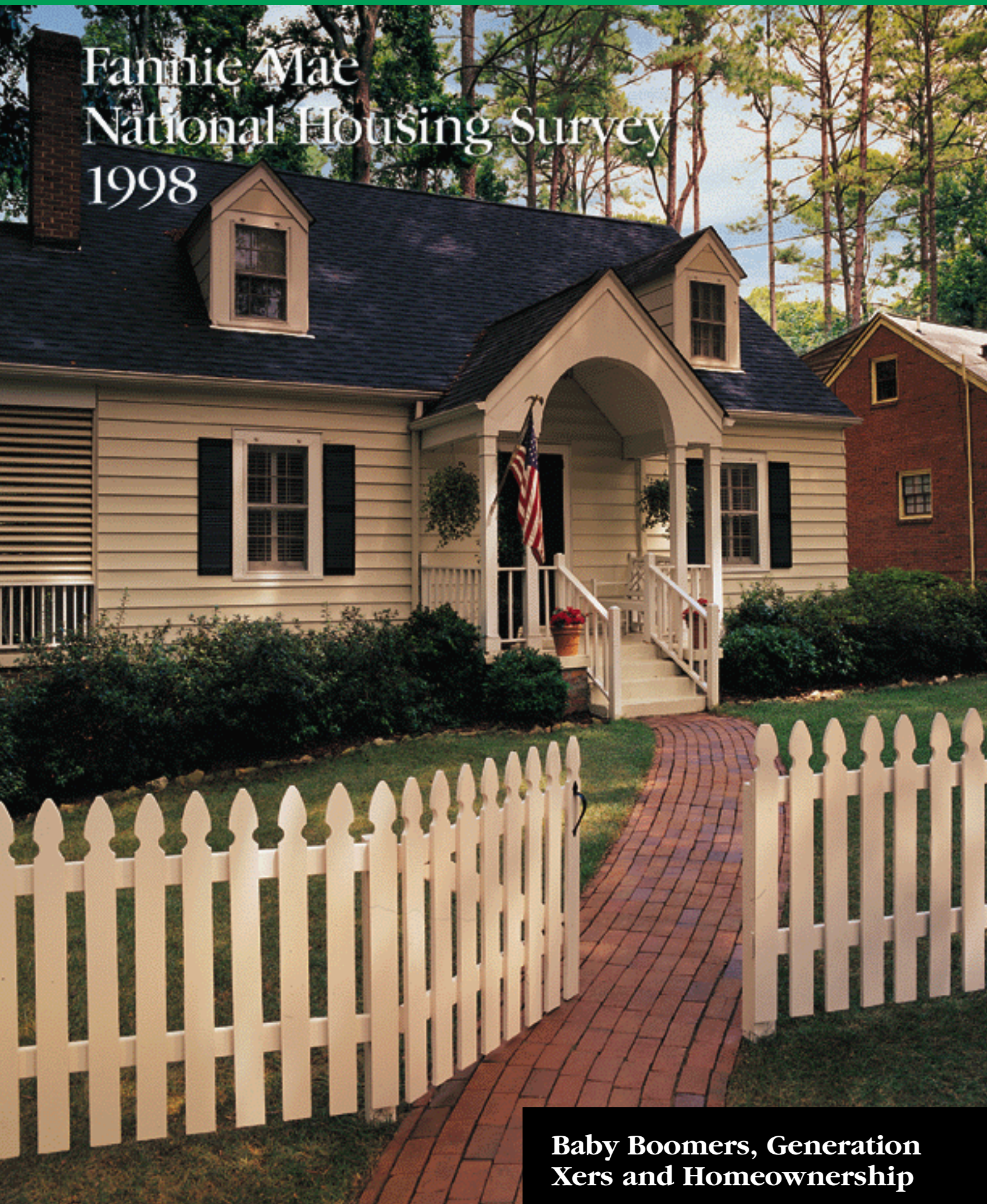


Fannie Mae National Housing Survey 1998



**Baby Boomers, Generation
Xers and Homeownership**

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Fannie Mae Mission Statement

Since its creation by Congress in 1938 and its evolution into a shareholder-owned company in 1968, Fannie Mae's mission has been to provide financial products and services that increase the availability and the affordability of housing for low-, moderate-, and middle-income Americans.

1998 Fannie Mae Housing Survey

The 1998 Fannie Mae National Housing Survey was conducted by the survey research firms of Peter D. Hart and Robert Teeter through 2006 interviews, in all regions of the country, between May 29 and June 3, 1998. The survey included an oversampling of adults in the age cohorts of 40 to 54, and 25 to 39, to gain insights into attitudes held by both so-called Baby Boomers and Generation Xers.

For comparative purposes, they were also able to draw on the previously released Fannie Mae Foundation Survey of African Americans and Hispanics (April 21, 1998). The margin of error is +/- 3%.

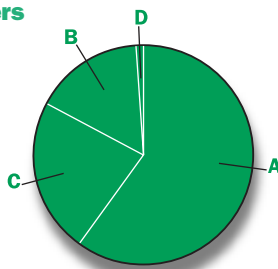
Major conclusions from the 1998 Fannie Mae Housing Survey

Renters' desire to own a home is stronger than at any time in the 1990s

It has been widely predicted that 1998 will be a record-breaking year for mortgage originations, with an expected \$1.5 trillion in mortgages financed. These predictions are strongly reinforced by the 60% of all renters who say that buying a home ranks from being a very important priority to their number-one priority, the highest level found in any of the seven Fannie Mae National Housing Surveys fielded annually since 1992.

Renters desire to be homeowners

- A** Very important to number-one priority **60%**
- B** Not a very important priority . . . **16%**
- C** Not a priority at all **23%**
- D** Not sure. **1%**



Now is still a good time to buy a home

Although public euphoria about this being a good time to buy a home has not returned to the level found when interest rates dropped significantly in the early part of the decade, confidence levels about one's ability to buy a home are near an all-time high. In 1998, 65% of American adults say this is a somewhat to very good time to buy a home, down from the highs of 1993 and 1994, when respectively 72% and 76% said so.

