2025 NEXTGEN HOMEBUYER REPORT

FINANCIAL LITERACY EDITION

BY KRISTIN MESSERLI

INTRODUCTION

The American dream of homeownership is evolving, and so are the people pursuing it. This year's research goes beyond measuring what homebuyers know, and explores how they think, feel, and behave when making financial decisions. For the first time, we've incorporated psychological and neurocognitive factors such as trust, avoidance behaviors, and cognitive overwhelm to understand not just knowledge gaps, but the emotional barriers that influence education and outcomes.

What's New This Year:

- Expanded psychological analysis of decision confidence, trust patterns, and cognitive load
- Enhanced focus on neurodivergence with 27% of respondents identifying as neurodivergent
- AI and digital tool adoption tracking how ChatGPT and social media are reshaping information gathering
- Updated Financial Literacy Quiz reflecting two years of data analysis and industry feedback

The findings reveal a generation caught between aspiration and anxiety—buyers who want to succeed but feel overwhelmed by complexity, who distrust traditional institutions but crave reliable guidance, and who are turning to AI tools and social media to fill knowledge gaps that formal education failed to address.

By understanding the gaps in education and understanding the psychology of NextGen buyers, housing professionals have a unique opportunity to design more effective educational approaches and build trust with first-time homebuyers.



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ABOUT NEXTGEN HOMEBUYER RESEARCH

The 2025 NextGen Homebuyer Research Series is designed to provide insights into the evolving homeownership landscape for Gen Z and Millennial buyers. In its fifth year, this report presents its 10th study, utilizing data analysis from more than 7,500 respondents collected since 2020. The 2025 Financial Literacy edition is based on a survey of 500 individuals aged 18-44, conducted in partnership with National MI and FirstHome IQ, two organizations dedicated to expanding homeownership accessibility through financial education and lending solutions.

OUR SPONSORS

National Mortgage Insurance Corporation (National MI) is a private mortgage insurance company committed to enabling low down payment borrowers to achieve homeownership while protecting lenders and investors. National MI takes a straightforward approach to both products and practices to ensure lenders' confidence in the loans they place with us.

Learn more at NationalMI.com.

FirstHome IQ is a nonprofit organization focused on financial literacy and homebuyer education for the next generation. FirstHome IQ offers an Ambassador Program for loan officers and real estate agents to access a library of education materials and strategies to reach the next generation.

Learn more at FirstHomeIQ.com.

BACKGROUND & METHODOLOGY

Study Design

The Financial Literacy study represents a comprehensive examination of financial knowledge, psychological barriers, and information-seeking behaviors among NextGen homebuyers. This research builds on five years of data analysis, feedback from first-time homebuyers and industry professionals with a new survey collected in August 2025.

Sample Profile

- Total Respondents: 500 U.S. homebuyers
- Age Range: 18-44 years across three generational cohorts
  - Gen Z (18-24)
  - Younger Millennials (25-34)
  - Older Millennials (35-44)
- Gender Distribution: 52% female, 48% male
- Other Factors: Reflects current population demographics across race, income, and geography within the U.S.
- Homebuying Intent: 62% planning to purchase within 1-3 years

Research Instruments

FirstHome IQ Quiz - Validated Assessment Tool

The FirstHome IQ Quiz serves as the study's primary homebuyer literacy measurement instrument. Originally developed and validated in 2023, this assessment has collected over 5,000 responses, establishing baseline measurements and reliability benchmarks for homebuyer financial knowledge.

2025 Quiz Updates: Based on two years of data analysis and feedback from first-time buyers and industry professionals, the instrument was enhanced for improved accuracy and effectiveness in identifying knowledge gaps and readiness indicators.

