

## Chairman's message



In 1992, Fannie Mae released our first National Housing Survey, an annual research project designed to determine American attitudes toward housing and homeownership. As the nation's largest source of funds for home mortgages, we believed it was important to understand how homeownership is viewed by Americans, to have a better insight into their desires, and to know what obstacles they see blocking their ability to achieve their dreams.

When we began the project, our goal was to be better informed as a company about the issues that would have an impact on our ability to fulfill our mission of helping Americans of modest means become homeowners. We also wanted to release our survey results to the public, so that all who care about the state of American attitudes on this most vital of subjects would be able to track them over time. It isn't an overstatement to say that our survey provides insights into the state of the American Dream.

Since our 1992 benchmark, the Fannie Mae National Housing Survey has evolved into the preeminent survey research project for our industry. It also has proved to be an important guide for Fannie Mae.

In 1994, Fannie Mae embarked on an ambitious effort to provide, by the end of the decade, \$1 trillion in mortgage finance targeted to families who have been underserved by the home-buying system in which we play so large a role. Elements of this effort, known as the \$1 Trillion Commitment, include knocking down information barriers that prevent families from taking the first step toward homeownership; fighting discrimination by making its elimination the number-one priority of the mortgage industry; and offering low-down-payment mortgage products to families for whom saving a large down payment is difficult. In these efforts and others, the Fannie Mae National Housing Survey has helped us identify problems faced by families who want to own their home and the solutions that can help them achieve this dream.

From the beginning, our partners in this effort have been the survey research firms of Peter D. Hart and Robert Teeter. We've worked together each year with the goal of utilizing the National Housing Survey to explore issues important both to a cross sample of all adults, and to targeted segments of the population. So in 1994, we looked at the special concerns of renters in America, and last year, we concentrated on an oversample of new Americans — the large population of immigrants to the United States who have come here seeking a better life for themselves and their families.

For the fifth National Housing Survey, we wanted to go back to the beginning, to revalidate our benchmark survey of 1992 and to gauge how Americans' aspirations for homeownership have fared since then. While we looked at an oversample of low- to moderate-income renters to assess their special needs, this year's survey has attempted to follow the contours of our first effort. You will notice that, where possible, we have compared contemporary attitudes with those from each of the past five surveys.

The 1996 Fannie Mae National Housing Survey found that the desire for homeownership, so evident in our benchmark, has, if anything, intensified over time. Americans have an even stronger desire for homeownership today than we found in 1992. Americans are more willing to make the necessary sacrifices to become homeowners, and are more willing than ever to work hard and do what it takes to have their families live in a home of their own. Why? Because they view homeownership as a universally positive outcome, one that makes a difference in their lives and the lives of people they know.

In 1996, there are strong signs of optimism among the public about whether homeownership is within reach, both for themselves and for a typical young family. The belief that a home is a positive investment is so strong that, even when we informed respondents that economists anticipate that home price appreciation for the rest of the 1990s will not match the fast pace of previous decades — our respondents were undaunted, their desire for homeownership lessened not at all. The sense, even among African Americans, that the mortgage industry discriminates against minorities has measurably diminished over time. Though mortgage rates this year have risen since the historic lows of 1993 and the relative lows of late 1995, Americans still believe this is a very good time to buy a home.

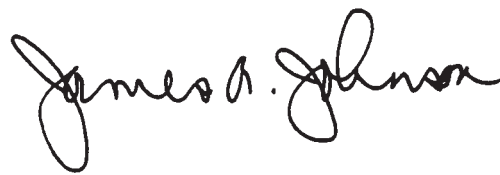
Yet obstacles remain between American families and the homes of their dreams. While there is a recognition that efforts have begun to give families the information they need to buy a home, there remains a perception that the mortgage process is too daunting and too filled with paperwork. And even while there is confidence that one's own family's financial situation will improve

in the next year, there has been a surge in anxiety about whether one's job prospects will be an obstacle to homeownership. In fact, this democratization of anxiety about job security is notable across all economic levels and all regions of the country, and is pervasive whether one is white, African American, or Hispanic.

Our findings each year since the 1992 benchmark have shown that Americans equate homeownership with security. Perhaps it is not surprising that at a time when there is a feeling of economic insecurity — despite confidence in one's immediate financial prospects — the desire for homeownership is more acute than ever.

The Fannie Mae National Housing Survey is an important window into attitudes toward the most elemental, and important, American desire for oneself and one's family: to have shelter and a place on earth that is one's own. As we have been each year since 1992, we are grateful for the work done by our partners Peter Hart and Bob Teeter. Once again, special recognition should go to their colleagues Thom Riehle and David Iannelli, as well as to Fannie Mae's John Buckley, who has overseen this project since its inception.

We hope you find this survey of interest.

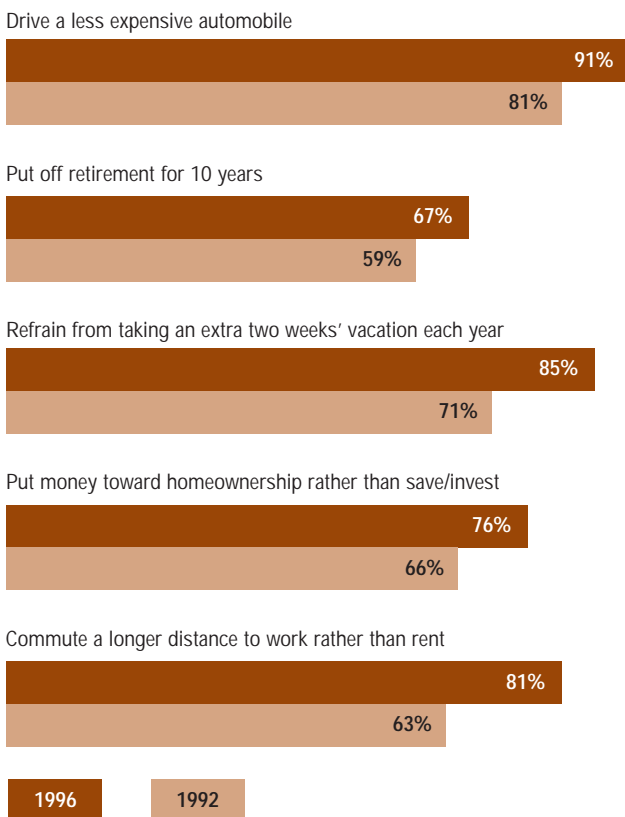


**James A. Johnson**  
Chairman and Chief Executive Officer

# Major conclusions from the 1996 Fannie Mae National Housing Survey

The 1996 Fannie Mae National Housing Survey was conducted by the survey research firms of Peter D. Hart and Robert Teeter through 1,857 interviews, in all regions of the country, from April 8 to April 16, 1996. The survey was weighted to reflect the approximately 65/35% split between those who rent and those who own their own homes; however, answers were also provided from an oversample of 557 low- to moderate-income renters, so as to give statistical reliability to findings focused on this segment of the population. The margin of error for overall responses is less than 3%. Among Hart and Teeter's major findings:

## Americans are willing to make tradeoffs in order to own a home



## What homeownership means to Americans

- The desire to own a home has grown more intense in the past five years.** In order to be a homeowner, not a renter, people are even more likely to make big sacrifices today than in the first Fannie Mae National Housing Survey. For example, while in 1992 respondents indicated by a three-to-one margin that they would accept living further from work if it meant they could own, not rent, this year the margin has increased to better than five to one.

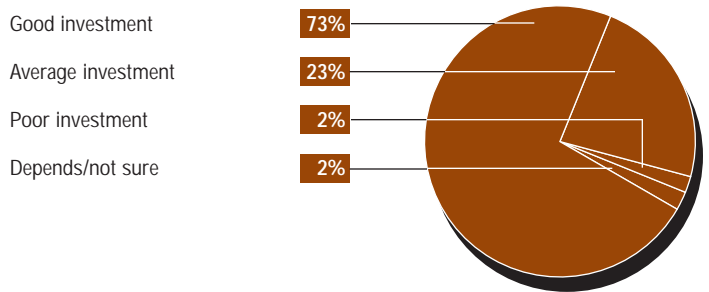
By increased margins, Americans today would take a second job; own one car, not two; and give up their freedom to move, if by making these sacrifices they could own, not rent, their home. More Americans also say they would rather own a home than retire ten years early, take an extra two weeks of vacation each year, or have more money to save and invest.

- **Americans agree that a home is a good investment — period.** Even when told that home values may increase much more slowly in the 1990s, an overwhelming number of Americans say owning a home is a good investment, and better than renting. Indeed, three in four Americans (74%) would recommend that a 30-year-old friend use \$10,000 in savings on a down payment for a house rather than investing in stocks.

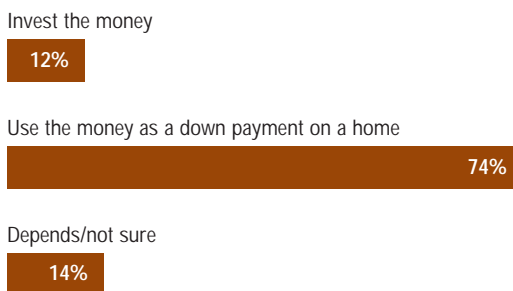
### Americans would make sacrifices to own their own homes



### Owning a home is a good investment

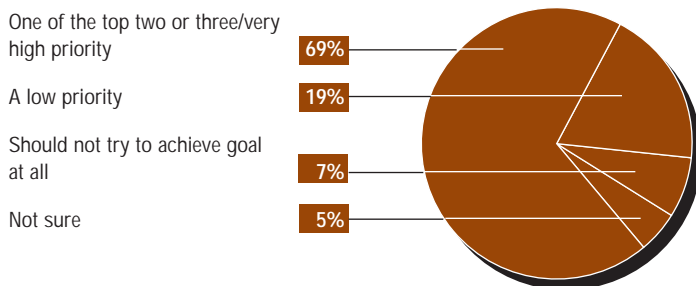


### Three in four Americans would advise a friend to use his or her savings for a down payment for a house

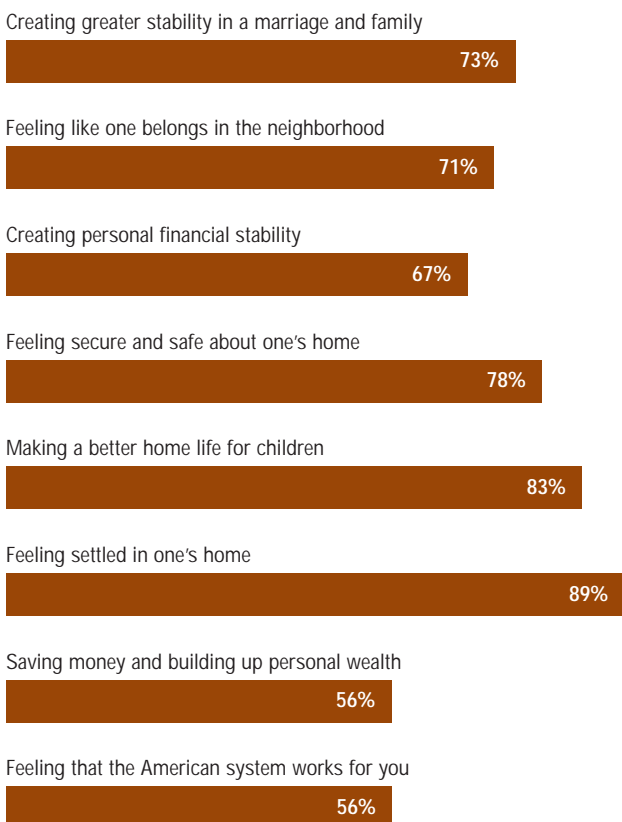


- **More than two-thirds of all Americans (69%) say the goal of increasing the homeownership rate should be a very high priority or one of the top two or three priorities in the country.** People consider homeownership a good social investment, as well as a good personal investment.