Now is a good time to buy a home

Somewhat to very good time to buy



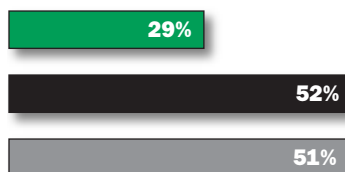
■ 1998 ■ 1994 ■ 1993

Perceived barriers to homeownership continue to decline

- While not having enough money for a down payment or closing costs is still the greatest perceived obstacle to homeownership, only 29% of all adults cite it as a major obstacle in 1998, compared to 51% in 1992, and a high of 52% in 1996.
- Twenty-six percent of adults cite being able to find a home they like that they can afford as a major obstacle, which is far fewer than the peak year of 1996, when 49% said so.
- The percentage of adults who cite not having enough confidence in the security of their job as a major obstacle has fallen from a high of 48% in 1996 to just 13% today—a nearly 70% decline.
- Only 13% of adults cite information barriers such as not knowing how to get started buying a home as a major obstacle, down from a 1996 high of 32%.
- The percentage who perceive having a good enough credit rating to get a mortgage as a major obstacle to homeownership has declined from a high of 38% in 1996 to just 16% today.
- The perception that discrimination or social barriers presents a major obstacle to homeownership has declined from a high of 18% among all adults in 1996 to just 6% today.

Perceived barriers to homeownership continue to decline

Having enough money for a down payment and closing costs



Being able to find a home that you like and can afford



Having enough confidence in job security



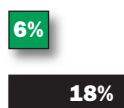
Not knowing how to get started buying a home



Having a good enough credit rating



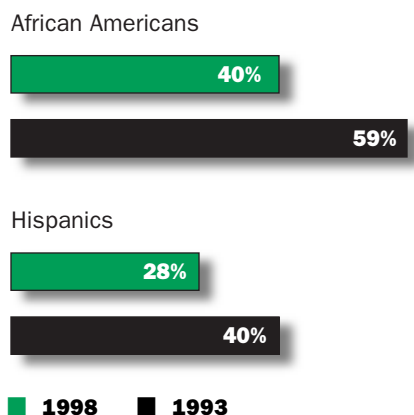
Facing discrimination or social barriers that might prevent you from buying the home you would want to buy



■ 1998 ■ 1996 ■ 1992

This matches findings from the Fannie Mae Foundation's survey of African American and Hispanic Attitudes on Homeownership, publicly released in April 1998, which found that among African Americans, the perception that they suffered from discrimination in mortgage lending all or most of the time, had declined from 59% in 1993, to 40% in 1998; among Hispanics, the number declined from 40% in 1993, to 28% in 1998. While still quite high, the progress indicated in these findings is significant.

African Americans and Hispanics still believe that people of their racial or ethnic background suffer from discrimination in mortgage lending



Source: Fannie Mae Foundation—African American and Hispanic Attitudes on Homeownership

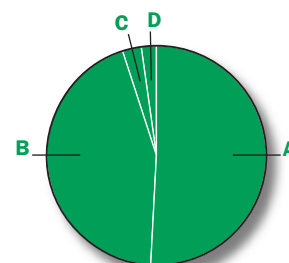
Americans have confidence in the US economy

One clear factor in the optimism felt by many is confidence in the US economy. More than half (51%) of all adults expect their family's financial situation will be somewhat to much better one year from now, which is fully 10 percentage points better than the previously most optimistic response in 1994 when 41% said so.

Outlook on family's financial situation

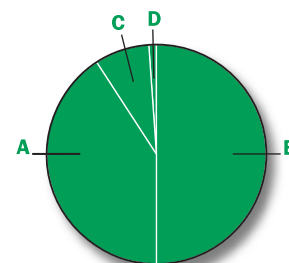
1998

- A Expect to get much/somewhat better. 51%
- B Stay about the same. 44%
- C Get somewhat/much worse. 3%
- D Not sure. 2%



1994

- A Expect to get much/somewhat better. 41%
- B Stay about the same. 50%
- C Get somewhat/much worse. 8%
- D Not sure. 1%



Baby Boomers and Generation Xers on retirement and how they will live

As in previous years, pollsters Hart and Teeter oversampled segments of the population to discern attitudes found within specific cohorts. In 1994, the Fannie Mae National Housing Survey concentrated on renters, and in 1995, on immigrants to the United States. This year's survey oversampled members of the so-called Baby Boom generation and the one that came immediately afterward, Generation X. The findings about their attitudes and plans for homeownership, utilization of equity in their homes, and ways in which they intend to live include the following highlights.

More than 7-in-10 adults age 40 to 54 say they are currently empty nesters (28%)—that is, adults with children who have moved out—or will be some time in the next ten years (44%).

This compares to 8% of Generation Xers who currently are empty nesters, with only 21% stating they will be so within the next ten years. Because 72% of Baby Boomers either are now or soon will be empty nesters, there are significant implications for the real estate finance and home remodeling industries, and particularly for those in the mortgage industry who offer reverse mortgages to seniors.

Currently are an empty nester



Will become an empty nester in ten years



■ 25-39 ■ 40-54

Slightly fewer than 1-in-3 Baby Boomers who will become empty nesters in the next decade (30%) say they will sell their current home and buy a new one, with an additional 15% intending on remodeling their home to suit their changed living arrangements. Just under 4-in-10 (38%) say they will live in their current homes, without making changes to it. Among those who will purchase a new home, 38% say they will purchase a home of comparable value, while 29% say they will buy a more expensive home, and 32% say they will purchase a home that costs less than their current home. With the Baby Boom generation so

large, both aspects that portend change—the percentage who intend on renovating their homes, and the percentage who will sell and buy new homes—will create significant business opportunities for the real estate professionals, mortgage lenders, and home builders and remodelers who will cater to their needs.

Which one of the following best describes your plans for when you become an empty nester—will you remain in the house as it is now, remain in the house but make major renovations to reconfigure the house, sell the house and buy a new house, or sell the house and rent?

	All Adults %	25-39 %	40-54 %
Remain in house as it is now	39	40	38
Remain but reconfigure house	14	15	15
Sell and buy new house	27	25	30
Sell and rent house	4	4	5
Other	5	4	4
Do not own home	4	4	4
Not sure	7	8	4

Additionally, with a majority of Baby Boomers (53%) who are either current or future empty nesters indicating they will stay in their homes, either as is or with renovations, there are implications for lenders who offer reverse mortgages. Forty-five percent of Baby Boomers found reverse mortgages either somewhat or very appealing. Among members of Generation X, 52% found it somewhat to very appealing. These findings portend significant growth for reverse mortgage lending in the decades ahead.