Quiz Structure:

- Mortgage Readiness: 5 questions assessing understanding of credit, debt-to-income ratios, and loan qualification
- Homebuying Financials: 5 questions covering costs, down payments, and financial planning
- Homeownership Strategy: 5 questions evaluating long-term financial planning and market understanding

Research Instruments Continued

Expanded Research Modules

Psychology & Mindset Measures:

- Financial Mindset Assessment
- Trust evaluation across financial information sources
- Cognitive overwhelm and avoidance behavior indicators
- Decision confidence and neurocognitive factors

Platform & Tool Usage Analysis:

- Social media platform preferences and usage patterns
- AI and digital tool adoption and trust levels
- Information verification and cross-checking behaviors

Demographics & Characteristics:

- Standard demographics (age, gender, race/ethnicity, income, education)
- Neurodivergence self-identification
- Homebuying timeline and intent

Data Analysis Framework

This study employed a mixed-method, quantitative survey analysis approach using multiple analytical techniques to examine relationships between financial literacy, demographic factors, psychological profiles, and information-seeking behaviors.

Cross-Tabulation Analysis

Systematic exploration of relationships between variables to understand how knowledge, trust, and behavior varied by subgroup:

- Demographic analysis: Generation, gender, race, income, and education correlations
- Psychographic analysis: mindset, neurodivergence, overwhelm levels, and trust
- Behavioral analysis: AI tool adoption and social platform usage patterns
- Performance analysis: Trust levels correlated with quiz performance outcomes

Statistical Validation

- Significance testing: Chi-square tests for categorical data and t-tests/ANOVA for quiz score comparisons
- Threshold: $p < 0.05$ for statistical significance, with notation of marginal trends

Survey Administration: Online survey hosted via Pollfish with representative quotas for age, gender, and region to ensure demographic balance and statistical validity.

2025 NEXTGEN HOMEBUYER REPORT

2025 FINANCIAL LITERACY EDITION

TOP INSIGHTS

BY KRISTIN MESSERLI

1 **The Down Payment Myth Remains** – Nearly half of NextGen believe you need 20% down to buy a home, and only 8% correctly identified the minimum down payment for a conventional loan (3%).

2 **Mortgage Insurance is Misunderstood** – Only 35% recognize its main benefit (enabling smaller down payments), and just 57% know it can be removed during the loan term.

3 **Design Matters** – 72% wish financial resources were designed in a simpler, more visual way.

4 **Financial Overwhelm May Lead to Delays** – 52% feel overloaded by financial information, and 51% have delayed major financial decisions due to complexity.

5 **Gen Z Leans into Influencers for Homebuying Information** – 41% of Gen Z trust influencers for homebuying advice, and 71% use TikTok for research.

FirstHomeIQ NationalMI

6

AI Goes Mainstream – 61% would use AI tools like ChatGPT for homebuying information, up from 35% in January 2025.

7

Confidence ≠ Competence – Women report significantly lower confidence than men (38% vs. 47%) yet perform equally well on literacy assessments. Lower confidence often correlates with more thorough research.

8

Blind Trust Is Not Beneficial – Buyers who expressed some distrust of lenders actually performed better on financial literacy assessments than those with complete trust.

9

Two Dominant Buyer Mindsets – Stay Secure buyers (53%) value stability, verify sources, and perform higher on the quiz. Enjoy Life buyers (35%) have higher confidence but more vulnerability to myths, requiring different educational approaches.

10

Generational Knowledge Gap – Quiz scores rise with age: Gen Z (67.0%), Younger Millennials (71.1%), Older Millennials (74.1%).

Visit NextGenHomebuyer.com or NationalMI.com/NextGen-Resources to download the report, slides, and resources.

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Measuring and building homebuyer knowledge.

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Exploring motivations, fears, and financial behaviors.

3 **PLATFORMS, TECH, & TRUST.**
How buyers use tools and who they trust along the journey.

4 **STRATEGIC TAKEAWAYS.**
Summarizing insights to guide education and strategy.

SECTION 1:
THE FIRSTHOME IQ QUIZ

MEASURING AND BUILDING HOMEBUYER LITERACY

The FirstHome IQ Quiz represents an educational tool and comprehensive validated assessment of homebuyer financial knowledge. Since its launch in 2023, this evidence-based instrument has been tested and refined through over 5,000 responses from NextGen homebuyers across the United States, providing professionals and educators with reliable benchmarks for measuring financial readiness.

