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Consumer sentiment report

Cotality Consumer Sentiment Report - Q2 2026

Bend it like buyers

What homebuyers will trade, what they won't, and the number that ends the sales standoff

Bend it like buyers is part of a Cotality research series examining how homebuyers in five markets — the United S Canada, the United Kingdom, Australia, and New Zealand — are adapting to the rising cost of homeownership. Th report is based on a Q2 2026 survey of buyers, supplemented by Cotality's proprietary datasets.

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Introduction

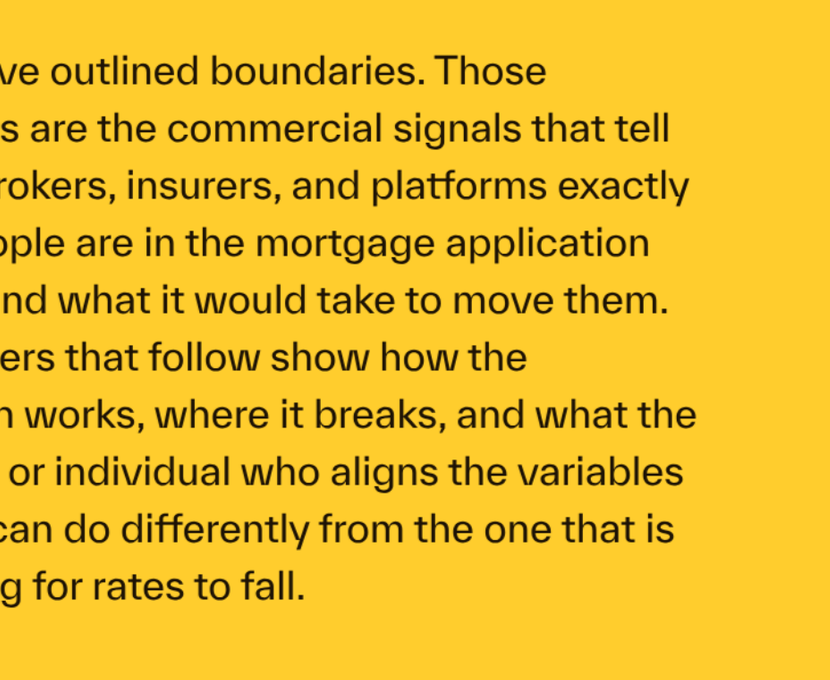
For a second or two, a David Beckham free kick often looked like a bad idea. The ball left his right foot and drifted towards some patch of air where useful things rarely happen. But then the unexpected happened. The ball would bend its trajectory mid-air, and the goalkeeper was left with the miserable job of turning to pick it out of the net.

Homebuyers in 2026 are doing something similar. The straight lines are gone, the property ladder is steeper than in previous generations. Access feels too steep — prices, rates, deposits, everything. So, they are strategically bending. They're cutting costs, taking smaller loans, and buying smaller homes, all in service of getting to a monthly payment number that, for many of them, feels just out of reach.

This report is about that moment: the buyer calculating the curved kick that gets them to a house they can actually afford. It is based on a survey of homebuyers across five markets — the United States, Canada, the United Kingdom, Australia, and New Zealand — split between recent buyers (purchase within the past five years) and future buyers (intending to purchase within two years).

Across all five of those markets, buyers are adapting, sacrificing, and, in many cases, finding a way through. Speed still matters, but certainty — certainty that the effort will end with house keys in hand — carries the most weight.

Buyers have outlined boundaries. Those boundaries are the commercial signals that tell lenders, brokers, insurers, and platforms exactly where people are in the mortgage application process, and what it would take to move them. The chapters that follow show how the calculation works, where it breaks, and what the institution or individual who aligns the variables correctly can do differently from the one that is still waiting for rates to fall.





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Chapter 1

The magic number

Buyers have an interest rate that would persuade them to participate in the housing market:

> In the U.S. that number is
>
> **4.6%**

That's the median rate, and every one of the five countries Cotality surveyed came up with its number. While there are variations, the message is clear: buyers believe that a lower interest rate will make the homeownership ladder possible.

People across markets are weighing a mortgage against household budgets already under strain. Their named rate is the point where the monthly payment starts to feel workable, after everything else has been accounted for. The risk is that the number buyers want may sit below what the market can realistically deliver soon.

Indeed, bending the market to such a low interest rate may be more of a Hail Mary hope than a strategy for homeownership, particularly in markets where today's interest rates are much higher than the aspirational numbers expressed by survey respondents.

"Interest rates in the U.S. aren't going to dip down to the levels people want for at least another three years," said Cotality Chief Economist Selma Hepp. "Expectations set by Covid-era interest rates have stagnated the market and sidelined millions of would-be homeowners. By playing the waiting game, people eliminate one of the primary paths to wealth building and limit their ability to build financial reserves in an economy weighted down by increasing unaffordability."

Despite saying they want lower interest rates, Cotality data reveals that buyers are still making the mathematics work. Excluding a contraction in originations when rates jumped nearly three percentage points between 2022 and 2023, the total number of mortgage originations has climbed every year.

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Chapter 1

The magic number

A match made from memories

Gen Z has a different answer to what makes for a good interest rate on a house.

