



# Fannie Mae National Housing Survey

## Why a survey?

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- To better understand consumer attitudes towards housing -- owner, borrower, and renter
  - Likely a time of meaningful change in attitudes, which may be leading indicators of shifts in behaviors
  - “Intel Inside”: Intel is a B2B player that does innovative “end user” consumer research to inform how to serve industry needs
- Help the industry
  - Industry loss mitigation efforts
  - Maximizing knowledge dissemination from this severe recession cycle
  - Housing policy decision support
  - Inform development of “front end” practices and/or products
- Focus our future
  - Our own loss mitigation efforts
  - Help define further research efforts
  - Inform strategic decisions

## Consumer attitudes: measure current and track change

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- Attitudinal Questions
  - State of the country and the economy
  - Household finances
  - Homeownership as an investment and its role in life
  - Comparison of homeownership and renting
  - Knowledge and confidence about the mortgage shopping process
  - Financial and mortgage distress
  - Housing finance system
- Survey to be done on a periodic basis

## Research Methodology

- From December 12, 2009 – January 12, 2010, Penn Schoen Berland, in partnership with Oliver Wyman, conducted 3,451 telephone interviews among the following audiences:

Sample 1 (General Population)	Sample Size	Margin of Error
<b>General Population (GP), including:</b>	3,051	±1.77%
<b>Owner</b>	887	±3.29%
<ul style="list-style-type: none"> <li>Own home outright</li> </ul>		
<b>Mortgage Borrowers</b>	1,110	±2.94%
<ul style="list-style-type: none"> <li>Have a home mortgage</li> </ul>		
<b>Renter</b>	908	±3.25%
<ul style="list-style-type: none"> <li>Rent home</li> </ul>		
<b>Underwater Borrowers</b>	338	±5.33%
<ul style="list-style-type: none"> <li>Report owing at least 5% more on their mortgage than their house is worth</li> </ul>		
<b>Hispanic</b>	530	±4.26%
<b>African-American</b>	367	±5.12%
Sample 2 (Delinquent List)	Sample Size	Margin of Error
<b>Delinquent (Oversample)</b>	400	±4.90%
<ul style="list-style-type: none"> <li>Behind on mortgage payment by at least 60 days</li> </ul>		
<b>Underwater Delinquents</b>	186	±7.19%
<ul style="list-style-type: none"> <li>Report owing at least 5% more on their mortgage than their house is worth and are behind on their mortgage payment by at least 60 days</li> </ul>		

•A similar study was conducted in December 2003 and is used as a baseline periodically throughout this report

•Note that on each question, respondents had the option to answer "don't know" (volunteered), which is why, in some cases, the total % may not equal 100

## Key findings: rebalancing owning and renting attitudes

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- **Non-financial reasons eclipse financial reasons for owning**
- **Still want to own a home but cautious – especially renters**
- **Signs of personal financial stress**
- **Default attitudes may be influenced by being underwater or knowing someone who has defaulted**

## Safety, education most important considerations in home purchase

- Indicating there is a strong non-financial component to owning, based on a sense of security for your family – significantly stronger than any of the more economic considerations.

Is this a major reason, minor reason or not a reason at all to buy a home <i>Showing Major reason</i>	GP %	Delinquent %	Owner %	Mortgage %	Renter %	Underwater %	Hispanic %	African-American %
It means having a good place to raise children and provide them with a good education	80	83	82	80	78	75	88	82
You have a physical structure where you and your family feel safe	79	79	82	81	75	81	83	80
It gives you control over what you do with your living space, like renovations and updates	71	67	73	72	70	71	70	70
Paying rent is not a good investment	63	66	63	72	54	69	61	58
Owning a home is a good way to build up wealth that can be passed along to my family	61	61	64	54	66	55	74	75
It is a good retirement investment	60	59	65	55	61	51	67	67
It allows you to select a community where people share your values	51	56	61	49	47	41	55	50
Owning a home provides tax benefits	47	58	45	51	45	50	51	50
Owning a home gives me something I can borrow against if I need it	35	41	39	30	37	30	47	44
It motivates you to become a better citizen and engage in important civic activities, such as voting, volunteering, and contributing to charities	30	36	39	25	28	26	45	37

## Good time to buy a house

- Almost 2 in 3 think it's a good time to buy a house and nearly 1 in 3 think now is a *very good* time to buy a house.
  - Mortgage borrowers are slightly down since 2003 on this, but Renters and Owners are the same
  - However, in all groups surveyed in 2003, a larger percentage today believe it is a bad time to buy than did in 2003

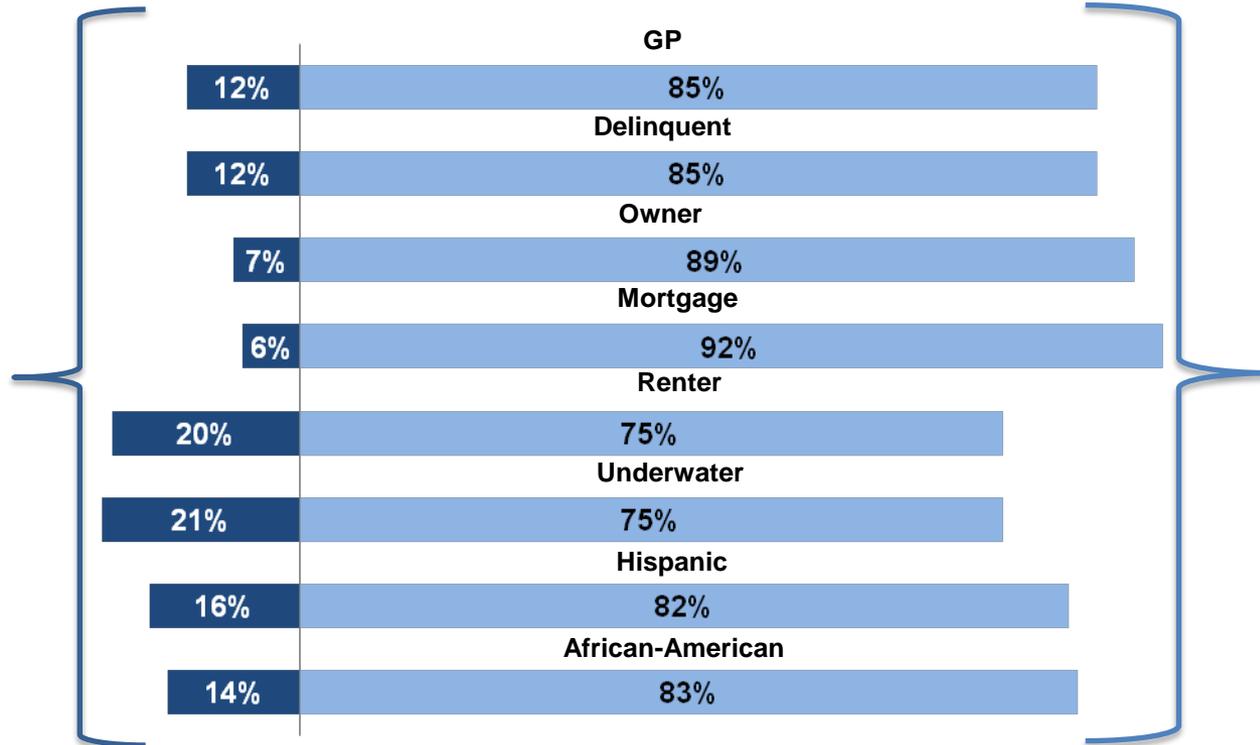
*In general, do you think this is a very good time to buy a house, a somewhat good time, a somewhat bad time, or a very bad time to buy a house?*

