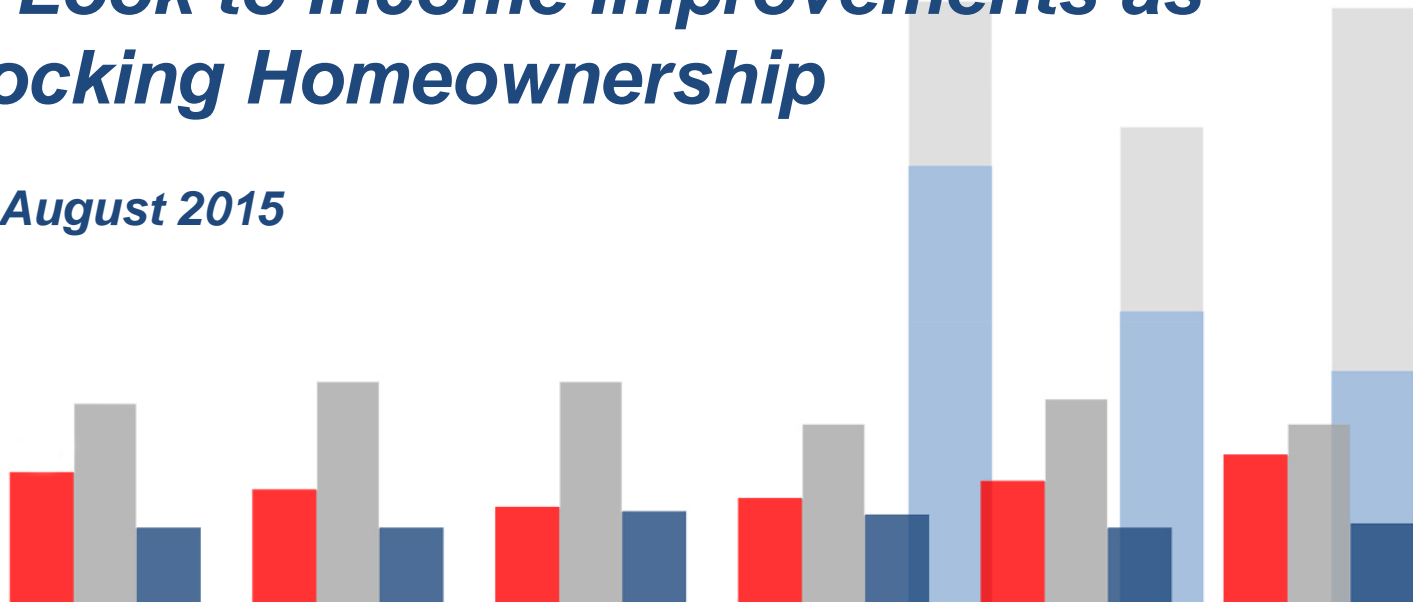


Fannie Mae National Housing Survey™

Millennials Look to Income Improvements as Key to Unlocking Homeownership

Topic Analysis – August 2015

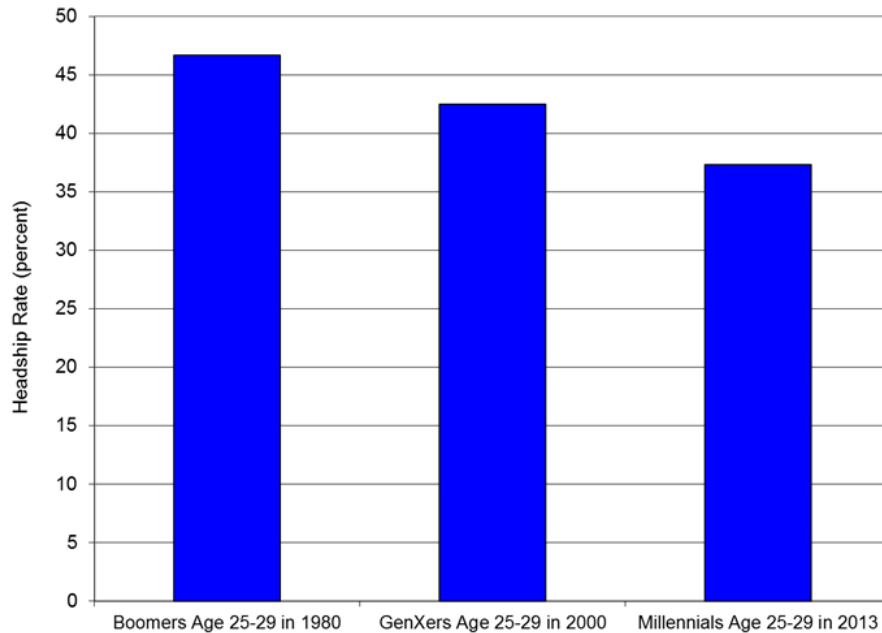


Research Implications

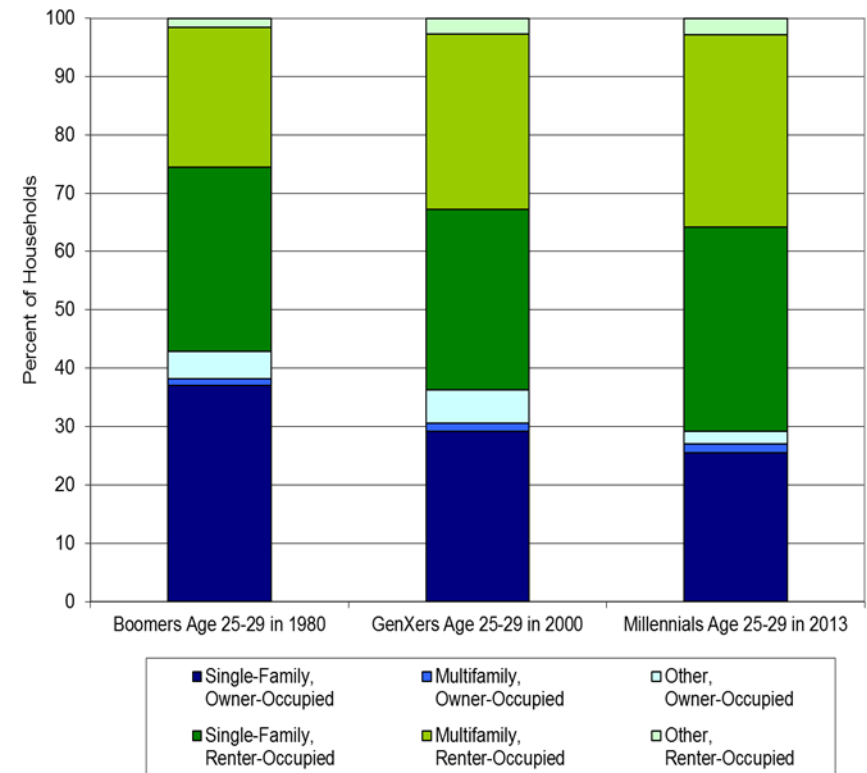
- Millennials, the largest generation in U.S. history according to some estimates, have the potential to generate significant homeownership demand based on their preference for owning over renting and their intention to own in the future
- However, many Millennials and other renters cite financial hurdles, suggesting that they must see sustained growth in income before they become first-time homebuyers
 - Most renters, including those age 25-34, think it would be difficult for them to get a mortgage today
 - They most often consider their personal finances, particularly their income growth, rather than their career or life stage as the primary factor when choosing the right time to buy
- The vast majority of Millennial renters indicate they do plan to buy at some point in the future, but seem to be exercising caution from a financial perspective; this caution may support more sustainable housing costs for consumers and a healthy housing market overall
- Recent improvements in household income are an encouraging sign for Millennial renters aspiring to own in the future; overall, renters today do not anticipate a delay in attaining homeownership relative to the current median first-time home buying age of 30

Millennial housing demand has been subdued compared with previous generations

Millennials Are Less Likely to Form Households Than Their Predecessors



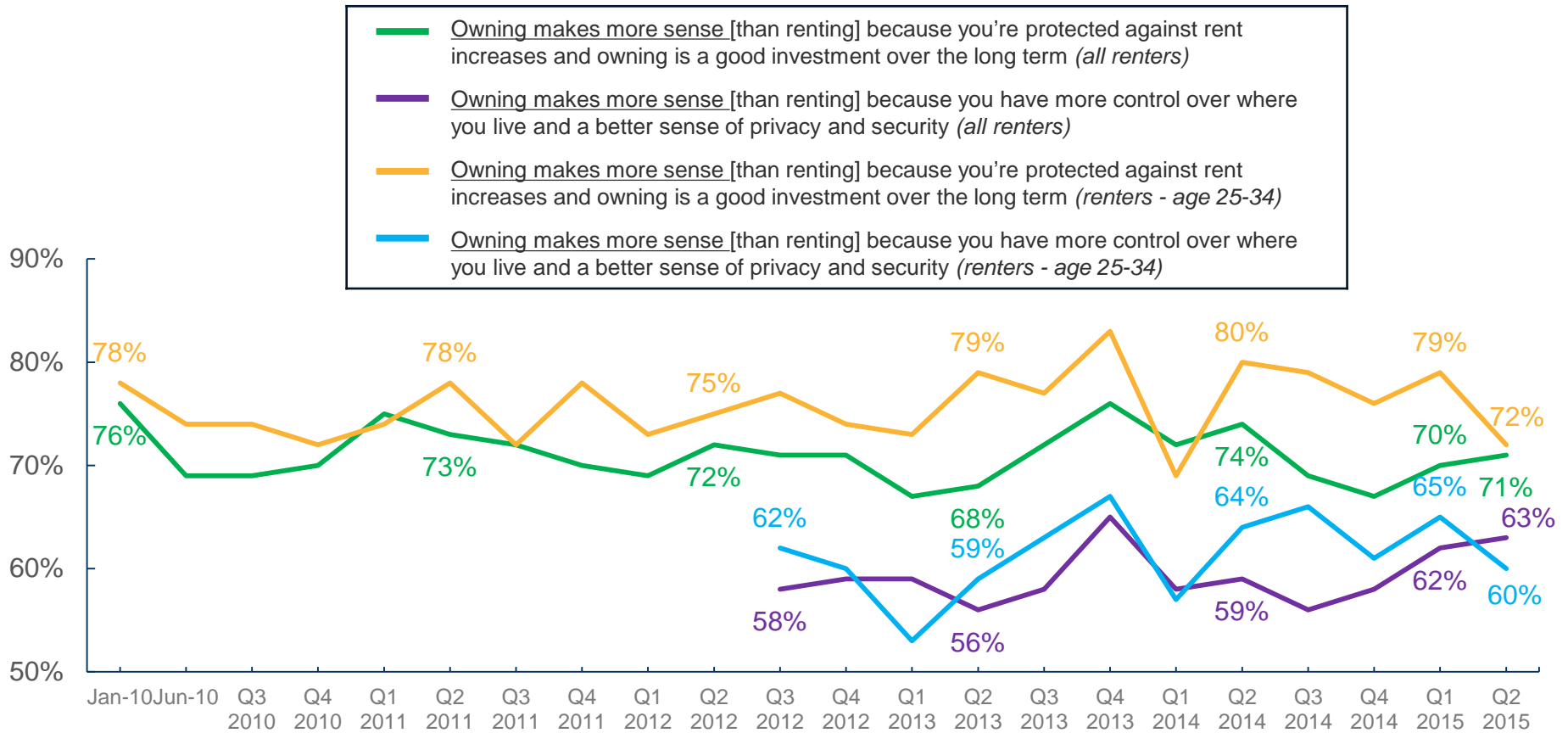
When They Do Form Households, They Are More Likely to Rent, Particularly Single-Family Homes



