

Fact Sheet

Fannie Mae National Housing Survey Key Findings

Fourth Quarter 2010

The Fannie Mae National Housing Survey polled homeowners and renters between October 2010 and December 2010 to assess their confidence in homeownership as an investment, the current state of their household finances, views on the U.S. housing finance system, and overall confidence in the economy. Findings were compared to similar surveys conducted by Fannie Mae from July 2010 to September 2010, June 2010, January 2010, and December 2003. A news release on the new survey can be found at: <http://www.fanniemae.com/media/survey/index.jhtml>.

SURVEY FINDINGS

Housing and the Economy

- Sixty-two percent of Americans still believe that the U.S. economy is on the wrong track, essentially unchanged since January 2010.
- Sixty-five percent of respondents think now is a good time to buy a house, down five points since June 2010 but roughly unchanged since last January.
- More than three-quarters (78 percent) think home prices will stay the same or go up over the next 12 months, up from 73 percent in January 2010. Respondents expect home prices to increase by 0.4 percent.
- Specifically, 26 percent of Americans believe home prices will go up over the next 12 months; 52 percent believe they will remain the same; and 19 percent believe they will go down. In January 2010, 37 percent of Americans said they believed home prices would go up over the next 12 months; 36 percent believed they would remain the same; and 23 percent believed they would go down.
- Thirty-nine percent of Americans think home rental prices will go up over the next year, consistent with January 2010. Respondents expect rental prices to increase by 2.8 percent, on average.

Desirability of Homeownership

- The percentage of Americans who believe buying a home is a safe investment has fallen six points to 64 percent since January 2010. This is down 19 points from 2003, when a similar survey was conducted.
- Eighty-four percent of consumers believe owning a home makes more sense than renting, roughly unchanged since January 2010. Among renters, 28 percent believe that renting makes more sense, up eight points from January 2010.
- Respondents cite non-financial reasons such as quality of local schools (79 percent) and safety (79 percent) as driving factors in wanting to buy a home, ahead of financial considerations, such as the perception that paying rent is not a good investment (61 percent).

Views Among “Generation Y” (18 to 34 years old)

- Despite their homeownership rate falling from a peak of 43.7 percent during 2000-2009 to 39.8 percent in 2009 per the U.S. Census Bureau’s American Housing Survey, Generation Y remains positive about homeownership.
- 61 percent of Generation Y perceives buying a home as a safe investment and 59 percent believe buying a home has a lot of potential as an investment.
- Generation Y aligns closely with other generations when considering reasons to buy a home, but assigns a slightly greater value to its impact on their societal status, a place to raise children and the possibility to build wealth through ownership.
- The Fannie Mae National Housing Quarterly Survey found that 36 percent of Generation Y Americans are homeowners, while among Generation X (35 to 45 years old) the incidence goes up to 73 percent and 79 percent among Baby Boomers and to 85 percent among the oldest Americans.

Renters’ Views on Renting and Homeownership

- In 2010, renters have become more likely to say they will always rent, rather than buy, a home. There is a five point upward shift compared to January 2010.
- Seventy-nine percent of renters believe that they would have to make a financial sacrifice to own a home, and fifty-four percent said it would require “a great deal” of sacrifice.

State of Consumer Household Finances

- Six in ten Americans (60 percent) say their monthly household income has remained about the same compared to January 2010. Nearly half of delinquent borrowers (47 percent) said their income has declined significantly.
- Just 19 percent of the general population said their income increased significantly.
- Thirty-four percent of all respondents said their monthly expenses are significantly higher than they were in January 2010, outnumbering those who said their expenses had declined significantly by 22 percentage points.
- Twenty-one percent of all delinquent borrowers report both a significantly lower income and significantly higher expenses. Fifty-seven percent of those delinquent borrowers whose income has declined significantly and expenses have gone up significantly since January 2010 said they would be more likely to rent their next home.

Challenges Facing Americans

- Financial reasons are cited as the most significant obstacles to homeownership. Poor credit remains the top reason given by renters for not buying a home, followed closely by purchase and upkeep affordability and the perception that it is not a good time to buy.
- Seventy-three delinquent borrowers and 42 percent of renters believe their income is insufficient for the expenses they have.
- Delinquent borrowers pay the highest proportion of their income towards their mortgage – paying on average 36 percent compared with 25 percent of income among all mortgage holders.