In general, do you think this is a very good time to buy a house, a somewhat good time, a somewhat bad time, or a very bad time to buy a house?	GP %		Delinquent %	Owner %		Mortgage %		Renter %		Underwater %	Hispanic %		African-American %	
	2009	2003	2009	2009	2003	2009	2003	2009	2003	2009	2009	2003	2009	2003
<b>GOOD TIME</b>	64	66	70	62	62	71	75	58	56	66	59	61	61	57
<b>BAD TIME</b>	31	26	26	31	25	25	21	36	35	29	36	32	37	33

# Owning makes more sense than renting

- Americans strongly agree that owning makes more sense than renting due to potential rent increases and value appreciation.
  - This is true of Delinquents as well

*Which is closer to your view?*



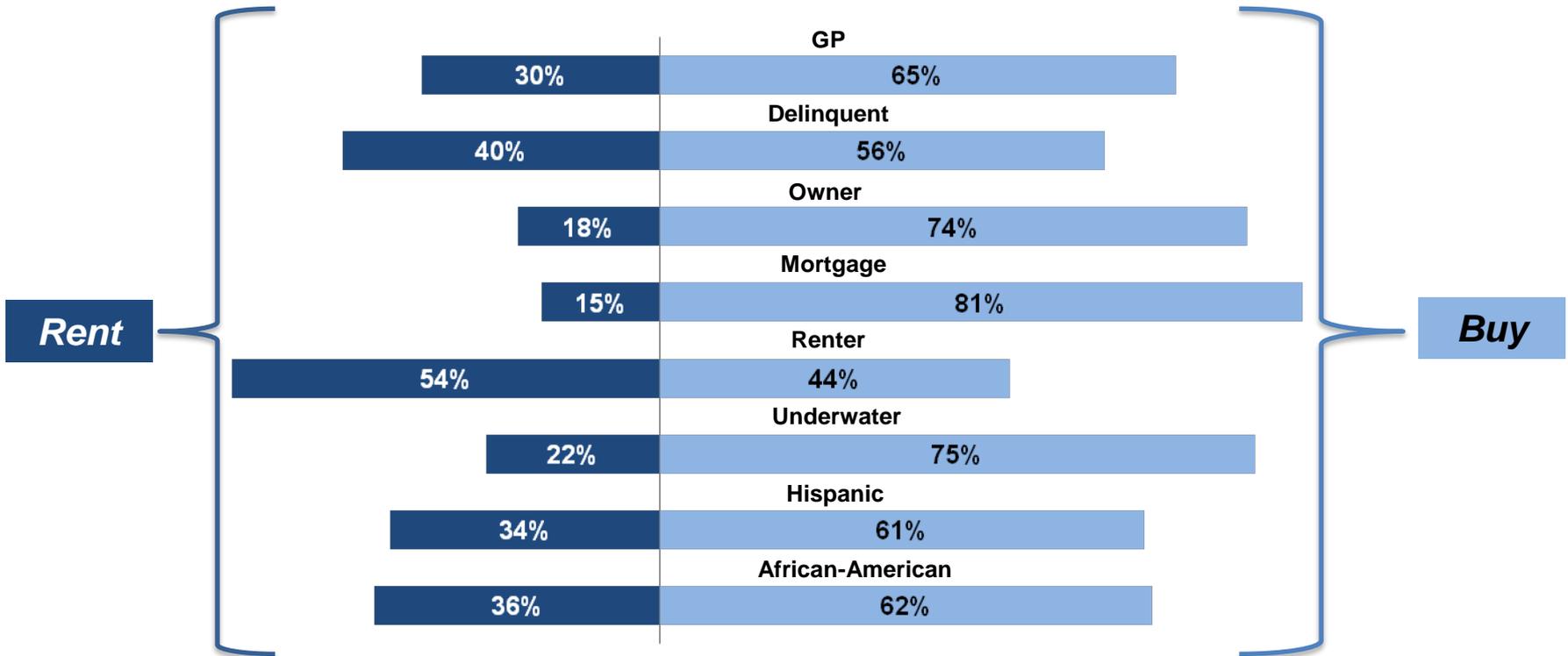
*Renting makes more sense because it protects you against house price declines and is actually a better deal than owning.*

*Owning makes more sense because you're protected against rent increases and owning is a good investment over the long term.*

# Americans would buy over rent

- More than 6 in 10 say they would buy a house if they were going to move, opposed to just 3 in 10 who would rent one.