The headship rate, a commonly used metric of household formation, is the proportion of the population in a given age group that is a householder, i.e., the person, or one of the persons, in whose name a housing unit is owned, being bought, or rented. “Single-family” is 1 to 4 units in structure, “multifamily” is 5+ units in structure, and “Other” is predominantly manufactured/mobile homes.

Source: U.S. Census Bureau, Decennial Census and American Community Survey

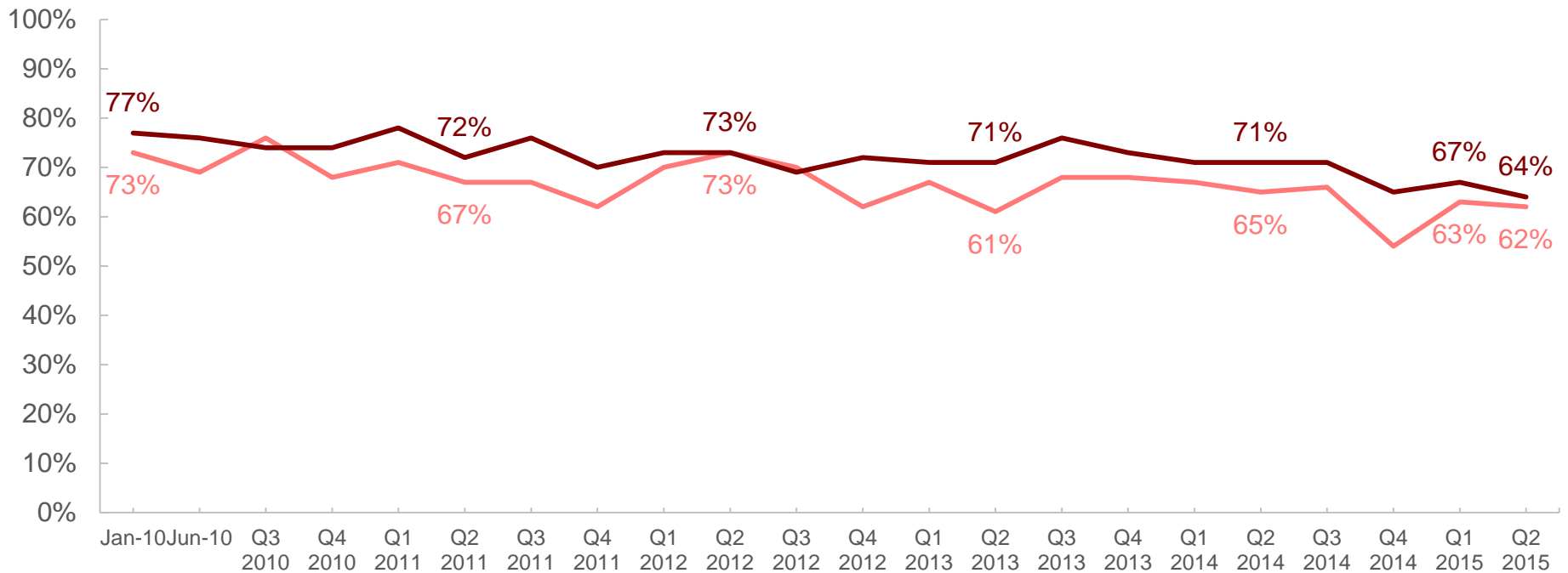
Most renters think owning makes more sense than renting for both financial and lifestyle reasons



Q47 - Which is closer to your view? Showing owning makes more sense because you're protected against rent increases and owning is a good investment over the long term
Q47bb - Which is closer to your view? Showing owning makes more sense because you have more control over where you live and a better sense of privacy and security
 (Question was not asked prior to Q3 2012.)

Most renters including those age 25-34 continue to think it would be difficult to obtain a mortgage today

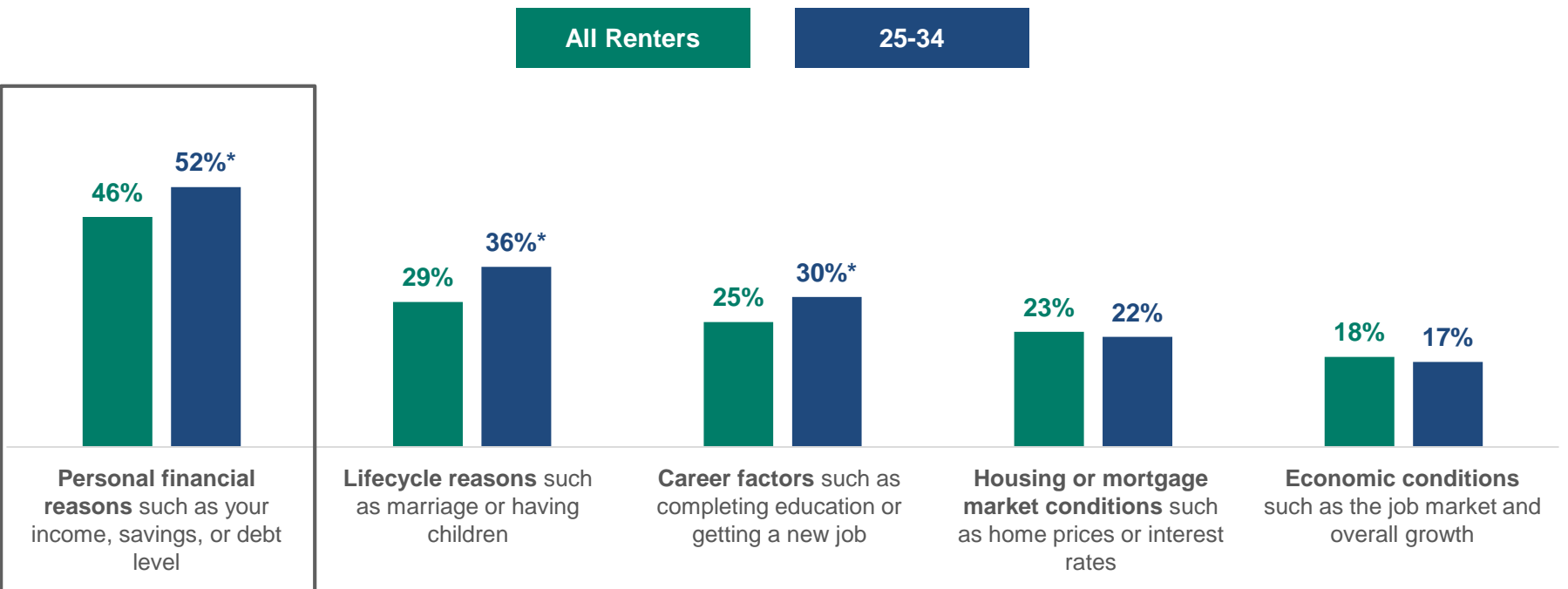
— It would be difficult for you to get a mortgage today (*all renters*)
— It would be difficult for you to get a mortgage today (*renters – age 25-34*)



Q22 - Do you think it would be very difficult, somewhat difficult, somewhat easy, or very easy for you to get a home mortgage today? *Showing difficult to get a mortgage*

Renters are most often considering their personal finances rather than their career or life stage as the primary factor when choosing the right time to buy

Given your personal situation, which of the following is most important to you when it comes to choosing the right time to buy a home? Please select up to 2.
Q3 to Q4 2014