From 25 to 15 Questions: Streamlined for Impact. Originally designed as a 25-question comprehensive assessment, the quiz underwent significant refinement in 2025. Based on direct feedback from both first-time homebuyers and industry professionals, we streamlined the instrument to 15 targeted questions that more effectively identify critical knowledge gaps while reducing cognitive load for test-takers. This refinement proved highly effective—**average scores improved from 57% to 70.3%,** demonstrating how simplified, focused assessments can better serve modern learners.

OVERALL PERFORMANCE

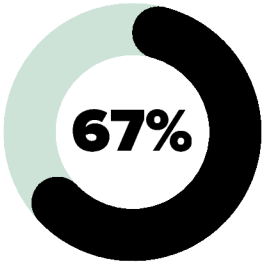
The updated FirstHome IQ Quiz revealed significant knowledge gaps across all generations, with an overall average score of 70.3% across 15 questions.

Performance by Category

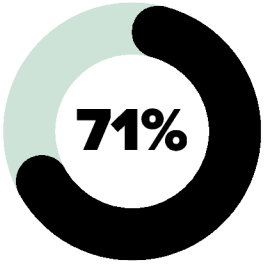


Generational Performance Gap

A clear pattern emerged showing financial literacy improving with age. Each generational step represents a statistically significant increase in performance, suggesting that age and life experience play important roles in financial knowledge acquisition.



GEN Z
(18-24)



YOUNGER MILLENNIALS
(25-34)



OLDER MILLENNIALS
(35-44)

THE MOST MISSED QUESTIONS

1. Minimum Down Payment Knowledge

"What is the minimum down payment for a conventional home loan?"

- Only 7.8% correct
- 42.0% believed 10% was the minimum
- 35.2% incorrectly stated 20% was required

2. The 20% Down Payment Myth

"Is it true or false that you need to put 20% down to buy a home?"

- 51.4% correct

3. Tax Benefits of Homeownership

"True or False? Owning a home does NOT give you a tax break."

- 55.2% correct

4. Home Equity Understanding

"True or False? Home equity is the amount of your home you've paid off."

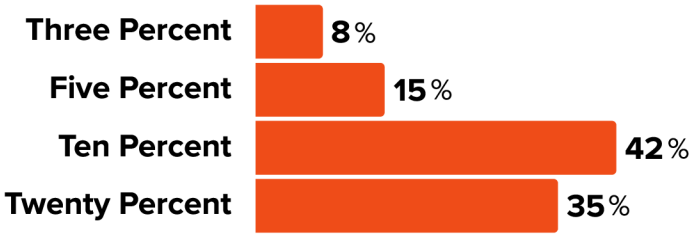
- 64.4% correct - Foundational wealth-building concept

DOWN PAYMENT AND MORTGAGE INSURANCE

Critical Knowledge Gaps

Down Payment

"What is the minimum down payment typically required for a conventional loan?"



Down Payment Misconceptions

- Only 7.8% knew conventional loans can require as little as 3% down
- 42.0% believed 10% was the minimum
- 35.2% thought 20% was required

Mortgage Insurance

Mortgage Insurance Understanding:

- Only 35% correctly identified the main benefit (enabling smaller down payments)
- Just 56.8% knew it could be removed during the loan term
- Less than 1 in 4 feel strongly confident about mortgage insurance facts



Only 35% knew mortgage insurance helps lower down payments

Key Insight: The majority of respondents misunderstand or cannot accurately identify the actual benefit of mortgage insurance, suggesting a major gap in both product knowledge and value perception that directly impacts affordability conversations.

Why This Matters: When 92% of buyers don't understand minimum down payment requirements, many may delay purchasing unnecessarily or miss opportunities for earlier homeownership.

SECTION 2:

MINDSETS & MODERN MONEY PSYCHOLOGY

Financial literacy isn't just about what homebuyers know—it's about how they think, feel, and behave when making financial decisions.

We discovered that high confidence often masks significant knowledge gaps, while some of the most cautious and self-critical respondents demonstrate more thorough research skills.