Baby boomers and Generation Xers find reverse mortgages very to somewhat appealing

Baby Boomers



Generation Xers

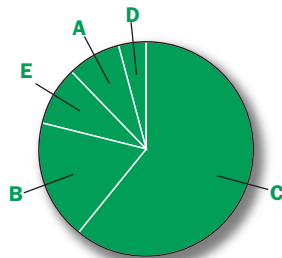


While Baby Boomers and Generation Xers respond to the concept of the reverse mortgage, home equity does not at this time seem to be a large factor in other aspects of their retirement planning. Slightly more than one-in-four members of the Baby Boom generation say that the equity they have in their home will comprise part of their retirement finances, with only 8% saying it will be a major part of their retirement finances. For Generation Xers, 27% say their home equity will play some role in retirement, but only 6% say it will play a major role.

Using the equity in one's home to help finance retirement does not seem to be a major consideration

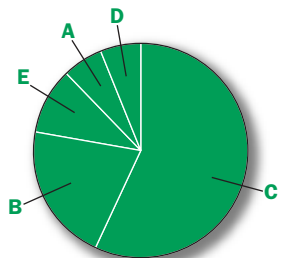
Baby Boomers

- A** Will be major part of retirement finances **8%**
- B** Will be a minor part of retirement finances **18%**
- C** Will not be a part of retirement finances **61%**
- D** Depends **4%**
- E** Not sure **9%**



Generation Xers

- A** Will be major part of retirement finances **6%**
- B** Will be a minor part of retirement finances **21%**
- C** Will not be a part of retirement finances **57%**
- D** Depends **6%**
- E** Not sure **10%**



One-in-four Baby Boomers (25%) currently have a home equity loan, slightly more than the 19% of Generation Xers who do. Both groups predominantly see home equity loans as vehicles for home renovation (Boomers 42%; Xers 41%), and to pay off debts (Boomers 34%; Xers 26%).

Currently have a home equity loan

Baby Boomers



Generation Xers



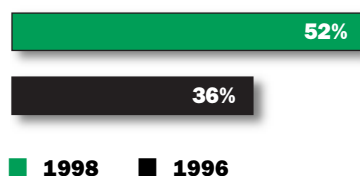
What was the reason you took a home equity loan?

	All Adults %	25-39 %	40-54 %
Pay for improvements/ renovations to home	40	41	42
Pay off other debts	26	26	34
Used to buy another home	8	7	4
Used to make other major purchases	7	4	7
Pay for education expenses	4	1	5
Used to make investments/ savings	4	6	2
Used the money for retirement/ living expenses	3	2	2
Refused/not sure	9	11	7
All other answers	4	3	4

Other major findings

- While more Americans today have access to the Internet than in 1996, there has been no increase in the percentage who say they would likely finance a mortgage online. Thirty-six percent of adults in 1996 said they had Internet access, either at home or at work, but today that number has jumped to 52%. Yet, while 20% of adults two years ago said they would probably or definitely try originating a loan online, only 15% say so today. Interestingly, there is virtually no difference in the percentage of Baby Boomers and Generation Xers who would try to originate a mortgage loan online.

Access to the Internet is increasing



Likelihood of applying for a mortgage online

Would definitely/probably try it

All Adults



Ages 25-39



Ages 40-54



■ 1998 ■ 1996

- To discern how strong is the appeal of the so-called subprime market, respondents were asked whether it is better for a family with a poor credit history to buy a home now with a higher interest rate, or wait until such time as they have cleaned up their credit and might qualify for a lower-rate conventional mortgage. Fifty-eight percent of whites believe it is better for the family to wait, and only 30% say they should buy the home now. Interestingly, this same question was asked earlier this year in the Fannie Mae Foundation's Survey of African American and Hispanic Attitudes on Homeownership. At that time, 71% of African Americans and 83% of Hispanics believed the family should wait.

If a family with a poor credit history were looking to buy a home, many lenders could offer them a mortgage with a more expensive interest rate than they would give a family with good credit. Do you think it would be better for this family to wait and try to clean up its credit rating before buying a home so that they can try to get a cheaper mortgage, which will help them save money in the long run; or do you think it would be better for them to buy a home now with the more expensive mortgage because they are better off owning a home while they try to improve their financial situation so that they don't waste any more money on rent?

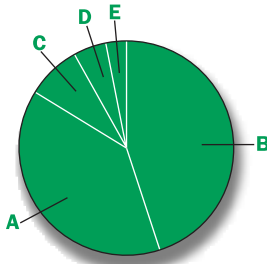
	All Adults %	25-39 %	40-54 %	African Americans* %	Hispanics* %
Clean up credit and wait for cheaper mortgage	59	55	60	71	83
Buy a home now with the more expensive mortgage	29	34	30	14	9
Depends	6	6	7	7	4
Not sure	6	5	3	8	4

*Source: Fannie Mae Foundation—African American and Hispanic Attitudes on Homeownership

- A plurality of Americans prefer to have a mortgage with higher payments and a shorter term to one with lower payments and a longer term.

More Americans would rather have a higher mortgage payment with a shorter term

- A Lowest monthly payment/longer term 39%
- B High monthly payment/shortest term 45%
- C Does not apply 8%
- D Depends 5%
- E Not sure. 3%



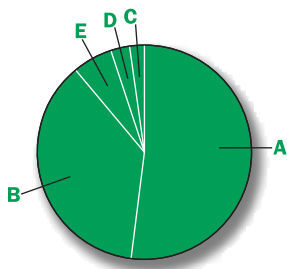
- A majority of Americans would prefer to pay off their mortgage as quickly as possible, rather than prolong their mortgage payments by using tax-advantaged home equity loans or any other purpose.

Thinking about the role of a home mortgage in your current household financial situation, which one of the following two statements comes closer to how you think about a home mortgage.

Statement A: I am interested in paying off a mortgage as quickly as possible in order to build equity in my home and minimize the amount I pay in interest on my debt; or

Statement B: I prefer to take advantage of the low interest rate and tax deductions on a mortgage to use the equity I have paid into my home to finance other investments, such as stocks or bonds, education expenses, or other things, and I will pay my mortgage off more slowly.