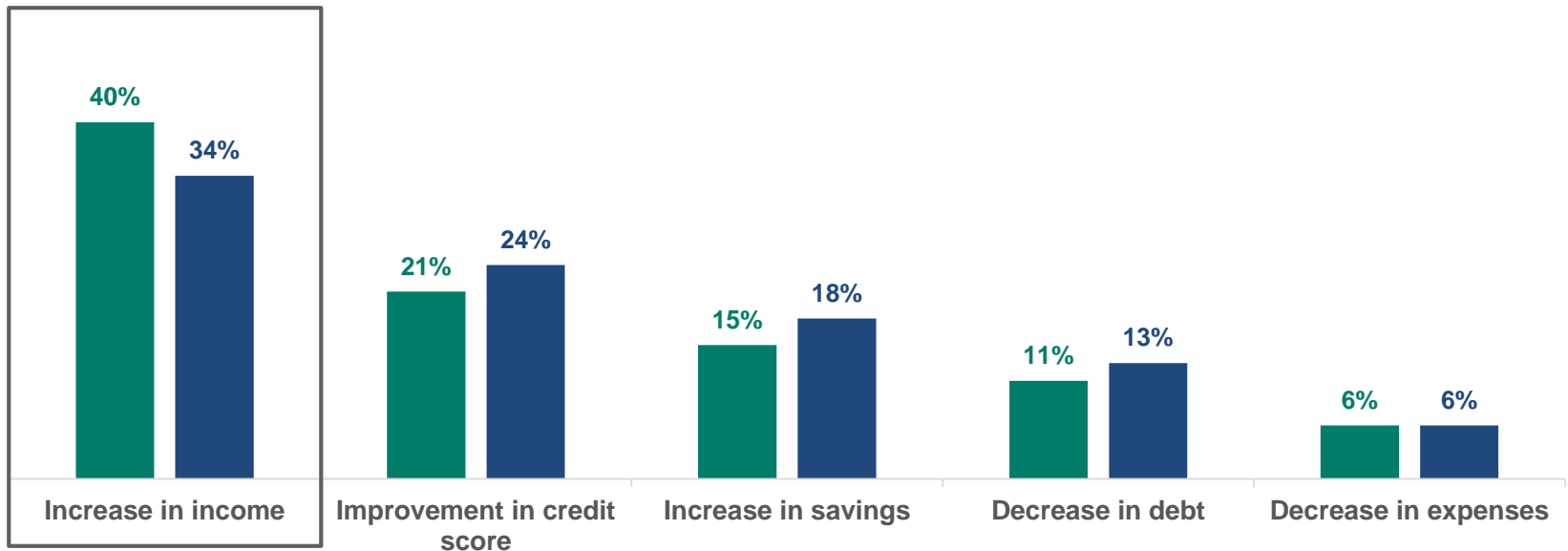
* Denotes a statistically significant difference from All Renters at the 95% confidence level
Data for all age groups can be found in the appendix

Income growth tops the list of financial concerns for renters when determining the right time to buy a home

Of the following personal financial reasons, what do you think will be the primary reason you decide to buy a home at the time you do?
Q3 to Q4 2014

All Renters

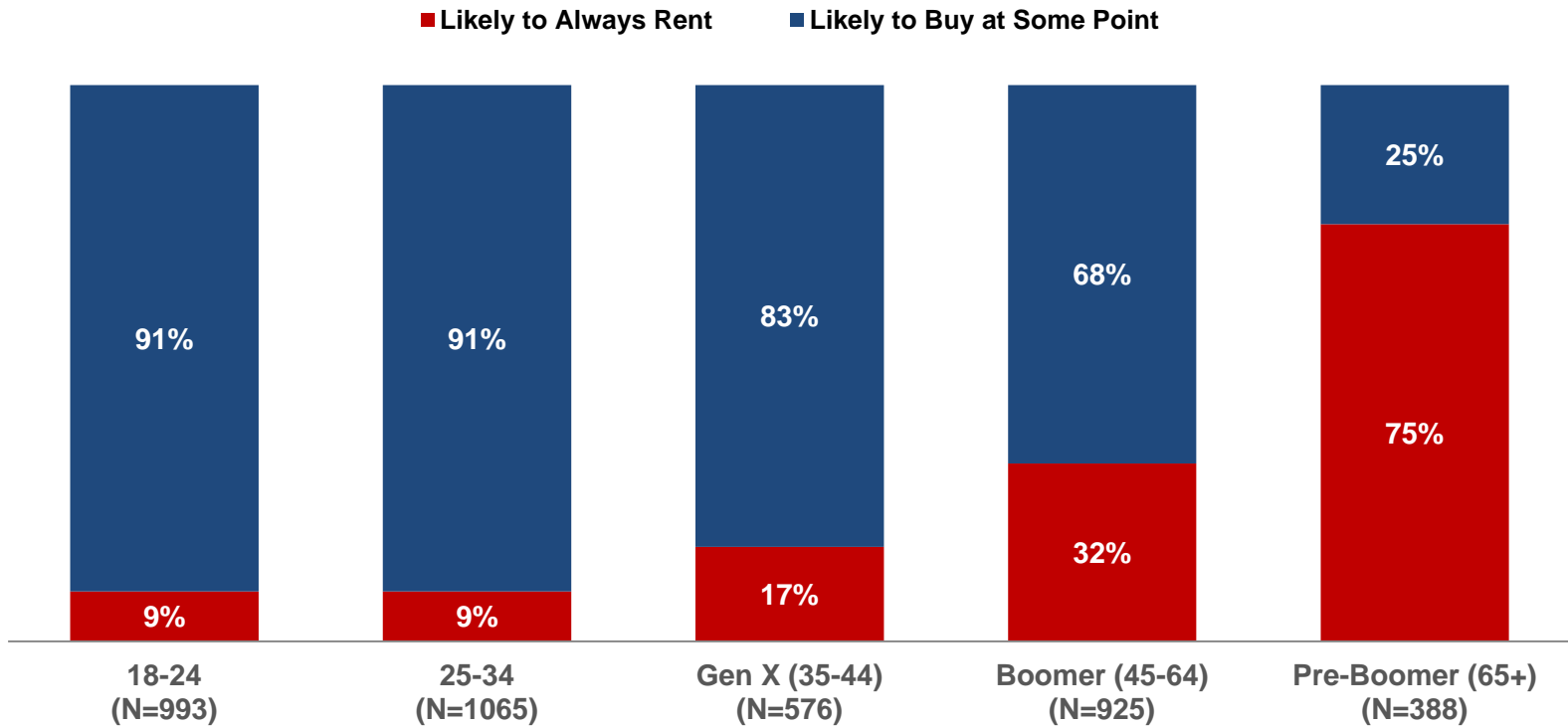
Renters 25-34



* There are no statistically significant differences from All Renters at the 95% confidence level

The vast majority of renters age 18-44 indicate they do plan to buy at some point in the future

Lifetime Intentions to Own a Home Among Renters
Q3 2014 to Q2 2015



Q31 – If you were going to move, would you be more likely to: Rent / Buy

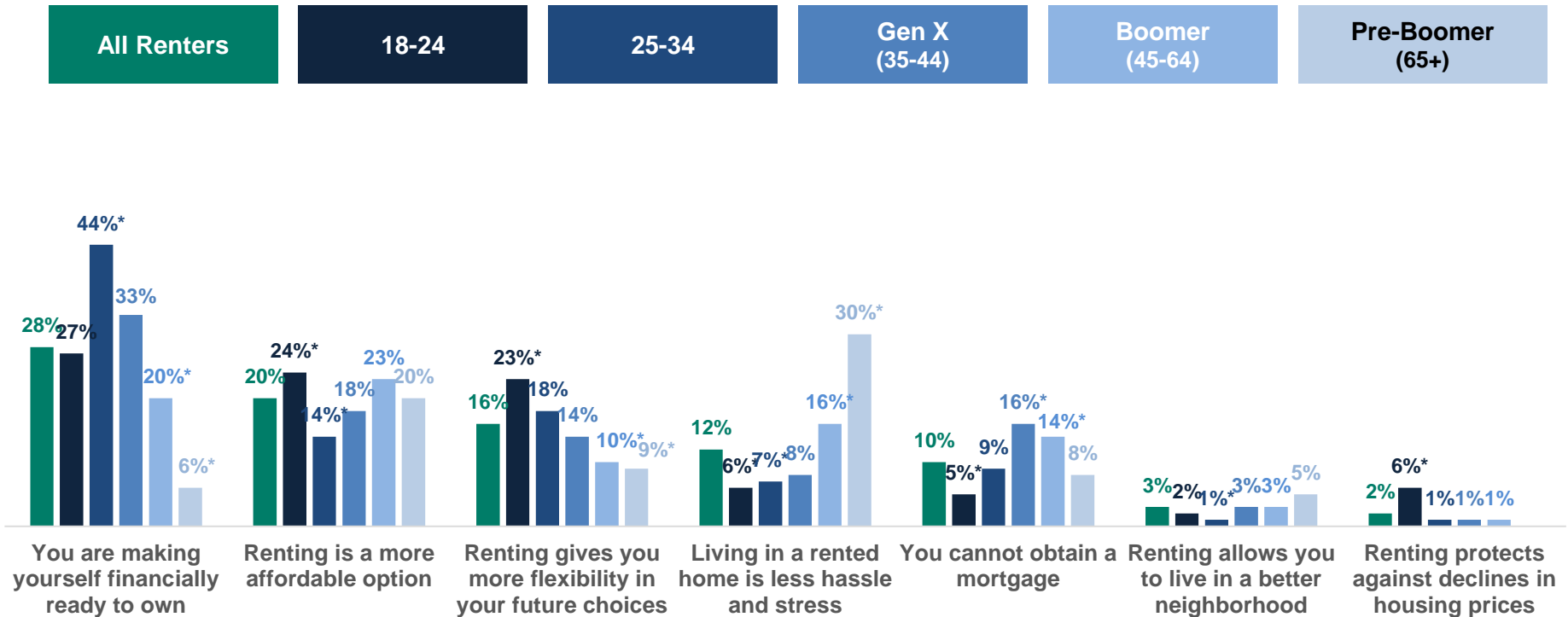
Q50 – (IF Q31=RENT) In the future, are you more likely to: Always rent / Buy at some point in the future

Likely to buy at some point: Q31= Buy or Q50 = Buy at some point in the future

Likely to always rent: Q50 = Always Rent

Renters age 25-34 are more likely than other age groups to say that their primary reason for renting now is to ready themselves to own

