

Fannie Mae National Housing Survey

Topic Analysis: Technology Use in Mortgage Shopping

January 2014

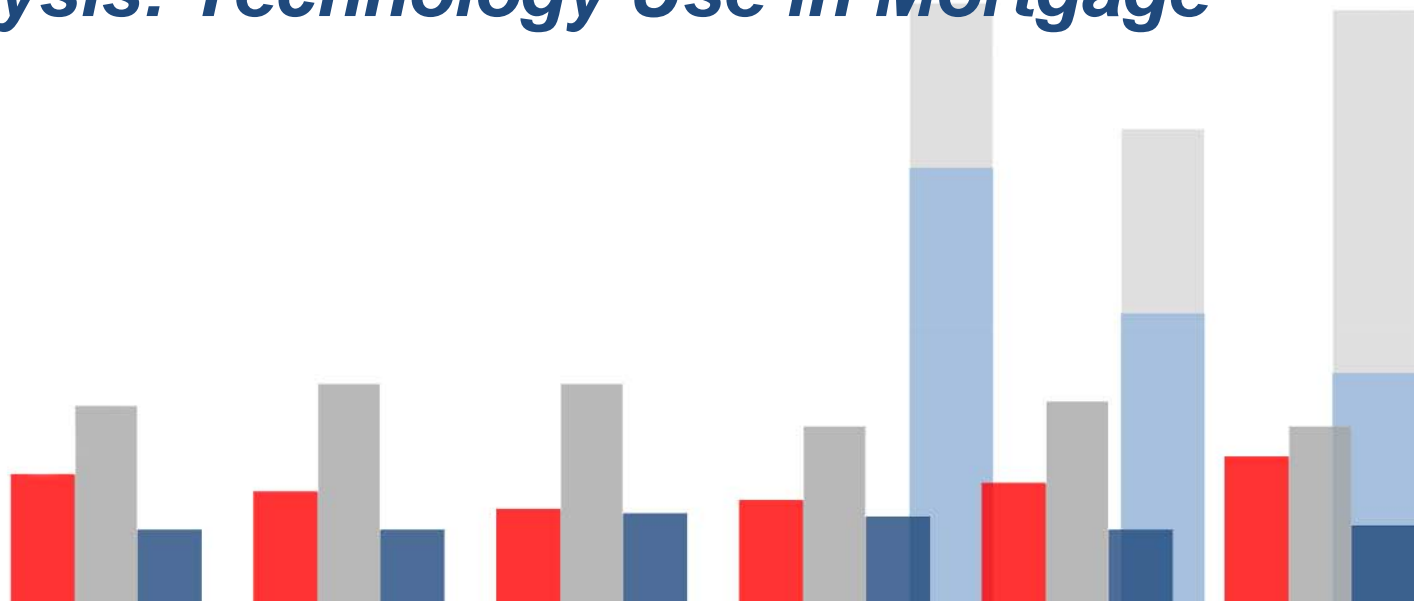


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National Housing Survey

Background

- The Fannie Mae National Housing Survey is a monthly consumer attitudinal survey that polls the adult general population of the United States to assess their attitudes toward owning and renting a home, home purchase and rental prices, homeownership distress, household finances, and overall confidence in the economy.
- Each respondent is asked more than 100 questions, making the Fannie Mae National Housing Survey the most detailed consumer attitudinal survey of its kind. The survey is conducted on a monthly basis to track attitudinal shifts that occur among homeowners and renters in the United States.

Survey Methodology

- Each month, beginning in June 2010, approximately 1,000 live (not automated) telephone interviews with Americans age 18 and older are conducted by Penn Schoen Berland (PSB), in coordination with Fannie Mae. The margin of error for the total monthly sample is ± 3.1 percent at the 95 percent confidence level and larger for sub-groups. Data collection occurs over the course of the first three weeks of each month although most occurs in the first two weeks of the month.

Monthly and Topic Analyses and Research Briefs

- Monthly reports provide a timely view of trends in consumers' attitudes using eleven key indicators. <http://www.fanniemae.com/portal/research-and-analysis/housing-monthly.html>
- Topic analyses, providing deeper insights into one or more issues based on the compilation of three monthly samples, are released on a quarterly basis. The three monthly studies that make up any given topic analysis are identical in wording and placement of questions. <http://www.fanniemae.com/portal/research-and-analysis/housing-quarterly.html>
- Research briefs are occasional and rigorous research reports, conducted internally or by external partners such as academics, exploring attitudes and behaviors on key issues.

Q2 2013 Subgroup Definitions

Mortgage Borrowers: Individuals 18 years and older who are involved in household financial decisions and have a mortgage on their primary residence

- **Mortgage Borrower Income Levels (self-reported):**

- Lower income: Less than \$50,000 in annual total family income
- Middle income: Between \$50,000 and \$100,000 in annual total family income
- Higher income: Greater than \$100,000 in annual total family income

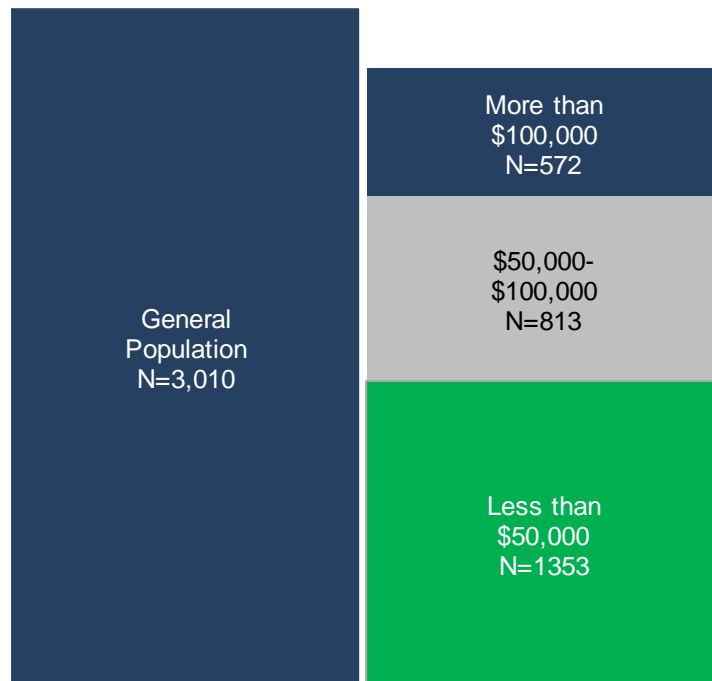
- **Mortgage Recency (self-reported):**

- Recent Mortgage Borrower: Obtained or refinanced a mortgage within the last three years
- Prior Mortgage Borrower: Obtained or refinanced a mortgage more than three years ago

Q2 2013 Research Methodology

- From April to June 2013, Penn Schoen Berland conducted 3,010 telephone interviews among the following audiences:

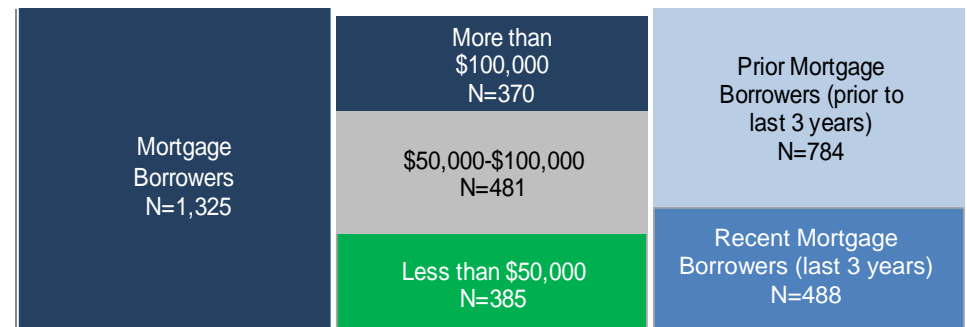
General Population Sample



General Population

Income

Mortgage Borrower Sample



All Mortgage Borrowers

Income

Mortgage Borrowers by Recency

- Similar studies were conducted in January 2010, June 2010, and on a monthly basis thereafter
- 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
- The data presented in this study have been weighted to make it reflective of the American Community Survey demographic statistics in terms of gender, age, race/ethnicity, income, education, and housing tenure.

Executive Summary

Higher income and lower income mortgage borrowers approach the mortgage shopping process in different ways.

Higher income mortgage borrowers are more likely to...	Lower income mortgage borrowers are more likely to...
<ul style="list-style-type: none"> • Select a lender based on offer competitiveness • Rely on their own calculations and make more extensive use of tools to calculate how much money to borrow • Say the ability to shop and compare loan terms from multiple lenders at once would have made the process easier 	<ul style="list-style-type: none"> • Rely on advice from their real estate agent, mortgage professional, family, or friends -- both when choosing a lender or deciding how much money to borrow for a mortgage • Say loan terms and costs that are easier to understand would have made the process easier

When it comes to managing personal finances and shopping for mortgages, technology is emerging as an influential factor for mortgage borrowers

- Recent mortgage borrowers -- those who have purchased or refinanced in the last three years -- are...
 - Younger, more educated, and earn higher incomes than prior mortgage borrowers
 - Significantly more likely to use the Internet when managing personal finances and shopping for a mortgage
- However, despite consumers saying that that technology is becoming a bigger factor than ever for mortgage borrowers, mobile technology and social media are not widely used when it comes to housing and personal finances...
 - And consumers say these technologies will continue to lag well behind traditional personal computer technology in the future

Key Findings

Higher income and lower income mortgage borrowers approach the mortgage shopping process in different ways

Higher income mortgage borrowers are more likely to...	Lower income mortgage borrowers are more likely to...
<ul style="list-style-type: none"> • Select a lender based on offer competitiveness • Rely on their own calculations and make more extensive use of tools to calculate how much money to borrow • Say the ability to shop and compare loan terms from multiple lenders at once would have made the process easier 	<ul style="list-style-type: none"> • Rely on advice from their real estate agent, mortgage professional, family, or friends -- both when choosing a lender or deciding how much money to borrow for a mortgage • Say loan terms and costs that are easier to understand would have made the process easier

- These results confirm findings about differences in mortgage shopping behaviors between income groups from our 2012 analysis. See *Mortgage Borrowers May Be Leaving Money on the Table by Using Less Effective Mortgage Shopping Strategies*: <http://www.fanniemae.com/portal/research-and-analysis/2012q2-topicanalysis.html>

Higher income mortgage borrowers are more likely than lower income borrowers to use a tool to calculate how much to borrow through their mortgage loan

- 23% of those who earn less than \$50,000 said advice from their mortgage lender or real estate agent had the most influence on the amount of money they borrowed

Which of these factors had the <u>most</u> influence on the amount of money you borrowed through your mortgage loan? <i>Showing %, Mortgage Borrowers</i>	Less than \$50K	\$50K - \$100K	More than \$100K
The cost of the home you wanted to buy	25	28	21
Advice from your mortgage lender or real estate agent	23	17	15*
Calculations in your head or on paper	17	19	18
Calculations using a spreadsheet program or basic calculator	8	11	19*
Calculations using online tools or applications	5	9	12*
Advice from friends, family, or co-workers	7	5	4

* - Denotes a statistically significant difference between “Less than \$50K” and “More than \$100K” at the 95% confidence level

Higher income mortgage borrowers are more likely than lower income borrowers to consider offer competitiveness when choosing a lender

- 79% of mortgage borrowers who earn more than \$100,000 a year said that the competitiveness of the financial terms quotes would have a major influence on their choice of lender
- Lower income borrowers are more likely to be influenced by referrals from friends, family, co-workers, real estate agents, or mortgage specialists

What level of influence would this factor have on your choice of lender? <i>Showing % Major Influence, Mortgage Borrowers</i>	Less than \$50K	\$50K - \$100K	More than \$100K
Reputation of the lending institution	63	69	60
Competitiveness of the financial terms they quoted you	52	71	79*
Already having a mortgage or other type of account with the lending institution	51	56	47
A real estate agent's or mortgage specialist's referral	33	19	16*
Friends', family, or co-workers' referrals	31	22	22*

* - Denotes a statistically significant difference between "Less than \$50K" and "More than \$100K" at the 95% confidence level