- A Statement A/pay mortgage off more quickly 52%
- B Statement B/pay mortgage off more slowly. 37%
- C Some of both 2%
- D Depends 3%
- E Not sure 6%



- One reason why so few Americans state they have an interest in using the equity in their home is the very clear sense that a home represents security, and is not a liquid asset. When given a choice between whether a home should be viewed as a piece of equity to be used to finance other parts of your life and is part of your net worth, or a home is the bedrock of your financial security and you should only be concerned about paying off the mortgage and not using the equity for any other purposes, 55% agreed with the second statement and only 33% with the first.

A home represents security to most Americans

A home is the bedrock of financial security



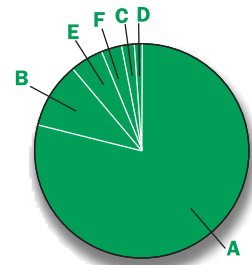
A home is a piece of equity



- Seventy-nine percent of respondents believe that the ideal age for a person to pay off his or her mortgage is before the person is age 60.

The ideal age for a person to pay off his or her mortgage

- A Before age 60 79%
- B Age 60-69 10%
- C Age 70 or older. 2%
- D Never. 1%
- E Depends 5%
- F Not sure. 3%



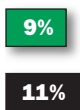
- **After two distinct refinance booms in the 1990s, more Americans have fixed-rate mortgages today than at any time in the past five years.** Today, 56% of adults who own homes have a fixed-rate mortgage, and only 9% have adjustable-rate mortgages (ARMs), with 32% reporting they have no mortgage. Just three years ago, only 46% said they had a fixed-rate mortgage, while 11% had an ARM, and 36% had a paid-off mortgage. The lower percentage of those with paid-off mortgages today also reflects the increase in the homeownership rate, as more first-time home buyers have been created.

More Americans have a fixed-rate mortgage

Fixed-rate mortgage



Adjustable-rate mortgage



■ 1998 ■ 1995

- **Thirty-seven percent of homeowners say they have previously refinanced their current mortgage.** Additionally, 16% say it is somewhat to very likely they will refinance their mortgage this year.

Thirty-seven percent of homeowners have refinanced their current mortgage

Have refinanced current mortgage



Likelihood of refinancing

Somewhat to very likely to refinance this year



Degrees of optimism about homeownership

Now is a good time to buy a home

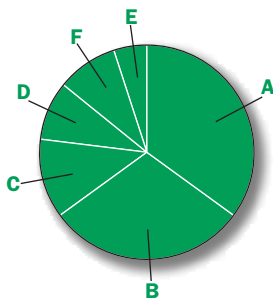
The proportion of Americans who think now is a very good time to buy a home has almost doubled from 18% to 35% between the time of the 1995 National Housing Survey and now. This does not match the public's positive perceptions of the housing market in 1993 (when 50% called it a very good time to buy a home) and 1994 (when 45% said so), but underlying factors such as personal financial situation, fading obstacles to buying a home, and the attractiveness of current mortgage interest rates suggest the current all-around housing market is at least as positive as it was in 1993 to 1994. Today, nearly two-in-three (65%) Americans say this is either a very good time (35%) or a somewhat good time (30%) to buy a home. Those with experience buying a home are the most likely to think now is a good time to buy.



Now is a good time to buy a home

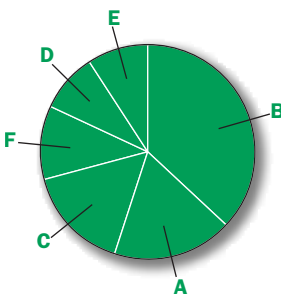
1998

- A Very good time to buy 35%
- B A somewhat good time to buy . . . 30%
- C A somewhat bad time to buy . . . 12%
- D Very bad time to buy 9%
- E Neither good nor bad/depends . . . 5%
- F Not sure 9%



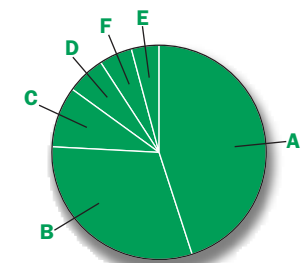
1995

- A Very good time to buy 18%
- B A somewhat good time to buy . . . 37%
- C A somewhat bad time to buy . . . 16%
- D Very bad time to buy 9%
- E Neither good nor bad/depends . . . 9%
- F Not sure 11%



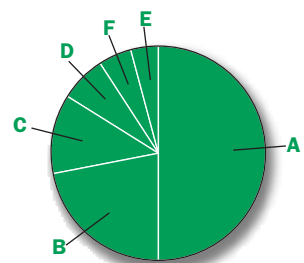
1994

- A Very good time to buy 45%
- B A somewhat good time to buy . . . 31%
- C A somewhat bad time to buy . . . 9%
- D Very bad time to buy 6%
- E Neither good nor bad/depends . . . 4%
- F Not sure 5%



1993

- A Very good time to buy 50%
- B A somewhat good time to buy . . . 22%
- C A somewhat bad time to buy . . . 12%
- D Very bad time to buy 7%
- E Neither good nor bad/depends . . . 4%
- F Not sure 5%



- More than 70% of those who plan to retire, move, and buy a new home think now is a good time to buy a home.
- A 78% majority of owners who say they are likely to refinance think it is a good time to buy a home.
- Renters who are very likely to buy are much more likely (69%) to think it is a good time to buy than are renters who are only somewhat or not very likely to buy (44%).

Now is a good time to buy a home

Those who plan to retire, move, and buy a new home



Owners who are likely to refinance their current mortgage



Renters who are very likely to buy



Renters who are somewhat/not very likely to buy



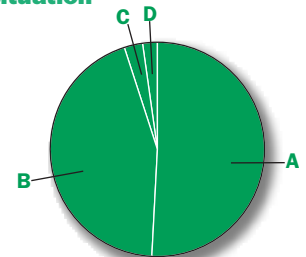
Perceived barriers to homeownership are declining

An important contributing factor to this good housing market is the current positive personal economic expectations. A 51% majority of Americans say they expect their family's financial situation to get either much better (22%) or somewhat better (29%) over the next year. This is a marked improvement over the 40% in 1996 (and similar proportions in 1994 and 1995) who said they expect their financial situation to improve. Those most optimistic about their personal economic future represent some key groups of potential home buyers, including people under the age of 40, African Americans, Hispanics, and renters.