What is your primary reason for renting now?
Q3 to Q4 2014

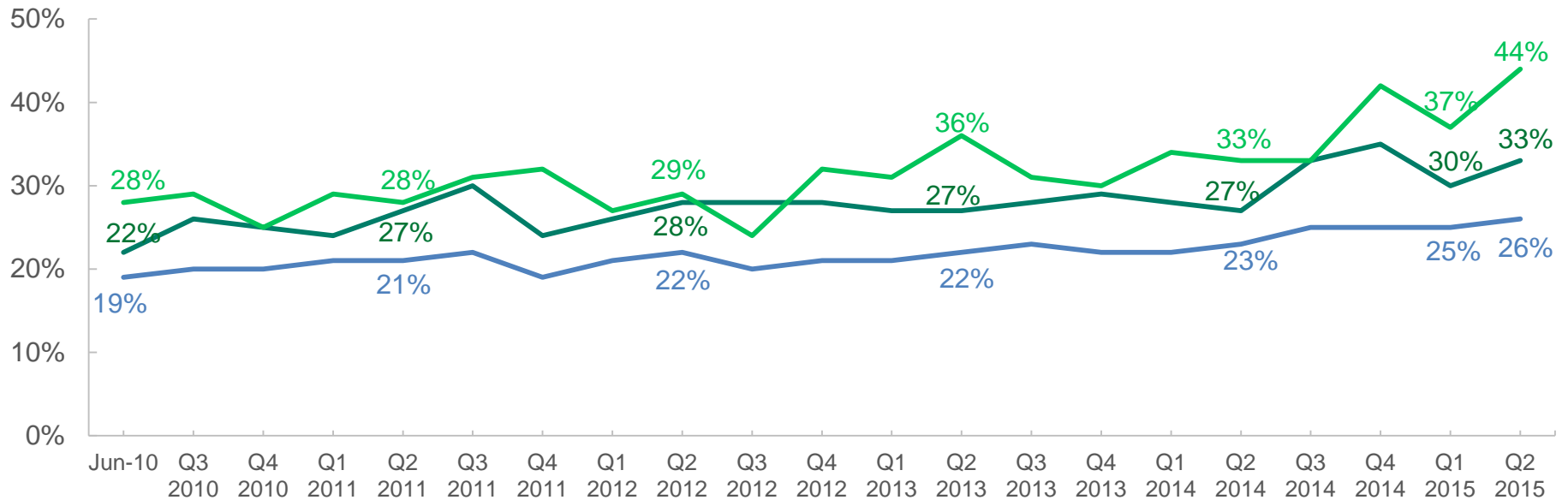


* Denotes a statistically significant difference from All Renters at the 95% confidence level

Improving attitudes over the last 5 years about household income are an encouraging sign

Current household income is significantly higher now than it was 12 months ago

- GP
- All Renters
- Renters – age 25-34

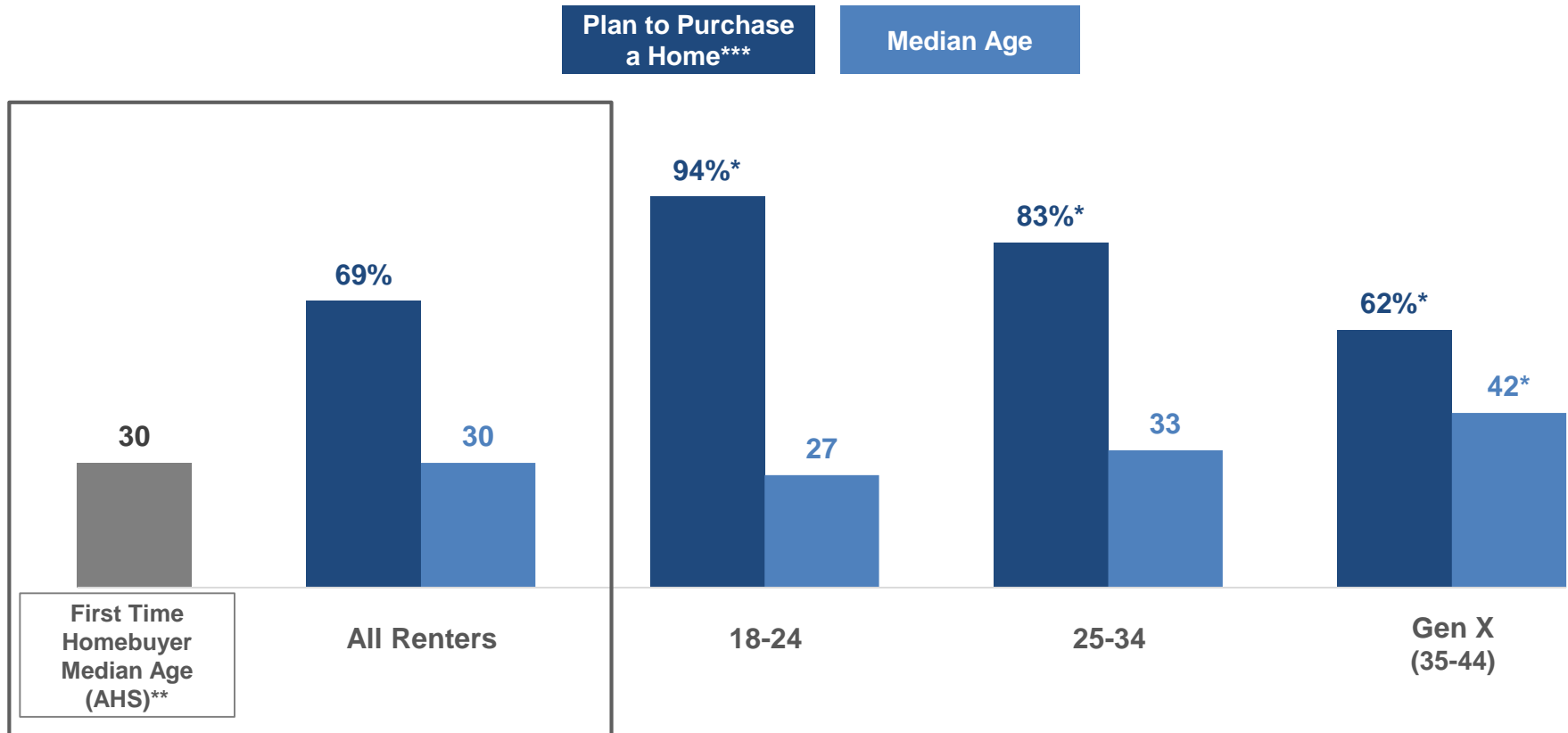


Q116 - How does your current monthly household income compare to what it was twelve months ago? *Showing significantly higher now*

Overall, renters today don't anticipate a delay in attaining homeownership relative to the current median first-time home buying age of 30

- The youngest renters expect to own sooner than the median, while renters in the typical home purchase age range of 25-34 expect to own at age 33

At about what age do you expect to purchase a home?
Showing results among renters who have not owned a home before Q3 to Q4 2014



* Denotes a statistically significant difference from All Renters at the 95% confidence level

**Source: U.S. Census American Housing Survey

***Note that the percentages shown will differ from those on slide 8 due to this question's specificity regarding the age of first-time purchase

APPENDIX

Even renters earning \$50K+ are more concerned with their income growth than with other financial considerations when choosing the right time to buy

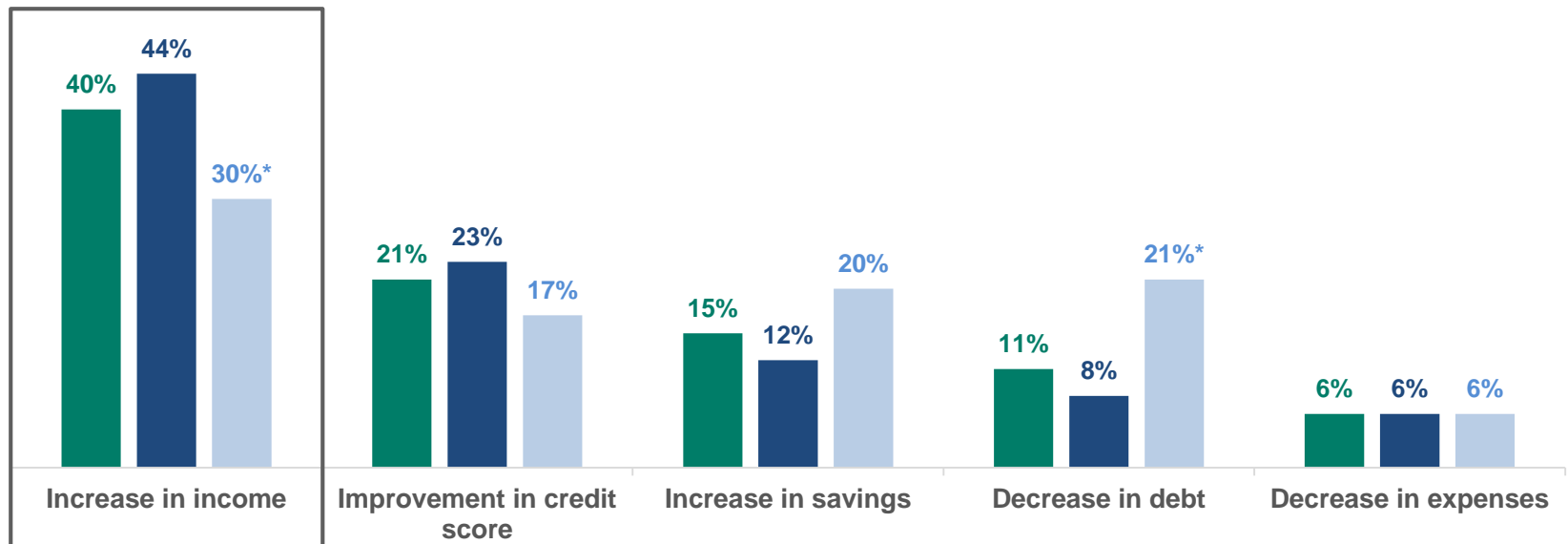
- Still, these income concerns are higher among renters earning less than \$50K, while those earning more than \$50K also are concerned with other factors such as savings and debt levels

Of the following personal financial reasons, what do you think will be the primary reason you decide to buy a home at the time you do?
Q3 to Q4 2014

