

# National Housing Survey 2000

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## **Table of Contents**

<b>Chairman's Message</b>	<b>2</b>
<b>Major Findings of the 2000 Fannie Mae National Housing Survey</b>	<b>4</b>
<b>The State of the Mortgage Market</b>	<b>4</b>
<b>Removing the Obstacles to Homeownership</b>	<b>8</b>
<b>What Homeownership Means</b>	<b>11</b>
<b>The Internet and the Home-buying Process</b>	<b>13</b>

### **Our Business Is The American Dream**

At Fannie Mae, we are in the American Dream business. Our Mission is to tear down barriers, lower costs, and increase the opportunities for homeownership and affordable rental housing for all Americans. Because having a safe place to call home strengthens families, communities, and our nation as a whole.

A sepia-toned photograph of a woman in a white shirt and dark pants watering plants in a long white planter box on a porch. She is holding a watering can and pouring water onto the plants. The porch has white columns and arches. A hanging basket of flowers is visible above her.

## **The 2000 Fannie Mae National Housing Survey**

**The 2000 Fannie Mae National Housing Survey was undertaken by the survey research firms of Peter D. Hart and Robert Teeter. The sample comprised 1,674 adults, and was conducted between July 5 and July 11, 2000. The survey's accuracy is plus/minus 2.4 percent overall.**

## Chairman's Message

**A**s the nation's largest source of home mortgage funds, knowing what is important to today's consumers is critical to meeting our mission, forging effective partnerships and keeping America's homeownership rate on the rise. Since 1992, Fannie Mae's National Housing Survey has been an insightful barometer of American attitudes about housing and homeownership.

When we began these annual surveys, our objective was to become better informed about important housing issues of the day, and to share those findings with others who care about strengthening the nation through homeownership. We're delighted that, today, our survey is recognized as the premier research project for our industry and has become an invaluable tool for Fannie Mae and our lending partners.

Working with our pollsters, Peter Hart and Robert Teeter, for the past eight years we have tapped into the opinions held by Americans in all regions of the country about a wide variety of housing and housing-related topics. Along the way, we have uncovered trends that enhance our ability to lower costs and make it easier and less intimidating for people to buy a home or refinance an existing mortgage.

Our findings have been much more than empirical food for thought, they've reaffirmed the work we do and have given us clear direction. What we've learned over the years has made its way into our business, helping Fannie Mae stay in touch with the times and opening doors of opportunity for consumers and communities across the country.

For example, after our first survey found that a dearth of quality information about how to buy a home was keeping potential home buyers on the sidelines, Fannie Mae moved into action with an aggressive public service outreach campaign to provide renters information they needed to become homeowners. Since that time, over 10 million renters have requested and received – from Fannie Mae or the Fannie Mae Foundation – free guides to help them along the journey from apartment living to owning a place of their own.



Our surveys also have indicated that many Americans see down payment and closing costs as the single most significant hurdle to homeownership. That knowledge led us to develop the Fannie Mae Flexible 97<sup>®</sup>, a mortgage that requires a down payment of only 3 percent. And we continually conduct underwriting experiments to find additional approaches that can address the financial circumstances of potential homeowners and give them the means to access mortgage credit.

The National Housing Surveys also have taken in-depth looks at renters, recent immigrants to the United States, baby boomers and Generation Xers, to identify their perspectives toward owning a home and the steps Fannie Mae could take to better serve these unique demographic groups. We've asked our pollsters to craft surveys that would reveal how Americans felt about urban life and the state of our cities. And last year, our survey took a snapshot of how people who had recently purchased a home or refinanced a home loan viewed the mortgage process.

Two key and recurring themes have emerged during the eight years we have polled Americans: First, there is an intense desire to own a home that is virtually universal, a shared goal by Americans across age, income and ethnic groups. And, families are hungry for reliable, easy-to-access information to make the best purchasing decision possible – information that can make home buying faster, easier and more cost effective.



The 2000 survey, which explores the state of homeownership at the millennium and gauges the progress we have made since the early '90s in removing barriers to homeownership, also shines a spotlight on the Internet and its potential for reaching home-buying consumers with information and services, today and into the future.

The housing market is strong. Sixty percent of all renters – and over one-third of all Americans – say that they are likely to buy a home in the next three years. Nearly half of American families expect their financial situation to get much better or somewhat better over the next year, with African Americans and people under 40 expressing the most optimism in their economic pictures.