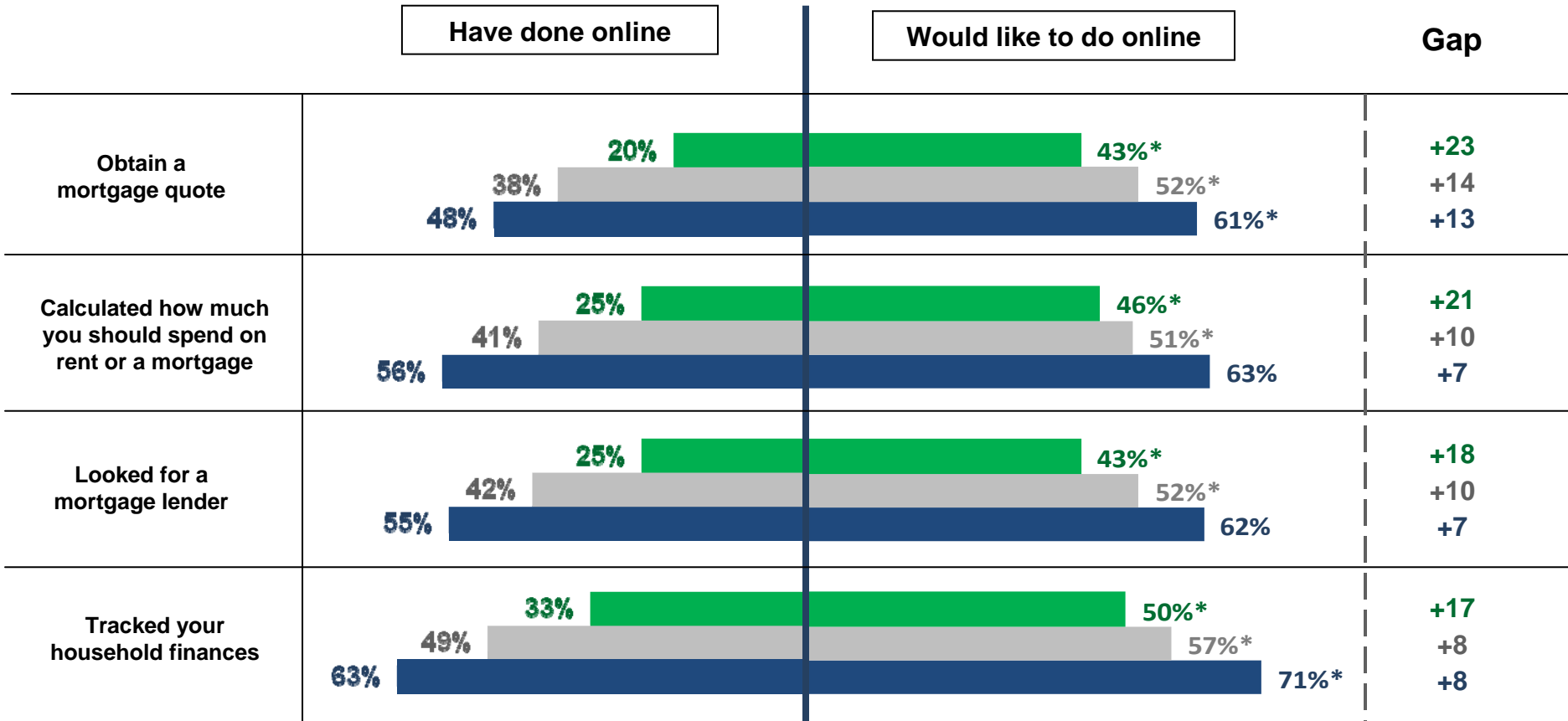
Higher income mortgage borrowers are more likely than lower income borrowers to think the process of getting a mortgage would be easier with the ability to shop and compare loan terms from multiple lenders at once

- Lower income borrowers are more likely to say loan terms and costs that are easier to understand would have made the process easier

What, if anything, would have made the process of getting a mortgage easier? Please select the one that would have made the process easiest for you. <i>Showing %, Mortgage Borrowers</i>	Less than \$50K	\$50K - \$100K	More than \$100K
Less paperwork	19	16	20
Loan terms and costs that are easier to understand	18	15	11*
The ability to shop and compare loan terms from multiple lenders at once	16	25	25*
Less back and forth during the approval process	13	15	12
Shorter length of time from application to closing	11	12	10
More responsiveness from your lender	6	7	4

* - Denotes a statistically significant difference between "Less than \$50K" and "More than \$100K" at the 95% confidence level

While higher income mortgage borrowers are currently going online most often to manage their finances, all income groups aspire to use the Internet even more than they do currently



* Denotes a statistically significant difference between “would like to do online” and “have done online” at the 95% confidence level

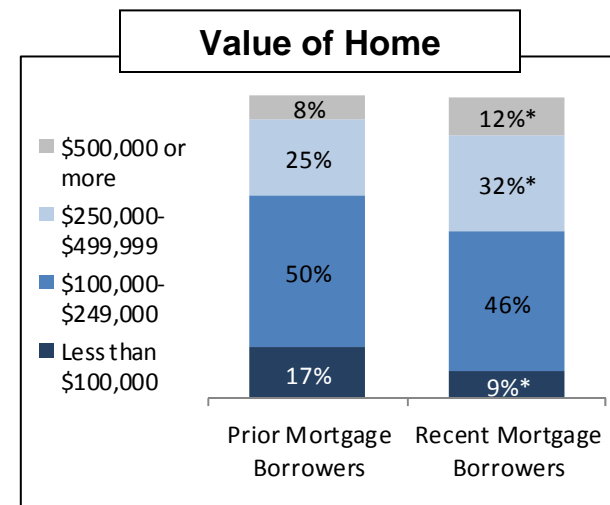
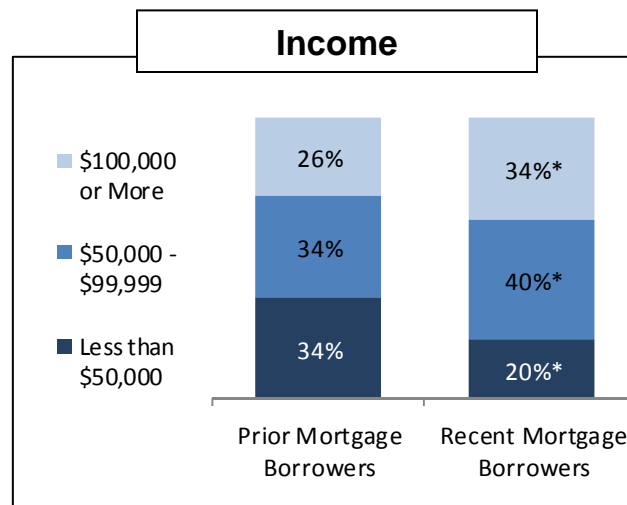
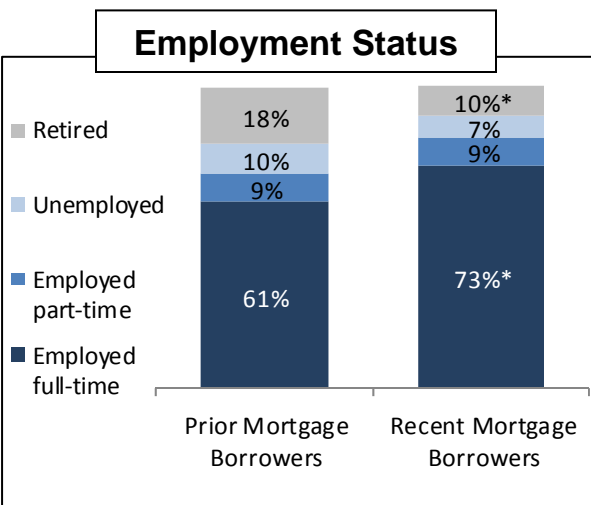
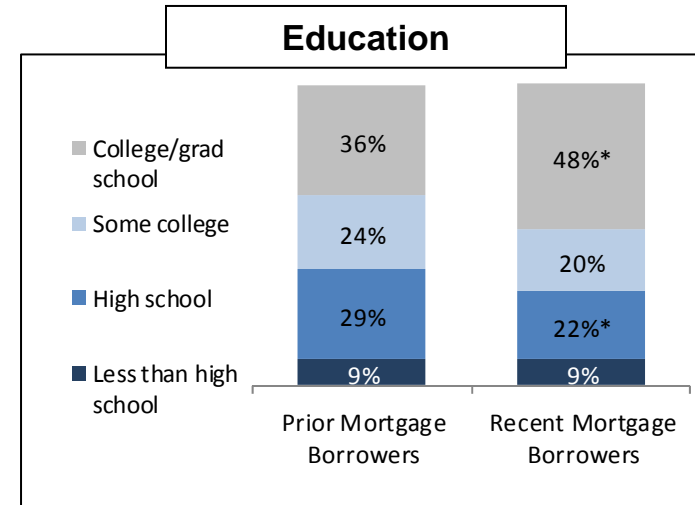
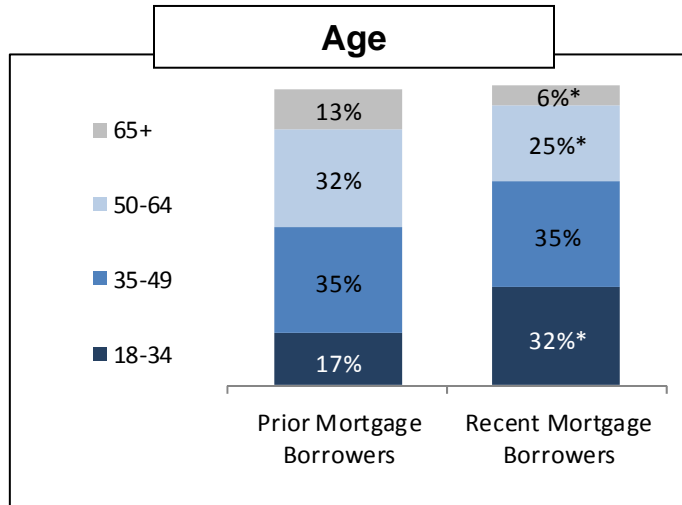
Q: Have you ever done this online? [multiple responses permitted] A: “Yes, using a smartphone” / “Yes, using a tablet” / “Yes, using a personal computer” / “No”
Showing % Yes, have done online using at least 1 device - Mortgage Borrowers