*If you were going to move, would you be more likely to:*



## For most, bad economy has not changed home purchasing plans

- However, some are delaying purchase plans, especially renters and minorities

Have your plans to purchase a home changed in the last year?	GP %	Delinquent %	Owner %	Mortgage %	Renter %	Underwater %	Hispanic %	African-American %
Yes - you will probably purchase a home later than you had once planned	13	22	6	8	23	10	19	19
Yes - you will probably purchase a home sooner than you had once - planned	8	6	5	7	13	6	9	15
No - nothing has changed your plans about when you will purchase	43	39	44	44	41	47	34	41
No - you never did and still don't plan to purchase a new home	34	31	43	39	21	36	35	24

## Barriers to buying a house

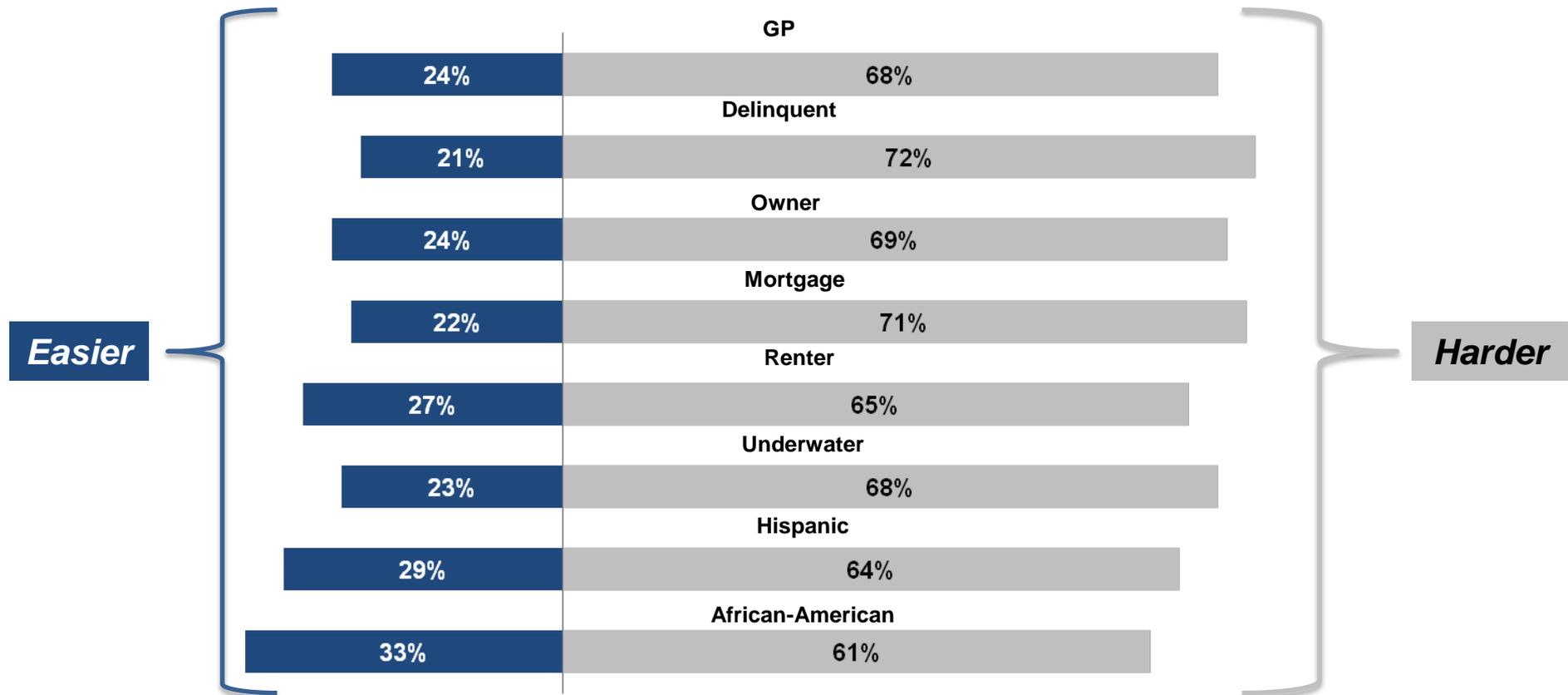
- Poor credit and inability to afford a home prevent renters from buying
  - Many also refrain because they do not think it is a good time economically to buy

IF RENTER OR BOARDER: Is this a major reason you have not bought a house, minor reason, or not a reason at all Showing <i>major reason</i>	Renter %		Hispanic %		African-American %	
	2009	2003	2009	2003	2009	2003
You don't have good enough credit for a mortgage	54	39	55	47	59	42
You don't think you can afford the purchase or upkeep of a home	47	41	43	38	42	39
You don't think it's a good time economically to buy a home	41	NA	52	NA	40	NA
You don't think you will be in a certain area for an extended period of time	34	37	33	21	23	22
It is cheaper per month to rent than to buy	30	NA	39	NA	25	NA
The process of buying a home seems too complicated	25	13	44	21	22	25
Purchasing a home makes you feel like you will have limited flexibility in your future choices. Is this a major reason you have not bought a house?	23	NA	28	NA	22	NA
You don't want to be concerned with doing the upkeep	21	NA	29	NA	16	NA
You'd rather use the money for other investments than a home	21	NA	23	NA	16	NA
You can live in a better neighborhood by renting	17	NA	29	NA	13	NA

# Buying a home will be harder in the future

- Nearly 7 in 10 think buying a home will be harder for the next generation of Americans.

*Do you think it will be easier or harder for your children or the next generation in general to buy a home than it is today?*



## Buying a home is considered a safe investment

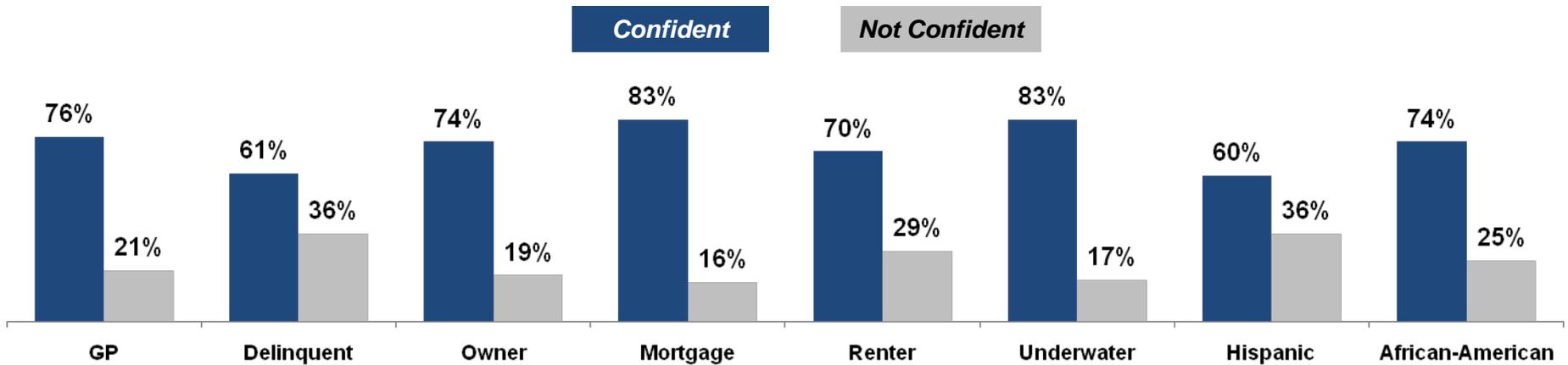
- Though 7 in 10 think buying a house is a safe investment, still one of the safest, this number is down 13 points from 2003.
- That number is just as high for Delinquents.