### Homeownership should be a top priority



### P14 14P5 15 Homeownership makes a tangible difference in Americans' lives



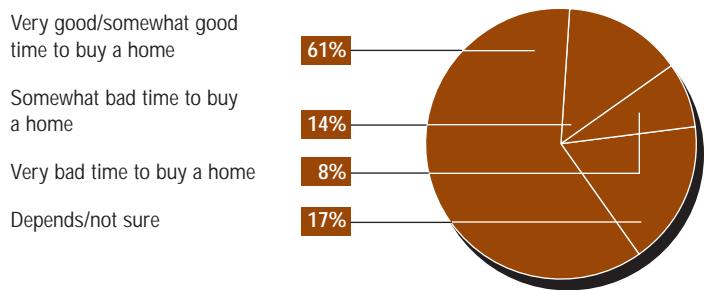
- **For low- to moderate-income renters, owning their own home is the most important goal in their lives.** For owners, having achieved that goal, other goals seem more important. Among low- to moderate-income renters, no other item on the list is significantly higher. Among owners, only 26% consider homeownership the most important goal they had in their life — fifth out of six goals. The difference between owners and renters reconfirms that homeownership is most important for those who have not yet attained it, or are not sure they can. An even more compelling piece of evidence to suggest the relationship between attainability and the importance non-owners place on that goal is this: Among renters who feel totally confident that they would qualify for a mortgage, saving enough for retirement (51%) is a more important goal than homeownership. Among those who are only somewhat confident about qualifying, however, 47% say owning a home is their most important long-term goal, ranking above every other goal tested.

- **Americans say homeownership makes a tangible difference in their lives far beyond simply a financial difference.** More than two-thirds of Americans (up to 89%) say homeownership makes an important contribution to feeling settled in one's home, making a better home life for children, feeling safe and secure, lending stability to a marriage and family, feeling a part of the neighborhood, and creating personal financial stability. Majorities also consider homeownership a very important contributor toward building up wealth and the feeling that the American system works for them.

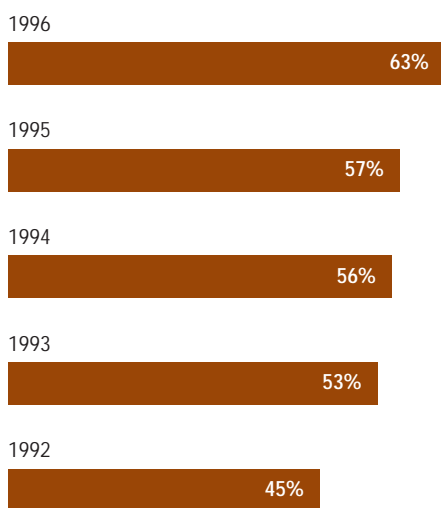
### Degrees of optimism about homeownership

- **Three in five Americans (61%) feel now is a good time to buy a home, including 28% who say conditions make this a very good time to buy.** This represents a solid recovery from attitudes in 1995, but it is still significantly below the strong attitudes found in 1993 and 1994 that, at that time, it was a very good time to buy a home.
- **Public optimism signals good news for the real estate and home mortgage finance industries.** People are optimistic about their family’s financial situation, and there is a sense of stability to Americans’ expectations about the nation’s economy. More homeowners than in any previous year believe that it would be from fairly to very easy to find a qualified buyer for their home. More than one in four low- to moderate-income renters (29%) indicate that it is fairly to very likely that they will buy a home in the next three years.
- **By the highest percentage ever, Americans believe that homeownership is “within reach today for most young people age 25 to 29.”** Nearly nine in ten believe that homeownership is within reach now, or soon will be, for most young people age 30 to 35.

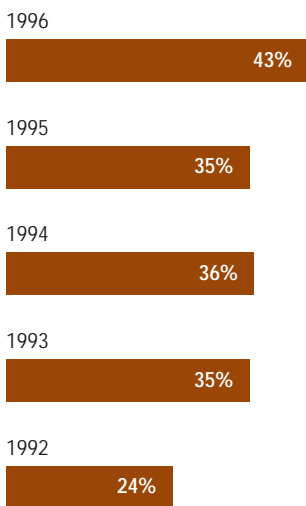
### Now is a good time to buy a home



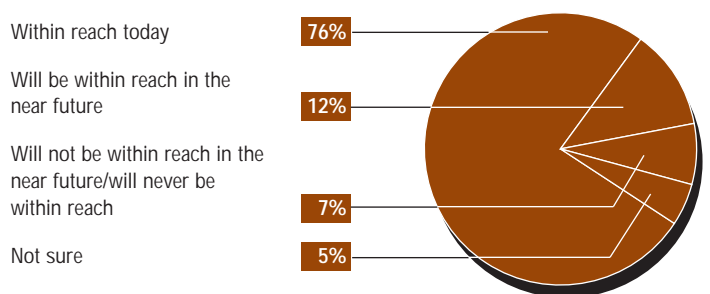
### Finding a qualified buyer is very/fairly easy



### Homeownership is within reach today for young people age 25 to 29



### Homeownership is within reach today for young people age 30 to 35



### Obstacles to homeownership

- **Yet Americans see the goal of owning a home as more difficult to attain for themselves.** The down payment and monthly payments remain the top obstacles, but people are more concerned than ever about job security, finding a good neighborhood, and having a good enough credit record. **In fact, the jump in the proportion of Americans who indicate that concerns about their job security would create an obstacle to homeownership is remarkable: In 1995, only one in four (26%) cited this as a problem, yet in 1996, nearly one in two (48%) of all adults cite it as an obstacle.**

### Obstacles to homeownership

Having enough confidence in job security

48%

Having enough money for a down payment and closing costs

52%

Having a good enough credit record to get a mortgage

38%

The expense of maintaining or repairing a home

28%

Not knowing how to get started buying a home

32%

Finding a real estate agent you can trust

39%

Earning enough income to meet monthly mortgage payments

50%

Finding a neighborhood in which you feel confident investing in a home

43%

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

49%

Facing discrimination or social barriers

18%

- **While growth in concerns about job security, safe neighborhoods, and credit histories make all aspects of buying a home seem personally daunting this year, people see some real improvements in some aspects of the home-buying process.** The selection of homes for sale, less discrimination, and new mortgage options have all gotten better. On the other hand, people say the paperwork involved in getting a mortgage has made home buying more difficult in the past five years.
- **Renters in particular complain that the paperwork and hassles of applying for a mortgage are getting worse.** Renters who put a high priority on buying — the core of potential home buyers — also are more likely than are other renters to complain about increasing difficulties related to the availability of new mortgage options for all kinds of buyers, and to the openness of the mortgage market to people with credit problems.
- **While an absence of information about how to navigate the mortgage process remains a serious impediment, the proportion of adults who have seen informational advertisements about homeownership and qualifying for a mortgage (such as those undertaken by the Fannie Mae Foundation) has increased 35% in the past year** — from 20% to 27%. Also, seven in ten Americans (70%), and 75% of low- to moderate-income renters, believe these kinds of efforts make a major contribution to the ability of potential home buyers to succeed in buying a home.

### Information on home buying is valuable

All adults

70%

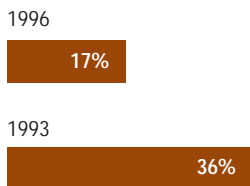
Low- to moderate-income renters

75%

- **The percentage of Americans who believe African Americans suffer from discrimination in the availability of mortgages “all or most of the time” has fallen from 36% percent in 1993 to 17% today.** The percentage of African Americans who believe other African Americans suffer from discrimination either all of the time or most of the time has fallen from 37% in 1995 to 33% in 1996.

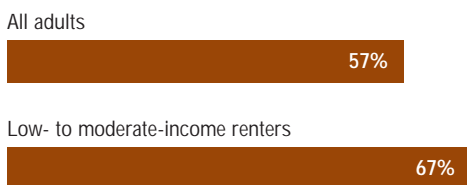
**The percentage of Americans who believe that African Americans suffer from discrimination “all or most of the time” has fallen**

**African Americans suffer from discrimination “all or most of the time”**



- **One potential obstacle to homeownership is the effort by some to do away with the Mortgage Interest Deduction.** Among low- to moderate-income renters, nearly seven in ten (67%) say that repeal of the Mortgage Interest Deduction would have a moderate to major effect on the amount of mortgage debt they would feel comfortable taking on.

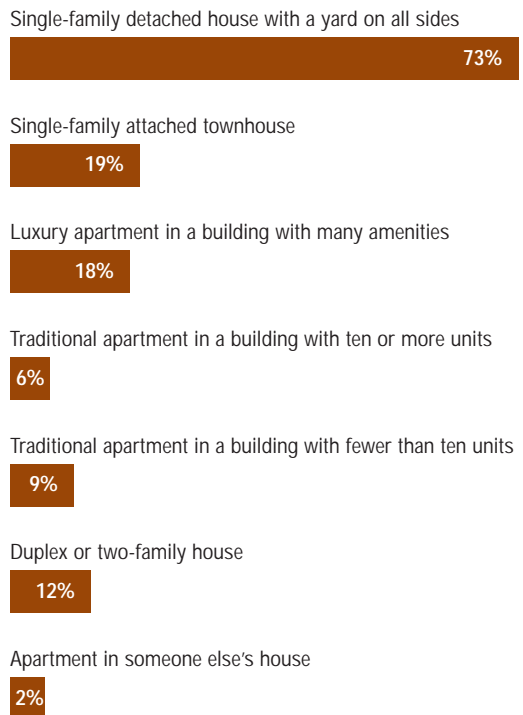
**Doing away with the Mortgage Interest Deduction would be an obstacle to homeownership**



**How we live today**

- **Americans in general make the single-family detached house their ideal, but low- to moderate-income renters have much broader tastes.** The number of adults who say the “single-family detached house with a yard on all sides” is their ideal has dropped from eight in ten (80%) in 1992 to just over seven in ten (73%) today. More than one in four low- to moderate-income renters say they would consider ideal a single-family townhouse, a luxury apartment building, or a duplex, and about three-fifths or more would consider each of these alternatives acceptable.

**Ideal style of home desired by all adults**





- **More than two-thirds of renters say they rent because of their circumstances, not as a matter of choice, and among those with low to moderate incomes, the percentage who rent because of circumstances is even higher: 76%.**

The percentage of all adults who rent because of their circumstances has remained constant since 1994.