Outlook on family's financial situation

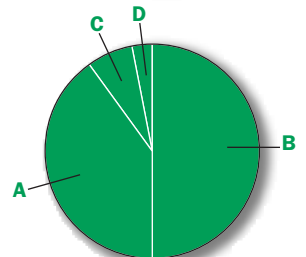
1998

- A Get much/somewhat better . . . 51%
- B Stay about the same 44%
- C Get somewhat/much worse . . . 3%
- D Not sure 2%



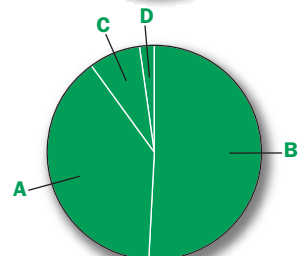
1996

- A Get much/somewhat better . . . 40%
- B Stay about the same 50%
- C Get somewhat/much worse . . . 7%
- D Not sure 3%



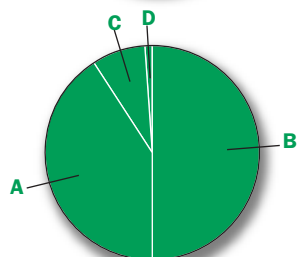
1995

- A Get much/somewhat better . . . 39%
- B Stay about the same 51%
- C Get somewhat/much worse . . . 8%
- D Not sure 2%



1994

- A Get much/somewhat better . . . 41%
- B Stay about the same 50%
- C Get somewhat/much worse . . . 8%
- D Not sure 1%



Traditional obstacles to buying a home appear to be less daunting to Americans in this year's Fannie Mae National Housing Survey. The remarkable changes in attitudes suggest the successful American economy may simply make everything about buying a home seem a little bit easier. The following summarizes the changes in attitudes toward various obstacles to buying a home.

Discrimination: Most Americans (77%) say *facing discrimination or social barriers* to home buying is no obstacle. This is an improvement from 1997 when 54% said discrimination was not an obstacle. In 1997, only 26% of African Americans said discrimination was not an obstacle, compared to 48% in 1992. Only 16% of African Americans say discrimination is a *major* obstacle, down from 39% in 1997. In this latest survey, only 11% of Hispanics say discrimination is a major obstacle (down from 23% a year ago) and 67% say it is not an obstacle (up from 39% a year ago).

Job security: *Having enough confidence in the security of your job* is not nearly the obstacle to home buying that it was two years ago. Today, only 13% say concerns about job security are a major obstacle to buying a home. In 1996, 48% said it was a major obstacle. Two-thirds (66%) say job security is not an obstacle, compared to only 28% in 1996. Job security is more likely to be a concern for 18- to 24-year olds, but only 26% of them say it is a major obstacle.

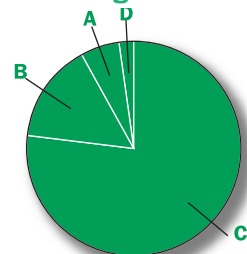
Credit: A 62% majority of Americans say *having a good enough credit rating to get a mortgage* is not an obstacle, up from 46% last year. While only 16% of all adults say having a good enough credit rating is a major obstacle to buying a home, 37% of those who rent because of economic circumstances say it is a major obstacle. Among those who say buying a home is a high priority, 30% say credit is a major obstacle. Clearly, while having a good enough credit rating is less of a concern than in the past, it is still an important obstacle for key target groups of potential home buyers.

Information: With the strong economy and low mortgage interest rates, in combination with the Fannie Mae Foundation's aggressive information outreach program, there has been no shortage of talk about the benefits of homeownership and information about how people can get started buying a home. It shows. Only 13% of Americans say *not knowing how to get started buying a home* is a major obstacle and 63% say it is not an obstacle.

Obstacles to homeownership are declining

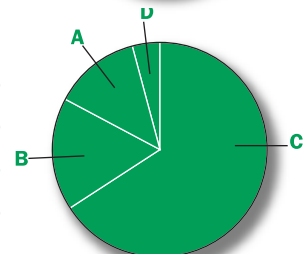
Discrimination

- A A major obstacle 6%
- B A minor obstacle 15%
- C Not an obstacle 77%
- D Not sure 2%



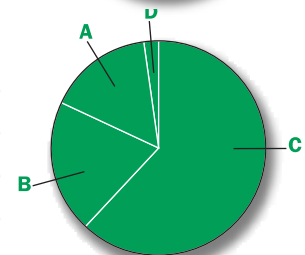
Job security

- A A major obstacle 13%
- B A minor obstacle 17%
- C Not an obstacle 66%
- D Not sure 4%



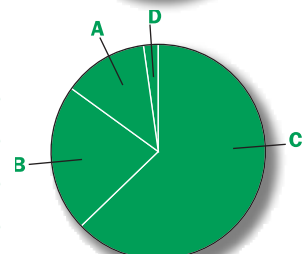
Credit

- A A major obstacle 16%
- B A minor obstacle 20%
- C Not an obstacle 62%
- D Not sure 2%



Information

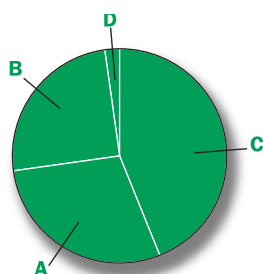
- A A major obstacle 13%
- B A minor obstacle 22%
- C Not an obstacle 63%
- D Not sure 2%



Down payment, closing costs, and home prices: The two obstacles that pose the greatest problems for people revolve around prices, both for the home and for the financial services they require in buying a home. Three-in-ten (29%) say *having enough money for a down payment and closing costs* is a major obstacle and 26% say *being able to find a home you like that you can afford* is a major obstacle. Even so, the number of people who say having enough for down payment and closing costs is not an obstacle has increased from 27% in 1997 to 44% this year and those who say finding an affordable home is not an obstacle increased from 25% last year to 41% in 1998.