These findings point to a fundamental shift needed in how the industry approaches buyer education. Rather than simply providing more information, professionals must understand the emotional and cognitive factors that influence how buyers process, trust, and act on financial guidance.

The implications are significant: Conventional educational methods might unintentionally strengthen existing confidence gaps or exacerbate the anxiety of prospective buyers. In contrast, the most effective interventions align with buyers' inherent psychological tendencies and preferences for processing information.

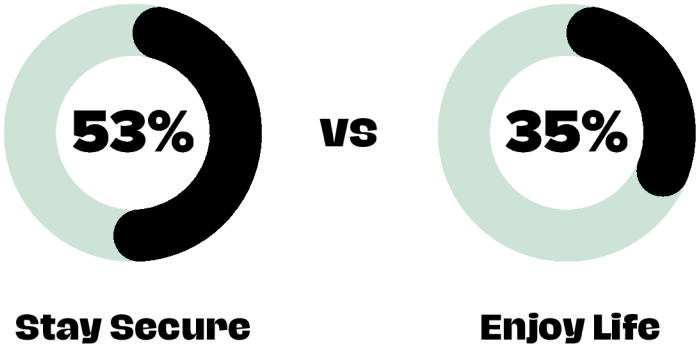
In the following pages, we'll explore how buyers' core money mindsets, their levels of confidence, and their trust behaviors shape the path to homeownership. Together, these insights provide a framework for understanding not only what buyers know but also how they act on that knowledge. This section expands on the following themes that emerged from our data, offering practical takeaways for professionals who want to meet buyers where they are.

- **Mindsets** — the core ways buyers think about money.
- **Confidence** — how self-assurance shapes decision-making.
- **Trust** — who buyers turn to and how they verify information.

TWO DOMINANT BUYER ARCHETYPES

When we examined how respondents viewed money and its role in their lives, two distinct profiles emerged that fundamentally shape homebuying behavior and educational needs. These archetypes—representing 88% of all respondents—reveal that a buyer's core relationship with money influences everything from how they research options to what type of guidance resonates most effectively.

Our analysis revealed two primary mindsets that shape how buyers approach homeownership:



"Stay Secure" Buyers (53%)

- View money primarily as security and stability
- More likely to verify information across multiple sources
- Higher quiz performance on average
- Respond best to reassurance, step-by-step guidance, and detailed explanations
- Overrepresented among high-performing, overwhelmed buyers

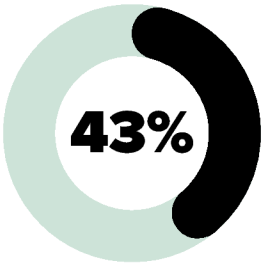
"Enjoy Life" Buyers (35%)

- See money as enabling experiences and opportunities
- Higher confidence levels but less consistent quiz performance
- More vulnerable to persistent myths and misinformation
- Respond best to outcome-oriented stories and visual examples

Understanding these mindsets allows professionals to tailor their educational approach, moving beyond generic advice to informed strategies that align with each buyer's natural decision-making tendencies and underlying motivations.

NEXTGEN FINANCIAL CONFIDENCE

Generational Confidence Patterns



Only 43% of Gen Z respondents reported feeling confident in personal finance knowledge, compared to 53% of Millennials and increasing rates with age and experience.

The Confidence Paradox

Many buyers who reported high confidence demonstrated gaps in financial literacy, while some of the most cautious or self-critical respondents showed stronger research skills and more accurate knowledge.

Most importantly, self-confidence interacts powerfully with trust—especially in how buyers evaluate information sources and make decisions. The next section explores these patterns in detail, spotlighting how women and men differ in both their trust of advisors, digital tools, and influencers, and how these differences shape research strategies and outcomes.

GENDERED TRUST & FINANCIAL CONFIDENCE

Our analysis reveals a striking paradox in how gender affects homebuying confidence and performance. Women report significantly lower financial self-confidence—38% vs. 47% for men—yet their actual quiz scores were nearly identical. This 9-percentage point confidence gap represents one of the most significant findings in our study, demonstrating that self-reported confidence bears little relationship to actual financial knowledge.