- **Twenty-six percent of low- to moderate-income renters say they would probably or definitely try a service that would allow them to apply for a mortgage over the Internet, if they could.**

This compares with one in five (20%) of all adults who would do so.

### Applying for a mortgage over the Internet

#### Would definitely/probably try it

All adults

20%

Low- to moderate-income renters

26%

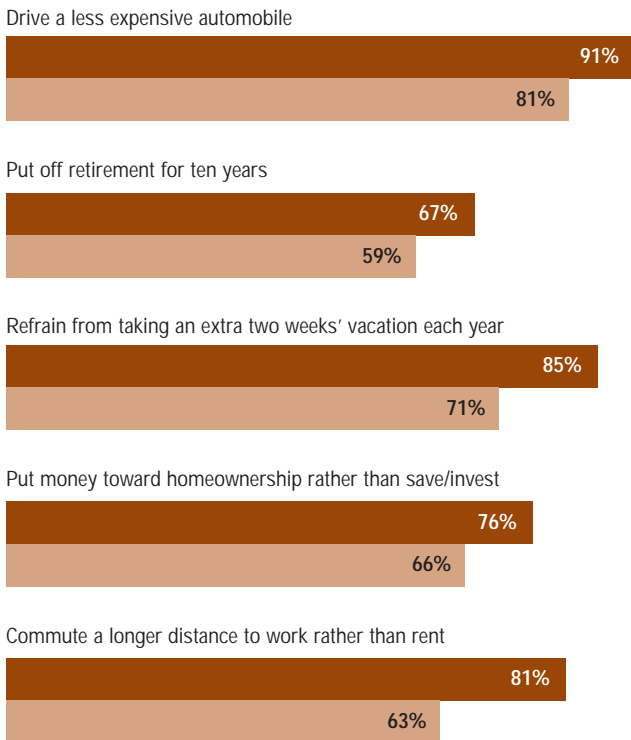


## What homeownership means to Americans

The desire to own a home is greater today than it was just five years ago. Higher percentages of Americans today say they would make sacrifices and accept certain tradeoffs, if necessary, to become a homeowner.

By a thirteen-to-one margin, Americans would rather own a home than drive a better automobile. In 1992, this ratio was only eight to one. More people today (67%) would put off retirement for ten years in order to own their home than indicated they would do so in 1992 (59%). By a greater percentage, Americans today (85%), as compared to 71% in 1992, would refrain from taking an extra two weeks of vacation each year, if

### Americans are willing to make tradeoffs in order to own a home



1996

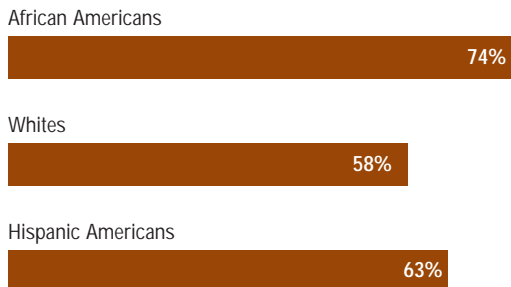
1992

doing so were necessary to become a homeowner. And significantly more Americans today (81%) would choose to own a home rather than rent within “an easy commute to work” than said they would make such a choice in 1992 (63%).

In a finding that confirms the results in our 1992 benchmark survey, more African Americans (74%) than whites (58%) or Hispanics (63%) say they would be willing to make the sacrifice of taking a second job, if that were necessary in order to be a homeowner.

Of interest, however, is that more owners than renters believe homeownership is worth making sacrifices. For example, more owners than renters say they would be willing to forgo driving a better automobile (96% vs. 83%), taking an extra two weeks of vacation (88% vs. 81%), or retiring ten years early (70% vs. 63%). And more owners than renters say they would choose to own further away rather than rent within easy commuting distance to work (85% vs. 73%). This would seem to indicate that while all Americans would make sacrifices in order to own a home, and that while significant percentages of renters are willing to make sacrifices and tradeoffs to achieve their dreams, homeowners have a better appreciation than renters of what is necessary in order to own, not rent.

### Americans are willing to make sacrifices to own a home



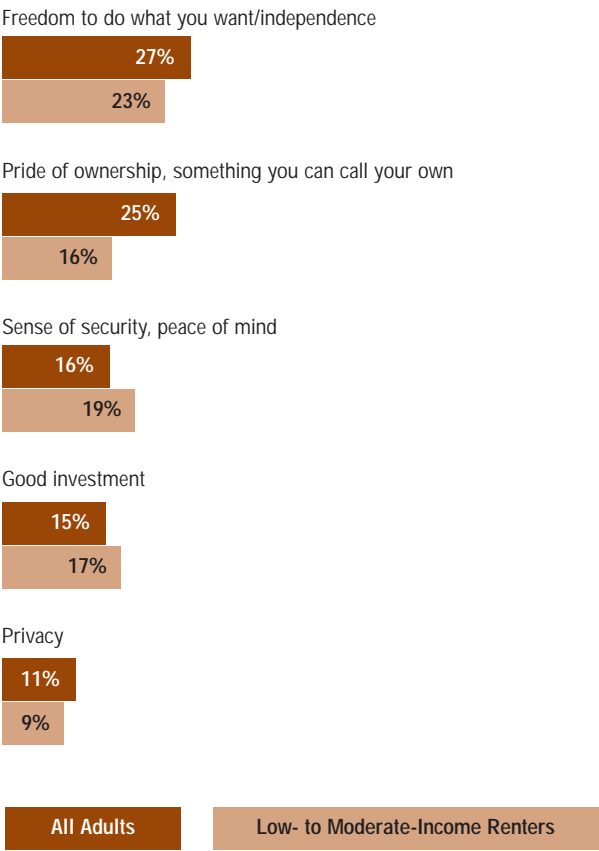
This is interesting because fewer owners (26%) than renters (38%) list “owning your own home” as one of the two or three most important goals in their life. For owners, having achieved the goal of owning a home, other goals seem more important. Among low- to moderate-income renters, no other item on the list of goals ranks significantly higher — though several are just as high. The difference between owners and renters would suggest that homeownership is more important for those who have not yet attained it or are not yet sure that they can. An even more compelling piece of evidence to suggest the relationship between attainability and the importance non-owners place on this goal is that among renters who feel totally confident that they would qualify for a mortgage, saving enough for retirement (51%) is a more important goal than homeownership. Among those who are only somewhat confident about qualifying, however, 47% say owning a home is their most important long-term goal, ranking above any other goal tested.

**For many people, raising their families or maintaining their health is the most important long-term goal. I'd like to read you a list of other long-term goals that people might have over the course of their life. Over the course of your life, which two or three of these have been your most important goals?**

	All Adults (%)	Low- to Moderate-Income Renters (%)
Saving enough to retire early and enjoy life.....	43	35
Making a mark in your profession .....	18	20
Developing yourself spiritually or intellectually .....	39	38
Owning your own home.....	30	38
Having a positive effect on other people's lives .....	31	29
Helping your children pay for college.....	35	38
None/all of these (VOL).....	6	5
Not sure .....	2	1

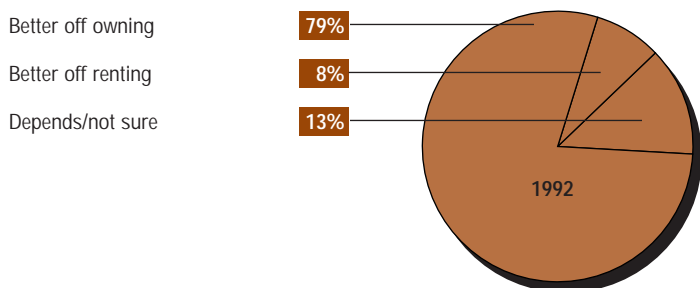
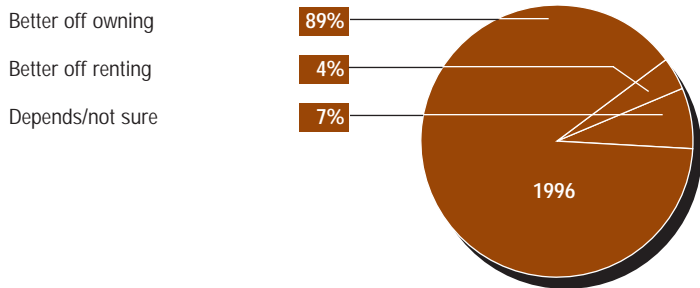
What homeownership means to Americans is a combination of independence and security — freedom from being constrained by a landlord, and pride in owning one’s own piece of earth. Significantly, owning a home is not viewed in purely economic terms, although among low- to moderate-income renters, there is a narrower margin between those who view homeownership in abstract terms and those who view it in financial terms.

**What owning a home means**

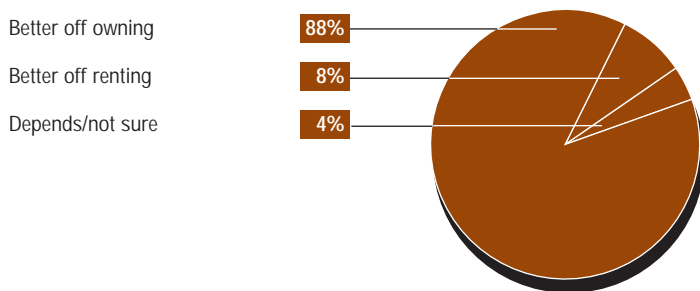


More Americans today (89%) believe one is better off owning, rather than renting a home than thought so when we conducted our first survey (79%).