Two-thirds of consumers who have bought homes or refinanced loans in recent years believe that they got the lowest-cost mortgage for which they qualified. Yet while the vast majority of borrowers say they received adequate information about closing costs, fees and monthly payment obligations prior to closing, over one-fourth of recent mortgage customers report that their lender did not discuss loan options or provide them with the advantages or disadvantages of various funding possibilities.

We continue to see evidence that barriers to homeownership opportunities are crumbling. More Americans consider themselves potential home buyers and fewer feel threatened by the mortgage origination process. Half of all consumers do not see down payment and closing costs as an obstacle, and two-thirds believe that credit histories do not stand in the way of buying a home. The perception of discrimination in mortgage lending continues to decline, as 20 percent of African Americans say it remains a major obstacle compared to 23 percent last year. In our 1996 survey, 18 percent of all adults reported that discrimination or social barriers might have prevented them from buying the home they wanted; today, only 8 percent hold that opinion.

Our findings both confirm what we know about the allure for homeownership and highlight the progress – and continued efforts needed – in eliminating the barriers to homeownership. And – in focusing on the Internet and the mortgage business – we have uncovered a perceptible shift in

how people view the 'Net and their willingness to use it to find and purchase a home.

Clearly, during the eight years we have been conducting our survey, there has been a technological revolution afoot in America, as more and more of our citizens have gone on-line. In 1992, our country's Internet population was estimated to be 12.1 million. Most recent figures put frequent Internet users at 90.5 million – a staggering 648 percent increase since 1992 – and today, while the nation's homeownership rate stands at 67.2 percent – nearly 25 percent of American homes subscribe to and use an Internet service provider. And as our survey found, over 70 percent of adults surveyed have access to the Internet at home or work, up from just 36 percent in the 1996 survey.

Thousands are surfing for homes. Fifty-six percent of recent home buyers say they got information about houses for sale over the Internet. But far fewer used the 'Net to shop for a mortgage – just 21 percent. Only 4 percent of recent purchasers took the opportunity to apply for a mortgage on-line, and a mere 2 percent completed the entire process electronically.

A majority of Americans expect mortgage applications to be handled primarily over the Internet by 2005. And, while 40 percent believe that an Internet-based mortgage market will reduce the cost of mortgages for consumers, the survey reveals a significant barrier to wide-scale acceptance. Only 29 percent of Americans today believe that the Internet is secure enough for personal finance.

This year's National Housing Survey is, once again, an illuminating read for anyone who wants to learn more about how Americans view homeownership today, their hopes for tomorrow, and how technology may evolve to serve home buyers of the future. We are, as always, thankful for the work done by our partners, Peter Hart and Bob Teeter, and convey special acknowledgement to their colleagues, Pat Lovenhart, Thom Riehle, and Dave Iannelli, as well as Fannie Mae's John Buckley, who has shepherded this project since its inception.



Franklin D. Raines

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

# Major Findings of the 2000 Fannie Mae National Housing Survey

## The State of the Mortgage Market

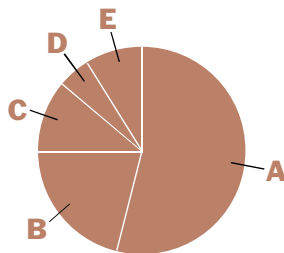
**A**merica has enjoyed a strong housing market in recent years, as our robust national economy and attractive interest rates have combined to put homeownership in reach for more Americans. Buoyed by an increased sense of job security and growing personal financial standing, families have entered the market to either buy their first home or move up to a bigger house. Historically low interest rates also have given a boost to the housing market. As a result, the country's homeownership rate has soared to record levels, and growing numbers of renters and young Americans view homeownership as both an important and attainable goal.

While more Americans than ever before consider homeownership a strong possibility, there has been a marked shift in the perception of whether or not now is a good time to buy a home. Today, the percentage of respondents who say now is a very good time to buy is 19 percent, down 20 percentage points from the previous year, and reversing a trend of rising numbers since the low of 18 percent in 1995. It should be noted, however, that the 1995 survey followed 1994's rise in interest rates, and the 2000 Housing Survey was conducted in the wake of rising home prices and another series of Federal Reserve action on interest rates.