Q: Would you like to do this online in the future? [multiple responses permitted] A: “Yes, using a smartphone” / “Yes, using a tablet” / “Yes, using a personal computer” / “No”
Showing % Yes, would like to do online using at least 1 device - Mortgage Borrowers

When it comes to managing personal finances and shopping for mortgages, technology is an influential factor for mortgage borrowers

- Recent mortgage borrowers -- those who have purchased or refinanced in the last three years -- are...
 - Younger, more educated, and earn higher incomes than prior mortgage borrowers
 - Significantly more likely to use the Internet when managing personal finances and shopping for a mortgage
- However, despite consumers saying that technology is becoming a bigger factor than ever for mortgage borrowers, mobile technology and social media are not widely used when it comes to housing and finances...
 - And consumers say these technologies will continue to lag well behind usage of traditional personal computer technology in the future

Recent mortgage borrowers are younger, more educated, and earn higher incomes than prior mortgage borrowers

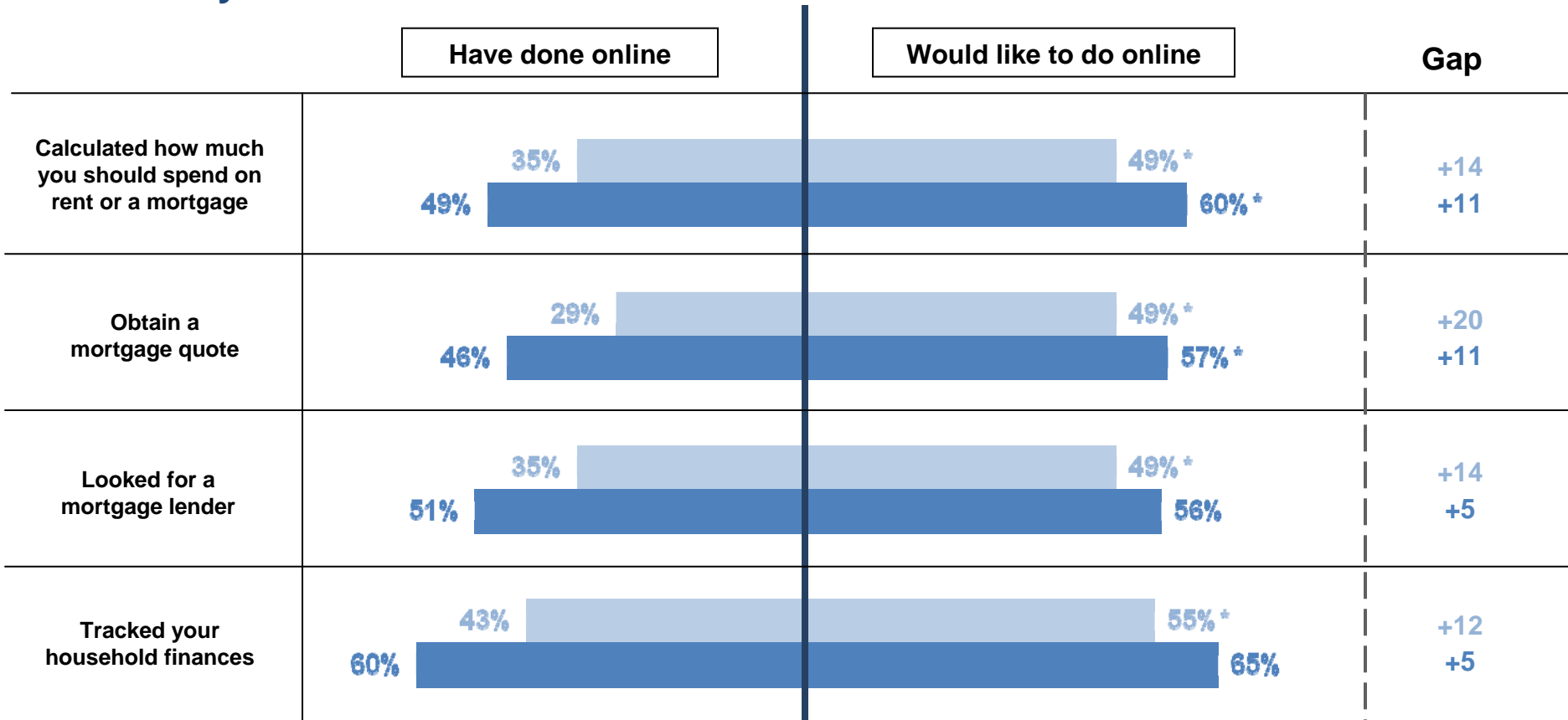


* Denotes a statistically significant difference between Recent Mortgage Borrowers and Prior Mortgage Borrowers at the 95% confidence level

While recent mortgage borrowers have used the Internet for their finances more than prior mortgage borrowers did, both groups aspire to use the Internet more than they do currently

Prior Mortgage Borrowers

Recent Mortgage Borrowers



* Denotes a statistically significant difference between “would like to do online” and “have done online” at the 95% confidence level

Q: Have you ever done this online? [multiple responses permitted] A: “Yes, using a smartphone” / “Yes, using a tablet” / “Yes, using a personal computer” / “No”
Showing % Yes, have done online using at least 1 device - Mortgage Borrowers