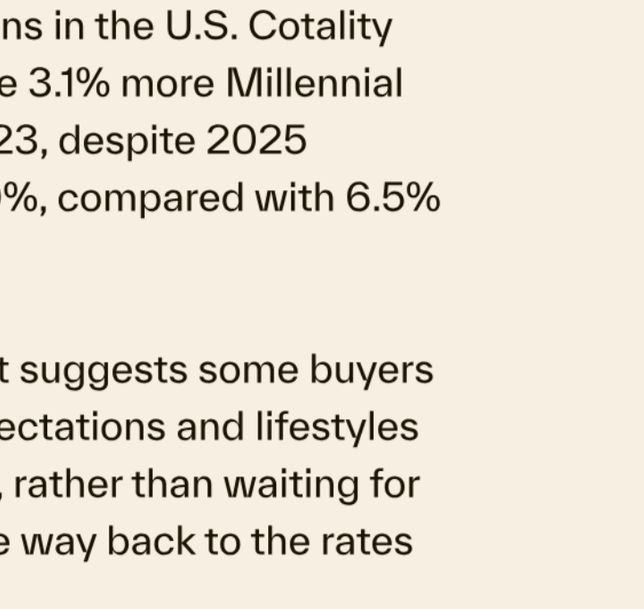
The youngest buyers in the United States are willing to stretch up to 4.9%, the highest threshold of any generation.

At first glance, that sounds wrong. The group with the least savings and the most exposure to rate risk should, by any logical reading, be the hardest to move. But Gen Z has never borrowed money at 3%. The 2% to 3% window that anchors older buyers' sense of what a mortgage “should” cost is not a memory for them; it is, at best, a history lesson. They have built their expectations around a world where rates are high, and the threshold for Gen Z home ownership reflects that.

But the rates borrowers actually secure are much closer together than those generational memories might suggest. Gen Z borrowers tend to pay slightly higher rates, but differences between age cohorts are generally less than 0.2 percentage points and small beside the much larger shifts in mortgage rates over time.

Millennials, the cohort naming the lowest ideal rate, carry a different memory of the market. Many came of age as buyers during the low-rate years, and their threshold reflects that history. Yet their behavior tells a less nostalgic story. Even with rates elevated, Millennials are still taking out the largest number of loans in the U.S. Cotality data shows lenders wrote 3.1% more Millennial loans in 2025 than in 2023, despite 2025 opening with rates at 6.9%, compared with 6.5% at the start of 2023.

That increase is small but suggests some buyers are mortgaging their expectations and lifestyles to make ownership work, rather than waiting for the market to bend all the way back to the rates they would prefer.



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Chapter 1

The magic number

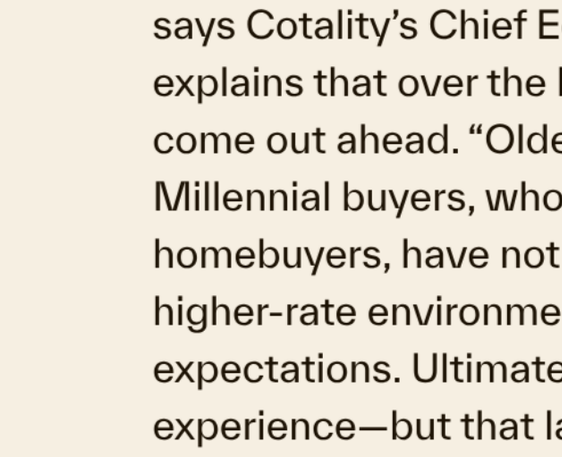
Shifting signals

What is significant beyond the interest rate people want is what has changed while they're waiting for it to arrive. Among recent buyers, the thing that most convinced them to stop browsing and start applying were life events such as a baby on the way, or a job offer in another city. In other words, life pushed them into the market, and they took whatever rate was available at the time.

Future buyers are different. Thirty percent of those buyers are looking for a specific interest rate as their signal, compared with 20% of recent buyers.

The sticking point is timing. A rate in the 4% range may not arrive soon, particularly in the U.S. A buyer who waits another year for that number may save on the monthly mortgage payment, but lose more in rent, delayed equity and a longer path to ownership.

"It's expensive to buy a home. But so is renting," says Cotality's Chief Economist Selma Hepp who explains that over the long run, homeowners come out ahead. "Older generations know this. Millennial buyers, who are the largest cohort of homebuyers, have not experienced a sustained higher-rate environment, which can distort their expectations. Ultimately, it comes down to limited experience—but that lack of experience can be costly.."



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Chapter 1

The magic number

Here's what it looks like:

A buyer who rents another year at $2,000 while waiting for the interest rate to drop is signing away thousands of dollars. On a $300,000 loan over 30 years, even a 6% interest rate is effectively cheaper when you include tax benefits and equity accumulation. Every year, a buyer gets about a month of rent returned to them in equity. Over 10 years, the savings stacks up to nearly $24,000, and that's if a buyer never refinances, moves, or changes circumstances long before then. Most will take the next step on the homebuying ladder, and they'll do so using the equity they amassed. The lender who can show the impact of that calculation on mortgage affordability, before anyone else does, gives the buyer something better than a rate quote: a clear decision.

$24,000

The amount buyers save in equity (vs renting) over 10 years

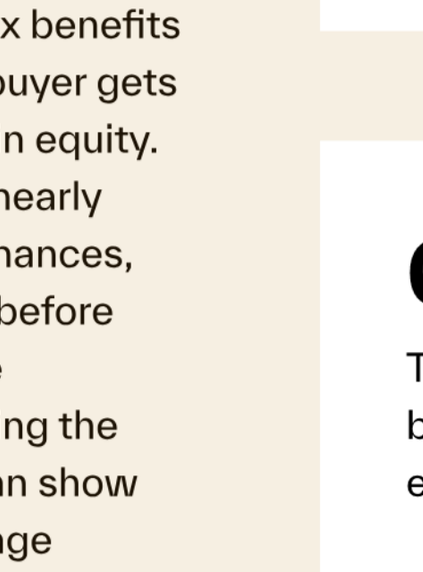
6.6%

The mortgage interest rate where buying vs renting becomes effectively cost neutral