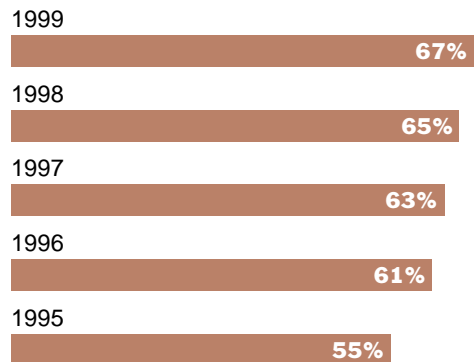


### Now is a good time to buy a home 2000

- A.** Somewhat to very good time to buy ..... **54%**
- B.** Somewhat bad time to buy ..... **21%**
- C.** Very bad time to buy ..... **11%**
- D.** Neither good nor bad/depends .. **5%**
- E.** Not sure ..... **9%**



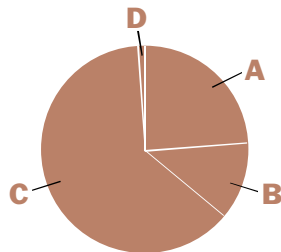
### Now is a somewhat to very good time to buy a home



The interest rate environment has not significantly dampened home-buying plans for many families. One-quarter of Americans report that they are very likely or fairly likely to buy a home in the next three years, a figure nearly identical to that of the 1999 survey. Seventeen percent of adults have started to save money toward a down payment on a home, with groups most likely to be putting finances aside for a home purchase being people 25 to 39 years of age (31 percent); 18 to 24 year-olds (25 percent); single parents (24 percent) and African Americans (31 percent). Thirty-five percent of all renters are saving for a down payment, and of those renters who say they are very or fairly likely to make a home purchase in the near future, over 60 percent are putting money aside for their housing investment.

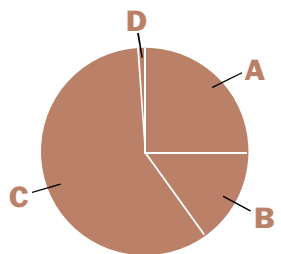
**Likelihood of buying a home in the next three years 2000**

- A.** Very likely to fairly likely to buy a home ..... **24%**
- B.** Just somewhat likely to buy a home ..... **12%**
- C.** Not likely at all to buy a home .. **63%**
- D.** Not sure ..... **1%**



**1999**

- A.** Very likely to fairly likely to buy a home ..... **25%**
- B.** Just somewhat likely to buy a home ..... **15%**
- C.** Not likely at all to buy a home .. **59%**
- D.** Not sure ..... **1%**



**Americans are saving to purchase a home**

Renters who are very or fairly likely to buy a home and have started saving



All renters who have started saving



25 to 39 year-olds who are saving to buy a home



African Americans who are saving to buy a home



18 to 24 year-olds who are saving money to buy a home



Single parents who are saving money to buy a home



Most Americans remain well-prepared to participate in the housing market. Seventy-eight percent of our survey respondents see themselves as someone who has “an excellent credit rating and always pay their bills on time.” Recent home purchasers are even more confident, with 82 percent of those who have bought a home in the past three years saying that they have a good credit rating. While only 10 percent of Americans overall admit to a poor credit rating and frequently paying their bills late, 23 percent of African Americans believe their credit histories are poor, and 18 percent of renters feel similarly. Nearly across-the-board, admitted poor credit figures are down slightly from 1999, attesting to the continuing strong economy and its positive impact on family finances as well as to the effectiveness of consumer awareness campaigns such as the Fannie Mae Foundation’s “Your Credit Matters.”

**Credit ratings are improving**

Americans say they have excellent credit rating and always pay their bills on time



Recent home purchasers say they have a good credit rating



Renters say they have a good credit rating

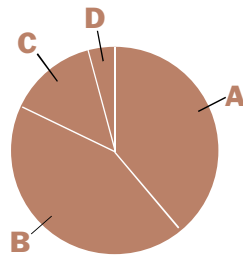


When asked whether they – or the lender – was in control during the mortgage application, the plurality of all homeowners says the lender was in control (43 percent), and only 39 percent felt they were control. Among recent purchasers, the plurality says they were in control (46 percent), and 38 percent felt the lender was in control. Younger borrowers are more likely to say they were in control than are older mortgage customers.

While homeowners are divided over whether they or their lender was in control of the mortgage application process, the majority feel they got the lowest-cost mortgage for which they qualified. Overall, 65 percent of all homeowners and 67 percent of recent purchasers say they are confident they got the lowest-cost mortgage possible. Among those who say they were in control of the mortgage process, 79 percent are confident they received the lowest-cost mortgage, compared with only 51 percent of those who perceive the lender as being in control.