Do you think this investment is...	GP %		Delinquent %	Owner %		Mortgage %		Renter %		Boarder %	Hispanic %		African-American %	
	2009	2003	2009	2009	2003	2009	2003	2009	2003	2009	2009	2003	2009	2003
Showing <i>Safe/Risky</i>														
Putting money into a savings or money market account	74/20	79/16	73/24	73/22	74/19	79/16	82/15	71/23	78/15	76/20	69/25	75/19	68/30	69/27
Buying a home	70/27	83/15	65/32	73/21	78/19	76/21	88/11	61/37	79/17	75/23	64/33	81/15	63/34	72/24
Putting money into an IRA or 401(k) plan	63/30	69/22	57/37	61/29	63/26	67/31	72/21	63/31	70/19	69/30	59/34	65/22	64/33	61/29
Buying government or corporate bonds	50/39	NA	47/38	52/36	NA	56/35	NA	44/44	NA	54/38	46/41	NA	47/43	NA
Buying an insurance annuity	50/31	NA	48/32	48/33	NA	49/32	NA	50/28	NA	50/37	46/34	NA	53/34	NA
Investing in a mutual fund	46/41	53/33	45/41	44/42	47/34	48/41	56/35	44/41	55/27	48/33	37/47	46/36	50/41	46/37
Buying stocks	17/76	25/68	12/81	19/72	28/63	16/79	23/73	18/76	24/63	16/80	18/73	25/62	24/69	29/63

# Less than half are very confident they'd get the information needed to choose the right loan product

- Just a third of Renters, Delinquents, and Hispanics are very confident.

*If you were buying or refinancing your house today, how confident are you that you would get the information you need to choose the loan that is right for you?*

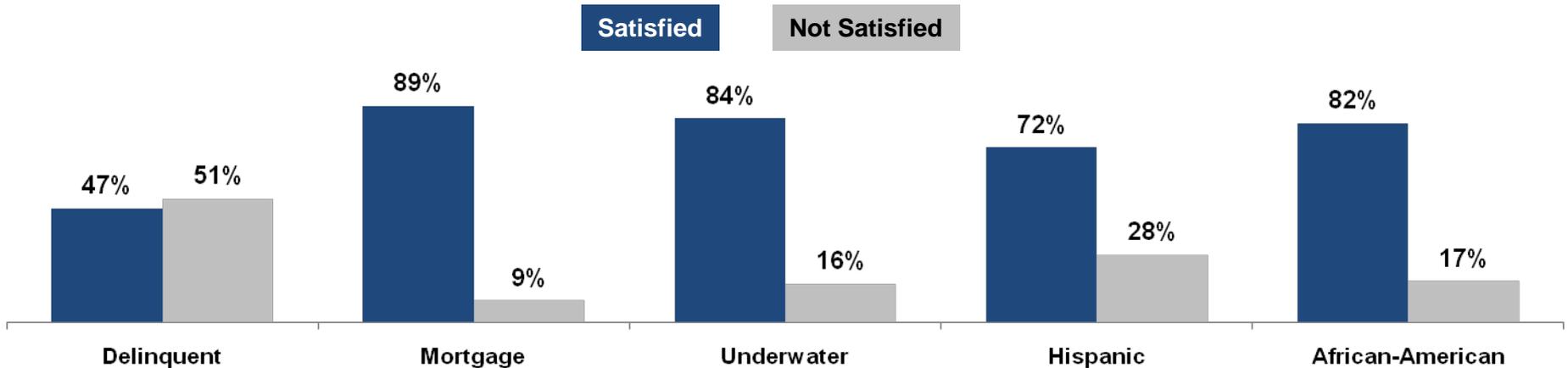


If you were buying or refinancing your house today, how confident are you that you would get the information you need to choose the loan that is right for you?	GP %	Delinquent %	Owner %	Mortgage %	Renter %	Underwater %	Hispanic %	African-American %
<b>TOTAL CONFIDENT</b>	<b>76</b>	<b>61</b>	<b>74</b>	<b>83</b>	<b>70</b>	<b>83</b>	<b>60</b>	<b>74</b>
Very confident	47	30	51	56	35	52	32	40
Somewhat confident	29	31	23	27	35	31	28	34
<b>TOTAL NOT CONFIDENT</b>	<b>21</b>	<b>36</b>	<b>19</b>	<b>16</b>	<b>29</b>	<b>17</b>	<b>36</b>	<b>25</b>
Not very confident	12	19	11	10	16	11	20	14
Not at all confident	9	17	8	6	13	6	16	11

# 9 in 10 borrowers satisfied with features of current mortgage

- However, majority of Delinquents are not satisfied with the features of their current mortgage.

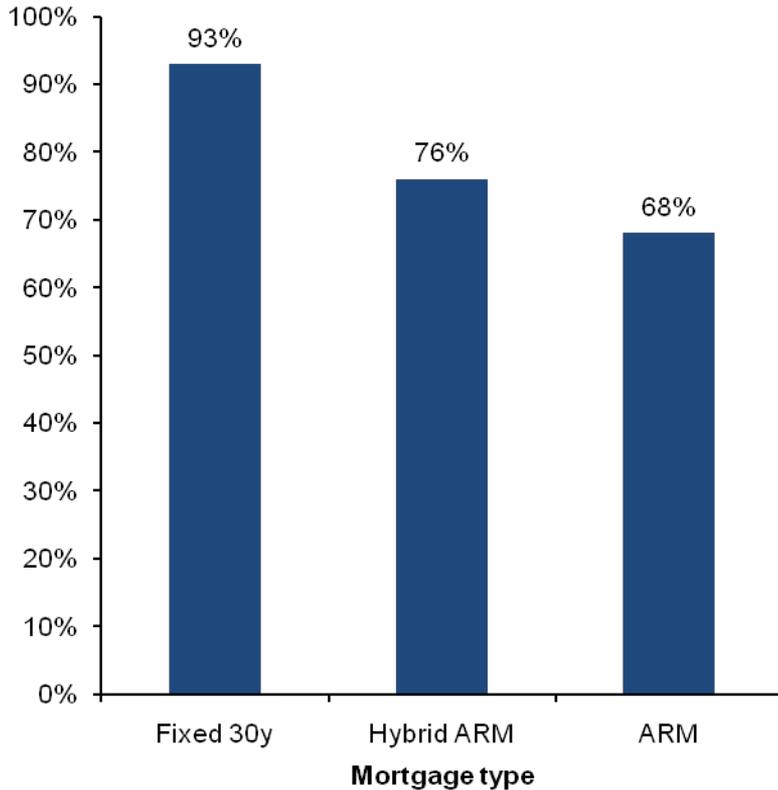
***IF MORTGAGE: Are you very satisfied, somewhat satisfied, not very satisfied, or not at all satisfied with the features of your current mortgage?***