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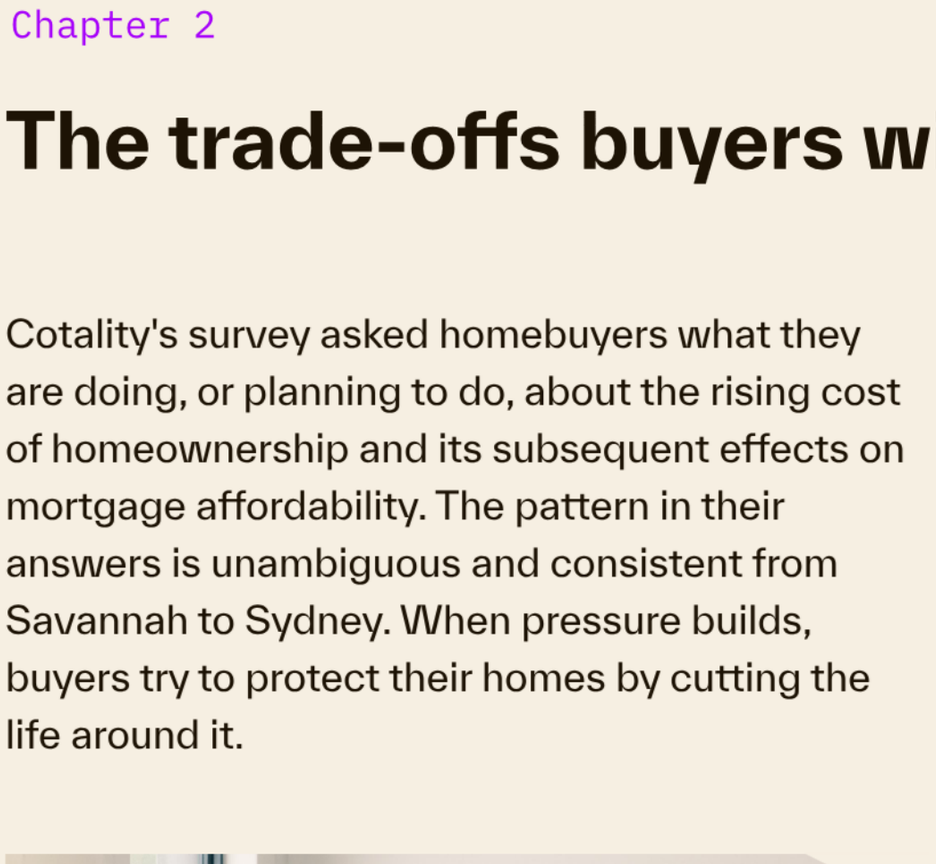


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Chapter 2

The trade-offs buyers will make

Cotality's survey asked homebuyers what they are doing, or planning to do, about the rising cost of homeownership and its subsequent effects on mortgage affordability. The pattern in their answers is unambiguous and consistent from Savannah to Sydney. When pressure builds, buyers try to protect their homes by cutting the life around it.



Where they are least inclined to cut is their willingness to take a smaller mortgage (65%) or buy a smaller home (59%).

The sacrifice ladder goes lifestyle and time first, structure of the deal second, structure of the house last.

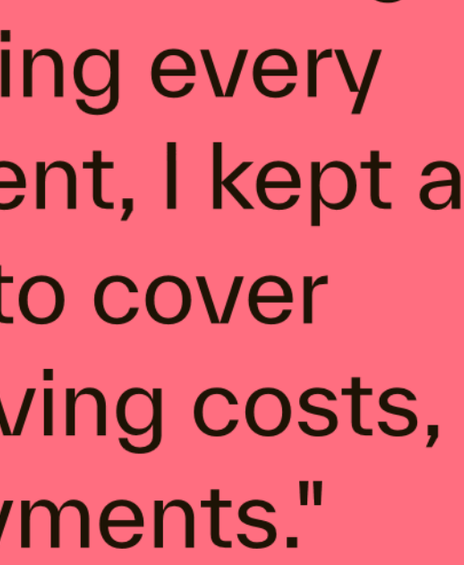
That ordering tells us that buyers are protecting the asset itself. To keep the home, its size, its location, its long-term value, they are adjusting around it. The house is the load-bearing wall while everything else is the wallpaper.

The direction is the same in every market: people who want to own a home are doing more with less. Buyers are also increasingly cutting their initial investment, shouldering mortgage insurance and a larger overall price tag in order to balance competing costs.

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I was more cautious with cash because interest rate and living cost were high at the time. Instead of putting every dollar into the down payment, I kept a larger emergency reserve to cover unexpected expenses, moving costs, and future mortgage repayments."

Millennial
Recent buyer, Australia



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Chapter 2

The trade-offs buyers will make

These two quotes describe the same instinct in two different markets. Both the Australian and UK buyers kept the deposit smaller to protect liquidity. What looks on paper like a financially sub-optimal choice — paying more interest over the life of the loan — is in fact a decision about which kind of certainty matters more. The certainty of having cash on hand outranked the certainty of a lower monthly payment. Both buyers are choosing, deliberately, what they can control.

Some are even looking elsewhere when it comes to location. Twenty-eight percent of recent buyers moved to a different area in search of more affordable housing. Among those affordability movers, 17% crossed into a different state, territory, region, county, or equivalent market boundary.

The generational fault line of Gen Z homeownership

The angle tightens even more when we split the data by generation. The pattern is so consistent across five markets that it functions almost as a control variable: whatever the country, the younger the buyer, the further they will bend.