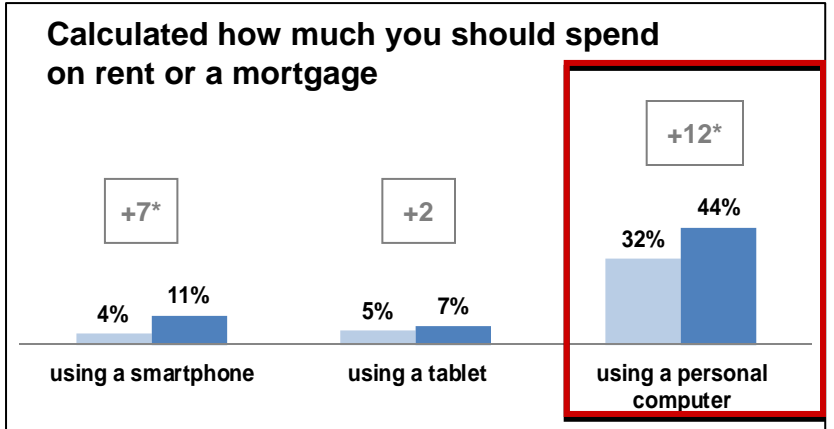
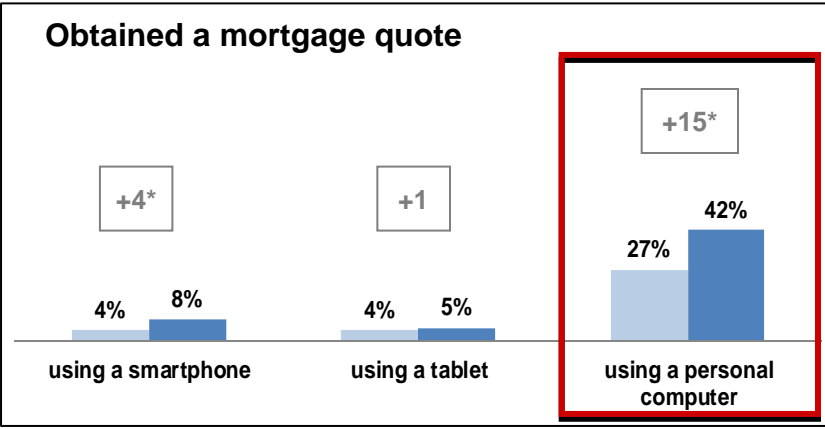
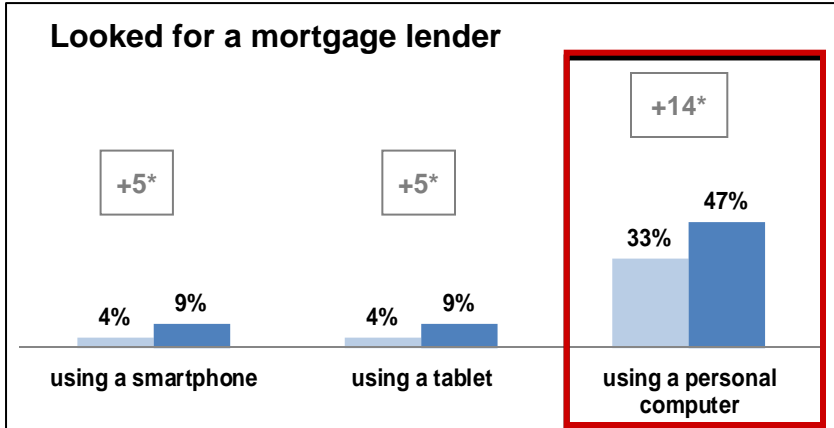
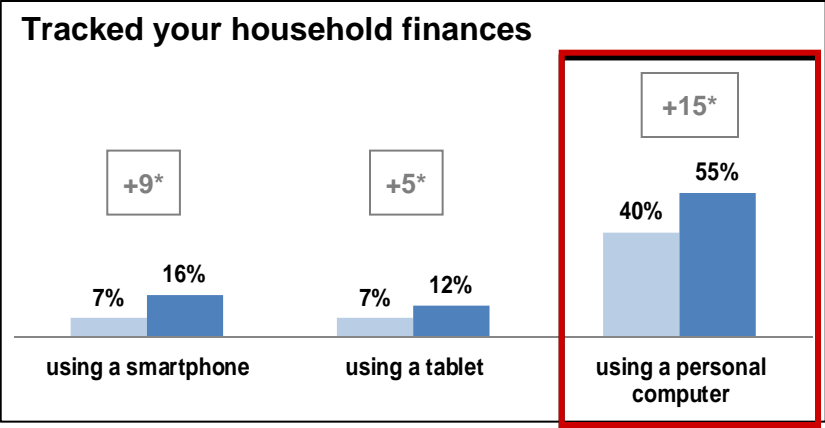
Q: Would you like to do this online in the future? [multiple responses permitted] A: “Yes, using a smartphone” / “Yes, using a tablet” / “Yes, using a personal computer” / “No”
Showing % Yes, would like to do online using at least 1 device - Mortgage Borrowers

Consumers are much more likely to say they have used more traditional personal computer technology than mobile technology to manage personal finances and mortgage shopping