**Owning versus renting**



**Owning versus renting — when home values increase more slowly than they had in the past**



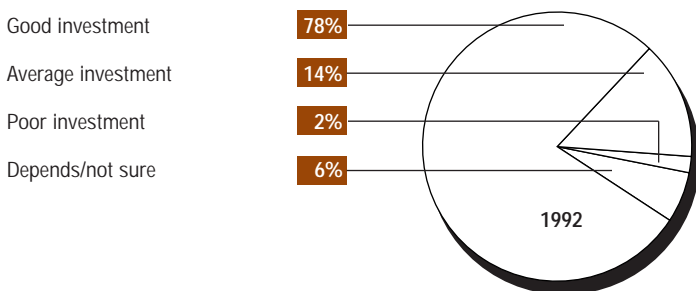
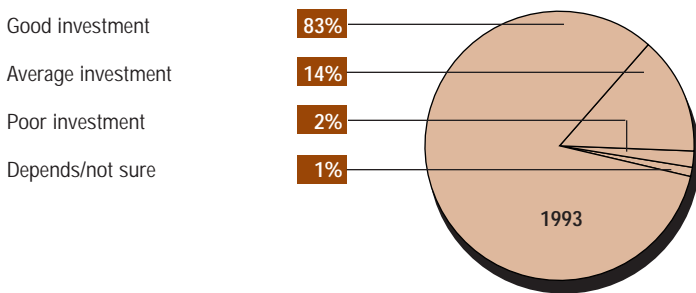
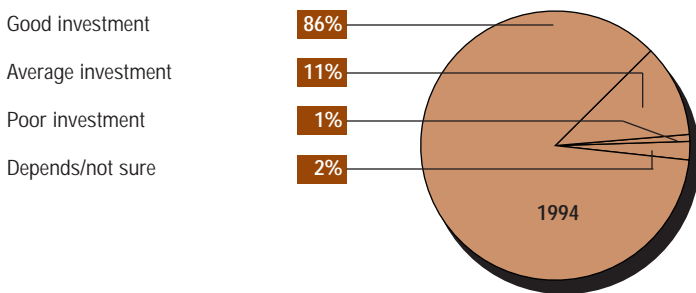
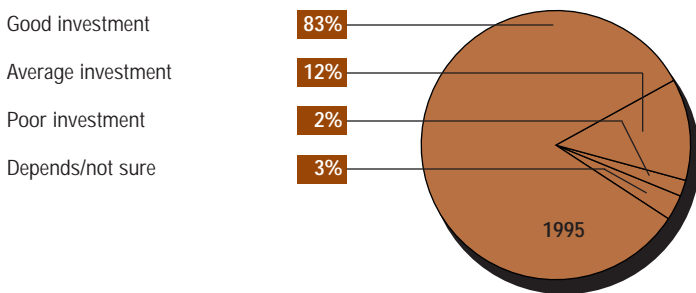
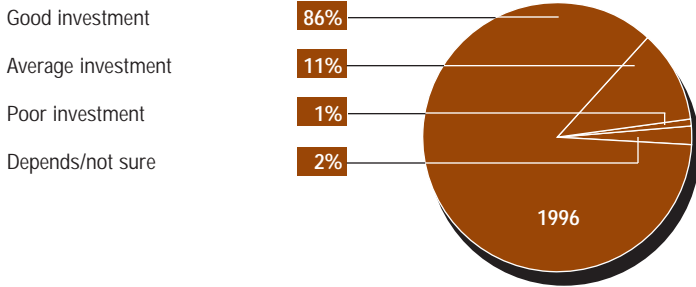
Significantly, even when it was asserted that home values were less likely to increase in the future than they had in the recent past, a virtually identical percentage of respondents still chose homeownership over renting. This is further indication that Americans desire to own a home for reasons other than the purely financial.

When given a choice over where one should make an investment, homeownership comes out on top. This is evident from the fact that, at a time when more Americans than ever are investing in the stock market, either directly or through mutual funds, people believe one is better off putting one's savings into the down payment on a home of one's own than investing it elsewhere.

**Suppose a friend came to you for advice. The friend is 30 years old and has saved \$10,000. If your friend had to choose one or the other, would you recommend that the friend invest the \$10,000 in the stock market or use it as the down payment on a home?**

	All Adults (%)
Invest the money.....	12
Use the money as a down payment on a home.....	74
Depends/neither (VOL).....	11
Not sure.....	3

## Homeownership is a good investment



Americans believe that owning a home is a good investment — period. The percentage who believe this has remained remarkably constant since 1993.

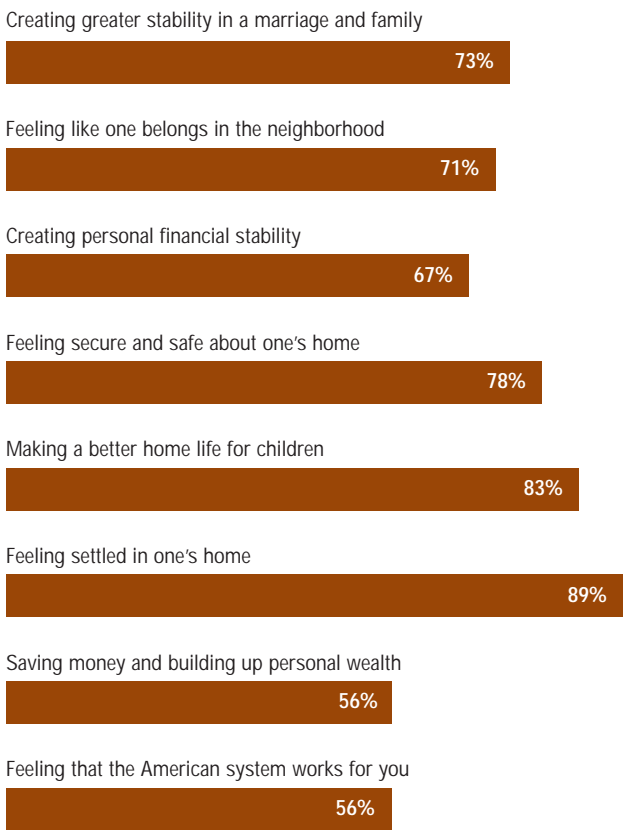
When it was asserted, however, that economists believe home prices would appreciate more slowly in the future than in the past, there was a drop from 86% to 73% in the proportion who see homeownership as a good investment.

**Some economists predict that home values will increase much more slowly in the 1990s than they did in the 1970s and 1980s, when home values doubled every eight to ten years. Hearing that, do you feel owning a home today is a good investment, just an average investment, or a poor investment?**

	All Adults (%)
Good investment.....	73
Just an average investment.....	23
Poor investment.....	2
Depends/not sure.....	2

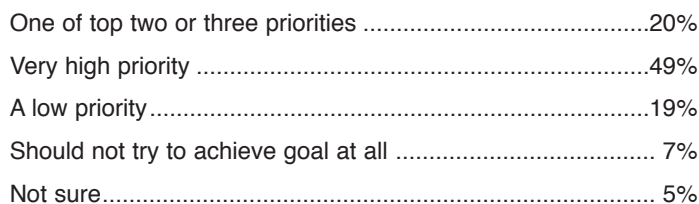
One explanation for why Americans believe one is better off owning, not renting, despite evidence that owning a home may not be the same kind of vehicle for wealth creation that it was in the 1970s or 1980s, is that people look to homeownership for a different kind of benefit. Americans say homeownership makes a tangible difference in their lives far beyond simply a financial difference. More than two-thirds of Americans (up to 89%) say homeownership contributes a lot toward feeling settled in one's own home, making a better home life for children, feeling safe and secure, lending stability to a marriage and family, feeling a part of the neighborhood, and creating personal financial stability. Majorities also consider homeownership a very major contributor toward building up wealth and the feeling that the American system works for them.

**Owning a home helps Americans achieve other goals**



More than two-thirds of all Americans (69%) say the goal of increasing the homeownership rate should be a very high priority or one of the top two or three priorities for the country. People consider homeownership a good social investment, as well as a good personal investment.

**Thinking about the goals Americans might try and achieve by the year 2000, how high a priority would you consider the goal of increasing the number of Americans who own their own home, rather than rent — should it be one of America's top two or three priorities, a very high priority, a low priority, or should America not try to achieve this goal at all?**







## Degrees of optimism about homeownership

Three in five Americans (61%) feel now is a good time to buy a home, including 28% who say conditions make this a *very good* time to buy. This represents a solid recovery from attitudes in 1995, but it is still far from the strong attitudes found in 1993 and 1994 that, at that time, it was a very good time to buy a home.

When asked why they believe this is a good time to buy, four times as many people cite lower interest rates (47%) as the next biggest reason — the affordability of homes (12%).

### Reasons for the optimism about homeownership

Interest rates are lower

31%

Homes are affordable now; prices will go up soon

11%

Many homes are available; it's a buyer's market

6%

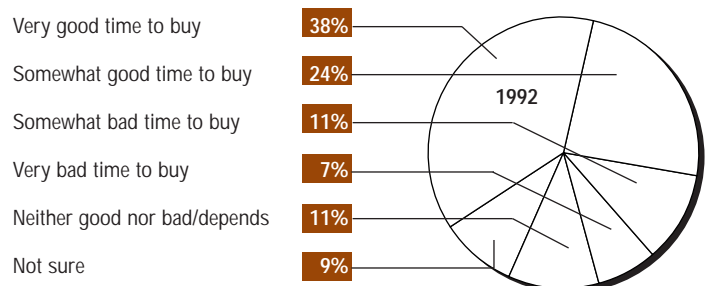
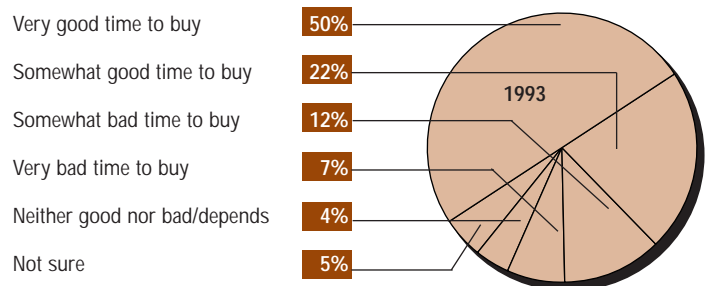
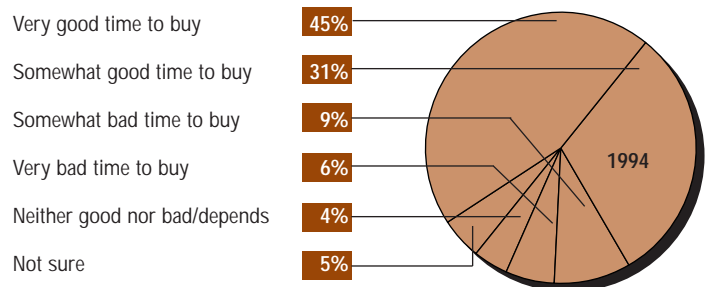
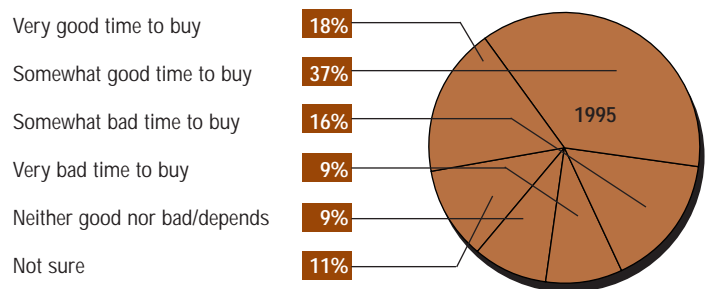
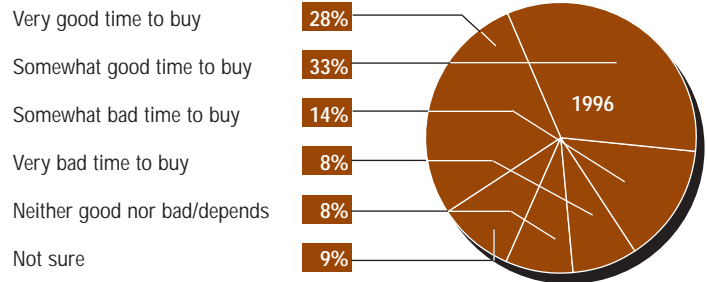
Economy is stronger, improving