Gen Z buyers are doing more of everything. Across all five markets, 78% will cut lifestyle spending. Eighty-two percent will pause the search or take a smaller mortgage. Seventy-four percent will look at smaller homes. They don't appear to be giving up, but they have clearly decided to wait and recalibrate their approach.

> "I put more money down to reduce my monthly payment because I had a stretched budget."
>
> **Gen Z**
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> Recent buyer, U.S.

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Chapter 2

The trade-offs buyers will make

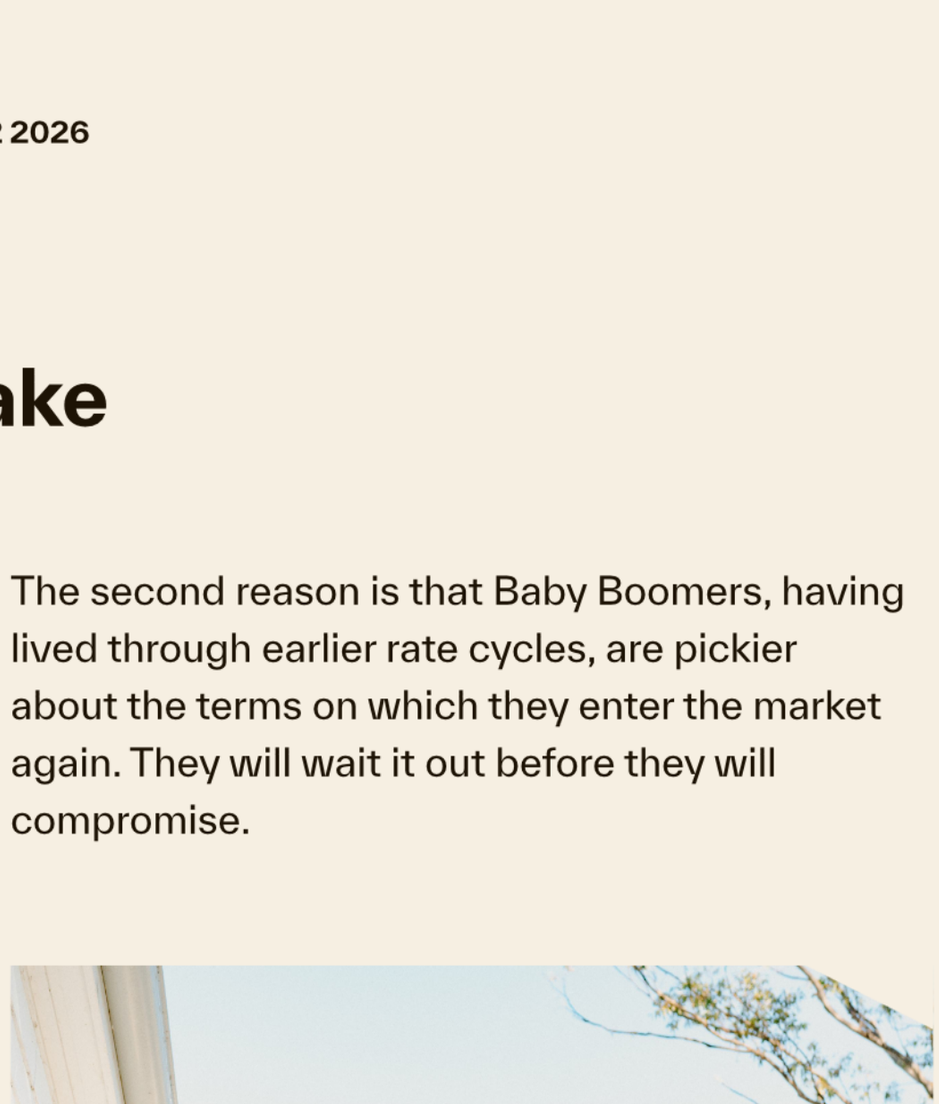
There are two reasons for this generational split.

The first is that many Baby Boomers are not financing in the way younger buyers are. A meaningful share of Baby Boomer respondents across all markets are downsizing, paying more in cash, or moving sale proceeds from one home directly into another. They are not in the mortgage queue in the same way.

> “ I made a decision to buy strictly within my cash budget."
>
> **Boomer**
>
> Recent buyer, Australia

> “ The house was mortgage-free from using the cash from (the) sale of my previous house."
>
> **Boomer**
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> Recent buyer, New Zealand

The second reason is that Baby Boomers, having lived through earlier rate cycles, are pickier about the terms on which they enter the market again. They will wait it out before they will compromise.



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Chapter 2

The trade-offs buyers will make

Where are buyers trimming lifestyle costs the most?

The trade-off pattern holds in every market surveyed, but the geographic willingness to bend is not evenly distributed.

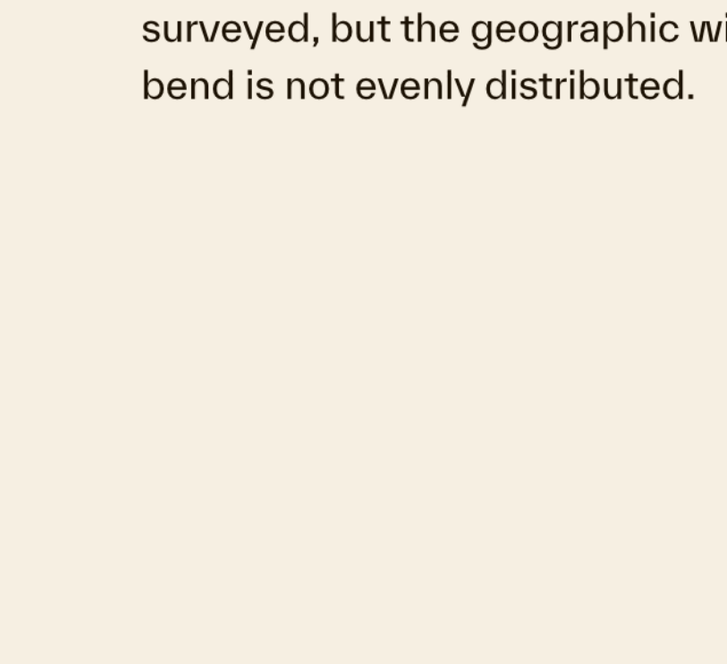
UK: UK buyers are the most reluctant to give ground. Forty-two consider buying a smaller home (against 59% survey-wide), 53% wou 65%), and 59% would cut lifestyle spending (against 69%). The UK fig are wealthier or less squeezed; they are not. They likely reflect a marke deposits are already larger, and lifestyle has already been compressed margin left to give.