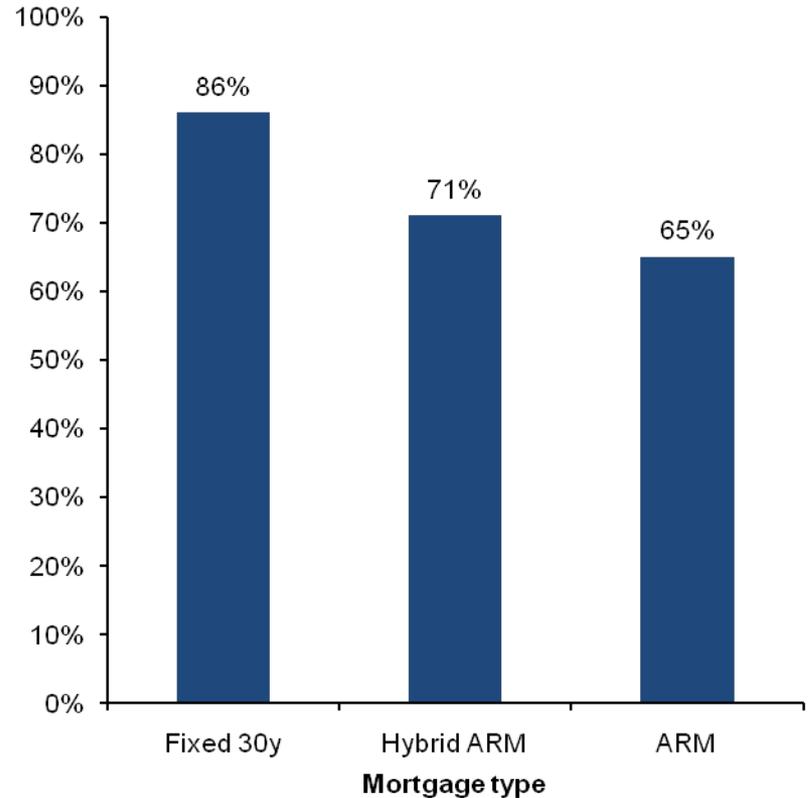
IF MORTGAGE: Are you very satisfied, somewhat satisfied, not very satisfied, or not at all satisfied with the features of your current mortgage?	Delinquent %	Mortgage %	Underwater %	Hispanic %	African-American %
<b>TOTAL SATISFIED</b>	<b>47</b>	<b>89</b>	<b>84</b>	<b>72</b>	<b>82</b>
Very satisfied	19	63	57	49	53
Somewhat satisfied	28	26	27	23	29
<b>TOTAL NOT SATISFIED</b>	<b>51</b>	<b>9</b>	<b>16</b>	<b>28</b>	<b>17</b>
Not very satisfied	18	4	10	14	5
Not at all satisfied	33	5	6	14	12

# Hybrid and standard ARM borrowers less satisfied with their mortgages

**Percent of mortgage borrowers satisfied with the features of their mortgages**



**Percent of mortgage borrowers who believe they made a good decision at the time of origination**



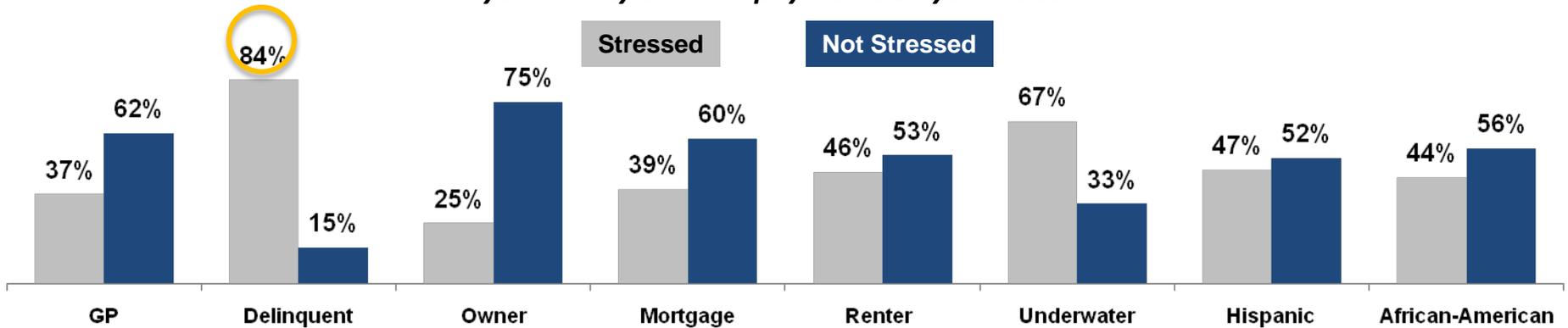
Source: PSB; Oliver Wyman analysis

**Hybrid ARM:** A hybrid adjustable rate mortgage or ARM, with fixed payments for a certain period, usually 2-7 years, before adjusting

## 3 in 8 Americans stressed about ability to pay debts

- 4 in 10 borrowers are stressed about paying their debts.
- Despite optimism about their overall financial situation, Renters are more stressed about paying their debts.
  - And Delinquents and Underwater borrowers have high levels of being very stressed

*Are you very stressed, somewhat stressed, not very stressed or not at all stressed about your ability to make payments on your debts?*