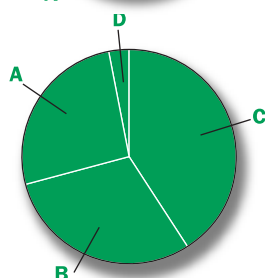
Down payment and closing costs

- A A major obstacle 29%
- B A minor obstacle 25%
- C Not an obstacle 44%
- D Not sure 2%



Home prices

- A A major obstacle 26%
- B A minor obstacle 30%
- C Not an obstacle 41%
- D Not sure 3%



Forced by circumstances to rent

When people say the primary reason they rent is because of *circumstances* (not by choice), they are talking about having enough money, finding a home in their price range, and having good credit. Of the six obstacles to buying a home, these three rank as the top three concerns for those who rent because of circumstances. Among this group of involuntary renters, 53% say *having enough money for a down payment and closing costs is a major obstacle*, 40% say *the same about being able to find a home you like that you can afford*, and 37% say *having a good enough credit rating* is a major obstacle.

Most people rent as a result of circumstances

Rent as a matter of choice



Rent as a result of circumstances



Both/neither



Not sure



New products and services

Reverse mortgages

Americans are divided over the appeal of reverse mortgages, but resistance is highest among today's older Americans, and younger generations may embrace the concept more strongly in the future, the survey suggests. Overall, 44% of Americans find the concept either very or somewhat appealing, while another 43% say it is not very or not at all appealing (only 14% find it very appealing, while at the other end of the scale 31% find it not at all appealing). As for the age groups, a solid majority of those under the age of 40 say the concept is appealing, as do 45% of those 40 to 54 years of age. Among those over 55, however, only 27% think the concept is appealing, while 57% say it is not appealing. Only 28% of retiree households think reverse mortgages are appealing.

Americans are divided over the appeal of reverse mortgages

In recent years, lenders have begun offering something called a reverse mortgage. With a reverse mortgage, a person age sixty or older who has paid off their mortgage is eligible to borrow money based on the value of their home. The loan is made in monthly payments to the person—like a trust or annuity—and can be used to pay medical bills, make improvements to the home, or for any other purposes. The homeowner is guaranteed by the lender to never repay the loan as long as they are living in the home. The loan is repaid to the lender after the homeowner has died and the home is sold.



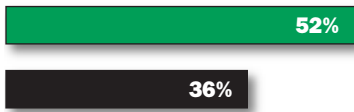
How appealing do you find this type of loan, for your parents or for yourself, when you reach age 60—very appealing, somewhat appealing, not very appealing, not at all appealing, or would a reverse mortgage not apply to your situation?

	All Adults %	25-39 %	40-54 %
Very or somewhat appealing	44	52	45
Not very appealing	12	15	11
Not at all appealing	31	21	33
Does not apply	10	9	8
Not sure	3	3	3

Internet access to mortgages

Even though Internet access is more common than it was two years ago, there has been no increase in interest in applying for a mortgage online today compared to two years ago. A majority of Americans (52%) now have access to online services and that access is not concentrated at the youngest age group. It is only among people 55 years of age and older that access to the Internet dips significantly below 60% (to just 30% among the older middle-age and elderly Americans). Americans with a high school education or less are the least likely to have access to on-line services (30%). Other than older and less-well-educated Americans, as well as lower income Americans, majorities of all other social and demographic groups have access to online services. Internet access is swiftly becoming standard in the lives of most Americans.

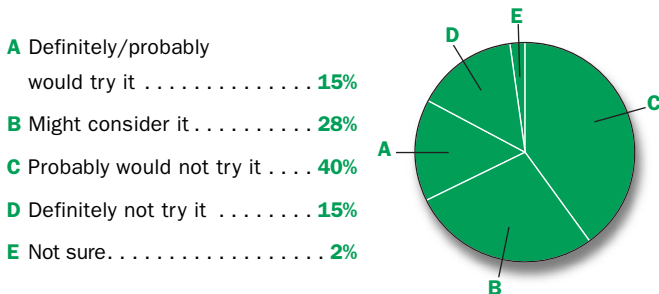
Access to the Internet is increasing



■ 1998 ■ 1996

Despite a dramatic growth in access to the Internet (52% have access today, compared with just 36% in 1996), the proportion of Americans willing to try a service that handled the mortgage application process online has actually declined slightly, from 20% in 1996 to 15% in 1998. The proportion who probably or definitely *would not* try such a service has grown, from 50% in 1996 to 55% today.

Likelihood of applying for a mortgage online



While interest in applying for a mortgage on the Internet has not grown, there are key target groups that are more likely to be interested in giving it a try.

- Among those renters who say buying a home is a high priority, 25% say they would definitely or probably try such a service.
- Among renters very likely to buy a home in the next three years, 22% say they probably try it.

Renters who say buying a home is a high priority who would definitely/probably try an online mortgage service



Renters who are likely to buy a home in the next three years who would probably try an online mortgage service



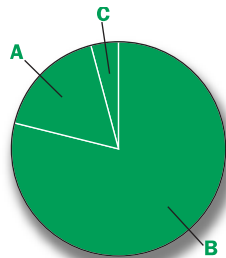
Home equity issues

Fewer than one-in-five Americans (17%) currently are paying off a home equity loan with their home as collateral, a number that is unchanged since 1995. Those who do have home equity loans are somewhat in the middle age groups with 19% of the 25- to 39- year olds and 25% of the 40- to 54- year olds saying they are paying off a home equity loan. Blue collar households are more likely than other groups to be paying off an home equity loan (24%), as are families with children at home (23%).

Fewer than one-in-five Americans currently are paying off a home equity loan with their home as collateral

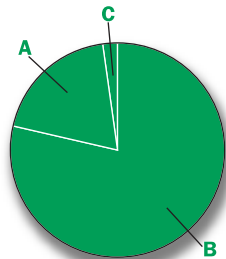
All Adults

- A** Currently are paying off home equity loan with home as collateral **17%**
- B** Not currently paying off home equity loan with home as collateral **79%**
- C** Not sure. **4%**



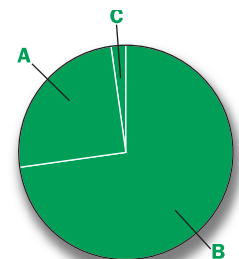
Age 25-39

- A** Currently are paying off home equity loan with home as collateral **19%**
- B** Not currently paying off home equity loan with home as collateral **78%**
- C** Not sure. **3%**



Age 40-54

- A** Currently are paying off home equity loan with home as collateral **25%**
- B** Not currently paying off home equity loan with home as collateral **73%**
- C** Not sure. **2%**

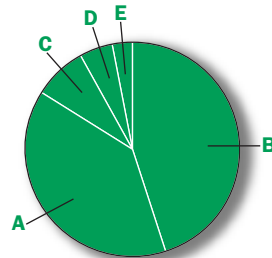


Americans tend to be conservative when it comes to the equity in their homes, with a narrow plurality saying they look at the equity in their home as security and are more interested in paying off mortgages quickly than in borrowing against equity.