Australia: Australia sits near the top on lifestyle cutting, with 75 reflects an affordability gap that has been widening for years. That gap most are generally the same ones with the least room left to cut.

New Zealand: New Zealand leads on willingness to take out a s lifestyle cutting (78%). It is, broadly, the most adaptive of the five mark

Canada: Canada sits closer to the cross-market average on will (66%) and slightly higher than average on willingness to buy a smaller market). The Canadian buyer is more willing to compromise on the stru reflecting a sharper recent rise in metropolitan property prices relative

U.S.: The U.S. sits in the middle of every measure. American buy UK buyers but slightly less than Australians or New Zealanders. They h British and less acute pressure than the Australasian markets. The U.S



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Chapter 2

The trade-offs buyers will make

The generational game plan

For those running a multi-country portfolio, the headline finding is that adaptation is highest where affordability pressure is highest, and reluctance to adapt is highest where housing has already been compressed.

> “ Reading the survey data alongside our quantitative data reinforces what the market is saying. The 69% who say they will cut lifestyle are the same households we see compressing discretionary spend in our payment data. Lenders working with both lenses can see a stress signal forming months before it shows up in arrears, which is when intervention is still cheap and the borrower relationship is still intact."

Selma Hepp

Chief Economist Cotality

Gen Z: The Gen Z buyer is calculating, patient, and rate-sens
absorbs the wait. The lender who reaches them with rate-mo
explanations of buydown options, and education on how a st
them off the sidelines is having the right conversation.

Millennials: Millennials are among the largest cohort of buye
across the board. They have already cut lifestyle, they will tak
are pre-positioned to act. What they need is information — cl
proactive — when their rate threshold is crossed. The lender w
customer-watch list and reaches out when the numbers mov

Gen X: Gen X needs friction removed, not promises made. Th
They are also at peak earning power, which makes them the m
convert when you get the process right. Invest in visible prog
and proactive updates. Speed of communication matters mo

Baby Boomers: This generation is having a unique conversat
in origination pipelines at the volumes the other cohorts are. T
Boomers is a reverse mortgage, a refinance into smaller prop
deals. The lender who builds dedicated products for the down
them as a wealth-management conversation rather than an o
the one that retains the relationship as they exit traditional ow

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Chapter 3

The mortgage breaks last

Households rarely let the mortgage go at the first sign of trouble. They may spend months trying to keep it current, finding room elsewhere in the budget and drawing on whatever reserves remain. By the time a borrower falls 90 days behind, the strain recorded in servicing data has long been felt in belt-tightening actions at home.

Cotality's mortgage performance data shows where those private struggles are beginning to register across loan portfolios. Serious delinquency rates rose in most U.S. states during the year. Most increases were below half a percentage point, although the experience varied considerably by loan type and location.

The Federal Housing Administration (FHA) book in Florida and Arizona deserves particular attention. Florida's FHA serious delinquency rate rose from 4.3% in August 2025 to 6.36% in March 2026, a relative increase of nearly 48% in seven months. Arizona moved from 3.21% to 5.42% during the same period, a relative increase of almost 69%.

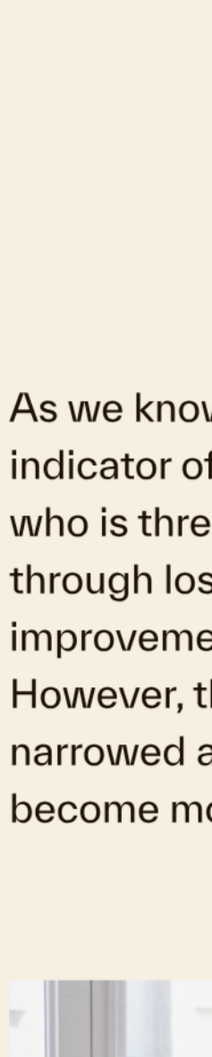
Reading between the averages

Other states recorded larger year-over-year increases in total serious delinquency. Florida and Arizona stand out because the pressure is concentrated within FHA loans.

Conventional mortgage delinquency has changed little during the past year, while Department of Veterans Affairs (VA) loan delinquency has declined in nearly every state. But FHA performance in Florida and Arizona is moving along a different path.

That distinction can disappear if loan servicing executives look only at the whole portfolio. A book may appear broadly stable even as one combination of product, geography, and borrower profile begins to deteriorate. National and state figures typically provide useful context, but glossing over parts of the portfolio that require attention add unnecessary risk.

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Chapter 3

The mortgage breaks last

The cushion gets thinner

Trends, of course, need context. FHA lending allows many first-time and lower-income buyers to purchase with lower down payments and higher loan-to-value ratios. These features broaden access to homeownership, while leaving some borrowers with limited reserves when an income interruption, unexpected repair, or increase in everyday costs arrives.