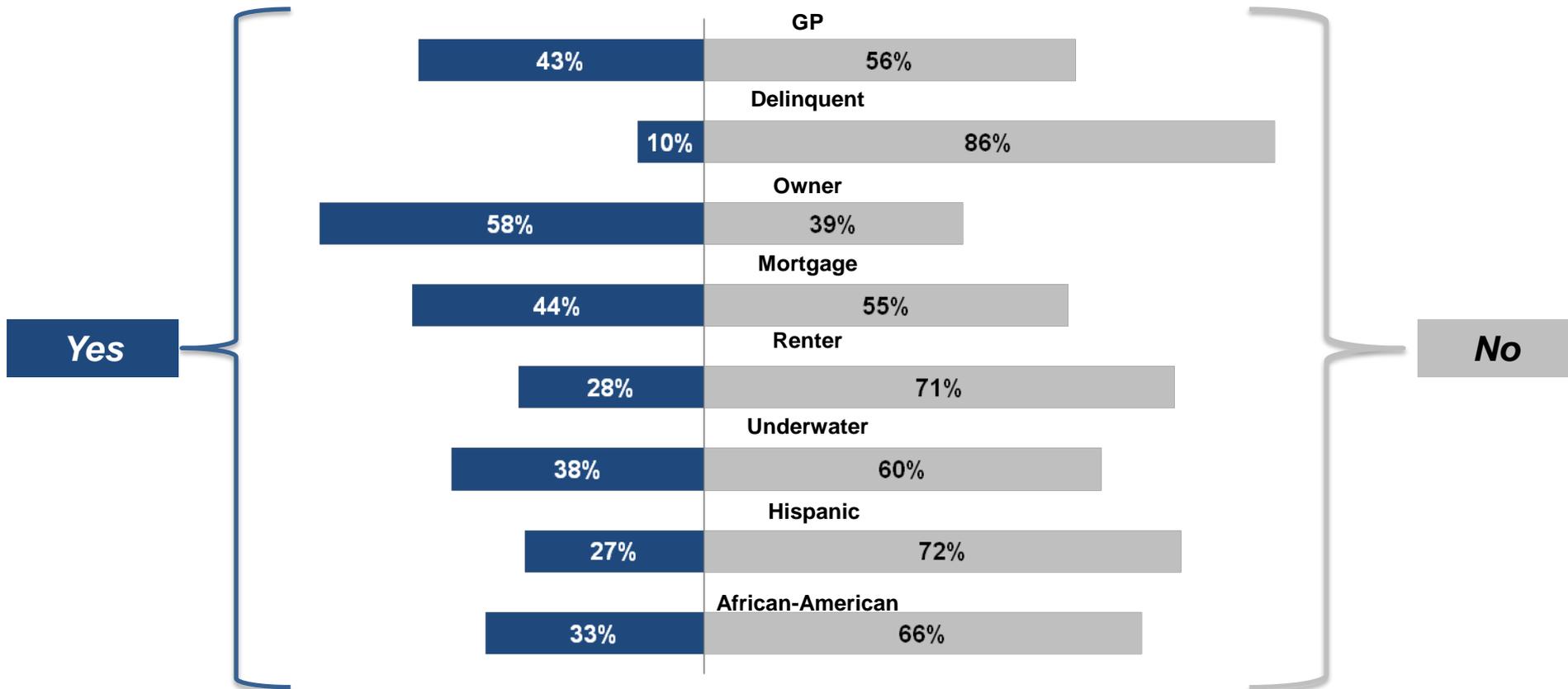


Are you very stressed, somewhat stressed, not very stressed or not at all stressed about your ability to make payments on your debts?	GP %	Delinquent %	Owner %	Mortgage %	Renter %	Underwater %	Hispanic %	African-American %
<b>TOTAL STRESSED</b>	<b>37</b>	<b>84</b>	<b>25</b>	<b>39</b>	<b>46</b>	<b>67</b>	<b>47</b>	<b>44</b>
Very stressed	13	56	10	12	16	39	24	15
Somewhat stressed	24	28	15	27	30	28	23	29
<b>TOTAL NOT STRESSED</b>	<b>62</b>	<b>15</b>	<b>75</b>	<b>60</b>	<b>53</b>	<b>33</b>	<b>52</b>	<b>56</b>
Not very stressed	17	6	12	20	16	20	14	18
Not at all stressed	45	9	63	40	37	13	38	38

## Not enough savings

- More than half of respondents feel they do not have sufficient savings.
- Additionally, this survey finds that Americans think 18% of their income should go into savings.

*Do you feel you have sufficient savings?*

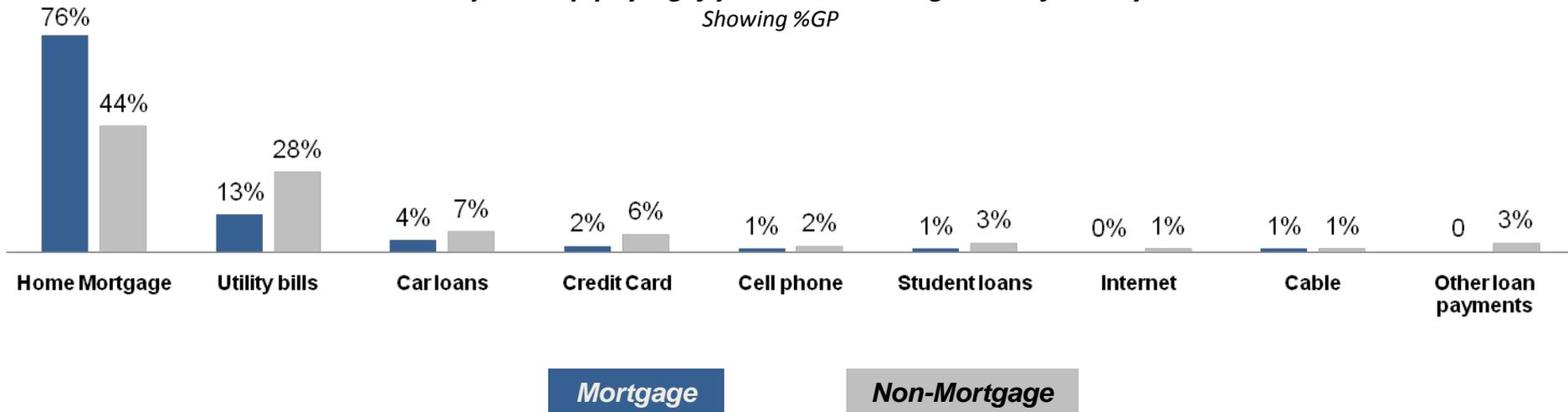


# Home mortgage important bill to pay, but many have other priorities

- A quarter of those with home mortgages put other bills higher in priority than their mortgages.
  - And 42% of Delinquents put higher priority on other bills than their home mortgage