The Confidence-Performance Disconnect

This pattern reflects broader research showing that women tend to underestimate their financial knowledge while men are more likely to overestimate theirs. In our study, women's lower confidence actually correlated with strong research behaviors: they are more skeptical of social media influencers and AI-powered financial tools, more likely to seek credible professional advice, and more inclined to validate information across multiple channels before acting.

Conversely, men's higher confidence sometimes masked knowledge gaps, particularly on myth-driven quiz questions. This overconfidence showed some correlation with lower performance on specific financial literacy measures, suggesting that confidence without corresponding knowledge can lead to poor decision-making.

Trust and Verification Patterns

Women demonstrate more cautious information-seeking behaviors, being slightly less trusting of lenders while conducting more thorough research and cross-verification before making decisions. This skepticism extends to digital sources, where women show notably higher distrust of AI financial tools and social media influencers compared to men.

The Strength in Skepticism

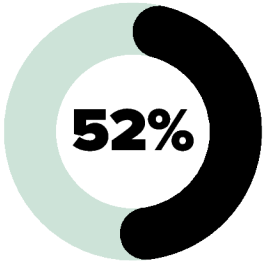
Rather than viewing women's lower confidence and higher skepticism as disadvantages, our data suggests these traits represent strengths for navigating today's complex financial landscape. Women's tendency to cross-check sources and seek professional validation may actually help close knowledge gaps and lead to better-informed decisions.

Strategic Implications

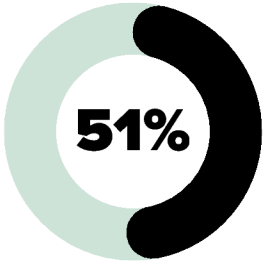
Industry professionals should recognize that the "confidence gap" is not a "performance gap." Messaging for women should focus on validation and empowerment—building confidence while affirming their already-strong research instincts—rather than assuming lower ability.

THE OVERWHELMED CONSUMER

Financial decision overwhelm has become a mainstream issue affecting how and when at least half of buyers approach homeownership decisions. This overwhelm manifests in multiple ways, from feeling overloaded by information to actively delaying major financial decisions.



Over half of NextGen report feeling overwhelmed by financial information.



50.6% of NextGen have delayed financial decisions due to complexity.

Overwhelm Leads to Delayed Decisions

This overwhelm directly impacts decision-making timelines, with 50.6% of respondents reporting they have delayed important financial decisions due to process complexity. This delay can have significant financial consequences:

- **Missed market opportunities** during favorable conditions
- **Continued renting** instead of building equity
- **Increased stress** and financial anxiety over time

Critical Insight: *Buyers often need simplified, prioritized guidance that reduces cognitive load rather than comprehensive education that increases it. Try asking, "Are you the kind of person that likes to know what time it is or how the watch is made?" and adjust accordingly.*

High-Performing Overwhelmed Buyers:

- 21% of overwhelmed respondents scored in the top quartile (>82% correct)
- More likely to be women, Black respondents, and "Stay Secure" archetypes
- Strong preference for visual, simplified formats
- More likely to cross-check sources despite low confidence

DESIGNING FOR COGNITIVE DIVERSITY

In our increasingly noisy and distracted world, the need for clear, simple, and engaging education benefits all learners.



The majority of NextGen wish financial resources were designed in a simpler, more visual way, indicating a fundamental mismatch between current educational approaches and consumer cognitive needs.

The Case for Inclusive Design

Modern learners face information overload and shorter attention spans with over half expressing financial overwhelm and a third self-reporting as neurodivergent (having ADHD, dyslexia, etc.).