Cotality's latest buyer sentiment research, conducted in Q2 2026, provides some insight into how households respond when homeownership stretches their finances. The survey did not identify respondents by loan type, but it does show how people rearrange their finances to make a purchase possible.

Sixty-nine percent of recent and future buyers had considered, or would consider, cutting lifestyle spending to afford homeownership. Sixty-five percent had considered or would consider taking a smaller mortgage, while 59% said the same about buying a smaller property.

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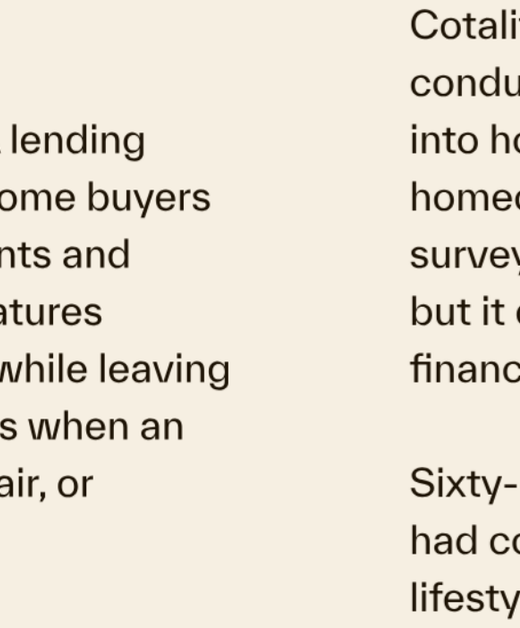
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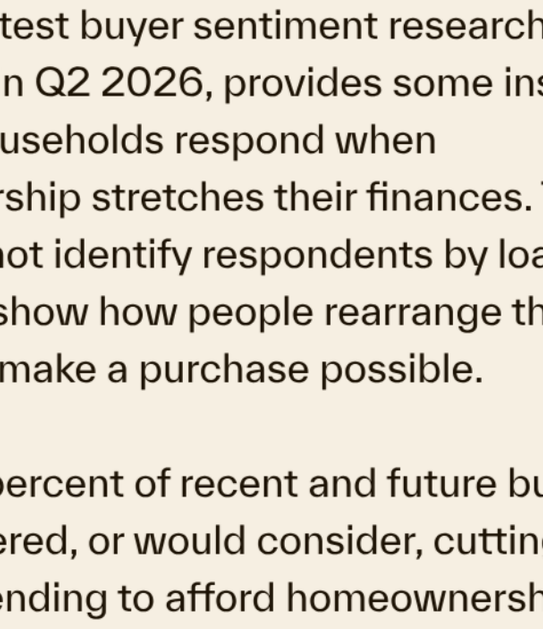
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Costs squeeze choice

Nearly 1 in 3 buyers in Australia and New Zealand are unsure whether they can afford the up-front costs at all.

Data source: Cotality survey, Q2 2026





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Chapter 3

The mortgage breaks last

Moving intervention forward

Rising defaults should lead lenders to review credit overlays and reassess the risks attached to future originations. Servicing teams face a related problem inside the existing portfolio: finding borrowers whose finances are weakening while assistance can still affect the outcome.

Portfolio analysis can begin by separating performance according to loan product, geography, age of the loan, equity position, and relevant borrower characteristics. The Florida and Arizona results show how the combination of those variables can reveal a developing risk that remains muted in the overall numbers if the layers are not scraped away.

Once properly revealed, servicers can then examine signs of pressure before a loan enters serious delinquency. Changes in payment timing, repeated late payments, and movement through earlier delinquency stages may help identify borrowers whose options are beginning to narrow. Outreach must comply with applicable servicing rules and use customer data responsibly, but the 90-day marker leaves relatively little time for a useful conversation.

The content of that conversation is perhaps as important as its timing. Buyers in Cotality's survey often described trust in terms of lenders being available, honest, and proactive. Those expectations continue after closing, especially when the borrower's circumstances begin to change.

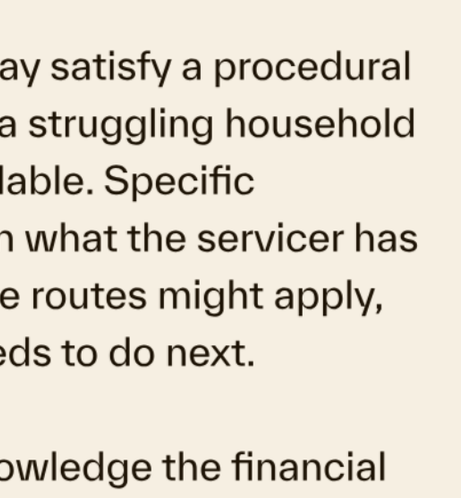
A generic warning letter may satisfy a procedural requirement while leaving a struggling household unsure about the help available. Specific communication can explain what the servicer has observed, which assistance routes might apply, and what the borrower needs to do next.

The language should acknowledge the financial reality without making the household feel that foreclosure is already inevitable.

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Chapter 4

The Gen Z loyalty surprise

Digitally savvy Gen Zers who compare mortgage offers with a few swipes on their phones are often described as having short attention spans and fickle consumption habits. So, assuming that young people fitting this profile makes them natural rate chasers is low-hanging fruit for the housing industry.

Cotality's latest buyer sentiment survey suggests something quite different.

Across the five markets surveyed, 56% of Gen Z buyers described themselves as "True Loyal," meaning they would stay with a lender they trust. That compares with 39% of Millennials, 41% of Gen X and 43% of Boomers.