Attitudes about Delinquency

- Since January 2010, the proportion of delinquent borrowers who say they have considered defaulting on their mortgage has declined by eight points, from 39 percent to 31 percent.
- Most Americans (86 percent) continue to disapprove of defaulting on a mortgage, even if it is underwater.
- Those who know defaulters are more likely to have considered defaulting themselves. Delinquent borrowers are 2.5 times more likely to have considered defaulting if they know someone who has.
- Only 50 percent of delinquent borrowers said they would buy again if they were to move, down from 56 percent in January 2010.
- Among delinquent borrowers, the perception that buying a home is a safe investment has dropped significantly to 53 percent from 65 percent in January 2010.

KEY FINDINGS AMONG MINORITY GROUPS

Hispanic Housing Attitudes

- Three in five Hispanics (59 percent) expect their financial situation to get better over the next year, 19 points higher than the general population.
- Compared to the general population, Hispanics assign greater value to the most common reasons to buy, especially to a home being a symbol of one's success (55 percent compared with 32 percent of the general population).
- Hispanics also are more likely than other Americans to value the possibility of using their home as something to borrow against and building up wealth that can be passed along to their families (73 percent compared with 57 percent).
- A large majority of Hispanics (87 percent) cite the perception that a home is a good place to raise children and provide them with a good education as a major reason to buy, compared to 79 percent of the general population.
- Eighty-three percent of Hispanics said that owning a home allows you to have more space for your family, compared to 73 percent of the general population.
- Eighty-three percent of Hispanics also think that owning a home allows you to have a physical structure where you and your family feel safe, compared to 79 percent of the general population.
- Forty-four percent of Hispanics think that buying a home motivates them to become a better citizen and engage in important civic activities, compared to 29 percent of the general population.
- While less than 1 in 4 Americans say it is likely they will buy a home in the next three years, the incidence goes up to 1 in 3 among Hispanics.

African-American Housing Attitudes

- Only 38 percent of African-Americans think that the economy is on the wrong track, compared to 62 percent of the general population and 59 percent of Hispanics.
- Two thirds of African-Americans (67 percent) expect their personal finances to get better over the next year, compared to 40 percent of the general population.

- When buying a home, African-Americans assign a much greater value to its societal status (54 percent compared with 32 percent of the general population) and as a way to build up wealth (75 percent compared with 57 percent).
- A large majority (82 percent) of African-Americans cite the perception that a home is a good place to raise children and provide them with a good education as a major reason to buy, compared to 79 percent of the general population.
- Eighty-one percent of African-Americans said that owning a home allows you to have a physical structure where you and your family feel safe, compared to 79 percent of the general population.
- Seventy-eight percent of African-Americans also think that owning a home allows you to have more space for your family, compared to 73 percent of the general population.
- While less than 1 in 4 Americans say it is likely they will buy a home in the next three years, the incidence goes up to 1 in 3 among African-Americans.

METHODOLOGY

From October 15, 2010 to December 20, 2010, 3,407 telephone interviews with Americans age 18 and older were conducted by Penn Schoen Berland. This included a random sample of 3,004 members of the general population, including 751 homeowners, 1,232 mortgage borrowers, 871 renters. Out of the 1,232 Mortgage borrowers, 313 identified themselves as Underwater borrowers (those who report owing at least 5 percent more on their mortgage than their home is worth). The overall margin of error for the general population sample is +/- 1.79% and larger for sub-groups.

An additional oversample of 403 random national delinquent borrowers was also polled. The margin of error for the delinquent borrower oversample is +/- 4.88% and larger for sub-groups. Delinquency was defined as not having made a mortgage payment in the past 60 or more days.

Fannie Mae exists to expand affordable housing and bring global capital to local communities in order to serve the U.S. housing market. Fannie Mae has a federal charter and operates in America's secondary mortgage market to enhance the liquidity of the mortgage market by providing funds to mortgage bankers and other lenders so that they may lend to home buyers. Our job is to help those who house America.

For more information, visit <http://www.fanniemae.com/media/survey/index.jhtml>