospective buyers still incorrectly believe they need a 20% down payment before purchasing a home.

"One of the biggest challenges I see every day is not necessarily affordability itself, but the perception that a homebuyer needs a 20% down payment or a large amount of cash saved to purchase a home. Many qualified buyers delay homeownership for years because they simply don't realize how many programs and financing solutions are available to them."
— Alexander Arcelay, loan officer in Bernardsville, New Jersey

4

Many buyers misunderstand today's negotiating environment

With inventory improving in many markets, some buyers assume they can make aggressive offers on any home. Loan officers say successful buyers are the ones who understand local market conditions and negotiate strategically.

"Many buyers hear that it's a buyer's market and assume sellers are willing to accept any offer. In reality, well-priced homes are still selling, and successful buyers are the ones who understand how to negotiate strategically rather than simply submitting low offers."
— Brit Alexander, loan officer in Denver, Colorado

5

Waiting for lower mortgage rates may come at a cost

Loan officers worry that buyers continue to delay purchases, hoping pandemic-era mortgage rates will return.

"If rates drop, sale prices will increase, making the monthly payment higher than today — even with a rate 1 point lower. Housing is long-term. Don't let short-term anxiety overwhelm long-term goals and common sense."
— Stephanie Sanger Robinson, loan officer in St. Augustine, Florida

Taken together, HomeLight's 2026 Summer Lender Insights survey suggests that homebuyers and homeowners are now adapting rather than waiting, finding new ways to overcome affordability challenges and move forward despite continued economic uncertainty.

A special thanks to HomeLight Elite lenders who participated in our survey

Here, in alphabetical order, we recognize HomeLight Elite lenders who took the time to participate and share their expertise for this survey. Elite lenders represent the top 1% of loan officers trained on Buy Before You Sell nationwide.

Aaron Vang
Fairway Independent Mortgage Corporation

Ashlee Sheppard
Fairway Independent Mortgage Corporation

Brian Yampolsky
Orion Mortgage Corporation

Brit Alexander
Journey Mortgage Group

David Haley
Fairway Independent Mortgage Corporation

Kelly O'Mera
O'Mera Mortgage LLC

Raul Hernandez
Competitive Home Lending

Terry Terzakis
Homestead Funding Corp.

Lenders who made this survey possible

Listed below, in alphabetical order, are the loan officers who participated in our survey and voluntarily offered to share their name to be included in the report.

Participants who are not mentioned by name here chose to remain anonymous or didn't provide enough identifying information in our survey to be listed.

Name	Name
Alexander Arcelay	Marissa Knasko
Amaku Bassey	Matt Hefner
Amy Herber	Melinda Truitt
Ben Yost	Michael Todd
Bob Vadala	Hague
Brad Avergon	Miguel Avalos
Christine Lassiter	Mike Burdick
Dana Krause	Mike Miklaus
Darcie Cox	Nathan Pierce
Don Wheeler	Phil Cunningham
Doug Smithe	Ronda Beveridge
Mike Emanuel	Sean Rigsby
Emmett Dempsey	Stephanie Sanger
Frank Essek	Robinson
George Alvarez	Stewart Hoyer
George Awada	Tawne Burgess
Heather Neuner	Tiffany
Jay Atterstrom	Washington
Jay Wildin	Tim Whitmire
Jayne Combs	Tom Laurenzo
Jeannie Smith	Tom Tevis
Jennifer Zenere	Tom Tholl
Jimmy Hobson	Victor Sanchez
Joe Sheriff	Walter Hanson
Joel Hopkins	Will Luper
John Caliendo	William Andrews
Judy L. Jones	
Kenyatta Spann	
Kim Woodworth	
Kurt Fancher	
LaTisha Elliott	
Leonel Lopes	
Leslie Wish	
Lisa Whitman	
Mac Thomas	

About HomeLight

HomeLight is building the future of real estate — today. Our vision is a world where every real estate transaction is simple, certain, and satisfying for all.

HomeLight is the AI operating system for top real estate agents and lenders across the country. Together, we've delivered better outcomes for over 2 million homebuyers and sellers during every step of their real estate journey, whether they're looking to connect with top real estate agents, secure a competitive mortgage, unlock equity from their existing home to buy their next home, or ensure a smooth, on-time closing.

Each year, HomeLight facilitates billions of dollars of residential real estate transactions on its platform for tens of thousands of agents and lenders.

Founded in 2012, HomeLight is a privately held company with offices in Scottsdale, San Francisco, Dallas, and Chicago, with backing from prominent investors including Zeev Ventures, Menlo Ventures, Group 11, Crosslink Capital, Bullpen Capital, Montage Ventures, Stereo Capital, Citi Ventures, Google Ventures, and others.

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