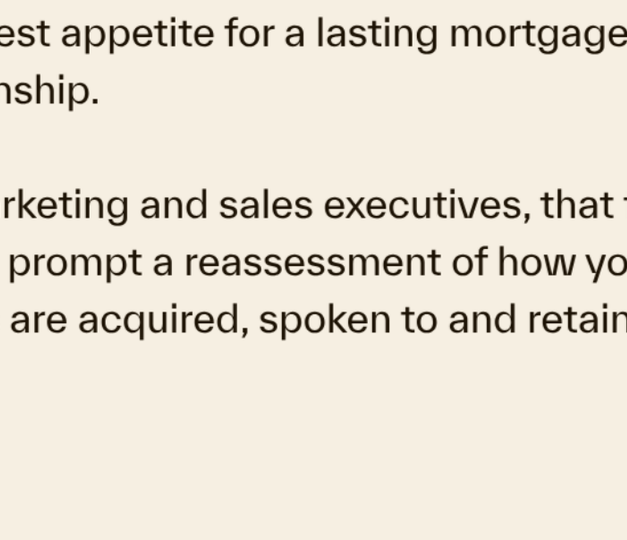
Only 5% of Gen Z said they would always choose the lowest rate. Among Baby Boomers, the oldest cohort surveyed, that figure was 29%.

Surprisingly, the generation with the easiest access to comparison tools appears to have the strongest appetite for a lasting mortgage relationship.

For marketing and sales executives, that finding should prompt a reassessment of how younger buyers are acquired, spoken to and retained.

56%

of Gen Z are "True Loyal" and will stay with a trusted lender.



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Chapter 4

The Gen Z loyalty surprise

Digital does not mean disloyal

Cotality asked buyers to place themselves in one of three groups. True Loyal buyers would remain with a lender they trust. Transactional Loyal buyers would stay in exchange for a specific reward or discount. Buyers with No Loyalty would always choose the lowest rate.

The U.S. has a strong foundation for relationship-based mortgage marketing. Forty-eight percent of American buyers across generations identify as True Loyal, the highest proportion of any country surveyed. Canada, Australia, the United Kingdom, and New Zealand were included in the survey.

Gen Z pushes the findings further. Its loyalty appears to be connected to the difficulty of reaching homeownership and the reassurance provided by a lender that helps make the numbers work.

In the U.S., Gen Z buyers placed their workable target mortgage rate at 4.9%, higher than any older generation. Across the survey, 82% said they would accept a smaller mortgage to make homeownership possible. Of course, 4.9% is still a long way from current rates sitting above 6% in the U.S., but the aspirations reveal their mindset.

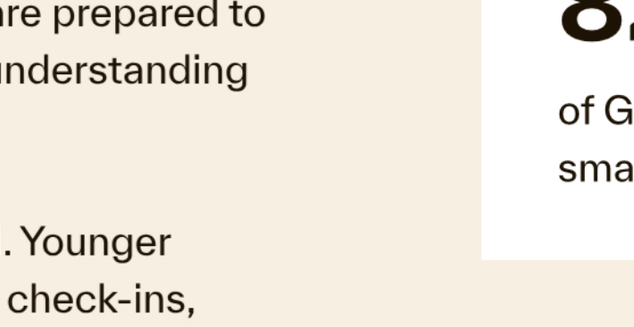
These buyers have entered adulthood during a period of higher rates, expensive housing and uncertain household costs. They are prepared to compromise, but they want help understanding where and how to do it.

Their version of loyalty is practical. Younger buyers described wanting regular check-ins, market monitoring, and personalized refinancing or optimization opportunities. They also want a lender to notice when circumstances change and make contact without waiting to be chased.

