

## A TYPOLOGY OF CONSUMER ATTITUDES AFFECTING MORTGAGE CHOICES

INGA-LILL SÖDERBERG<sup>1</sup>

Centre for Banking and Finance, Royal Institute of Technology, Sweden

### STRUCTURED ABSTRACT

#### *Problem/Purpose*

The subprime related global financial crisis that started in 2007 and still affects world economy has brought with it an international interest in investigating factors influencing households' mortgage decisions. Earlier studies focus primarily on contract factors, or are explorations of consumer financial literacy as one important aspect possibly leading to the crisis. Housing studies have also focused attention on a number of consumer characteristics, such as age, income, education and risk aversion, explaining consumers' mortgage decisions. As earlier research have called for more research on why consumers make specific mortgage decisions, and especially pinpointed the urge to better understand consumers' jeopardizing their personal finances by financially unwise mortgage decisions, this paper looks to consumer research and bring in new explaining constructs.

#### *Design/methodology/approach*

The present study reports a quantitative analysis of a survey with 4037 respondents, conducted in Sweden in 2015. Testing a hypothesized model on the importance of the meaning consumers attached to their home as well as to their risk attitudes for mortgage decisions, the study draws upon a qualitative pre-study based on interviews, observations on financial advisory sessions on mortgages and on three focus-groups reported on earlier (ERES 2012) and shortly mentioned as background. The study also control for factors found important by previous research on mortgage choice.

#### *Findings*

The results of the present study show the importance of consumers' construction of meaning as a neglected but important factor influencing consumer mortgage choice. Drawing on the distinction between the sacred and the profane used in consumer research (e.g. Belk et al, 1989) consumer ways of relating to their homes are tested with regard to their implications for mortgage rate choices. The factor of consumer relation to home is contributing statistically significant to a model explaining mortgage choice. Together with measures of financial risk consumer ideas of home are also combined in a typology that serves to illustrate four different mortgage choice consumer types.

#### *Research limitations/implications (if applicable)*

As the study is conducted in a Swedish context further tests of the generalized relevance of the typology must be made on other consumer markets.

#### *Takeaway for practice (if applicable)*

Except for academic interest the findings of this study are of practical interest for the financial and real estate industries, as knowledge on factors affecting consumer attitudes to mortgages has implications for business as well as for policy makers.

#### *Originality/value*

The proposed and tested typology adds to possible explanations of consumer mortgage choices by – based on existing consumer theory - bringing in consumers' attitudes to their homes as a factor of analysis.

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<sup>1</sup> Inga-Lill Söderberg, Centre for Banking and Finance, Royal Institute for Banking and Finance, KTH, Brinellv. 1, 100 44 Stockholm, Sweden. E-mail: [ingalill.soderberg@abe.kth.se](mailto:ingalill.soderberg@abe.kth.se).

### *Social Implications*

Since the choice of mortgage interest rate often have great impact on a single household's financial situation and sub-optimal choices have been reported earlier, the study have obvious social implications. A better understanding of the social meaning of a persons' home and its' impact for mortgage decisions will give awareness important for better consumer protection.

Keywords: Mortgage choice, consumer attitudes, risk, home, personal finances, typology

**Email contact: [ingalill.soderberg@abe.kth.se](mailto:ingalill.soderberg@abe.kth.se)**

**Theme proposed: RETAIL / HOUSING ISSUES**