**Which one of the following statements comes closer to your view about the mortgage finance application process? Statement A: You were in control; Statement B: The lender was in control**

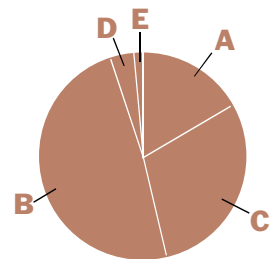
- A.** Statement A:  
You were in control ..... **39%**
- B.** Statement B:  
The lender was in control ..... **43%**
- C.** Some of both ..... **14%**
- D.** Neither/not sure ..... **4%**



Consumer optimism is fueling the housing market. Nearly half (46 percent) of the consumers surveyed expect their family's financial situation to get much better (17 percent) or somewhat better (29 percent) over the next year. African Americans (61 percent), 18-24 year olds (60 percent), and 25-39 year-olds (60 percent) are most confident that their financial situation will improve significantly.

**Outlook on family's financial situation 2000**

- A.** Expect to get much better ..... **17%**
- B.** Expect to get somewhat better ..... **29%**
- C.** Will stay about the same ..... **49%**
- D.** Will get somewhat/much worse ..... **4%**
- E.** Not sure ..... **1%**

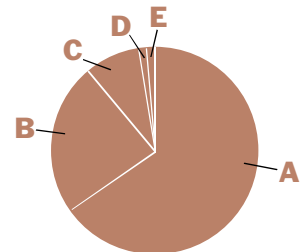


**Expect family's financial situation to get much/somewhat better**



**Americans' confidence level in mortgage pricing Homeowners**

- A.** Confident they got lowest-cost mortgage ..... **65%**
- B.** Not sure whether they got lowest mortgage ..... **24%**
- C.** Did not care ..... **9%**
- D.** None ..... **1%**
- E.** Not sure ..... **1%**



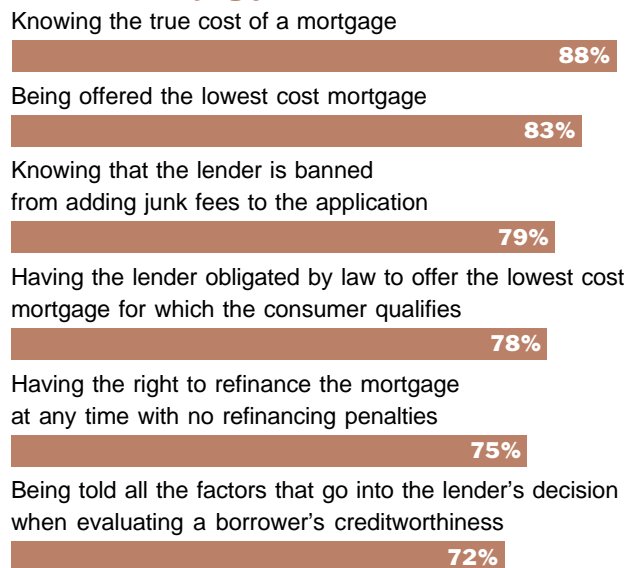




The vast majority of borrowers (over 80 percent) report they consistently received information from their lenders about the closing cost, fees and monthly mortgage payments in advance of closing. However, over one-third of homeowners say that their lender never discussed loan options, outlined the pros and cons of various types of mortgages, or apprised them of the criteria needed to qualify for a lower-interest loan.

Earlier this year, Fannie Mae announced its Mortgage Consumer Bill of Rights, which addresses many of these concerns. And the company recently made the True Cost Calculator available to the public through Fannie Mae's [homepath.com](http://homepath.com). This tool, developed as part of our Mortgage Consumer Bill of Rights, enables homebuyers to consider various mortgage options as they work with a mortgage lender. The True Cost Calculator is but one of the many informational resources to be found at [homepath.com](http://homepath.com).

### Factors extremely important to the home-buying process



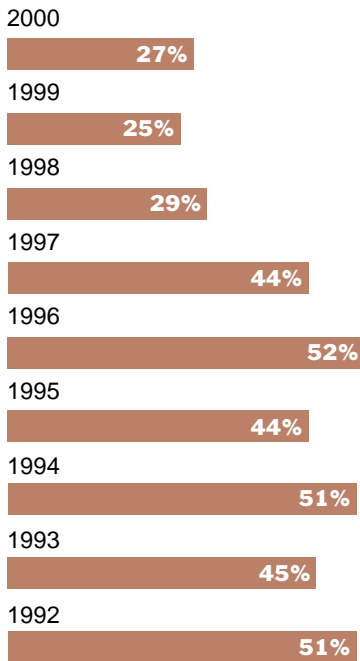
## Removing the Obstacles to Homeownership

America has entered a new era in home buying. For the past three years, as the barriers to homeownership have continued to fall, more Americans consider themselves potential homeowners and fewer feel overwhelmed and intimidated by the process of buying a house.