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Chapter 4

The Gen Z loyalty surprise

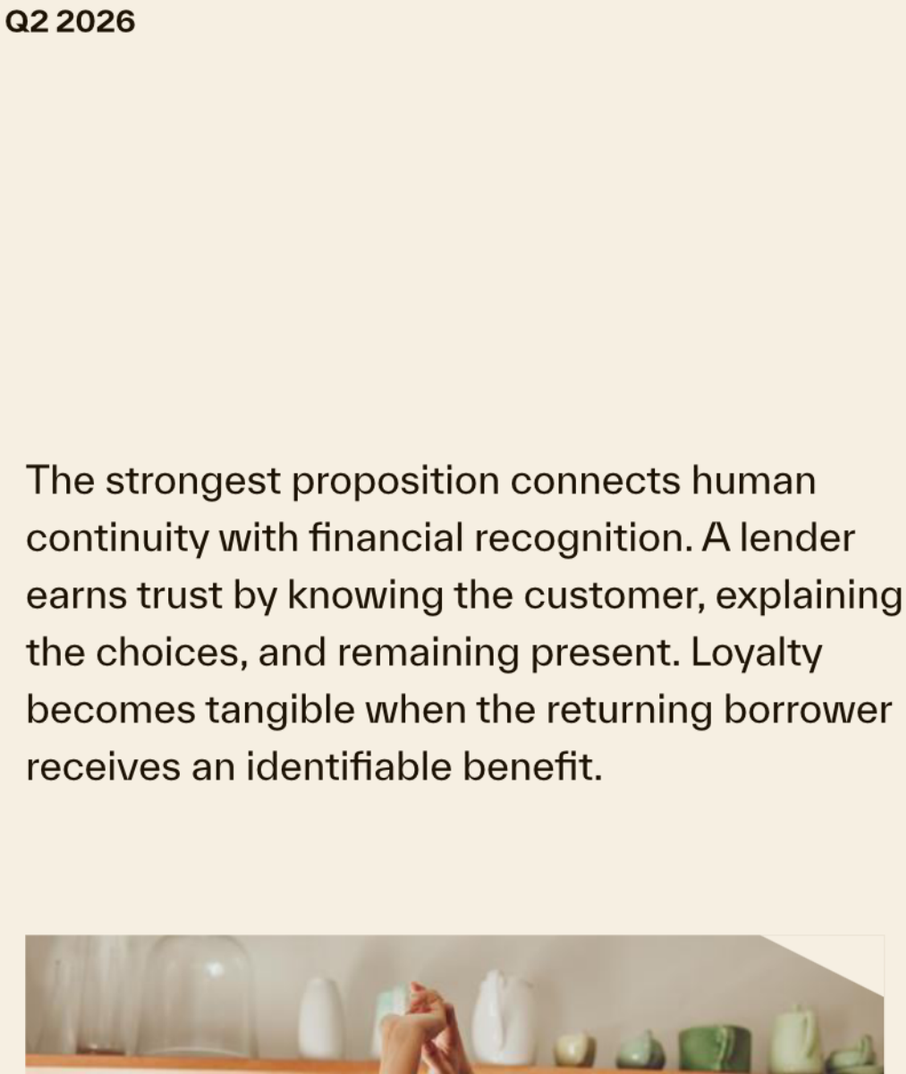
What loyalty asks of a lender

We all have differing personal definitions of loyalty when it comes to lenders, and Cotality's findings bear that out. We see no signs of a single loyalty formula.

When all buyers were asked to rank four relationship drivers, 35% put a human representative who knows their history first. Twenty-four percent chose the assurance that their mortgage would never be sold to another company. Keeping financial accounts together ranked first for 23%, while 18% favored rewards such as cash back, points or miles.

The results shift when buyers consider a specific loyalty incentive. A discounted interest rate was the preferred choice for 47%. Cash back at closing followed at 20%.

The strongest proposition connects human continuity with financial recognition. A lender earns trust by knowing the customer, explaining the choices, and remaining present. Loyalty becomes tangible when the returning borrower receives an identifiable benefit.



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Chapter 4

The Gen Z loyalty surprise

Market for the relationship

The Gen Z findings also reveal an opportunity for sharper segmentation.

Age alone is a poor basis for assuming how somebody will choose a lender. Marketing teams can distinguish between True Loyal, Transactional Loyal, and Rate-led buyers, and then design communication around the commitment each group is prepared to make.

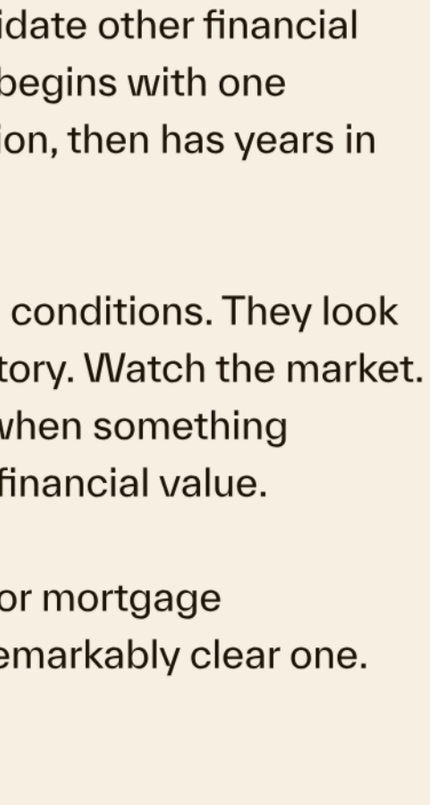
True Loyal buyers need evidence that trust will be repaid with continuity and attention.
Transactional Loyal buyers want a clear economic reason to remain. Rate-led buyers require speed, competitiveness, and an easy route to act.

Gen Z contains a larger True Loyal audience than the industry seems to have noticed. Treating the entire generation as a group of ruthless price shoppers risks sending the wrong message to its most relationship-minded prospects.

This has even deeper implications across the customer cycle. The young first-time buyer of today may later refinance, move, purchase a second property, or consolidate other financial products. The relationship begins with one difficult mortgage calculation, then has years in which to prove its value.

Gen Z's loyalty comes with conditions. They look like this: Remember my history. Watch the market. Explain the numbers. Call when something changes. Give my return a financial value.

That is a demanding brief for mortgage marketers. But it is also a remarkably clear one.



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Chapter 5

The bend, the break, and what comes next

The data in Cotality's report points to one answer with unusual clarity. The buyer in 2026 is not waiting to be sold to. Nor are they paralyzed or waiting for the market to come back and offer record-low interest rates. They are bending, deliberately, and they have told us — in numbers — exactly where the bend stops.

The calculation is different for every generation and every country. But everyone has a number at which they say they will come back.

What people say though, isn't always how they behave. People recognize that their ideal interest rate is a reality that is likely years off in some countries, and homeownership cannot always be put on hold. Enter the sacrifice ladder as people look for ways to enter the market even at higher rates. Buyers across all five markets are climbing in roughly the same order:

1. Cut the life around the home
2. Reduce the debt
3. Shrink the property
4. Redraw the search area

There is a finite number of sacrifices that buyers can make. It may be the Federal Housing Administration (FHA) borrower in Phoenix who has run out of cushion. It may be the lender who failed to pick up the phone when the buyer most needed them to.

The institutions that do well will be the ones that sell certainty, not speed alone. Across the markets surveyed, 71% of buyers choose certainty when asked to pick between certainty and speed. They want clear costs, a clear reason for the rate they are offered, a clear path to close and a lender who is still there when they need help in 12 months. The product is the mortgage. The promise is certainty.

Buyers have clearly laid out their game plan. They've said what they want as well as what they will, and will not, do to make it happen. Their thresholds, priorities, and breaking points are now numbers the industry can act on.

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