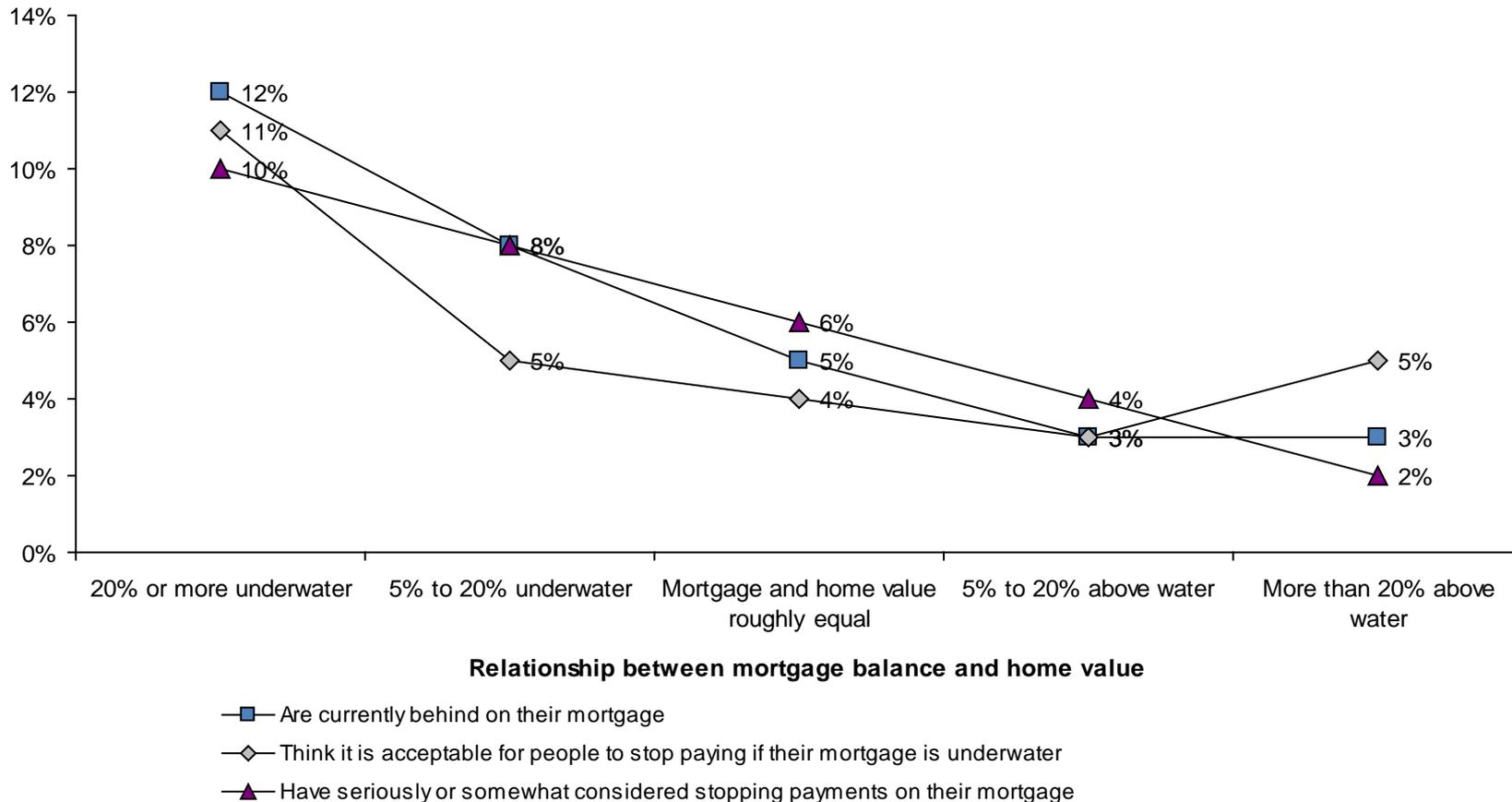
***Of the following types of bills, which is the top one that you would most try to keep paying if you were running short of money?***

*Showing %GP*



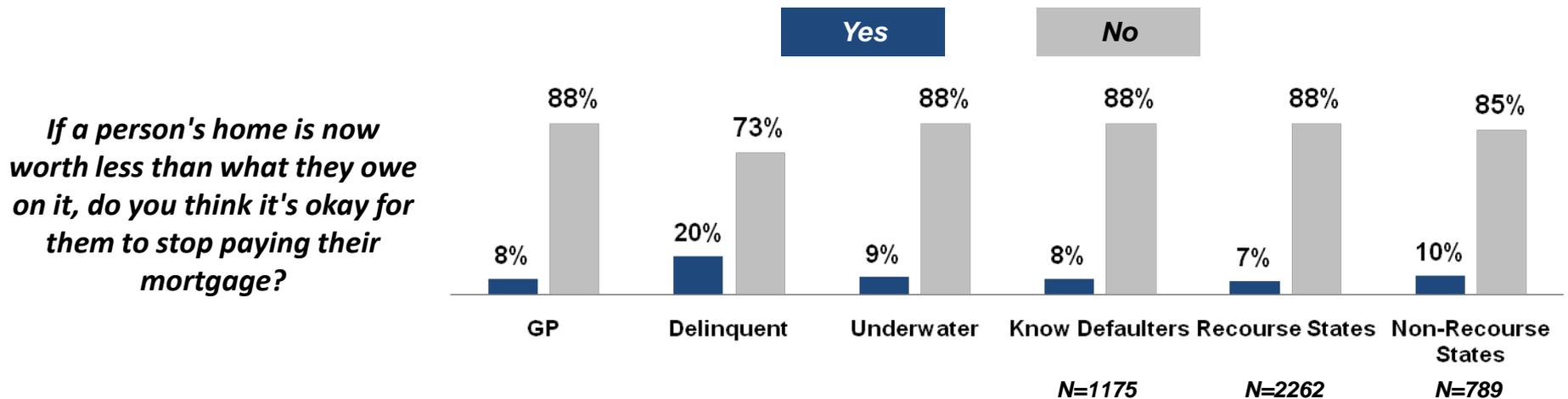
# Underwater borrowers are both more likely to be delinquent and to say they have considered default