Have you ever done this online? *Showing %Yes*

Prior Mortgage Borrowers

Recent Mortgage Borrowers



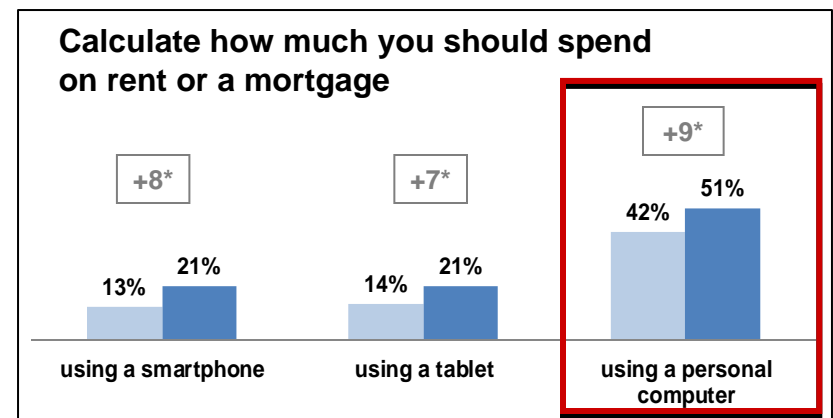
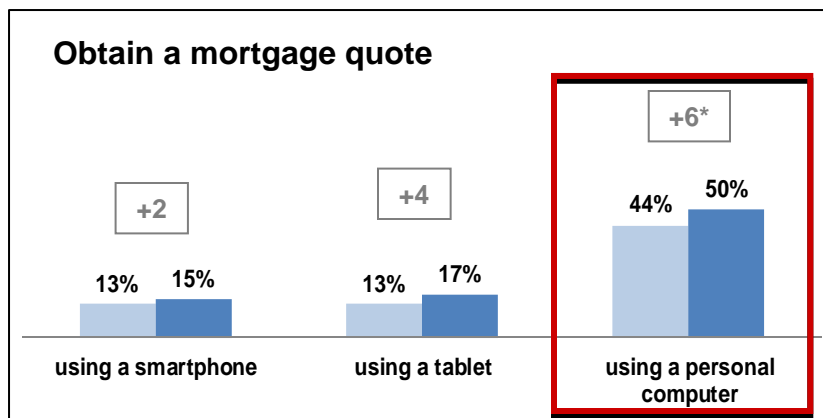
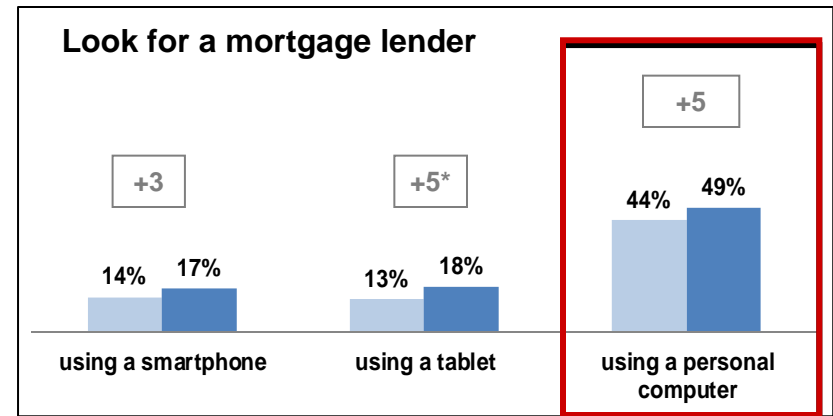
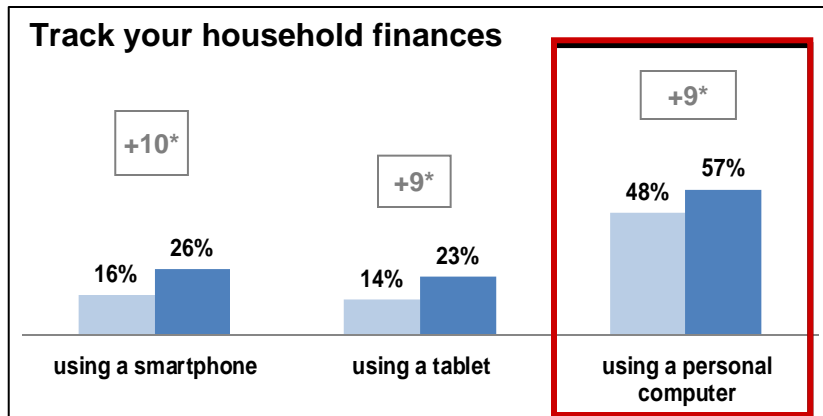
* Denotes a statistically significant difference between Recent Mortgage Borrowers and Prior Mortgage Borrowers at the 95% confidence level

Consumers are much more likely to also say they will use more traditional personal computer technology than mobile technology to manage personal finances and mortgage shopping in the future

Would you like to do this online in the future? *Showing %Yes*

Prior Mortgage Borrowers

Recent Mortgage Borrowers

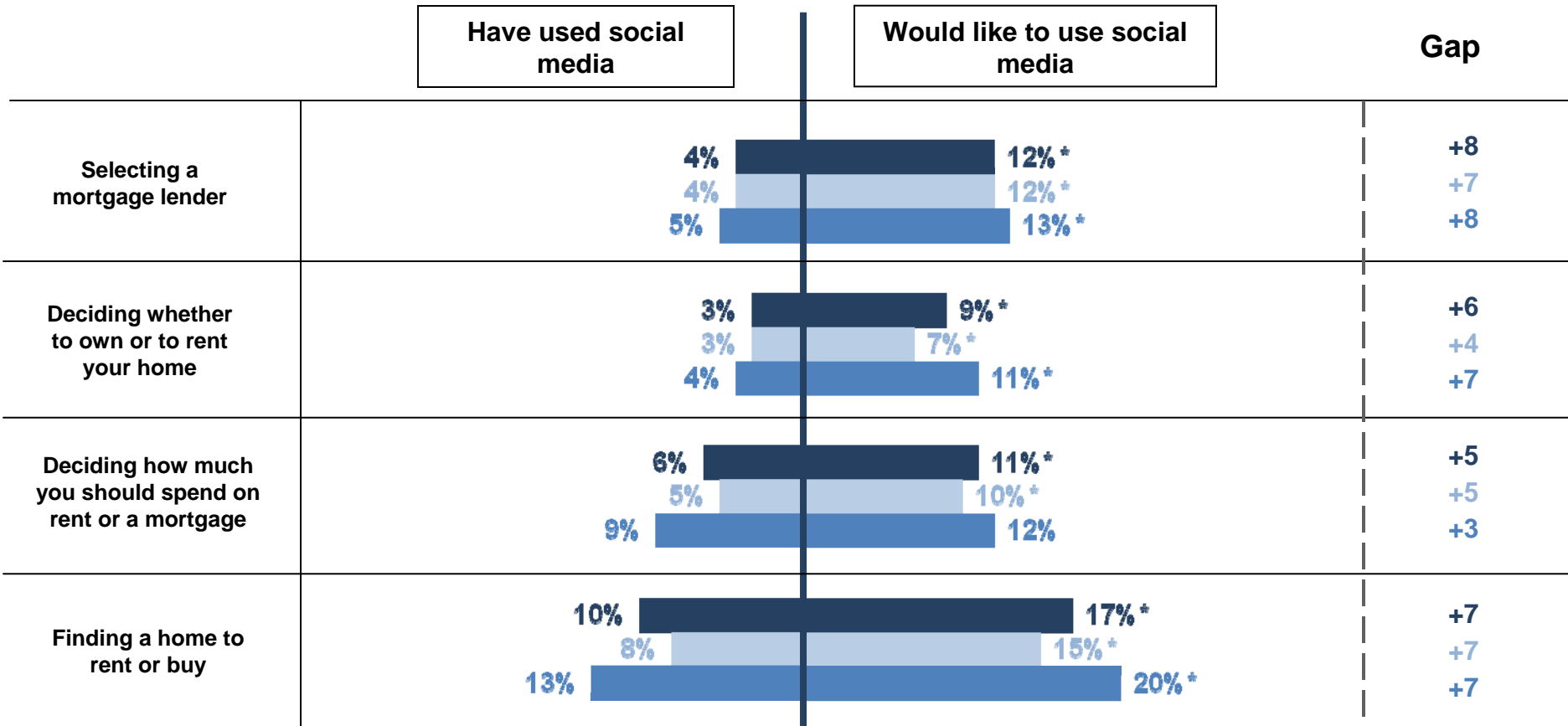


* - Denotes a statistically significant difference between Recent Mortgage Borrowers and Prior Mortgage Borrowers at the 95% confidence level

Social media is not a strong influence when home shopping and mortgage shopping, and consumers say it is not likely to become one in the future

All Mortgage Borrowers
Prior Mortgage Borrowers
Recent Mortgage Borrowers

- Fewer than 1 in 5 mortgage borrowers would like to use social media in the future when shopping for a mortgage



* Denotes statistically significant different between “would like to use social media” and “have used social media” at the 95% confidence level

Q: Have you ever used social media, such as online blogs, forums, or social networks, to get input from others on any of the following? Please tell me all that apply.

Q: In the future, would you like to use social media to get input from others on any of the following? Please tell me all that apply.