4%

This is the time of year houses go up for sale

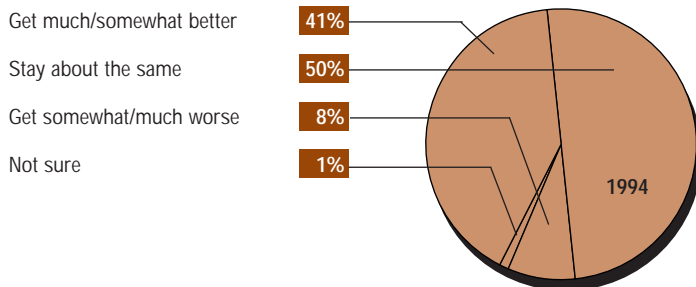
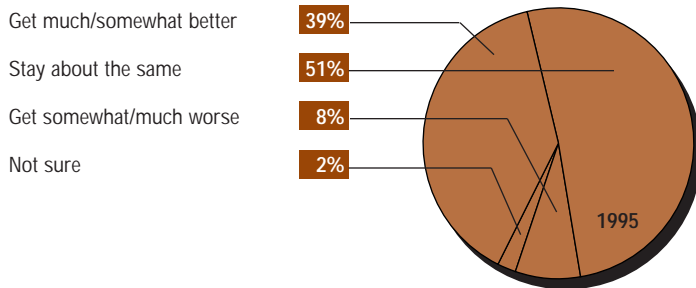
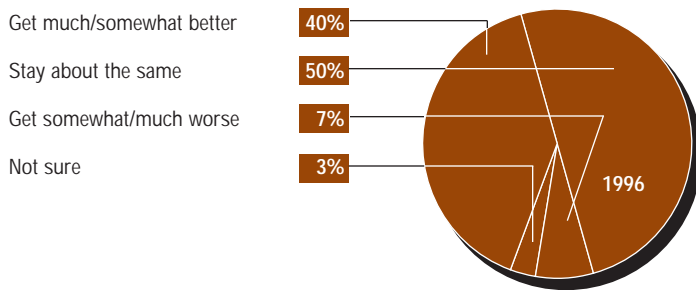
3%

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



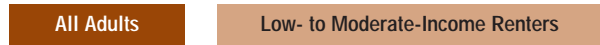
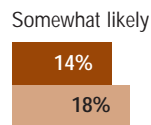
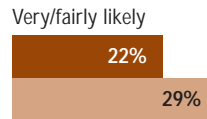
This public optimism signals good news for the real estate and home mortgage finance industry. People are optimistic about their family's financial situation, and there is a sense of stability to Americans' expectations for the nation's economy.

### Outlook on family's financial situation



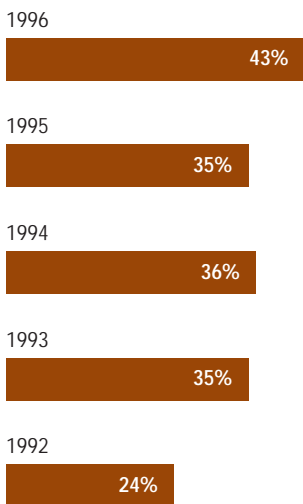
More than one in five (22%) of all adults, and more than one in four of all low- to moderate-income renters (29%), report that they are fairly to very likely to buy a home in the next three years.

### Likely to buy in the next three years

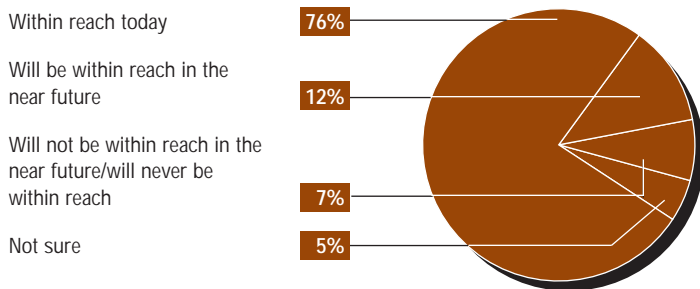


By the highest percentage seen since the benchmark Fannie Mae National Housing Survey, Americans believe that homeownership is within reach for most young people age 25 to 29. Nearly nine in ten Americans (88%) believe homeownership is either within reach today for most young people age 30 to 35 or soon will be.

**Homeownership is within reach today for young people age 25 to 29**



**Homeownership is within reach today for young people age 30 to 35**



Yet, compared with five years ago, more Americans believe that the process of buying a home has become more difficult for home buyers (36%) than believe it has become easier (28%). Among low- to moderate-income renters, nearly twice as many believe it has become more difficult (43%) as believe it has become easier (23%).

**In general, when it comes to the whole process of buying a home, has it gotten easier for home buyers, stayed the same, or gotten more difficult for home buyers, compared with five years ago?**

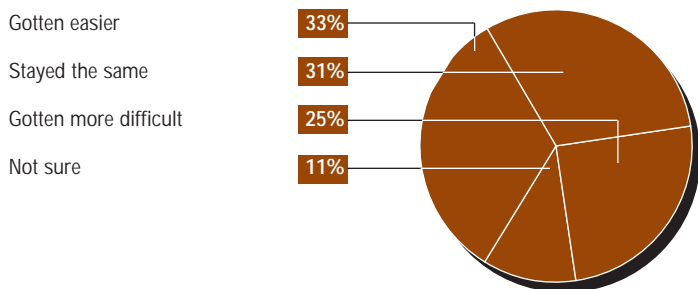
	All Adults (%)	Low- to Moderate-Income Renters (%)
Gotten easier for home buyers.....	28	23
Stayed the same for home buyers .....	20	15
Gotten more difficult for home buyers .....	36	43
Not sure .....	16	19

Renters in particular complain that the paperwork and hassles of applying for a mortgage are getting worse. Renters who put a high priority on buying — the core of potential home buyers — also are more likely than are other renters to complain about increasing difficulties related to the availability of new mortgage options for all kinds of buyers, and to the openness of the mortgage market to people with credit problems.

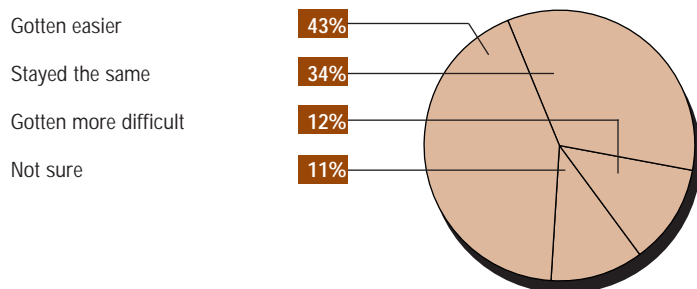
It is very informative that as the mortgage industry begins to put in place the technology needed to reduce paperwork, potential home buyers think that the paperwork involved in getting a mortgage has gotten worse. This is a signal that technology products, such as Fannie Mae's MornetPlus<sup>®</sup> system, aimed at reducing the paperwork and hassles of getting a mortgage have an audience awaiting their widespread implementation.

### Trends in the home-buying industry

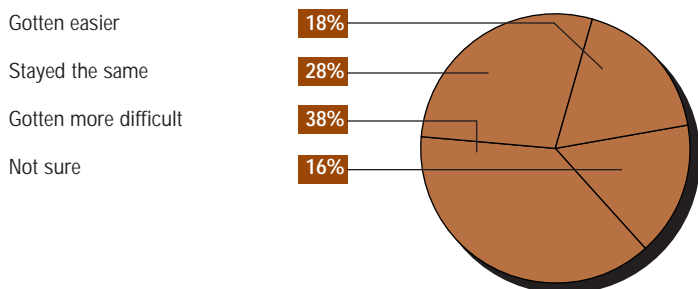
#### The information people need to make the right choices



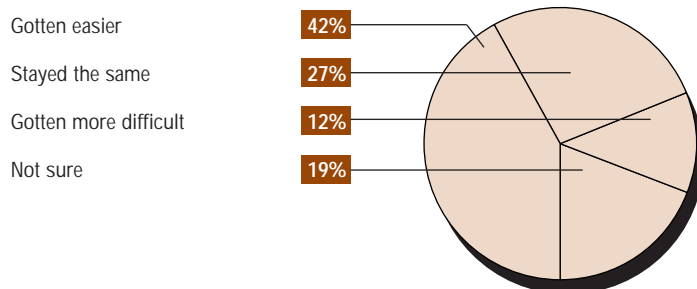
#### Reducing discrimination so anyone can live in any neighborhood they want to



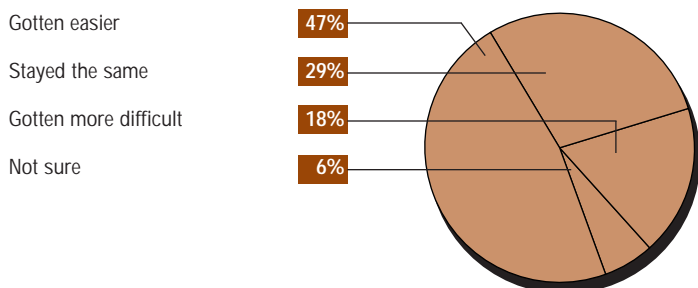
#### The paperwork and hassles involved in getting approved for a mortgage



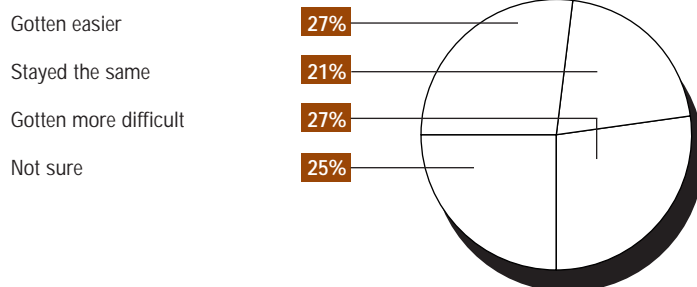
#### New mortgage options to meet the specific needs of all kinds of home buyers



#### The selection of homes to choose from



#### Opening up the home-buying process to people with credit problems

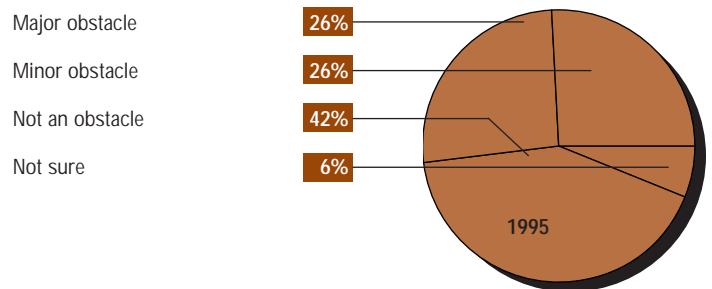
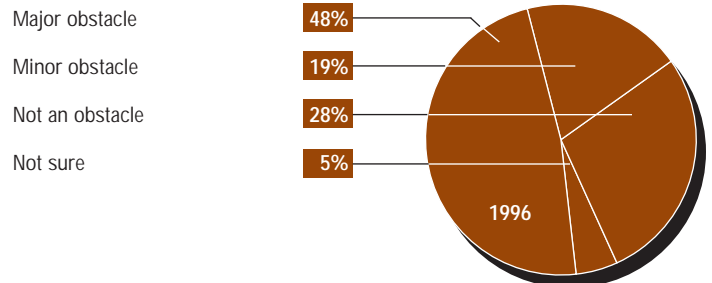