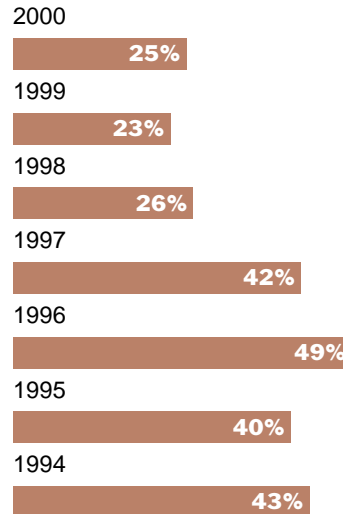
Today, 50 percent of Americans believe that down payment requirements and closing costs do not present a major obstacle to entering the ranks of homeowners. A larger proportion today than in 1999 also say that having a good enough credit rating to get a mortgage is not an obstacle. Overall, two-thirds say it is not an obstacle, up from 63 percent in 1999.

### Perceived barriers to homeownership continue to decline

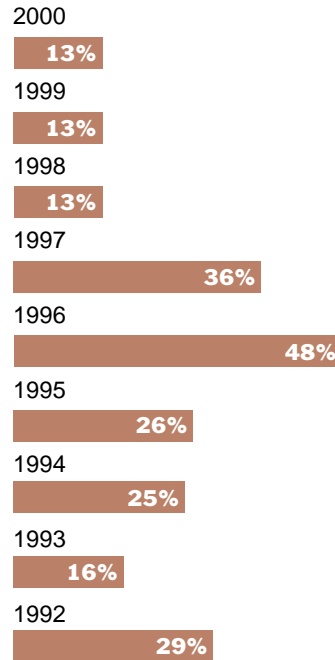
The percentage who believe that having enough money for a down payment and closing costs is a major obstacle



## Being able to find a home you like and that you can afford is less of an obstacle



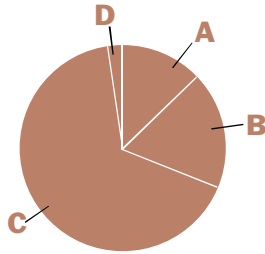
## Having enough confidence in one's job security is also less of a major obstacle



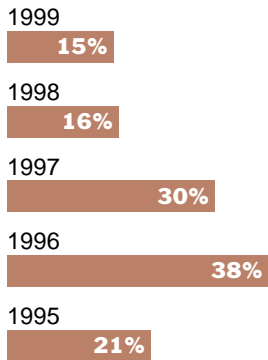
**Americans have confidence that their financial house is sufficiently in order – Having a good enough credit rating to get a mortgage is not seen as a major obstacle to buying a home**

**2000**

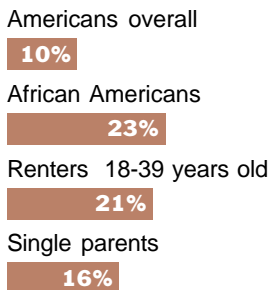
- A.** Major obstacle ..... **13%**
- B.** Minor obstacle ..... **18%**
- C.** Not an obstacle ..... **67%**
- D.** Not sure ..... **2%**



**Good credit rating is a major obstacle**



**Americans who acknowledge having a “poor credit rating, frequently paying their bills late”**



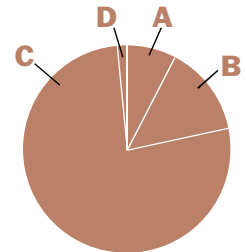
Seventy-seven percent of Americans say “facing discrimination or social barriers” is not an obstacle to buying a home. Only 20 percent of African Americans say facing discrimination is a major obstacle, down from 23 percent last year.

The survey also asked about the extent to which different populations confront discrimination in getting a home mortgage. Women and Asians are viewed as less likely to be victims of discrimination than African Americans, immigrants, or Hispanics.