Appendix

Q2 2013 Research Methodology

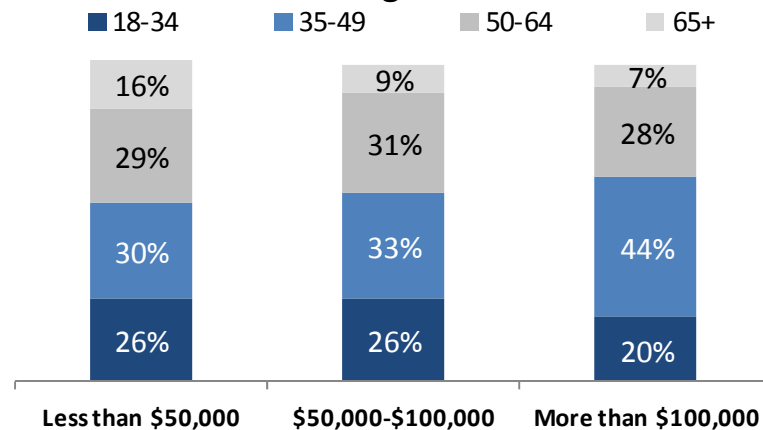
Sample Q2-2013	Sample Size	Margin of Error
General Population (GP) Individuals 18 years and older who are involved in household financial decisions	3010	±1.78%
Less Than \$50,000 GP making less than \$50,000 a year in total family income	1353	±2.66%
\$50,000 - \$100,000 GP making \$50,000-100,000 a year in total family income	813	±3.44%
More Than \$100,000 GP making more than \$100,000 a year in total family income	572	±4.10%
Mortgage Borrowers GP with a mortgage on their primary residence	1325	±2.69%
Less Than \$50,000 Mortgage borrowers making less than \$50,000 a year in total family income	385	±4.99%
\$50,000 - \$100,000 Mortgage borrowers making \$50,000-100,000 a year in total family income	481	±4.47%
More Than \$100,000 Mortgage borrowers making more than \$100,000 a year in total family income	370	±5.09%
Recent Mortgage Borrowers Mortgage borrowers that got or refinanced their mortgage since 2011	488	±4.44%
Prior Mortgage Borrowers Mortgage borrowers that got or refinanced their mortgage prior to 2011	784	±3.50%

- Similar studies were conducted in January 2010 and June 2010 using a sample size of 3,000 and then monthly July 2010 through June 2013 using a sample size of 1,000
- 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
- The data presented in this study has been weighted to make it reflective of the American Community Survey demographic statistics in terms of gender, age, race/ethnicity, income, education, and housing tenure.

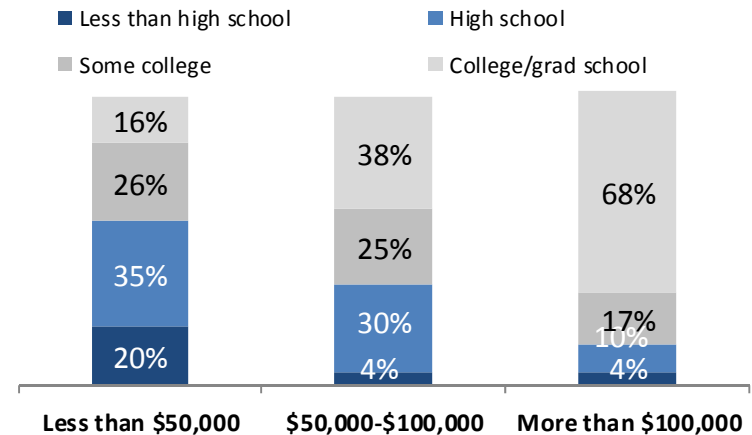
Demographic Profile of Mortgage Borrower Income Groups:

- **Less than \$50,000:** Spread across age groups, have finished some college or less, are less likely to be employed full-time, and have a home valued at less than \$250,000
- **\$50,000-\$100,000:** Likely aged 18-64, have at least a high school diploma and full-time employment, and have a home valued at \$100,000-\$499,999
- **More than \$100,000:** Likely aged 18-64, have at least a college degree and full-time employment, and have a home valued at \$250,000 or greater

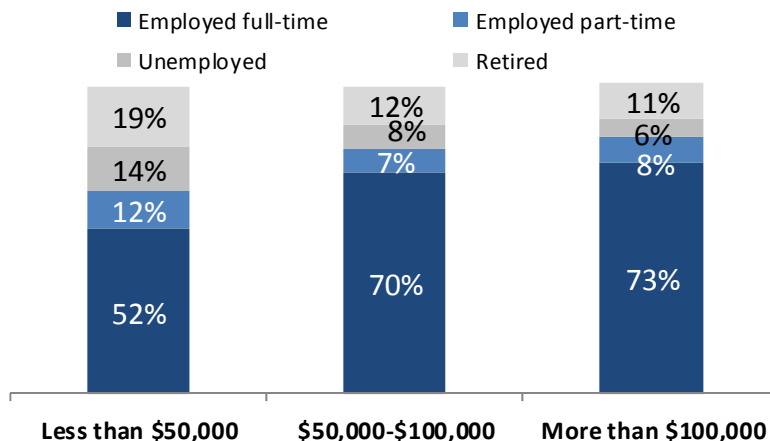
Age



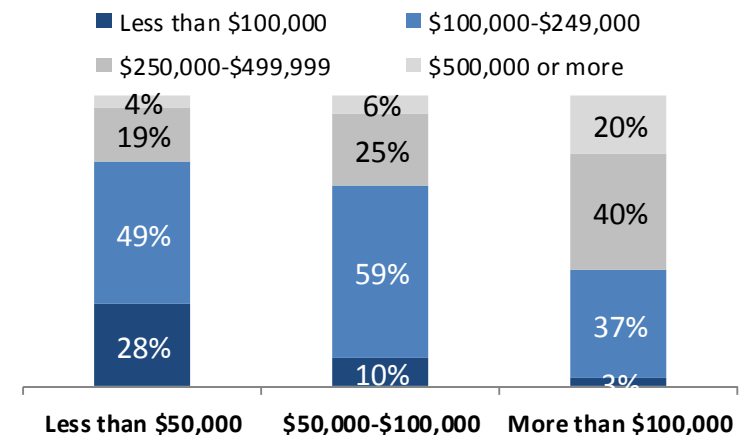
Education



Employment Status



Value of Home



Prior mortgage borrowers are more likely to say loan terms and costs that are easier to understand would have made the process easier

- 1 in 5 mortgage borrowers said that the ability to shop and compare loan terms from multiple lenders at once would have made the process of getting a mortgage easier

What, if anything, would have made the process of getting a mortgage easier? Please select the one that would have made the process easiest for you. <i>Showing %, Mortgage Borrowers</i>	Prior Mortgage Borrowers	Recent Mortgage Borrowers
The ability to shop and compare loan terms from multiple lenders at once	23	21
Loan terms and costs that are easier to understand	17	12*
Less paperwork	16	21*
Less back and forth during the approval process	12	17*
Shorter length of time from application to closing	11	11
More responsiveness from your lender	6	5

