The new housing finance playbook: navigating affordability, demographics, and market changes

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In this first installment of a four-part series, Jen Rasmussen, PhD, Vice President and Head of Market Commentary for SitusAMC Insights, discusses the economic, demographic, and regional trends that will have the greatest impact on residential housing finance —and what lenders can do today to prepare for tomorrow's opportunities.

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How are economic and demographic shifts changing housing finance and how should lenders respond?

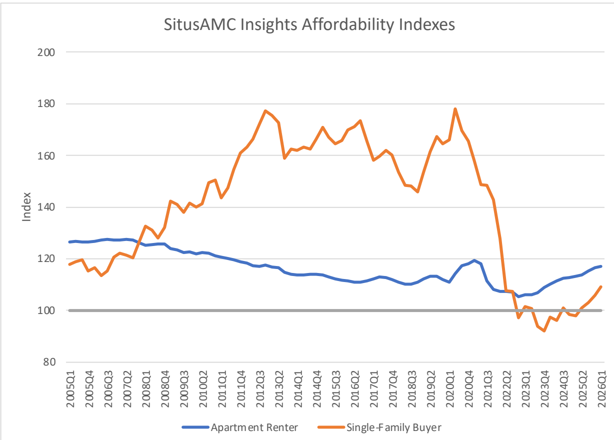
Affordability is the defining trend in housing finance. Single-family housing affordability deteriorated sharply in 2021 and 2022, and elevated mortgage rates continue to strain household budgets. Affordability still remains below pre-pandemic levels, but conditions are gradually improving. The recently enacted 21st Century ROAD to Housing Act is an important step toward expanding housing supply and improving affordability. About 80% of outstanding mortgages have an interest rate of less than 6% so interest rates would need to meaningfully drop before first-mortgage refinancings truly pick up.

As to demographic shifts, the Boomers, with accumulated home equity, are both a demand source and an inventory bottleneck. Boomers can often out bid younger generations and because they are staying in place longer, they are limiting the supply of existing homes. For Boomers, lenders can offer home-equity loans and HELOCs, reverse mortgages and bridge loans for downsizing.

Although they are the most active first-time homebuyers, younger millennials are saddled with debt and are often unable to afford down payments and often need cash-to-close options.

Gen Z is digitally native but often naïve about borrowing options and would benefit from more education. Young adults are delaying buying their first homes, but if affordability eases, lead nurturing will be critical to capture pent-up demand.

Twenty percent (20%) of Gen Z purchased a multigenerational home last year. Since these households may not fit the traditional married-couple borrower profile, lenders should revisit how they approach underwriting.



Sources: SitusAMC Insights, Reis, NAR, Moody's Analytics, Freddie Mac, US Census Bureau

Other than lower interest rates, what structural or policy changes could have the greatest impact on expanding homeownership opportunities?

While the impact won't be immediate, the 21st Century ROAD to Housing Act will increase supply by speeding up permitting and environmental reviews and creating incentives for zoning, land-use reform, and manufactured housing. The Act's small-dollar loan origination incentives and pre-approved housing pattern books should reduce development costs.

Public-Private Partnerships (PPP), community land trusts, and employer-assistance could also expand affordability.

In 2026, the Federal Housing Finance Agency (FHFA) announced that approved lenders could use non-legacy credit scoring such as rent, utilities, telecom, and bank-account cash flow in addition to standard FICO scores. Including alternative credit sources could help more borrowers qualify for a mortgage.

Nearly three-quarters of lenders expect mortgage volume to improve in 2026.[1] Are there regional growth opportunities?

SitusAMC's Dynamic Population Tracker highlights how region impacts housing finance.

The post-pandemic movement from dense, high-cost states to the Sun Belt has cooled, although population in these markets is increasing slightly. International migration is driving strong growth in the Carolinas and Texas. In contrast, Florida has declined the most relative to its five-year average.

Sunbelt markets dominate top rankings for recent population growth

Rank	Market
1	Las Vegas
2	Raleigh-Durham
3	Charlotte
4	Austin
5	Dallas
6	Miami
7	Houston
8	Atlanta
9	Salt Lake City
10	Fort Worth

Note: Higher rank indicates stronger population growth.
Sources: Situs AMC Insights, BLS, USPS, FDIC, EIA, Census Bureau, Atlas, United Van Lines, Uhaul

How important is it to work with a provider that offers a flexible delivery model?

Volatility doesn't show up in rates but in purchase activity, refinance and home equity demand, regional migration patterns, insurance costs, and borrower behavior.

1. Source: https://www.nationalmortgagenews.com/news/lenders-predict-2026-rebound-led-by-refis-and-home-equity

Mortgage companies need partners that can scale up or down depending on where activity is moving, whether that is origination, fulfillment, servicing, diligence, compliance, technology, or secondary market execution. A flexible delivery model helps firms avoid overbuilding in slow periods and becoming under-resourced when volume returns.

As the market becomes more data-driven, regionalized, and complex, lenders and servicers will need to modernize without adding unnecessary fixed cost or operational drag. A flexible provider can help firms test new strategies, manage capacity, improve borrower and loan-level visibility, and support compliance and diligence needs.

It's not just about cost efficiency; it's the ability to move quickly, protect execution quality, and stay focused on borrowers as the market changes.

How can businesses in mortgage origination, servicing, and the secondary market remain competitive?

Access to borrower data, automated valuation, lien-position risk analytics, and the ability to cross-sell existing servicing customers will all provide a competitive edge. For example, servicing platforms will become more important for retention, home-equity cross-sell, tax/insurance payment support, and early hardship detection for homeowners on fixed incomes who are aging in place.

While AI can reduce friction and improve revenue across origination, servicing and secondaries, the best model for a seamless borrower experience will be hybrid: a digital front-end, human advisory, and embedded partnerships.

About SitusAMC

SitusAMC is a leading independent provider of services, technology, data, and analytics for the commercial and residential real estate finance industry. We help lenders, investors, asset managers, servicers, and other financial institutions originate, transact, manage, value, and optimize real estate assets across the full lifecycle. With deep industry expertise, scalable operational support, and integrated technology-enabled solutions, SitusAMC helps clients work smarter, manage complexity, reduce risk, and make more confident business decisions.