URBAN INSIGHTS – RESEARCH IN FOCUS



Mortgage aversion in younger adults

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KEY INSIGHT
Mortgages are often considered a culturally acceptable path to home ownership – the assumed universal goal of younger adults. Yet a significant minority do not want a mortgage in their future and this is driven by less favourable attitudes to debt for investment purposes. Our research suggests that risk aversion and less favourable social norms are behind this. Lack of financial literacy was not relevant.

Background and Overview

Why do 14-25% of younger adults want to *avoid* having a mortgage?

Previous qualitative research (Sheedy, Shah and Pan, 2026) found that debt aversion is emerging as a factor in lower rates of home ownership. We surveyed 525 Australians and 470 British young adults (aged 18-40). We asked about their intentions to use or avoid a range of debt products, attitudes to debt and risk, debt literacy, perceptions of the social acceptability of debt, frugality and demographics.

Across all debt products, home loans were the most popular. 58% of young Australians and 49% of young Brits wanted to use or keep using a mortgage in future. 14% of young Australians and 25% of young Brits wanted to avoid using a mortgage in future. The remainder were unsure or neutral. The table below provides an overview of these intentions:

Table 2b Intentions: Wanting and Avoiding by Product and Country

Product	AU Want	UK Want	*p Want*	AU Avoid	UK Avoid	*p Avoid*
Credit Card	325 (62%)	220 (47%)	<.001	129 (25%)	186 (40%)	<.001
BNPL	84 (16%)	132 (28%)	<.001	359 (68%)	263 (56%)	<.001
Home Loan	304 (58%)	231 (49%)	0.007	**71 (14%)**	**116 (25%)**	<.001
Student Loan	80 (15%)	62 (13%)	0.406	310 (59%)	324 (69%)	0.002
Family/Friend Loan	19 (4%)	45 (10%)	<.001	399 (76%)	332 (71%)	0.066
Car Loan	49 (9%)	62 (13%)	0.067	338 (64%)	300 (64%)	0.909
Personal Loan	12 (2%)	19 (4%)	0.159	426 (81%)	365 (78%)	0.201
Investment Property	179 (34%)	12 (3%)	<.001	119 (23%)	357 (76%)	<.001
Margin Loan	18 (3%)	9 (2%)	0.203	389 (74%)	388 (83%)	0.002
Payday Loan	4 (1%)	5 (1%)	0.867	464 (88%)	433 (92%)	0.061
Pawn Broker Loan	1 (0%)	7 (1%)	0.053	465 (89%)	429 (91%)	0.192
Green Loan	27 (5%)	20 (4%)	0.611	333 (63%)	339 (72%)	0.004
Miscellaneous Debt	12 (2%)	6 (1%)	0.340	420 (80%)	407 (87%)	0.007
Salary Advance		10 (2%)			403 (86%)	

Note. WANT indicates respondents who selected "Want to use / Keep using" for the product. AVOID indicates respondents who selected "Want to avoid". Respondents who selected "Neutral / Don't know" are excluded from both counts. Values are counts with percentages in parentheses. p values are from two-sample tests of equality of proportions (prop.test in R, chi-square approximation) comparing Australia and the United Kingdom for the corresponding outcome. Salary advance loans were included only in the UK survey.

Results Snapshot

Our research found that attitudes to debt vary depending on its purpose. Attitudes to debt for investment purposes (e.g. mortgages) are generally more favourable than attitudes to debt for consumption smoothing (e.g. credit cards, personal loans, buy-now-pay-later). But attitudes vary across the community even when debt is taken on for the purpose of investment. Our analysis of these different attitudes helps explain why some young adults are resistant to taking on mortgages. Less favourable attitudes to debt for investment are associated with lower tolerance for risk and lower perceived social norms. Interestingly, debt literacy and frugality were not associated with attitudes to debt for investment.

Looking at the case of mortgages, social norms proved to be the most important construct for explaining future intentions/aversion. Individuals who perceive that it is socially acceptable to use debt for investment purposes have approximately 34% lower odds of avoiding home loans. Concern about risk and lack of permanent employment also play a role in home loan aversion. Past use of home loans is associated with lower rates of mortgage aversion.

The apparent difference in avoidance rates between Australia and the UK can be explained by the fact that the Australian sample is biased towards those with more education and income and is not representative of the broader community. After controlling for these factors, the country difference in avoidance rates for home loans disappears.

Implications

This understanding can be a guide to future government policies to support home ownership. A recent Australian scheme[1] allows first homeowners to buy a home with only a 5% deposit. While the scheme manages the risks for lenders through a government guarantee, it increases the risk to the buyers because it necessitates a larger loan. For more risk averse buyers, a shared equity scheme may be preferable with smaller loan size and therefore more acceptable risk profile for the owner. Policies that slow or reverse the growth in home prices, and hence the need for large mortgages, may also reduce debt aversion by lowering repayment exposure.

The findings are also relevant for mortgage brokers and providers of home mortgages. The paper discusses implications for product design and advice. In the current environment very few young people can afford to purchase a home without taking on a mortgage. The research highlights the need for government policies to cater for the needs of the debt averse who may prefer to be long-term renters.

Key Takeaways

Even in comparatively debt tolerant countries like Australia and the UK, attitudes to home loans vary, contributing to home loan aversion. Our research reveals the different attitudes expressed by young people. Understanding such attitudes is important for governments and financial institutions as they develop policy and practice.

References

Sheedy, E., Shah, S. W., & Pan, Z. (Terry). (2026). Rethinking home ownership: attitudes, intentions, and trade-offs. *Housing Studies*, *41*(8), 1825–1850. https://doi.org/10.1080/02673037.2025.2579649

Publication note

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[1] https://treasury.gov.au/policy-topics/housing/home-ownership-support