All Renters

<\$50k

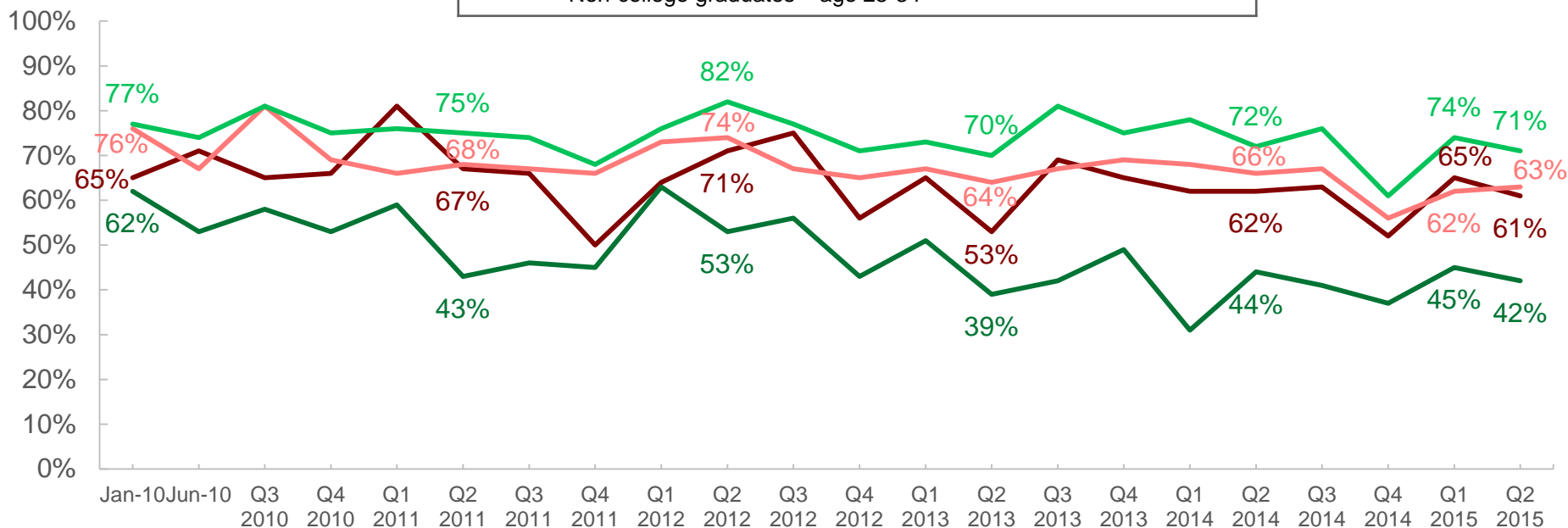
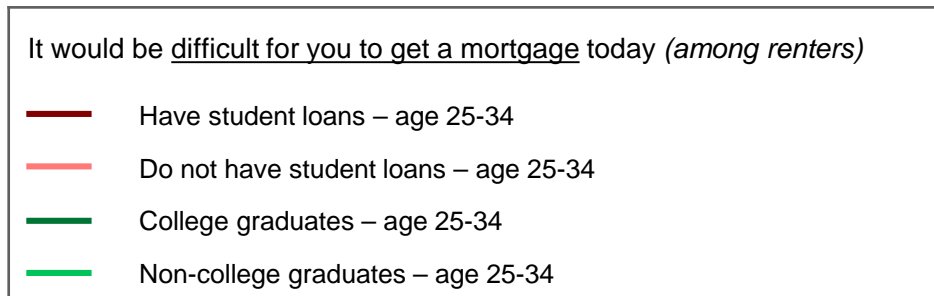
>\$50k



* Denotes a statistically significant difference from All Renters at the 95% confidence level

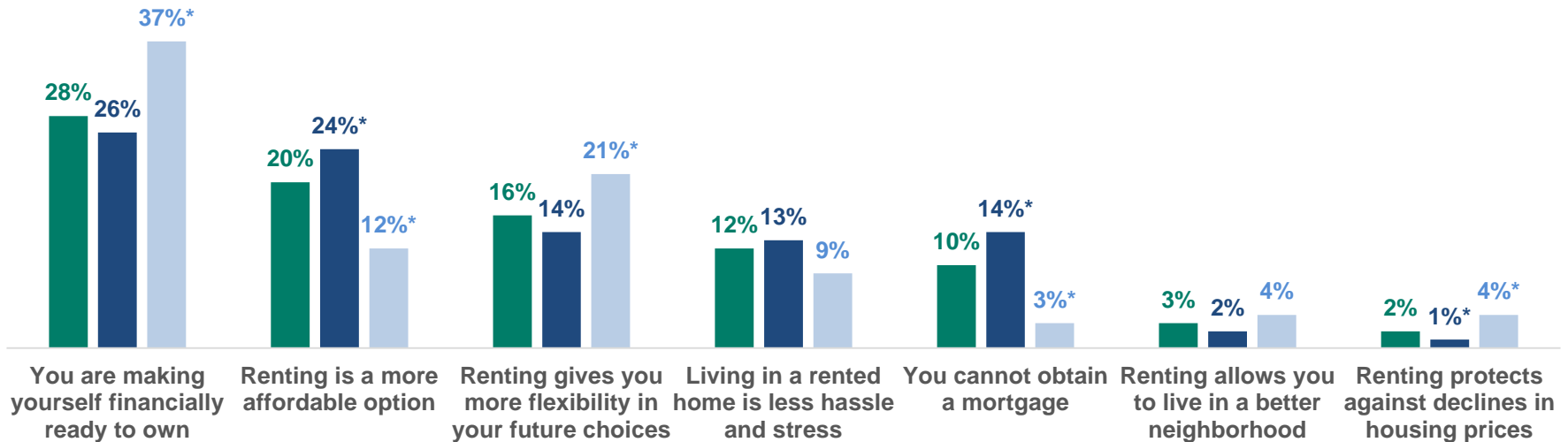
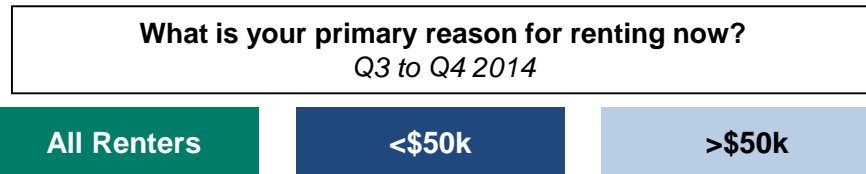
The presence of student loan debt does not increase the likelihood that renters age 25-34 perceive difficulty getting a mortgage today

- However, renters age 25-34 without a college degree are more likely to perceive difficulty getting a mortgage than those with one



Q22 - Do you think it would be very difficult, somewhat difficult, somewhat easy, or very easy for you to get a home mortgage today? Showing difficult to get a mortgage

Renters earning a higher income also are more likely to say that their primary reason for renting now is to ready themselves to own

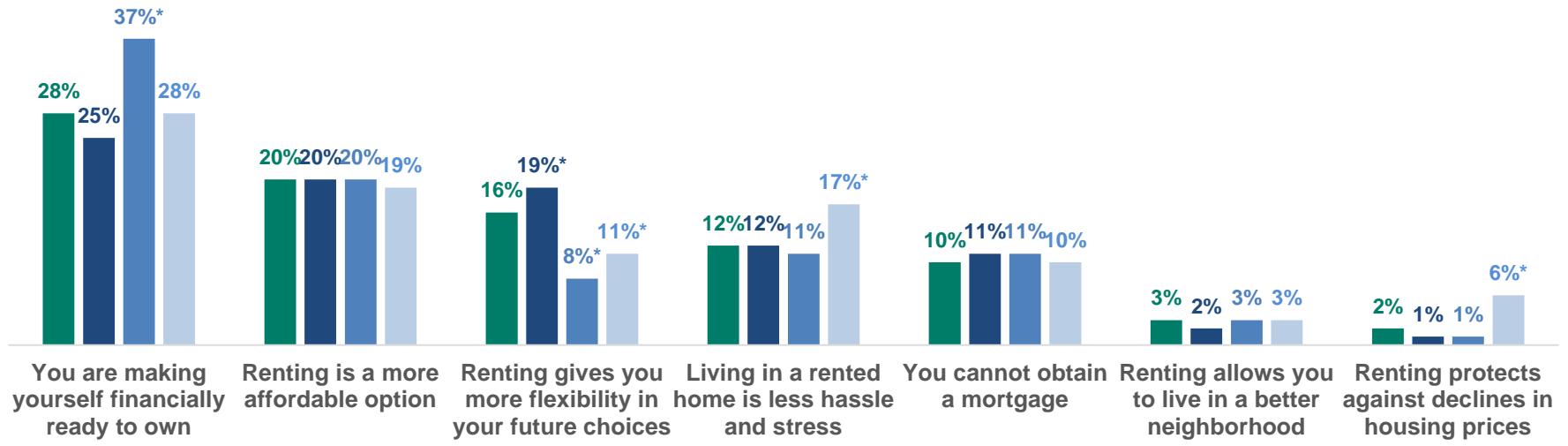


* Denotes a statistically significant difference from All Renters at the 95% confidence level

Hispanic renters are more likely to say that their primary reason for renting now is to ready themselves to own

What is your primary reason for renting now?
Q3 to Q4 2014

All Renters Caucasian Hispanic African American



* Denotes a statistically significant difference from All Renters at the 95% confidence level

For the past three years, renters age 25-34 say that making themselves financially ready to own is the primary reason they currently rent