**There has been a decline in the proportion of Americans saying that “facing discrimination or social barriers” is a major obstacle to homeownership**

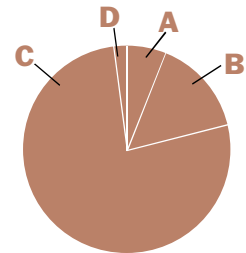
**2000**

- A.** Major obstacle ..... **8%**
- B.** Minor obstacle ..... **14%**
- C.** Not an obstacle ..... **77%**
- D.** Not sure ..... **1%**



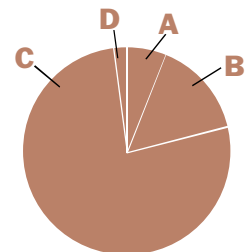
**1999**

- A.** Major obstacle ..... **6%**
- B.** Minor obstacle ..... **15%**
- C.** Not an obstacle ..... **77%**
- D.** Not sure ..... **2%**



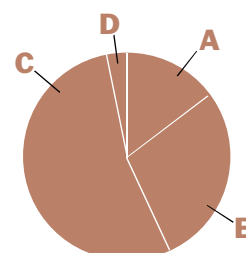
**1998**

- A.** Major obstacle ..... **6%**
- B.** Minor obstacle ..... **15%**
- C.** Not an obstacle ..... **77%**
- D.** Not sure ..... **2%**



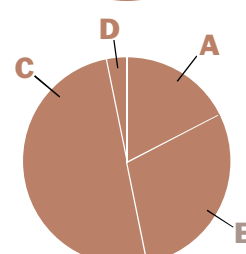
**1997**

- A.** Major obstacle ..... **15%**
- B.** Minor obstacle ..... **28%**
- C.** Not an obstacle ..... **54%**
- D.** Not sure ..... **3%**



**1996**

- A.** Major obstacle ..... **18%**
- B.** Minor obstacle ..... **29%**
- C.** Not an obstacle ..... **50%**
- D.** Not sure ..... **3%**



**Americans overall believe that African Americans and Hispanics face discrimination in mortgage lending**

Believe African Americans face discrimination in mortgage lending



Believe Hispanics face discrimination in mortgage lending

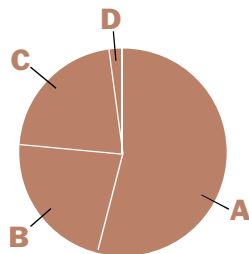


Only 13 percent of all adults say “not knowing how to get started buying a home” is a major obstacle, and perceived lack of information continues to be limited primarily to those who rent. But even among renters, 42 percent say not knowing how to get started buying a home is not an obstacle.

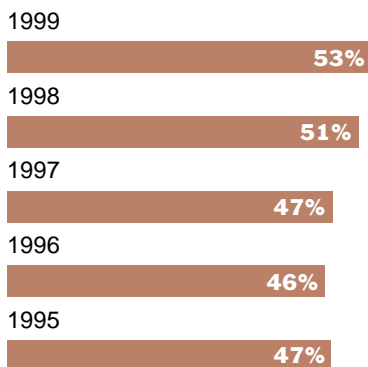
**Americans’ comfort level with the information needed to buy a home has increased**

**2000**

- A. Very/fairly comfortable ..... **54%**
- B. Somewhat comfortable..... **22%**
- C. Not comfortable at all ..... **22%**
- D. Not sure ..... **2%**



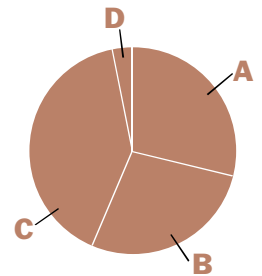
**Very/fairly comfortable**



While only 27 percent of all adults consider down payment and closing costs a major obstacle to buying a home, 44 percent of renters view the initial financial obligation as a major obstacle.

**Renters’ comfort with the information needed to buy a home has increased**

- A. Very/fairly comfortable ..... **29%**
- B. Just somewhat comfortable ..... **27%**
- C. Not comfortable at all ..... **41%**
- D. Unsure..... **3%**



In the first Fannie Mae Annual Housing Survey in 1992, 46 percent of respondents said they were very comfortable or fairly comfortable with the vernacular of mortgage lending – a proxy for their degree of comfort with the information necessary to buy a home. Today, nearly 55 percent of all adults are very comfortable or fairly comfortable with concepts such as escrow accounts, title insurance and loan points. That number, however, is significantly lower for today’s renters. Only 29 percent are very or fairly comfortable with mortgage business terms, with 41 percent saying they are not comfortable at all with their knowledge and understanding of the housing finance industry. This finding presents the Fannie Mae Foundation with a clear challenge as they continue their efforts to close the homebuying information gap.

## What Homeownership Means

**A** home is more than merely shelter. Owning a home provides citizens a sense of financial security and a stake in a community. The American Dream of homeownership remains a powerful idea that inspires families and offers hope for better tomorrows.