Given a choice between the lowest possible monthly payment, even if it means paying off the mortgage over a longer period, and paying off the mortgage as quickly as possible with higher monthly payments, 45% of Americans opt for a high monthly payment and the shortest term mortgage, while 39% prefer the lowest monthly payment over a longer term. There are two general groups who lean more toward the lower monthly payment and longer term loan—the *economically pressured groups*, such as those with less education, and African Americans, renters or people just entering the housing market.

More Americans would rather have a higher mortgage payment with a shorter term

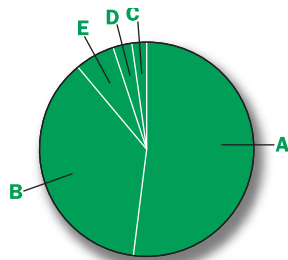
- A Lowest monthly payment/ longer term 39%
- B High monthly payment/ shortest term 45%
- C Does not apply 8%
- D Depends 5%
- E Not sure 3%



A 52% majority of Americans say they would prefer to pay off a mortgage more quickly to build equity in their home and minimize their total interest payment. On the other hand, 37% would prefer to utilize the low interest rate and tax benefits of a mortgage and tap the equity in their homes to finance other things such as investments and education expenses.

A majority of Americans would rather pay off a mortgage more quickly to build equity in their home and minimize the total interest payment

- A Pay mortgage off more quickly 52%
- B Pay mortgage off more slowly to take advantage of lower interest rates and tax benefits 37%
- C Some of both 2%
- D Depends 3%
- E Not sure 6%



When asked whether using a home equity loan for each of a list of purposes is something they would be likely or not likely to do, the types of activities for which people are most likely to take out a home equity loan revolve around education and the home improvement. For example, 40% say they are likely to take out a home equity loan to help a child or younger relative pay for college, and 42% say they would take out a home equity loan to pay for a major home renovation. Married and single people who have dependents are more likely than most groups to say they will take a loan to help a child or younger relative pay for college.

Reasons Americans would be likely to tap the equity in their homes

Pay for a major home renovation



Help a child or other younger relative pay for college



Help a child or other younger relative buy their own home



Consolidate debts, such as credit card bills



Make investments or contributions to an IRA or 401(k)



One-quarter (24%) of Americans say they would take out a home equity loan to help a child or other younger relative buy their own home. One-in-five (21%) say they would be likely to take out a home equity loan to consolidate other debts, such as credit card bills.

Only 12% say they would borrow against their home equity to make investments or contributions to an IRA or 401(k). People under 40 years of age are more likely than those 40 and older to borrow against their homes for the purpose of investing. It will be interesting to follow this younger age cohort to determine if they really do use their home equity to invest or if they will be more conservative when they grapple with the reality of using significant amounts of home equity for investment purposes.

When we asked the 17% of Americans who actually have home equity loans the reason they took the loan, 40% say they took the loan to pay for home improvements and another 26% say the loan was to pay off other debts. While these are generally consistent with the kinds of uses people say they would consider in applying the proceeds from a home equity loan, there is one significant gap between what people say they would consider and what those with home equity loans actually are doing today, and that is in the area of paying the bills for education. Only 4% say they took the loan to pay for education expenses. This gap between what people say they would be likely to do with a home equity loan and what they do in reality may be an area of growth in the use of home equity loans in the future, as practice begins to match what people say in principle they find to be a good use of home equity loan funds.

Key reasons Americans give for actually taking out a home equity loan

Pay for improvements/renovations to home



Pay off debts



Pay for education expenses

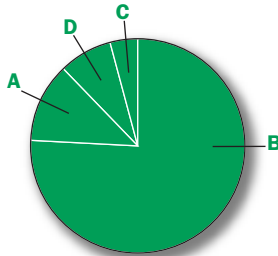


Mortgage expectations

Most of Americans expect to pay off their mortgage at some point rather than have it for the rest of their life. Overall, 76% expect to pay off their mortgage at some point. Younger Americans, especially 18- to 24- year olds, are more likely to say they expect to pay off their mortgage (86%) than are those 55 years of age and older (65%). An overwhelming 79% of Americans say the ideal time to pay off a mortgage is before age 60, including 40% who say before age 50.

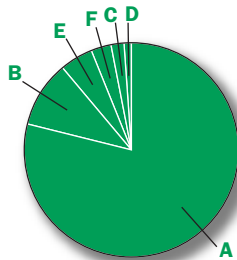
Most Americans expect to pay off their mortgage at some point

- A** Expect to have mortgage for the rest of their lives **12%**
- B** Expect to pay off mortgage at some point **76%**
- C** Depends **4%**
- D** Not sure. **8%**



The ideal age for a person to pay off his or her mortgage

- A** Before age 60 **79%**
- B** Age 60-69 **10%**
- C** Age 70 or older. **2%**
- D** Never. **1%**
- E** Depends **5%**
- F** Not sure. **3%**



One-in-three (30%) of homeowners have refinanced at least once in the past five years, and 16% rate themselves at least somewhat likely to refinance in the next six months. Currently, 56% of Americans hold fixed-rate mortgages, the highest proportion in five years. The perception of current mortgage interest rates is that they are attractive—maybe not as attractive as they were in 1993 and 1994—but attractive nonetheless to a 52% majority of Americans. Owners, 58% of whom think current mortgage interest rates are attractive, are more likely to think so than are renters (39%).

Likelihood of refinancing

Somewhat to very likely to refinance within the next six months



More Americans have a fixed-rate mortgage



■ **Fixed-rate mortgage** ■ **Adjustable-rate mortgage**

While most Americans are happy with current interest rates, many suspect they were lower in the past, and most expect them to go up next year.

- Nearly three-in-ten (29%) Americans think interest rates are higher today than they were five years ago, 35% think they are higher than ten years ago, and 37% think they are higher than 20 years ago.