* - Denotes a statistically significant difference between Prior Mortgage Borrowers and Recent Mortgage Borrowers at the 95% confidence level

Higher income mortgage borrowers are more likely than lower income mortgage borrowers to use the Internet on all devices when shopping for a mortgage

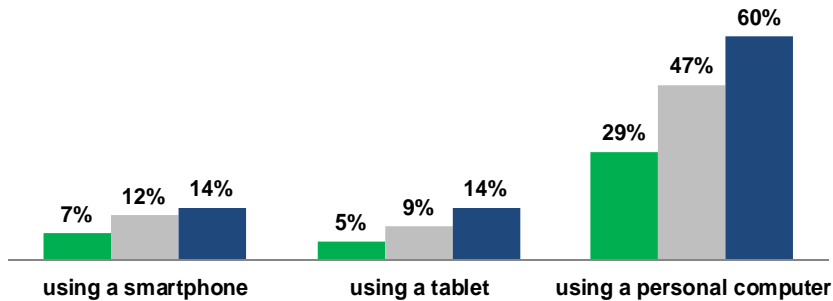
Have you ever done this online? Yes... Showing % Mortgage Borrowers

Less Than \$50K

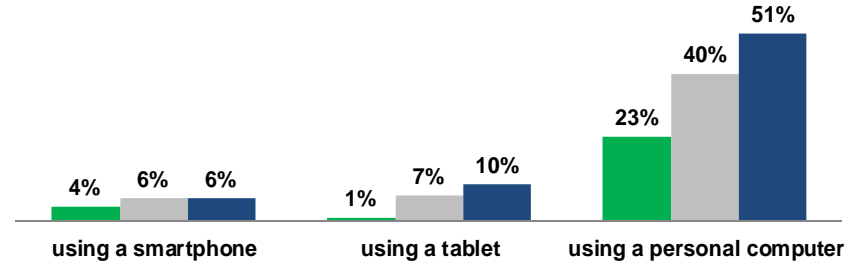
\$50K - \$100K

More than \$100K

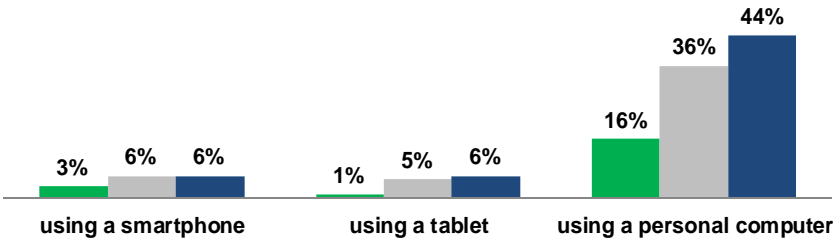
Tracked your household finances



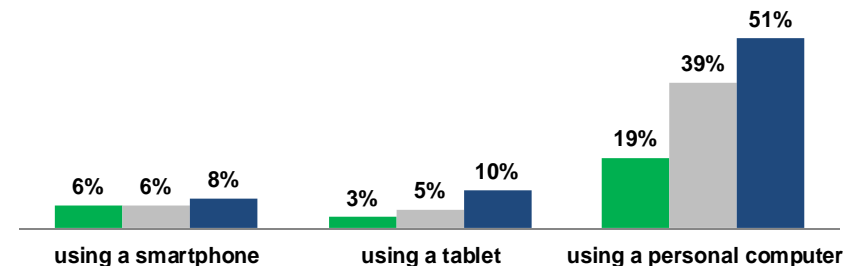
Looked for a mortgage lender



Obtained a mortgage quote



Calculated how much you should spend on rent or a mortgage



Online in the Future

Would you like to do this online in the future? <i>Showing %, Mortgage Borrowers</i>	Less than \$50,000	\$50,000- \$100,000	More than \$100,000	Prior Mortgage Borrowers	Recent Mortgage Borrowers
Track your household finances					
Yes, using a smart phone	15	19	28	16	26
Yes, using a tablet	10	18	26	14	23
Yes, using a personal computer	42	51	61	48	57
No	50	43	28	45	34
Look for a mortgage lender					
Yes, using a smart phone	10	13	22	14	17
Yes, using a tablet	6	14	26	13	18
Yes, using a personal computer	36	48	53	44	49
No	57	48	37	51	43
Obtain a mortgage quote					
Yes, using a smart phone	10	12	20	13	15
Yes, using a tablet	7	12	26	13	17
Yes, using a personal computer	37	49	53	44	50
No	56	48	38	51	42
Calculate how much you should spend on rent or a mortgage					
Yes, using a smart phone	11	15	23	13	21
Yes, using a tablet	8	15	29	14	21
Yes, using a personal computer	38	46	54	42	51
No	53	49	36	51	39

Influence on Mortgage borrowers

Which of these factors had the <u>most</u> influence on the amount of money you borrowed through your mortgage loan? <i>Showing %, Mortgage Borrowers</i>	All Mortgage Borrowers	Prior Mortgage Borrowers	Recent Mortgage Borrowers
The cost of the home you wanted to buy	25	27	22
Advice from your mortgage lender or real estate agent	18	17	21
Calculations in your head or on paper	17	19	15
Calculations using a spreadsheet program or basic calculator	13	11	15
Calculations using online tools or applications	9	7	12
Advice from friends, family, or co-workers	5	5	6

What level of influence would this factor have on your choice of lender? <i>Showing % Major Influence, Mortgage Borrowers</i>	All Mortgage Borrowers	Prior Mortgage Borrowers	Recent Mortgage Borrowers
Competitiveness of the financial terms they quoted you	68	67	70
Reputation of the lending institution	65	68	61
Already having a mortgage or other type of account with the lending institution	52	52	52
Friends', family, or co-workers' referrals	25	24	27
A real estate agent's or mortgage specialist's referral	22	23	22

Social Media

Have you ever used social media, such as online blogs, forums, or social networks to get input from others on any of the following? <i>Showing %, Mortgage Borrowers</i>	All Mortgage Borrowers	Income			Mortgage Borrowers	
		Less than \$50K	\$50K - \$100K	More than \$100K	Prior Mortgage Borrowers	Recent Mortgage Borrowers
Finding a home to rent or buy	10	13	8	10	8	13
Deciding how much you should spend on rent or a mortgage	6	8	5	5	5	9
Deciding whether to own or to rent your home	3	4	2	4	3	4
Selecting a mortgage lender	4	5	3	4	4	5
None of the above	82	79	85	81	84	79

In the future, would you like to use social media to get input from others on any of the following? <i>Showing % Yes, Mortgage Borrowers</i>	All Mortgage Borrowers	Income			Mortgage Borrowers	
		Less than \$50K	\$50K - \$100K	More than \$100K	Prior Mortgage Borrowers	Recent Mortgage Borrowers
Finding a home to rent or buy	17	22	16	17	15	20
Deciding how much you should spend on rent or a mortgage	11	16	9	10	10	12
Deciding whether to own or to rent your home	9	13	6	10	7	11
Selecting a mortgage lender	12	17	10	12	12	13
None of the above	72	67	74	73	74	70