- **Visual learners** benefit from infographics, charts, and video content
- **Sequential learners** prefer step-by-step guides and checklists
- **Interactive learners** engage better with calculators and decision trees
- **Overwhelmed learners** need simplified, bite-sized information

Neurodivergent Considerations

27% of respondents identified as neurodivergent, including ADHD, autism, dyslexia, anxiety disorders, or other cognitive differences. An additional 9.4% were uncertain about their status. This significant population has specific preferences that, when addressed, improve education for all users:

Neurodivergent Learning Preferences:

- Visual and simple explanations over text-heavy content
- Multiple format options for the same information
- Clear, logical organization and navigation
- Reduced cognitive load through simplified design

Universal Benefit: Educational approaches designed for neurodivergent learners—clarity, visual aids, multiple format options, reduced complexity—consistently improve comprehension and retention for all user groups.

SECTION 3:

PLATFORMS, TECH & TRUST IN THE DIGITAL AGE

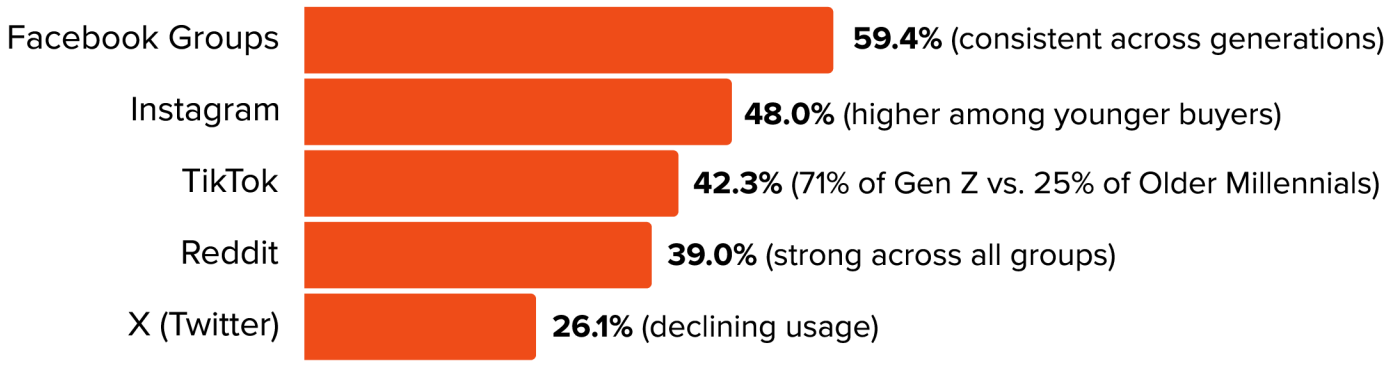
The landscape of homebuying information has shifted dramatically, with digital platforms, social media, and AI tools playing increasingly central roles in how buyers research and make decisions.

Our 2025 NextGen Homebuyer Annual Survey found that 40% of respondents turn to social media for homebuyer education. At the mid-point of the year, we're seeing continued growth in both social media and AI adoption, with particularly notable increases in TikTok usage among Millennials and ChatGPT adoption across all generations.

SOCIAL MEDIA AND DIGITAL INFORMATION SEEKING

Social media platforms have evolved from entertainment sources to primary educational channels for homebuying research. 41% of Gen Z trust influencers for homebuying information, significantly more than older Millennials, representing a fundamental shift in where younger buyers seek guidance.

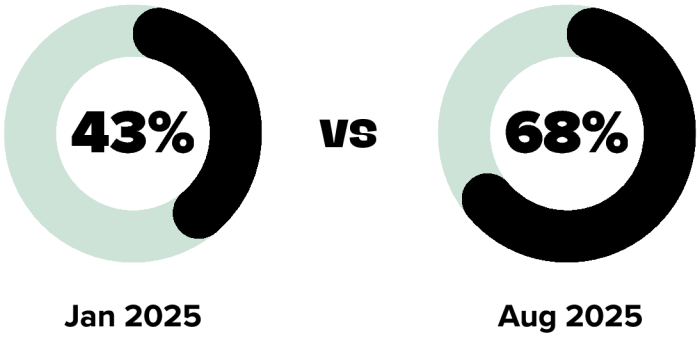
Platform Usage for Homebuying Research:



THE AI REVOLUTION IN HOMEBUYING

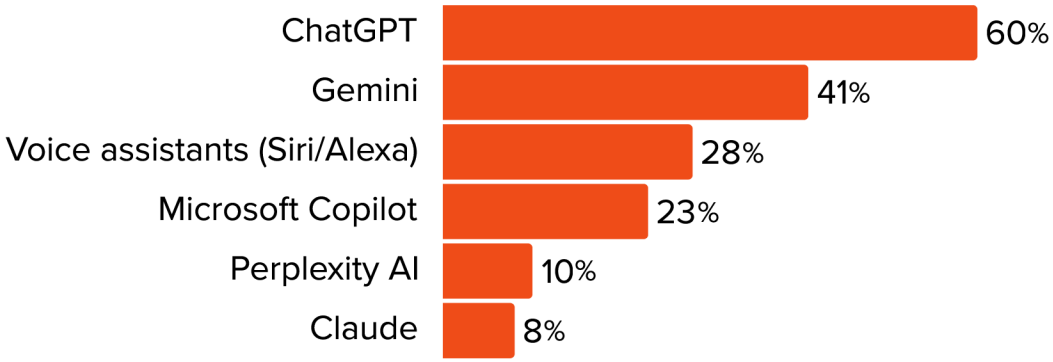
AI adoption has accelerated significantly since our January survey. In January, 43% of Gen Z and 34% of Millennials indicated they would use ChatGPT for homebuying information. By mid-year, this has risen to 68.1% of Gen Z and 66.7% of Younger Millennials—representing substantial growth in AI acceptance and usage intentions.

Use of ChatGPT for Homebuying Information



ChatGPT Dominance: 60.4% of all respondents would use ChatGPT for homebuying information, making it the most recognized AI tool by far.

AI Tools by Usage Rates



THE OPTIMAL TRUST PATTERN

The relationship between trust and financial literacy reveals nuanced patterns that challenge assumptions about institutional credibility and information source reliability.

U-Shaped Trust Phenomenon: Both AI tools and traditional lenders show similar trust-performance patterns—the highest quiz scores came from respondents who were "neutral" or "slightly trust" these sources, rather than those at the extremes of complete trust or complete distrust.

Traditional Institution Patterns:

- Buyers who expressed some distrust of lenders scored higher on financial literacy than those with complete trust
- The most knowledgeable buyers maintain healthy skepticism while still engaging with professional resources

Key Finding: The most knowledgeable buyers maintain healthy skepticism while leveraging available tools—they ask informed questions and verify across both human and AI channels rather than relying blindly on any single source.

Why This Matters: Optimal financial decision-making requires balanced skepticism. Complete trust in any source—whether traditional institutions or social media influencers—correlates with lower financial literacy. The future belongs to buyers who can navigate multiple information sources with appropriate verification strategies.

SECTION 4:
IMPLICATIONS & STRATEGIC TAKEAWAYS

Target Myths Directly

- Develop myth-busting campaigns focusing on the 3% down payment option and mortgage insurance benefits
- Use reality-check education that feels informative rather than condescending

2. Design for the Overwhelmed

- Create visual, modular content that can be digested quickly
- Implement universal design principles that serve neurodivergent learners and benefit everyone
- Offer multiple format options (video, interactive tools, simple text) for the same information

3. Build Trust Through Empowerment

- Acknowledge that skepticism can be healthy when paired with access to verifiable resources
- Focus on transparency and education rather than just product promotion
- Encourage homebuyers to use tools like AI to support their process (partner rather than compete with AI)

4. Embrace Omnichannel Education

- Meet buyers on TikTok, Instagram, and Facebook Groups with consistent, accurate messaging
- Partner with trusted influencers who can deliver credible financial education
- Create shareable content that buyers can discuss within personal networks

5. Build Trust with Community Partnerships & Education Outreach

- Partner with FirstHome IQ and local schools or nonprofits to deliver financial literacy education, while building a trusted brand
- Build relationships with key community partners to deliver education

Share the FirstHome IQ Quiz with your networks: FirstHomeIQ.com/GetMyScore

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