- Americans view owning a home as the second most important action a person can take to achieve financial security, behind starting an IRA [401(k)] or other type of retirement account.

### Factors that define financial security

Starting an Individual Retirement Account

52%

Owning a home

34%

Starting a monthly savings plan

29%

Owning mutual funds, stocks, or bonds

25%

Getting life insurance

7%

Getting a credit card

4%

All of these

7%

Not sure

1%

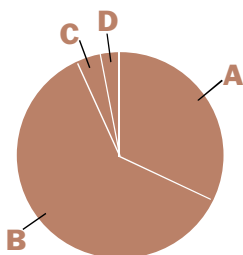




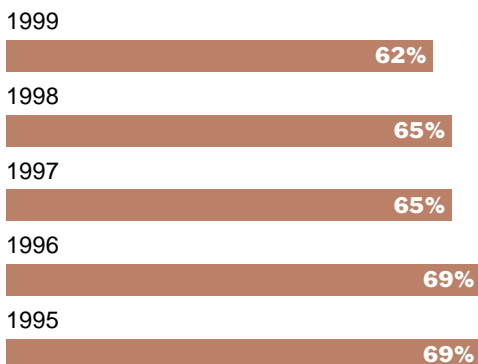
- 39 percent of families with children say owning a home is one of the most important steps they can take to achieve financial security.
- Eighteen percent of renters list buying a home as their number one priority. Fifty eight percent consider homeownership a very important priority.
- Over 60 percent of renters do so as a matter of circumstances, rather than out of choice.

**Most people rent as a result of circumstances rather than choice**  
**2000**

- A.** As a matter of choice..... **32%**
- B.** As a result of circumstances .... **61%**
- C.** Neither ..... **4%**
- D.** Not sure ..... **3%**



**As a matter of circumstances**



**Buying a home is a top priority for renters**  
**2000**

Number one priority/among top two or three priorities



Very important priority



Not a very important priority



Not a priority at all



Not sure



**1999**

Number one priority/among top two or three priorities



Very important priority



Not a very important priority



Not a priority at all



Not sure

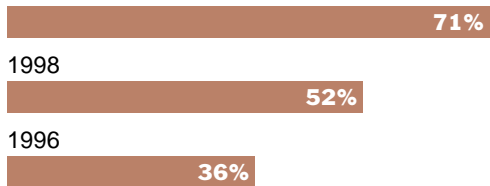


- Thirty-five percent of renters indicate that they have begun to save money to buy a home.
- Forty-three percent of renters say they are very likely or fairly likely to purchase a home in the next three years.
- Over one-quarter of renters are married couples with children. Eight percent are single-women with children.
- 35 percent of all homeowners have bought their current home in the past three years.
- 41 percent of all homeowners are living in the first home they have owned.

## The Internet and the Home-buying Process

Use of the Internet for mortgage transactions represents a hopeful prospect to most potential home buyers, who see it as a much easier way to comparison shop for mortgages, a way to reduce racial discrimination in borrowing, and a simpler way to apply for a mortgage. Small wonder that a majority of Americans expect mortgage applications to be handled primarily over the Internet five years from now.

### More Americans have Internet access at home or work 2000

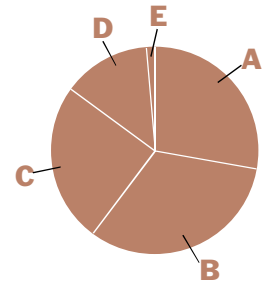


The proportion of Americans with access to the Internet at home or work has doubled in the past four years, from 36 percent in the 1996 Fannie Mae Annual Housing Survey to 52 percent in 1998, to 71 percent today. More than four-in-five Americans aged 18 to 24 (84 percent), aged 25 to 39 (80 percent), and aged 40 to 54 (81 percent) – the traditional home-buying years – have Internet access.

The willingness to at least consider the Internet to apply for a mortgage has seen commensurate growth. The proportion who probably would not try to use the Internet to buy a home or definitely would not use it declined from 50 percent in 1996 to 39 percent today, while the number who would definitely or probably try it increased from 20 to 28 percent, and the number who might consider it has bloomed from 27 percent to 32 percent.