## Percent of population responding 'yes' to delinquency behavior questions

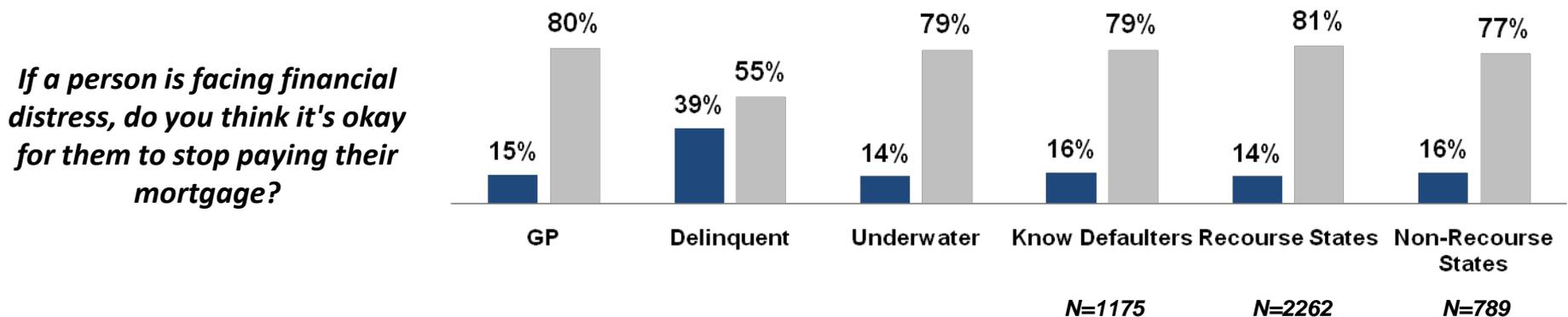


## Majority disapprove of struggling Americans stopping payments

- Nearly 9 in 10 Americans, including 7 in 10 delinquents, do not believe it's OK for people to stop making payments if they're underwater on their mortgage

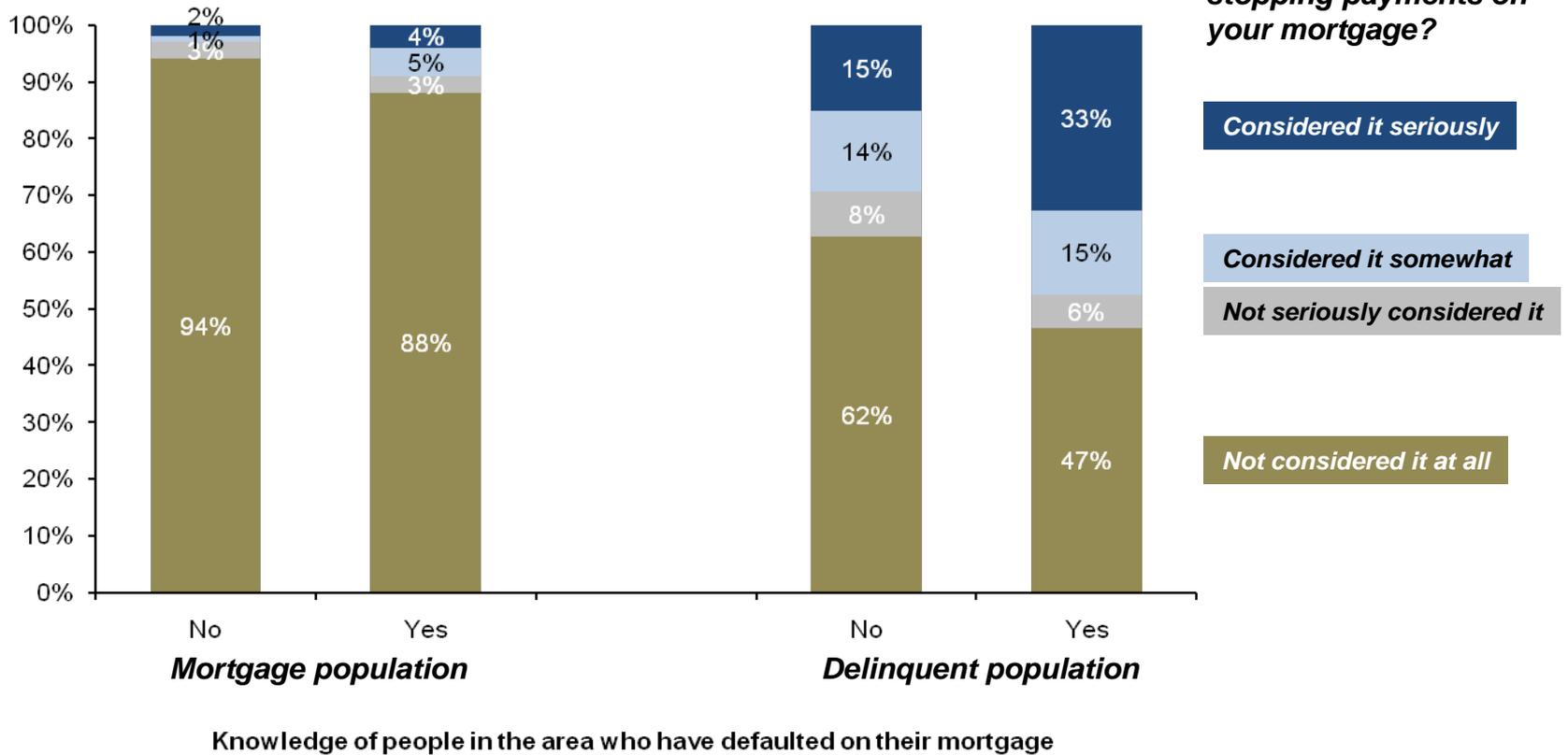


- But almost twice as many say financial distress makes it OK – including 39% of Delinquents



# Those who know defaulters are more likely to have considered defaulting themselves

## Views on consideration of stopping mortgage payments



## Next Steps

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- Continue survey to track changes in attitudes
  - Defining the tracking survey approach
  - Detailed questions regarding specific areas of interest
- Additional drill down research of key issues
  - Survey used to develop initial insights for more rigorous research