View of interest rates over the past 20 years

Higher today than they were 5 years ago



Higher today than they were 10 years ago



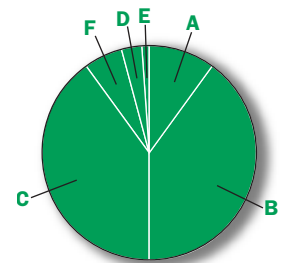
Higher today than they were 20 years ago



- Half of Americans (50%) expect interest rates on major loans to be either much higher or somewhat higher a year from now. Another 40% expect them to be the same, and only 4% expect interest rates to be lower.

Looking ahead over one year, do you expect that interest rates on major loans, such as home mortgages, will be higher than now, lower than now, or will stay about the same? Do you think interest rates will be much (higher/lower) or somewhat (higher/lower) a year from now?

- A Will be much higher. 10%
- B Will be somewhat higher 40%
- C Will stay about the same 40%
- D Will be somewhat lower. 3%
- E Will be much lower 1%
- F Not sure. 6%



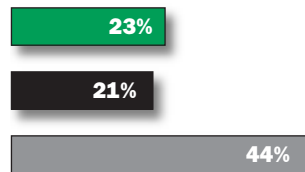
Empty nesters and retirement

Empty nesters

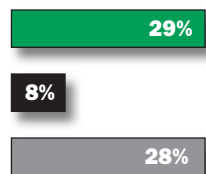
In the next ten years, 23% of Americans expect to become empty nesters—including 44% of all adults age 40 to 54. Another 29% of American households have already become empty nesters. Many parents plan to move to a new home or remodel their current home when the children leave. Close to two-in-five homeowners (38%) who are considering refinancing their current mortgage will become empty nesters some time in the next ten years.

The empty nest

Will become an empty nester in the next 10 years



Already are an empty nester



■ All adults ■ 25-39 ■ 40-54



- 7% of adults age 18 to 24 will become empty nesters before the year 2008; 21% of adults age 25 to 39; 44% of adults age 40 to 54; and 14% of adults age 55 and over.
- 38% of homeowners likely to refinance, and 40% of homeowners who currently have a home equity loan, expect to become empty nesters.

Only about two-in-five empty nesters (39%) plan to remain in their home and keep it as it is after their children move out. Just over a quarter (27%) plan to sell their current home and buy a new one; 14% expect to remain in their current home but have plans to renovate or remodel; 4% will sell their homes and then rent; and 16% either do not own a home/have different plans/or are not sure.

Which one of the following best describes your plans for when you become an empty nester — will you remain in the house as it is now, remain in the house but make major renovations to reconfigure the house, sell the house and buy a new house, or sell the house and rent?

	All Adults %	25-39 %	40-54 %
Remain in house as it is now	39	40	38
Remain but reconfigure house	14	15	15
Sell and buy new house	27	25	30
Sell and rent house	4	4	5
Other	5	4	4
Do not own home	4	4	4
Not sure	7	8	4

- Baby boomer empty nesters (age 40 to 59) are the most likely age group to want to buy a new home (30%), and 28% of younger empty nesters (age 18-39) also expect to buy.
- 30% of whites expect to buy when they become empty nesters, compared to 23% of African Americans.
- 28% of the prospective empty nesters in the East, 23% of those in the South, 36% in the Midwest, and 23% in the West expect to buy when they become empty nesters.
- 37% of suburban empty nesters plan on buying a new home—far more than either urbanites (25%), or small town/rural residents (23%).
- 37% of families with household incomes above \$65,000 will move to a new home when they become empty nesters; 29% for households with incomes between \$35,000 and \$65,000; and just 19% of households with incomes less than \$35,000.

Who expects to buy a new home when they become empty nesters

Whites



African Americans



Those who live in the East



Those who live in the South



Those who live in the Midwest



Those who live in the West



Suburbanites



Urban dwellers



Small town/rural residents



Households with incomes above \$65,000



Households with incomes between \$35,000 and \$65,000



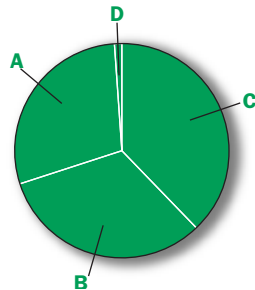
Households with incomes less than \$35,000



- 39% of the prospective empty nesters who say they plan on using their home equity to help finance their retirement, also plan to buy a new home.
- 29% of the prospective empty nesters who plan on buying a new home will buy one that is more expensive than their current home; 32% will buy a home that is less expensive; and 38% will buy a home around the same price.

The type of home empty nesters plan on buying

- A** More expensive home 29%
- B** Less expensive home 32%
- C** Home around the same price. 38%
- D** Not sure. 1%



Retirement

Just under a third of all of all Americans (31%) expect to move when they retire. However, those adults most likely to think they will move are those farthest from retirement. Among adults age 18 to 39, 40% picture themselves moving upon retirement, while among those who are nearer to their final working days (age 40 to 54), only 33% plan on moving.

Do you think that you will move to a new home when you retire, or will you stay in your current home at least for the foreseeable future?

	All Adults %	25-39 %	40-54 %
Will move when retire	31	39	33
Will stay in current home	46	47	55
Already retired	12	1	2
Not sure	11	13	10

- 39% of families with household incomes above \$65,000 say they will move to a new home when they retire; 32% for households with incomes between \$35,000 and \$65,000; and just 28% of households with incomes less than \$35,000.

Incomes of those who plan on moving to a new home when they retire

Households with incomes above \$65,000



Households with incomes between \$35,000 and \$65,000



Households with incomes less than \$35,000



Of those who plan on moving when they retire, 76% want to buy a new home, 11% will rent, and 13% are not sure or are planning other arrangements. Baby boomers are no different from other Americans and 76% expect to buy when they move. Nearly a third of all adults (28%) will buy, or have already bought, their retirement home before the day of their retirement.

- 68% of prospective retirees in the East, 79% in the South, 77% in the Midwest, and 81% in the West expect to buy when they move.

Geographic locations of those who plan on moving to a new home when they retire

Retirees in the East



Retirees in the South



Retirees in the Midwest



Retirees in the West



- 36% plan on buying a home more expensive than their current home, 26% will buy a less expensive home, and 34% will buy a home around the same price.

The type of home retirees plan on buying

More expensive than current home



Less expensive than current home



Home around the same price



Not sure