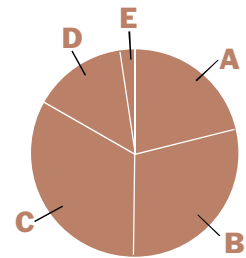
### Increasing comfort level with the Internet as a means to originate or refinance a home mortgage 2000

- A. Definitely/probably would try it ..... **28%**
- B. Might consider it ..... **32%**
- C. Probably would not try it ..... **25%**
- D. Definitely would not try it ..... **14%**
- E. Not sure ..... **1%**



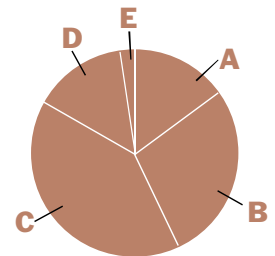
### 1999

- A. Definitely/probably would try it ..... **21%**
- B. Might consider it ..... **29%**
- C. Probably would not try it ..... **33%**
- D. Definitely would not try it ..... **15%**
- E. Not sure ..... **2%**



### 1998

- A. Definitely/probably would try it ..... **15%**
- B. Might consider it ..... **28%**
- C. Probably would not try it ..... **40%**
- D. Definitely would not try it ..... **15%**
- E. Not sure ..... **2%**



**Consumer beliefs about the Internet and the mortgage process**

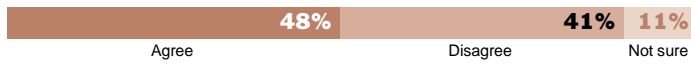
**The Internet makes it easier to compare mortgage rates, options and fees**



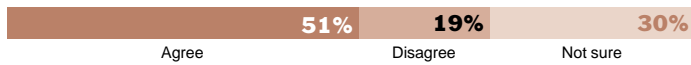
**Applying online reduces racial discrimination**



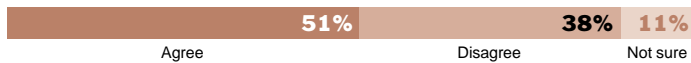
**Offering low-cost mortgages on the Internet discriminates against people without Internet access**



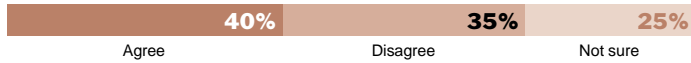
**The Internet makes the application process easier and faster**



**Five years from now most mortgages will be made over the Internet**



**Online mortgage lending will reduce costs for consumers**



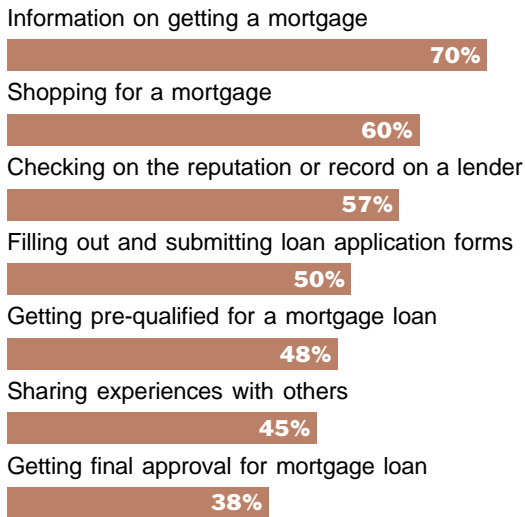
While 56 percent of recent home purchasers with mortgages say they got information about homes for sale over the Internet, only 21 percent of them shopped for mortgage rates the same way. Just 4 percent applied for a mortgage over the Internet, and a mere 2 percent completed the entire process electronically.

Interest is growing in making greater use of the Internet in the mortgage application because of the great advantages most see in bringing more mortgage information and applications online. People are especially likely to cite the advantages of giving potential home buyers a variety of information and in helping to thwart discrimination in the loan approval process.



**The Internet is viewed predominantly as a “very useful” or “fairly useful” source of information for getting a mortgage**

**2000**



Eighty-three percent of 18- to 24-year-olds believe that the Internet makes it easier to compare mortgage rates, options and fees, and 65 percent of this demographic group believe that most mortgages will be originated and transacted over the Internet five years from now.

A plurality – 40 percent – of respondents agree that this new, Internet-based mortgage market will reduce the cost of mortgages for consumers, although nearly as many remain skeptical.

The biggest barrier to expansion of Internet mortgage applications and approvals relates to the Internet itself, and not to the special circumstances of the mortgage process. Three-in-five Americans (60 percent) disagree with the statement that the Internet is a secure place to conduct your personal finances, and only 29 percent agree the Internet is secure enough for personal finance.

**The Internet is a secure place to conduct your personal finances**



**Actual usage of the Internet**

Recent home purchasers who used the Internet to obtain information about homes for sale



Recent home purchasers who shopped for the best mortgage rates and terms



Recent home purchasers who actually applied for a mortgage online





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