## Obstacles to homeownership

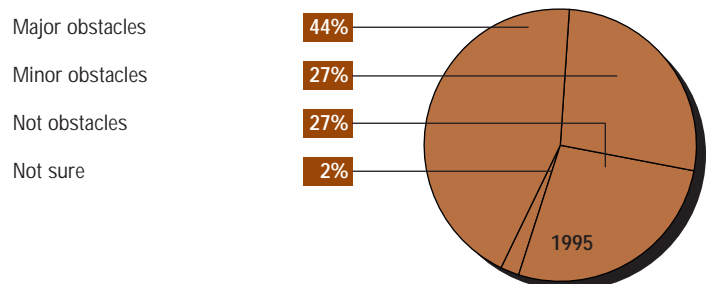
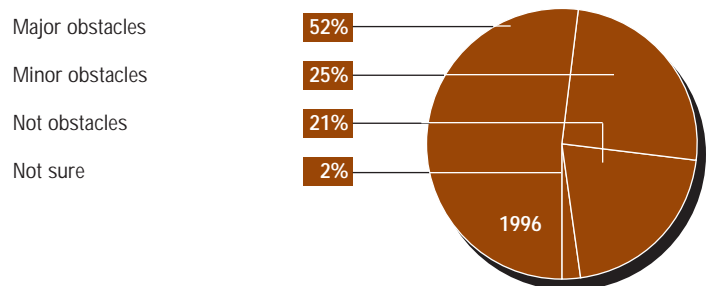
Despite the fact that there is considerable optimism in the spring of 1996 about one's own personal financial situation, about the prospects for younger Americans to soon be able to become homeowners, as well as a healthy percentage of Americans who indicate that they will be in the market to own a home in the next three years, significant obstacles to homeownership remain. They include information barriers, discrimination, problems relating to the income necessary to save for the down payment or to pay the monthly mortgage, and an obstacle that has emerged this year for the first time — measurable insecurity about one's job.

Americans see the goal of owning a home as getting more difficult to attain for themselves. The down payment and monthly payments remain the top obstacles, but people are more concerned than ever about job security, finding a good neighborhood, and having a good enough credit record. In fact, the surge in the percentage of respondents who cite as an obstacle to homeownership their level of confidence in the security of their job is remarkable: In 1995, only one in four adults (26%) cited this as a problem, yet this year, nearly one in two (48%) do so.

### Concern about job security is an obstacle to homeownership



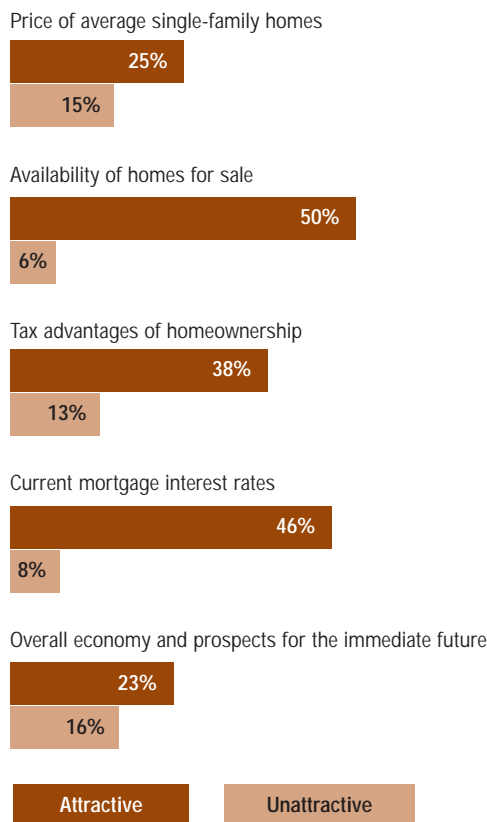
### Having enough money for a down payment and closing costs are obstacles to homeownership



This highlights a paradox. As we have seen earlier, respondents — especially low- to moderate-income renters — believe that their own family’s financial situation is likely to improve in the next year. Yet, this is contradicted by the sizable increase in the percentage who say that feelings about the security of their job have a negative impact on their prospects for homeownership. Most likely, the explanation is that people hold both thoughts simultaneously — confidence that they and their families are going to do better in the midst of a strong economy, while still retaining anxiety and fear about the future. Certainly, the public dialogue in the spring of 1996, from extensive newspaper and magazine coverage about downsizing in corporate America to the issues discussed in political campaigns, has accentuated fears about middle-class job prospects. At the same time, the economy in the first quarter of 1996 grew and created jobs, giving Americans tangible evidence that their economic prospects were not as dismal as reports of layoffs would indicate.

While growth in concerns about job security, safe neighborhoods, and credit histories make all aspects of buying a home seem personally daunting this year, people see some real improvements in other aspects of the home-buying process.

### How Americans view specific aspects of the home-buying process



**Please tell me how comfortable you feel with your knowledge and understanding of special terms related to housing, such as escrow accounts, title insurance, and loan points — do you feel very comfortable, fairly comfortable, just somewhat comfortable, or not comfortable at all with these terms?**

	1996		1995	1994	1993	1992
	All Adults (%)	Low- to Moderate-Income Renters (%)	All Adults (%)	All Adults (%)	All Adults (%)	All Adults (%)
Very comfortable . . . . .	19	9	20	19	19	20
Fairly comfortable . . . . .	27	23	27	26	30	26
Somewhat comfortable . . . . .	28	26	29	25	22	22
Not comfortable at all . . . . .	23	39	22	27	28	27
Not sure . . . . .	3	3	2	3	1	5

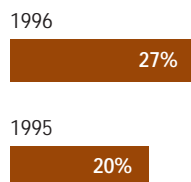
Of particular interest to Fannie Mae is the percentage of Americans — especially low- to moderate-income renters — who cite information barriers to homeownership. Our benchmark survey in 1992 highlighted for the first time the fact that an absence of information is an obstacle to homeownership. This finding was responsible for the company’s undertaking a public service effort to provide consumers with the information they need — an effort that now is a critical function of the Fannie Mae Foundation. Our 1996 survey continues to show how important an issue this is, as less than half of all adults show familiarity with the language that is common in the process of buying a home (our proxy for their level of awareness of the information they will need to navigate the mortgage process). Moreover, more than two-thirds of low- to moderate-income renters show their unfamiliarity with the common language of real estate transactions. As we have seen in previous surveys, there is a direct correlation between such familiarity and the confidence needed to begin looking for a home.

While there is still a formidable information barrier, however, there is evidence that efforts to remove it are having an impact and are appreciated by consumers. The proportion of adults who have seen informational advertisements about home buying and qualifying for a mortgage (such as those currently undertaken by the Fannie Mae Foundation) has increased 35% in the past year — from 20% to 27%. Furthermore, seven in ten Americans (70%), and 75% of low- to moderate-income renters, consider these kinds of efforts to be a major contribution to their ability to buy a home.

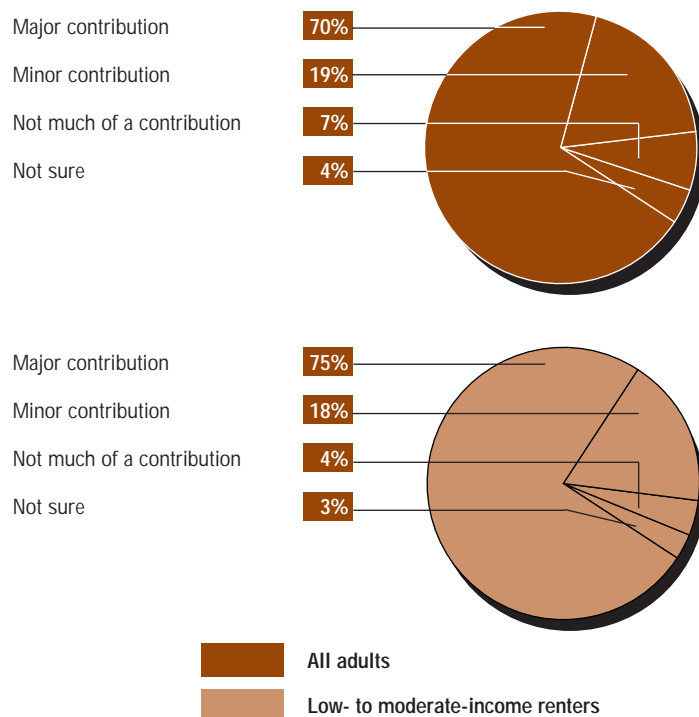
The results of the 1996 National Housing Survey indicate that some progress is being made in fighting the most pernicious obstacle to homeownership: discrimination in mortgage lending. While the percentage of all adults who believe African Americans and Hispanics suffer from discrimination in getting access to mortgage credit “some of the time” has stayed relatively constant or increased within the margin of error since 1992, the percentage who believe blacks and Hispanics suffer from discrimination either “all of the time” or “most of the time” has steadily decreased. Only 17% of

## Exposure to information about the home-buying process is increasing

### Have seen, heard, or read advertising



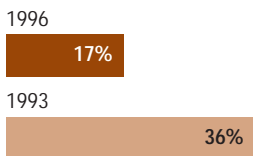
### Information on home buying is important



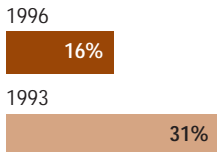
all adults believe African Americans suffer from discrimination either all or most of the time, compared with 36% who believed this to be the case in 1993. And while it is still too high, the percentage of African Americans who believe other African Americans suffer from discrimination in getting a mortgage has decreased from 37% to 33% in the past year.

**The percentage of all adults who believe the following groups suffer from discrimination “all or most of the time” has decreased**

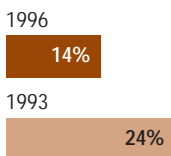
**African Americans**



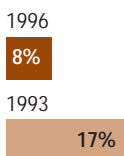
**Hispanic Americans**



**Women**



**Asian Americans**



**Immigrants**



These results, although moving in a positive direction, indicate that the mortgage industry still has much to do to eradicate discrimination from the home finance process.

Findings from the 1996 National Housing Survey reveal that mobility and household composition may be barriers to renters trying to buy. A majority of renters have moved in the past three years, and a majority expect to move in the next three. Because mortgage lenders look to such signs of stability as a steady work history, the mobility of renters indicated in our survey may be a negative factor in converting renters to homeowners.

Additionally, the image of the young married couple with children who are seeking to buy their first home still represents an important component of the market of renters looking to buy, but it is by no means the only type of household looking to buy. Among target renters (low- to moderate-income renters who indicate that they are in the market for a home), slightly more than half (55%) have dependents (compared to 40% of all renters with dependents). Overall, 27% are traditional married couples with dependents, 19% are single females with dependents, 4% are single males with dependents, and 5% are unmarried adults with dependents. More than one in four target renter households (28%) are headed by single adults with dependents. This is significant, in part, because of the difficulty single adults with dependents may have in accumulating enough savings for the down payment on a home.