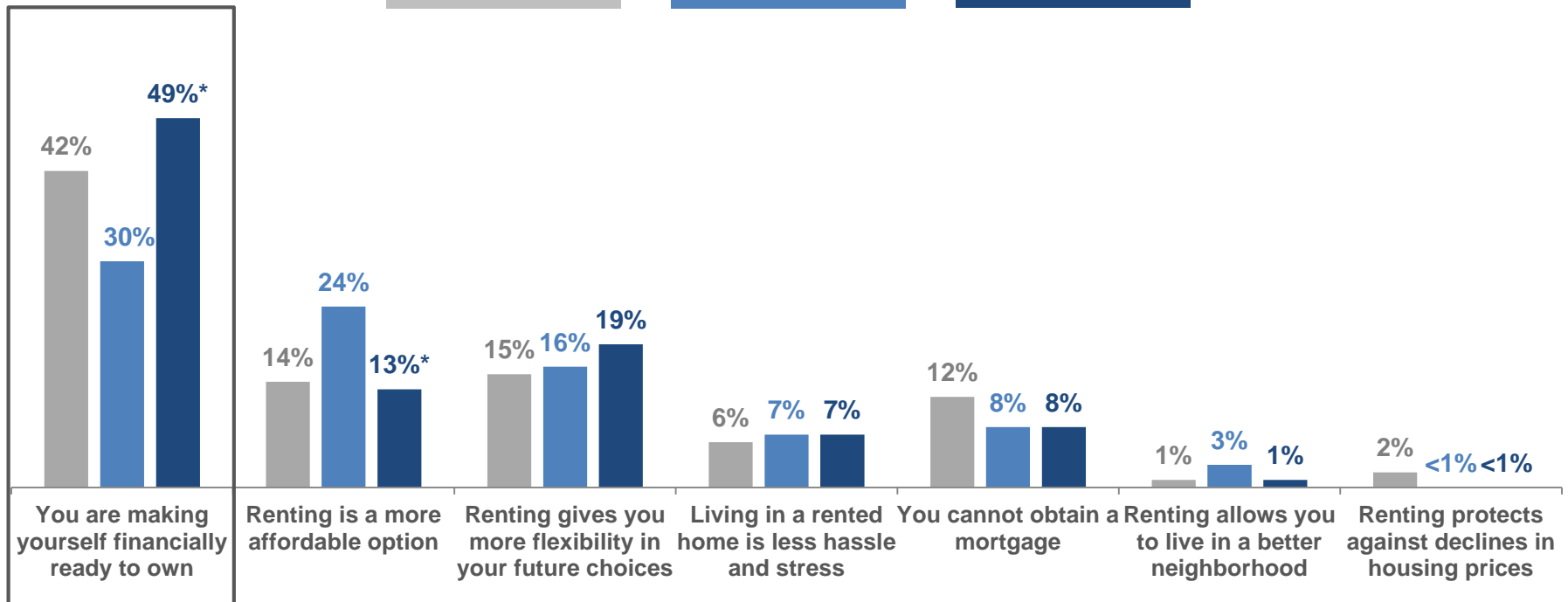
- The dip in preparing to own in Q3 2013 may be related to expectations at the time that interest rates would increase, the so-called Federal Reserve “taper tantrum”

What is your primary reason for renting now?

Q3 2012
Renters
25-34

Q3 2013
Renters
25-34

Q3 2014
Renters
25-34



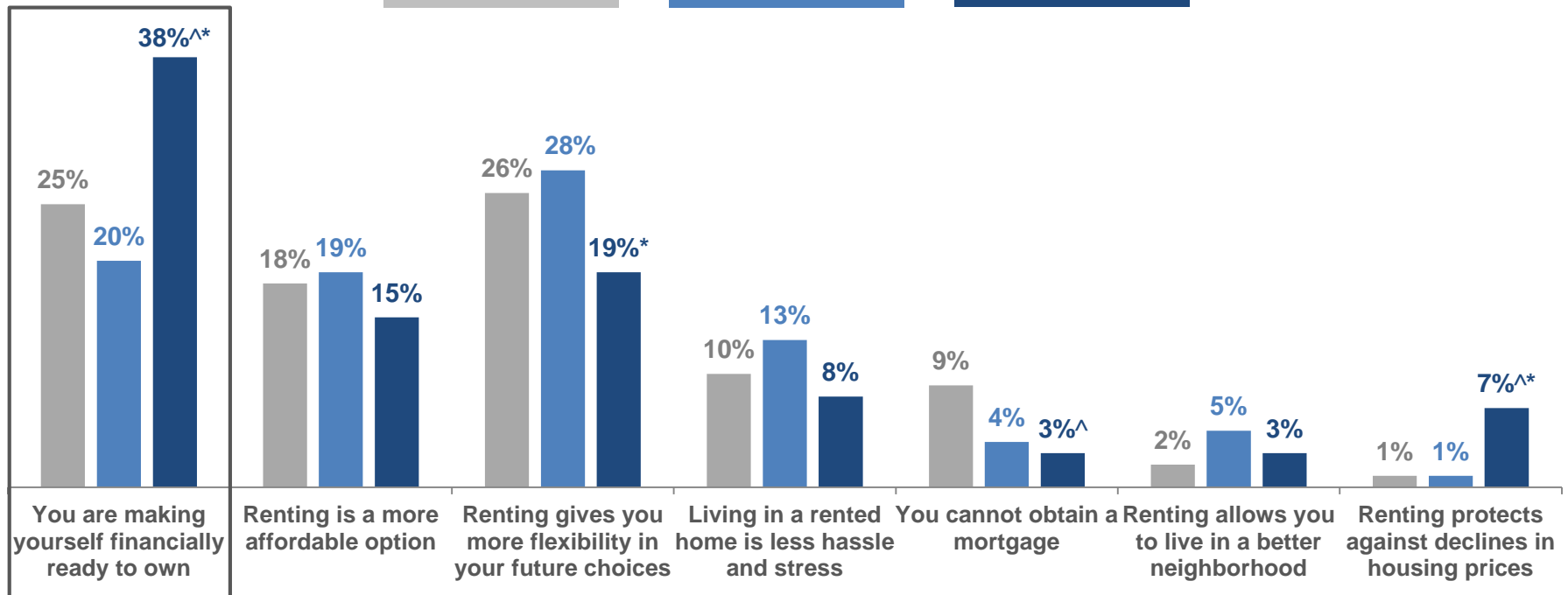
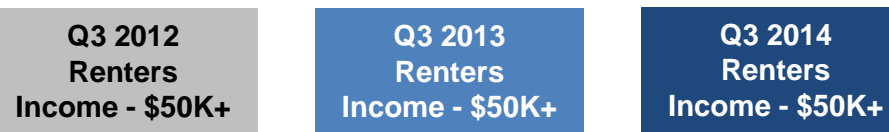
^ Denotes a statistically significant difference between renters age 25-34 in Q3 2014 and Q3 2012 at the 95% confidence level

* Denotes a statistically significant difference between renters age 25-34 in Q3 2014 and Q3 2013 at the 95% confidence level

Preparing financially to own has recently become the top reason for renting now among renters with \$50K+ income

- The dip in preparing to own in Q3 2013 may be related to expectations at the time that interest rates would increase, the so-called Federal Reserve “taper tantrum”

What is your primary reason for renting now?



[^] Denotes a statistically significant difference between renters with incomes greater than \$50k in Q3 2014 and Q3 2012 at the 95% confidence level

^{*} Denotes a statistically significant difference between renters with incomes greater than \$50k in Q3 2014 and Q3 2013 at the 95% confidence level

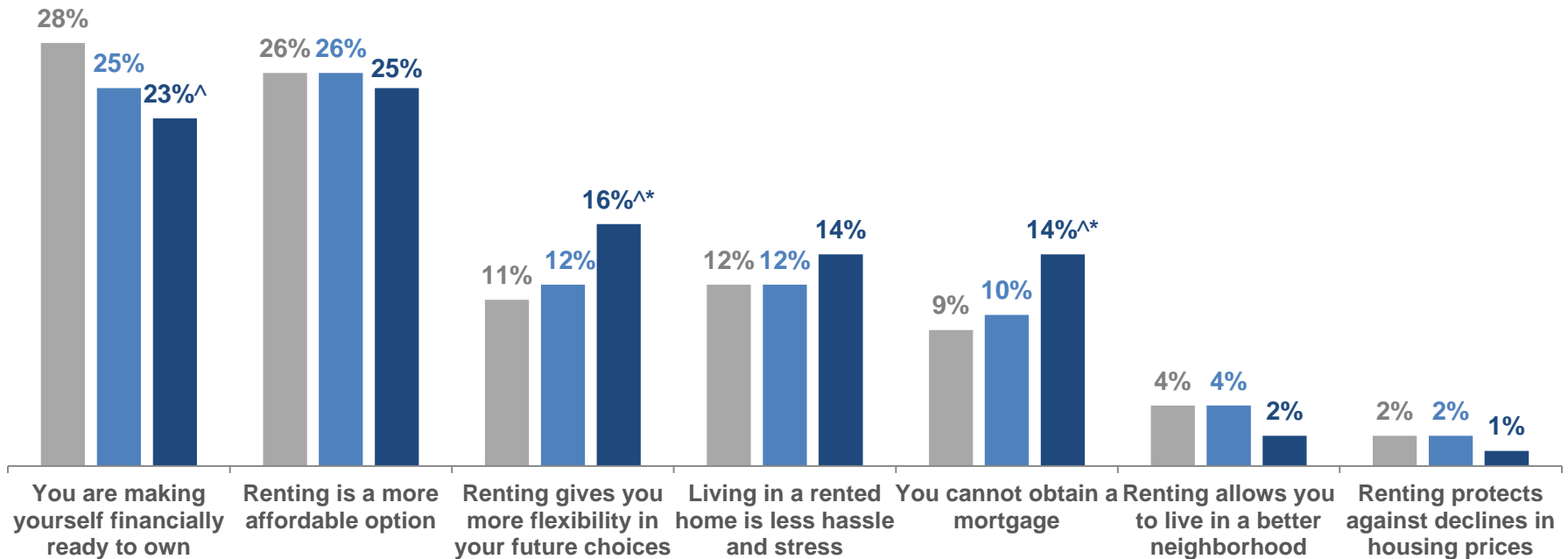
Renters earning <\$50K in income have become less likely in recent years to say that they're renting to prepare for homeownership and more likely to say they can't obtain a mortgage or are renting for the flexibility

What is your primary reason for renting now?