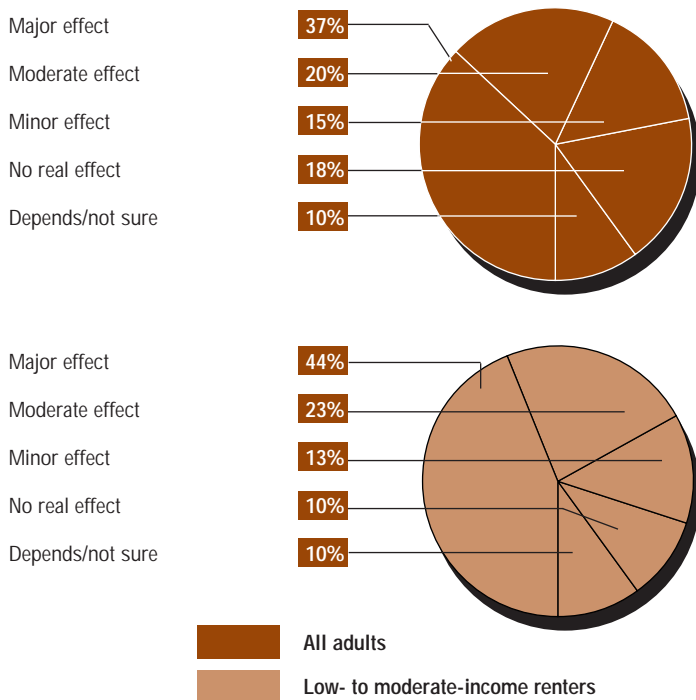


There is one new potential obstacle to homeownership on the horizon. Over the course of the past year, there has been discussion of changing the current tax code, with its deduction for mortgage interest, to a flat tax with no deductions. The National Housing Survey shows that doing away with the Mortgage Interest Deduction, and its incentive for homeownership, would have a negative effect on the effort to create more homeowners. More than two-thirds of all low- to moderate-income renters (67%) indicate that removal of the Mortgage Interest Deduction would have either a moderate or a major effect on their ability to take on mortgage debt. In fact, more than four in ten (44%) say it would have a major effect. While the percentage of all adults (57%) who say this tax code change would have

either a moderate or a major effect on their ability to take on mortgage debt is smaller, this includes many Americans who own their homes already and are either more comfortable with their mortgage debt load or have partially to fully paid off mortgages.

There remain in 1996 significant obstacles to Americans becoming homeowners from accumulation of the down payment needed to get into a home to feelings about job security, an absence of information, and discrimination. As always, the findings of this survey should give guidance to the mortgage industry as it seeks to solve these problems.

**Removal of the Mortgage Interest Deduction will negatively affect home buying**

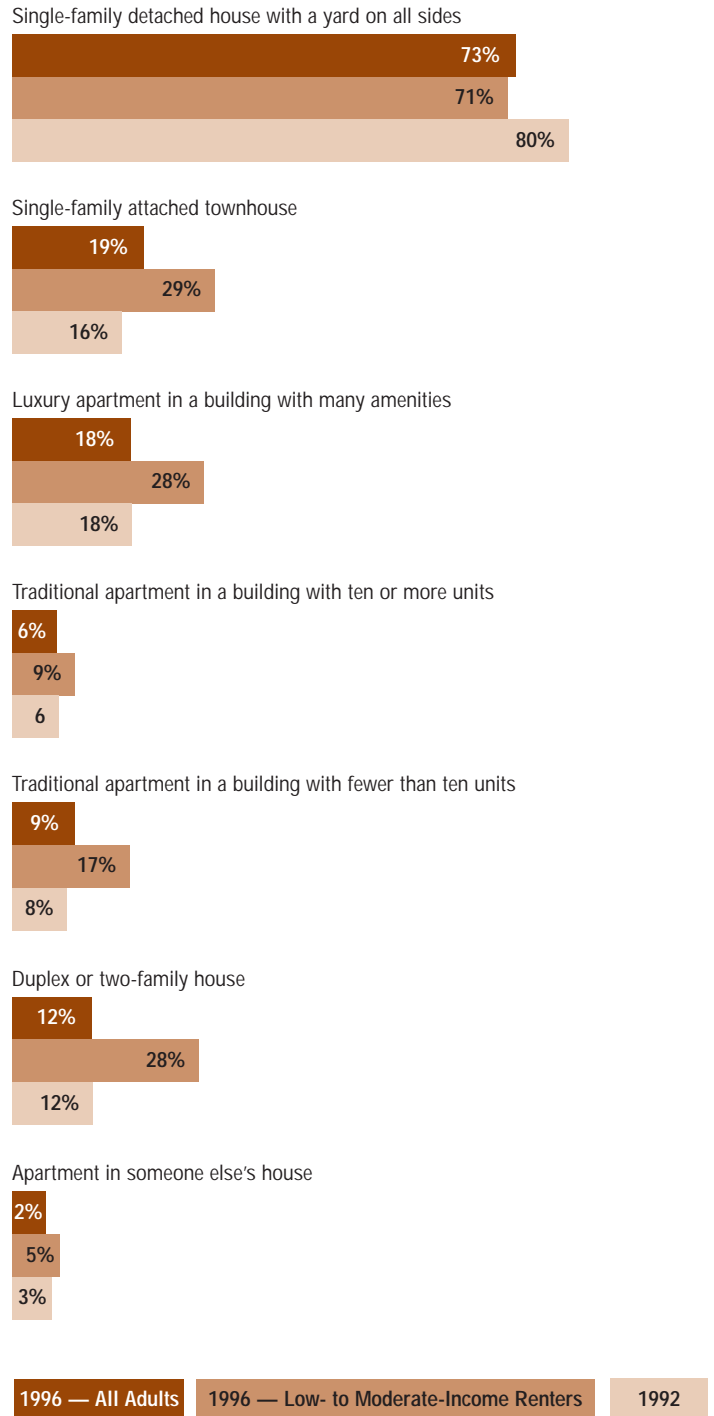




## How we live today

Americans in general make the single-family detached house their ideal, but low- to moderate-income renters have much broader tastes. The percentage of Americans who say the “single-family detached house with a yard on all sides” is their ideal has dropped slightly, from 80% in 1992 to 73% today. More than one in four low- to moderate-income renters, however, say they would consider ideal a single-family townhouse, a luxury apartment building, or a duplex, and about three-fifths or more would consider each of these alternatives at least acceptable. These renters also feel a traditional apartment building with fewer than ten units would be equally acceptable, although not as ideal as the others.

## Home buyers have broad tastes in the style of home they prefer



Despite the intense marketing efforts of the financial services industry, fewer than one in five homeowners (17%) have taken out a home equity loan. There has been no change in this percentage since 1995.

### Home equity loans

Currently paying off a home equity loan

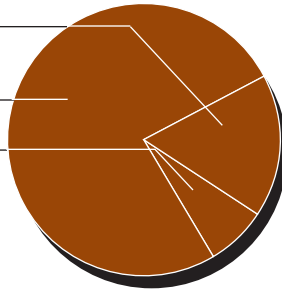
17%

Not currently paying off home equity loan

76%

Not sure/refused

7%



Only 16% of homeowners indicate that they are somewhat to very likely to refinance their home in the next six months. This figure is down slightly from 1993, when 19% of homeowners said they were barely somewhat to very seriously considering refinancing.

### Refinancing

Very to somewhat likely to refinance

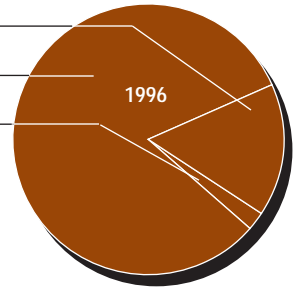
16%

Not likely to refinance

82%

Not sure

2%



Very to somewhat likely to refinance

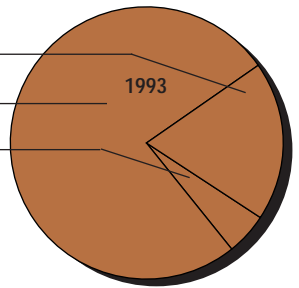
19%

Not likely to refinance

76%

Not sure

5%

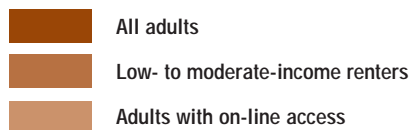
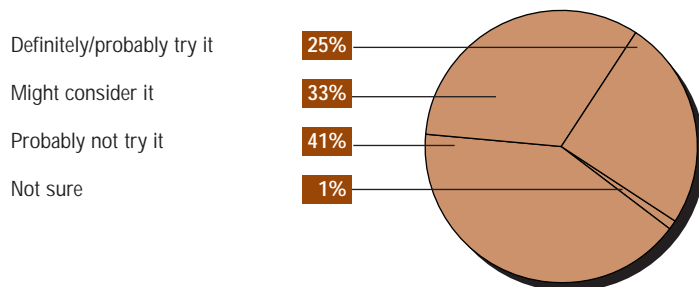
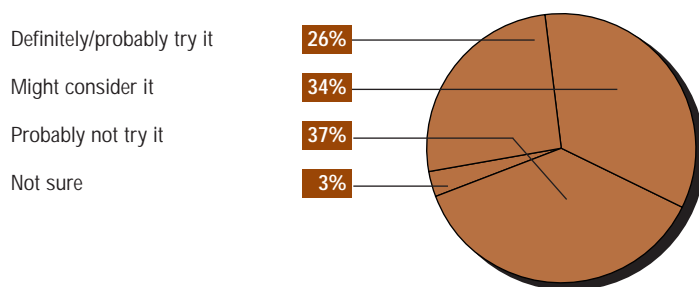
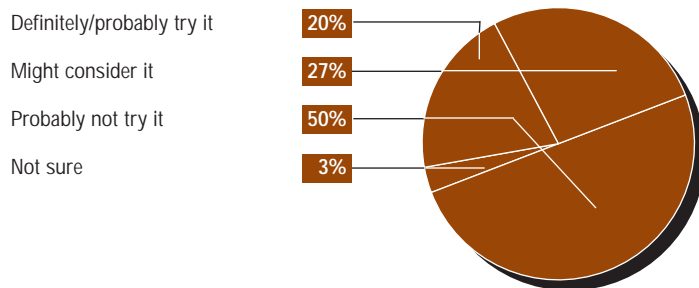


Only one in five adults (20%) say they would probably or definitely apply for a mortgage via the Internet. Among those Americans who have on-line access, the figure is slightly higher (25%). Half of all Americans (50%) say they would “probably not try” to apply for a mortgage via an on-line service, yet only 37% of low- to moderate-income renters say they would be so reluctant to try it, while 26% of these renters say they probably or definitely would apply for a mortgage via the Internet. This is interesting in part because fewer low- to moderate-income renters have access to an on-line service; despite their being less able to do so, they appear to be more adventurous than all adults. This may reflect the fact that low- to moderate-income renters are younger than the sample of all adults as a whole, and it also may indicate that their increased desire to become homeowners makes them more willing to try a new process.

**Do you have access to on-line computer services such as the Internet, through your computer and a modem, either at home or at work?**

	All Adults (%)	Low- to Moderate-Income Renters (%)
Yes, have access to on-line services.....	36	29
No, don't have access to on-line services.....	63	70
Not sure/refused .....	1	1

**Likelihood of applying for a mortgage on-line**





## Who are renters?

Renters overall are young and mobile. Half (50%) of renters are age 18 to 34, compared with 30% of all adults. Half (51%) of renters have lived for less than three years in their current residence, compared to 18% of all adults. More than half (54%) of low- to moderate-income renters and 58% of target renters (low- to moderate-income renters who indicate that they are likely to buy in the next three years) have moved in the past three years. Another moving day lies ahead in the near future for renters: 57% of renters plan to move sometime in the next three years (compared to just 19% of owners).

Most renters are women. Indeed, 58% of renters are women, as are 61% of low- to moderate-income renters and 59% of target renters.

The presence of dependents in the home encourages a household to consider buying a home. Only 40% of renters report having dependents in their household (as do 44% of low- to moderate-income renters), but 55% of target renters have dependents. Target renters are disproportionately composed of three dependent household types — they are more likely than are all renters to be a married couple with dependents (27%, compared with 24% of all renters), and they are particularly more likely than are all renters to be either a woman living alone with dependents (19% compared to 11% of all renters), or else either a man living alone with dependents, or an unmarried adult with dependents (9%, compared to 5% of all renters).

Most renters are simply moving through the renting phase of their life. Only 23% of renters say they rent as a matter of choice, while 69% say renting is a result of circumstances — that is, they cannot afford to own a home right now. Three-quarters (76%) of low- to moderate-income renters and nearly four-fifths (79%) of target renters say circumstances force them to rent.

### Renters are young and mobile

Age 18 to 34



Have lived for less than three years in their current residence



Plan to move sometime in the next three years



Women



Have dependents in their households



This does not mean, however, that all renters are currently making all the efforts necessary to buy a home. Only 35% of renters consider buying a home their number-one priority or among their top two or three priorities these days, while at the other extreme, 40% of renters say that buying a home is not a very important priority or not a priority at all for them. Half (50%) of all target renters place buying a home near the top of their priorities, however, as do 40% of young renters age 18 to 44. Among renters who are at least somewhat confident that they would qualify for a mortgage, 44% consider buying a home among their top priorities. African American renters (39%) and Hispanic renters (38%) are slightly more likely than are white renters (33%) to consider home buying a high priority.

Making home buying a priority makes all the difference. Among renters who consider buying a home their number-one priority, 71% say they are at least somewhat likely to buy a home in the next three years, including 56% who are *very* likely to buy a home soon. Among renters who see buying a home as one of their top two or three priorities or as a very important priority, 69% say they are at least somewhat likely to buy a home, including 34% who are *very* likely to do so in the next three years.

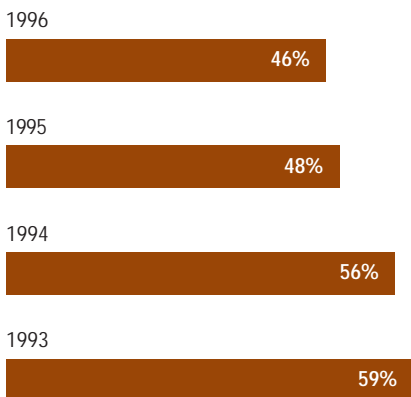
The proportion of renters who consider home buying among their top priorities has bounced back in 1996 from a low point in 1995. Currently, renters are split, as 35% say that home buying is a top priority or one of their top two or three priorities, and 40% report that it is not very important or not a priority at all for them. In 1995, renters were split between the 30% who put a top priority on buying a home and the 48% who said it was not important; in 1994, renters also were divided between the 38% who put homeownership among their top priorities and the 41% who did not.

Being confident about qualifying for a mortgage also makes a difference. Overall, half (52%) of renters are either totally confident or somewhat confident that they would qualify for a mortgage. Slightly fewer than half (46%) of low- to moderate-income renters, but 59% of target renters, feel at least somewhat confident about qualifying. Among the 21% of renters who are totally confident that they would qualify for a mort-

**Totally/somewhat confident that they would qualify for a mortgage**



**Think it has gotten easier to buy a home**



gage, 67% intend to buy a home in the next three years (including 49% who are *very likely* to buy). Among the 31% of renters who are somewhat confident about qualifying for a mortgage, 58% intend to buy a home in the next three years (including 27% who are *very likely* to buy a home).

Renters are more likely to think it has gotten easier (46%), rather than harder (36%), to buy a home in the past couple of years, though the proportion who feel good about home-buying trends has been dropping steadily since 1993. In 1993, 59% of renters said home buying was getting easier; in 1994, 56% felt home buying was getting easier; and in 1995, 48% thought that way. Similarly, the proportion of renters who feel at least somewhat confident about qualifying for a mortgage is also lower than in the past. In 1993, 57% of renters figured they could qualify for a mortgage; in 1994, this figure was 61%; in 1995, 55%; and in 1996, 52%.

If more renters begin to feel confident that they could qualify for a mortgage, and make buying a home a high priority in their lives, the pace of home buying would increase.



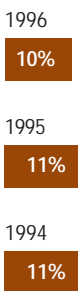
## Who are owners?

Twenty-nine percent of homeowners say they do not pay a mortgage, up from 24% in 1995 and 20% in 1994. Homeowners who are paying mortgages, however, are paying more than in the past. The proportion of Americans who are paying \$750 or more a month has increased to 21%, from 15% in 1995 and 16% in 1994, while the 29% who pay less than \$750 has decreased from 32% in 1995 and 38% in 1994.

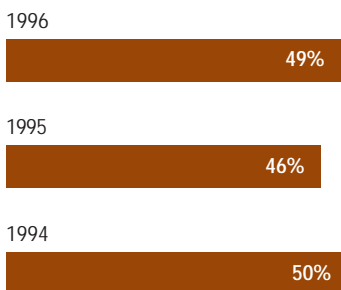
Owners' assessments of the housing market are improving, but they still suggest a weak market. Thirty-three percent of homeowners feel it would be very or fairly difficult to find a qualified buyer, another step in a positive downward trend since 1992 — when 46% thought it would be difficult. The proportion who feel it would be fairly easy to find a qualified buyer (38%) has remained relatively unchanged in the past two years, while the proportion who feel it would be very easy to find a buyer (25%) is up from the 17% found in 1995. Until the percentage of those who believe that it would be very easy to find a qualified

### Types of mortgages

#### Fixed rate



#### Adjustable rate



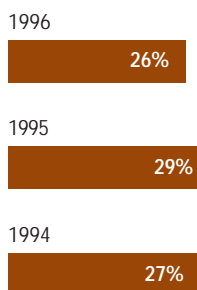
buyer equals or exceeds those who feel it would be very or fairly difficult, however, this market assessment must be considered soft.

There has been little change in the relative proportions of owners with adjustable- or fixed-rate mortgages. Ten percent of those who own a home have a fixed-rate mortgage, compared to 11% measured in both 1994 and 1995. Forty-nine percent have an adjustable-rate mortgage, up from 46% in 1995 but down from 50% in 1994.

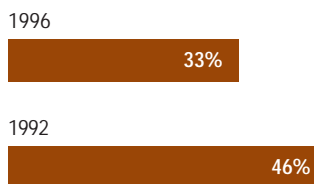
Mortgage interest rates are bunching between 7.0% and 8.4%. The effects of refinancing are evident in the declining proportions of owners with mortgage rates of 8.5% or more. Twenty-six percent of homeowners who still have a mortgage say they have a mortgage rate of 8.5% or more, compared with 29% in 1995, 27% in 1994, and 41% in 1993.

A majority (52%) of owners who are still paying off a mortgage feel that their current mortgage is a good deal, while 39% think theirs is acceptable. Only 6% see their current mortgage as a poor deal. Forty-four percent of those who think their mortgage is a poor deal are very or fairly likely to refinance in the next six months or so, while just 12% of those with acceptable

### Have a mortgage rate of 8.5% or more



### Very/fairly difficult to find a qualified buyer



deals and only 3% of those with good deals are considering refinancing.

In 1993, 19% of mortgagees said they were very much, somewhat, or barely considering refinancing their mortgage, while 76% said they were not considering it at all. Today, 82% of owners with a mortgage say they are not at all likely to refinance; 19% of this group have refinanced since 1994.

The 18% of all owners who have refinanced their mortgage within the past two years is similar to the 19% measured in 1995 and the 22% found in 1993. This is, however, a decrease from the 33% who had refinanced within two years of March 1994. Three in five of those who have recently refinanced have a mortgage rate of below 8.5%.

## The sample

Data for this study were collected through 1,857 interviews conducted by telephone with adults nationwide. The main sample of 1,503 interviews provides a representative cross section of the population of the contiguous United States. It is based on recently released population estimates for the states and on 1990 population data, and is of a multistage cluster design. The survey of the main sample of adults was carried out by conducting a maximum of five interviews at each of 315 randomly selected localities nationwide. In addition, an oversample among 354 renters with an annual household income of less than \$35,000 was accomplished. All interviews were conducted between April 8 and 16, 1996.

The method for drawing the sample ensures that the clusters used and the respondents selected accurately represent the national adult population as a whole. States were ranked by population size, then counties within each state were similarly ranked, and so on, down through the cities, towns, and other census subdivisions, and down to the census tract level in the major cities. Once sampling was completed, the entire sample was validated, cluster by cluster, using racial demographic data.

Out of the total of 1,503 unweighted interviews in the main sample, 347 were conducted in the East, 360 in the Midwest, 479 in the South, and 317 in the West. A total of 481 renters and 1,019 owners were interviewed; 719 men and 784 women; 1,121 whites, 148 African Americans, and 133 Hispanic

Americans; and 286 residents of large cities, 351 residents of small or medium cities, 371 suburbanites; and 450 residents of small towns, villages, or rural areas. The results accurately reflect the distribution of the entire adult population by age, race, sex, size of household, education, occupation, and other demographic factors, as a result of weighting.

This year, we conducted an oversample of 354 low-to moderate-income renters as a special study group. The sample used was drawn in the same random proportionate manner as the main sample, but interviewing was altered, as the geographic distribution of this group was not expected to parallel that of the national adult population distribution. So this sample was culled as a series of mini-national samples to determine more accurately the geographic distribution of this group. A series of screening questions established eligibility, and the sample used was based on a larger sample of 520 clusters. More than one-third of the respondents in this oversample are minorities.

Keep in mind that these results are subject to sampling error — that is, the difference between the results obtained from a randomly selected sample and those that would be obtained by a universal survey of all American adults. For this survey, the overall margin of error is approximately 2.5%, but that margin of error increases as the size of any subgroup analyzed decreases, and the margin of error is somewhat smaller to the extent the percentage response rate on any particular question varies from 50% (*i.e.*, as it approaches either 0% or 100%).