Q3 2012
Renters
Income <\$50K

Q3 2013
Renters
Income <\$50K

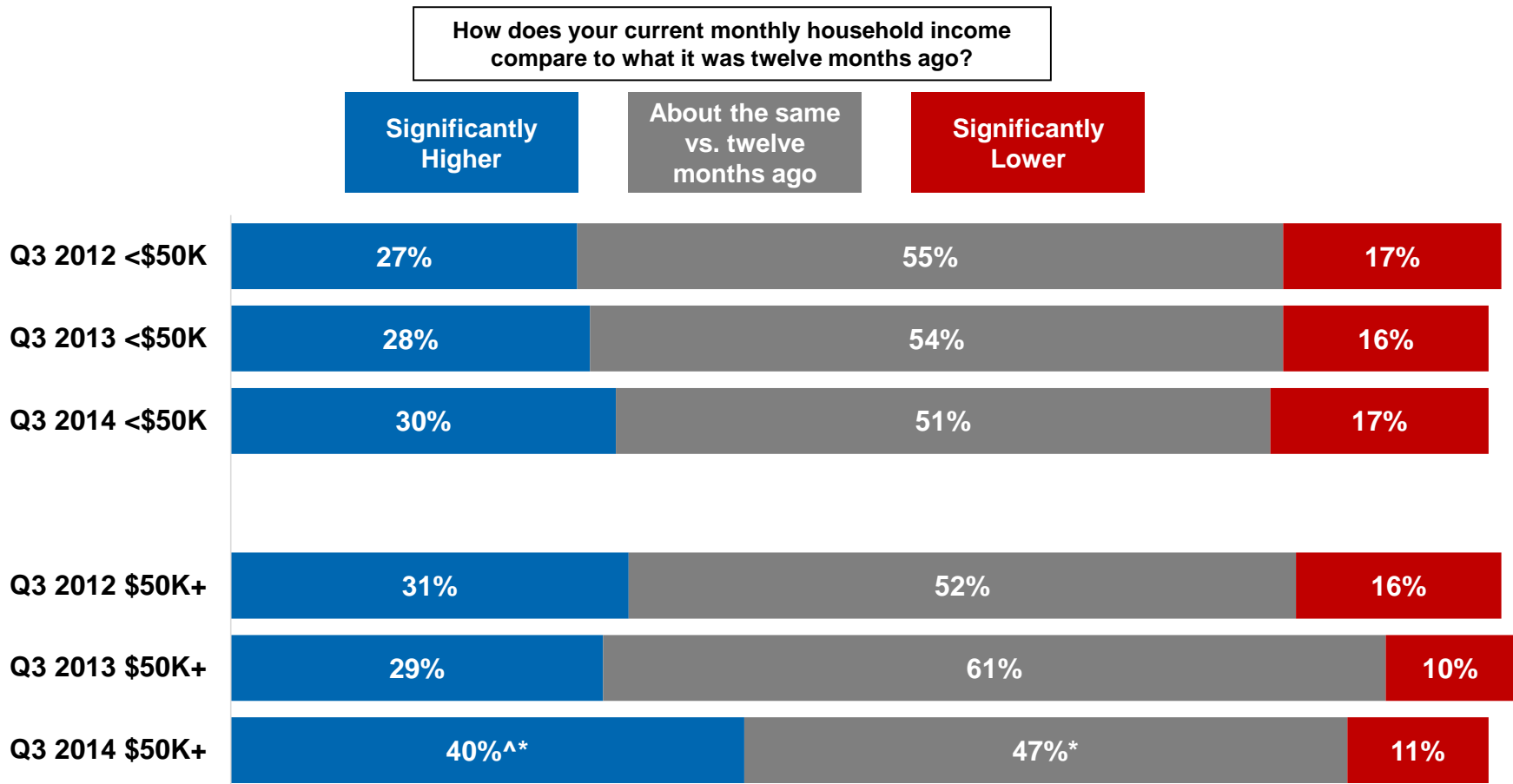
Q3 2014
Renters
Income <\$50K



[^] Denotes a statistically significant difference between renters with incomes less than \$50k in Q3 2014 and Q3 2012 at the 95% confidence level

^{*} Denotes a statistically significant difference between renters with incomes less than \$50k in Q3 2014 and Q3 2013 at the 95% confidence level

In 2014, renters with incomes \$50K+ were significantly more likely to say their monthly household income is higher than it was twelve months ago than they were in 2012 and 2013



[^] Denotes a statistically significant difference between like respondents in Q3 2014 and Q3 2012 at the 95% confidence level

^{*} Denotes a statistically significant difference between like respondents in Q3 2014 and Q3 2013 at the 95% confidence level

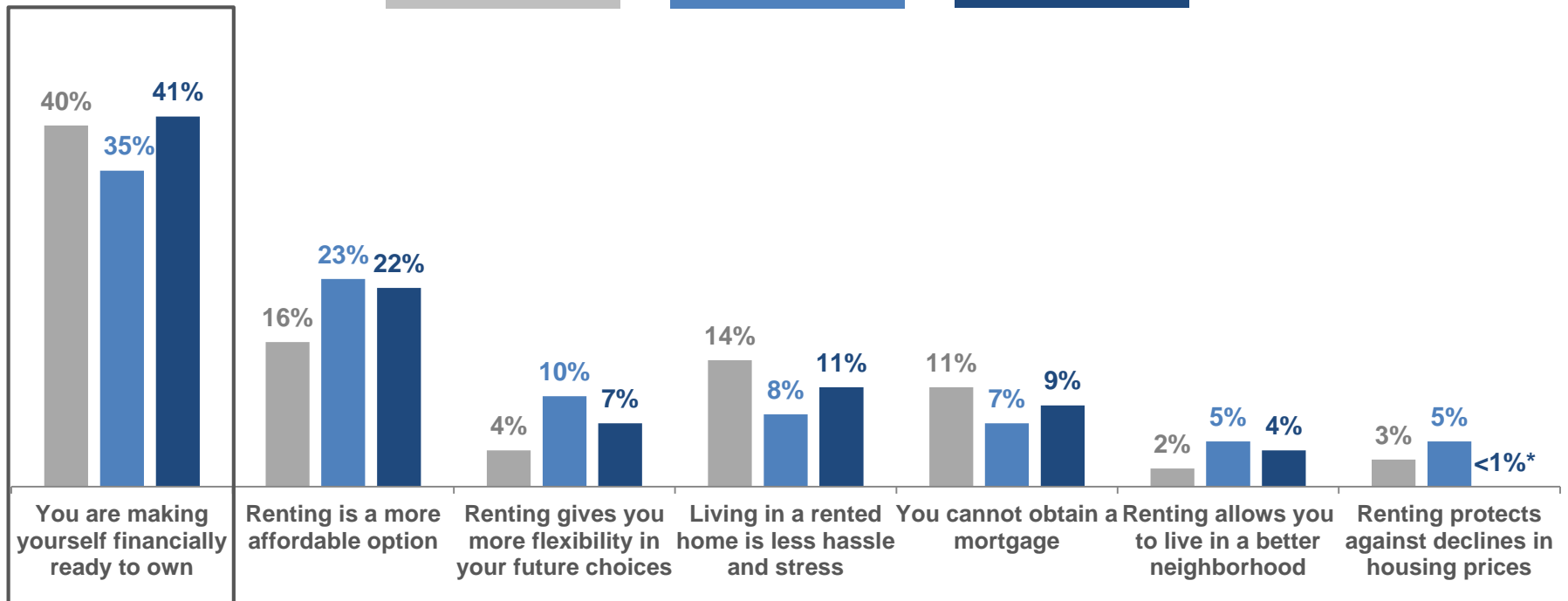
For the past three years, Hispanic renters say that making themselves financially ready to own is the primary reason they currently rent

What is your primary reason for renting now?

Q3 2012
Hispanic
Renters

Q3 2013
Hispanic
Renters

Q3 2014
Hispanic
Renters



^ Denotes a statistically significant difference between Hispanic renters 25-34 in Q3 2014 and Q3 2012 at the 95% confidence level

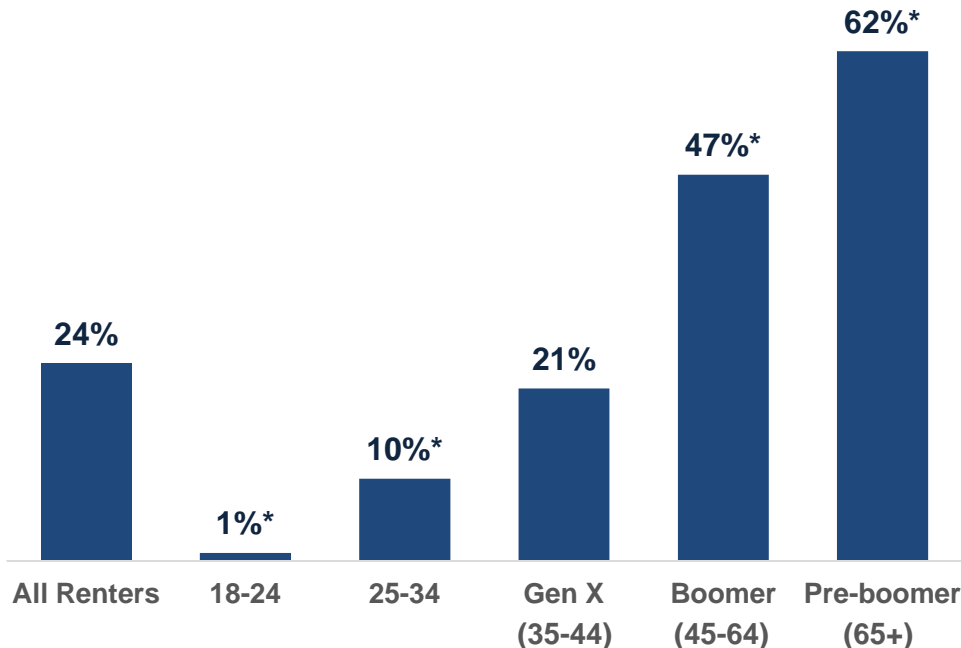
* Denotes a statistically significant difference between Hispanic renters 25-34 in Q3 2014 and Q3 2013 at the 95% confidence level

Almost a quarter of current renters used to own, and this share increases at higher age levels; most renters are about evenly split on whether lifestyle or financial reasons drove their switch from owning to renting

- Boomers are more likely to have moved from owning to renting for financial reasons, while pre-boomers were more likely to have moved for lifestyle reasons.

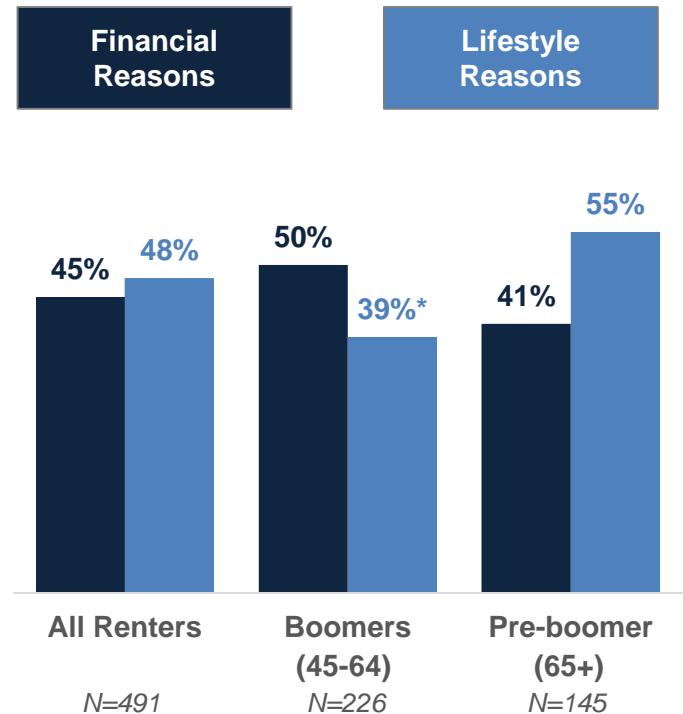
Have you ever owned a home in the past?

Showing % Yes
Q3 to Q4 2014



Did you move from owning to renting for financial reasons or lifestyle reasons?

Q3 to Q4 2014

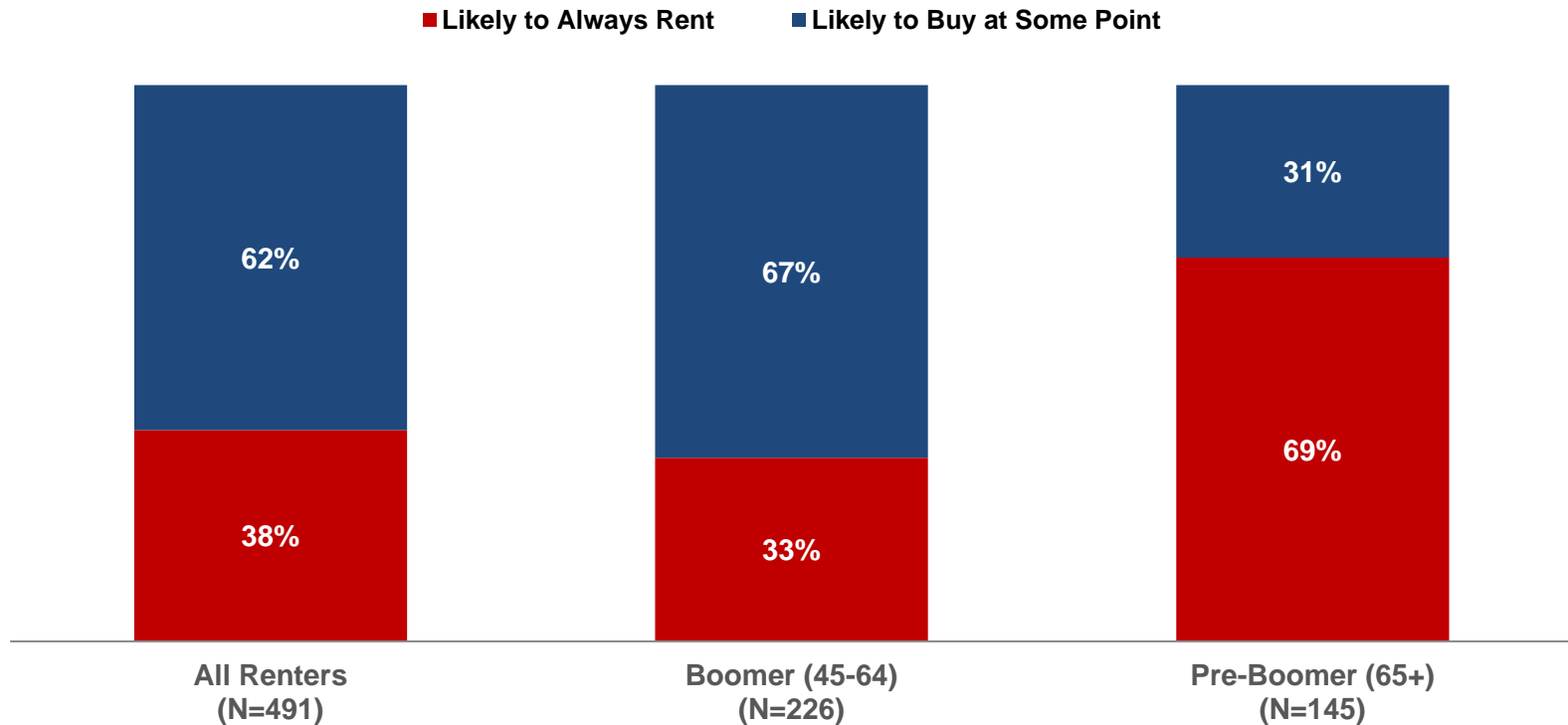


IF YES

* Denotes a statistically significant difference from All Renters at the 95% confidence level

Most Boomers who have previously owned a home plan to own again, while most Pre-Boomers who owned plan to rent for the rest of their lives

Lifetime Intentions to Own a Home Among Renters who Previously Owned a Home
Q3 to Q4 2014



Q31 – If you were going to move, would you be more likely to: Rent / Buy

Q50 – (IF Q31=RENT) In the future, are you more likely to: Always rent / Buy at some point in the future

Likely to buy at some point: Q31= Buy or Q50 = Buy at some point in the future

Likely to always rent: Q50 = Always Rent

Given your personal situation, which of the following is most important to you when it comes to choosing the right time to buy a home? Please select up to 2.

	All Renters	Age				
		18-24	25-34	Gen X (35-44)	Boomers (45-64)	Pre- Boomers (65+)
<i>Q3 to Q4 2014</i>						
Personal financial reasons such as your income, savings, or debt level	46%	42%	52%*	49%	45%	38%*
Lifecycle reasons such as marriage or having children	29%	44%*	36%*	24%	15%*	13%*
Career factors such as completing education or getting a new job	25%	46%*	30%*	19%*	13%*	6%*
Housing or mortgage market conditions such as home prices or interest rates	23%	14%*	22%	35%*	27%	17%*
Economic conditions such as the job market and overall growth	18%	9%*	17%	22%	24%*	19%

* Denotes a statistically significant difference from All Renters at the 95% confidence level

Research Methodology

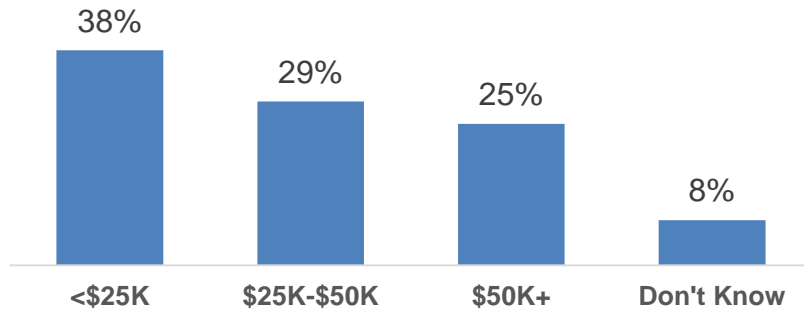
- From July through December 2014, Penn Schoen Berland conducted telephone interviews with 6,017 people.

Audience		Sample Size	Margin of Error
Renters Individuals 18 years and older who are involved in household financial decisions and rent their primary residence		2014	± 2.18%
Age	18-24: Renters age 18-24	482	± 4.46%
	25-34: Renters age 25-34	528	± 4.26%
	Gen X (Generation Y): Renters age 35-44	293	± 5.73%
	Boomer: Renters age 45-64	478	± 4.48%
	Pre-boomer: Renters age 65+	234	± 6.41%
Race	Caucasian: Renters who identify their race as White / Caucasian	995	± 3.11%
	Hispanic: Renters of Hispanic, Latino or Spanish origin or descent	482	± 4.46%
	African American: Renters who identify their race as Black / African-American	378	± 5.04%
Income	<50k: Renters whose total family income for 2013 was less than \$50,000	1336	± 2.68%
	>\$50k: Renters whose total family income for 2013 was more than >\$50,000	508	± 4.35%

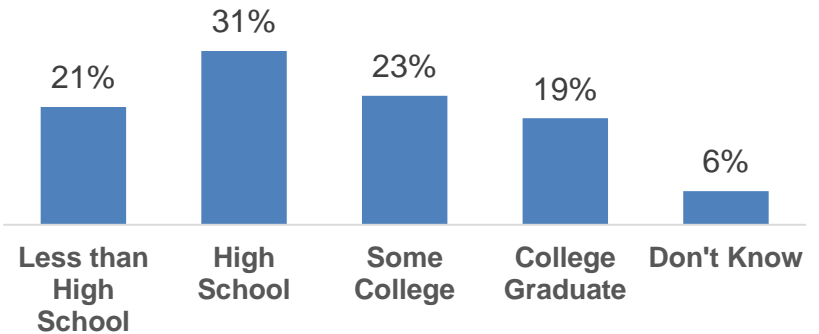
- Note that on each question, respondents had the option to answer "don't know" (volunteered), which is why in some cases, the total % may not equal 100
- The data from the General Population portion of this study has been weighted to make it reflective of the U.S. Census American Community Survey demographic statistics in terms of gender, age, race/ethnicity, income, education, and housing tenure.

Demographics Among All Renters in the NHS Sample – Q3 and Q4 2014

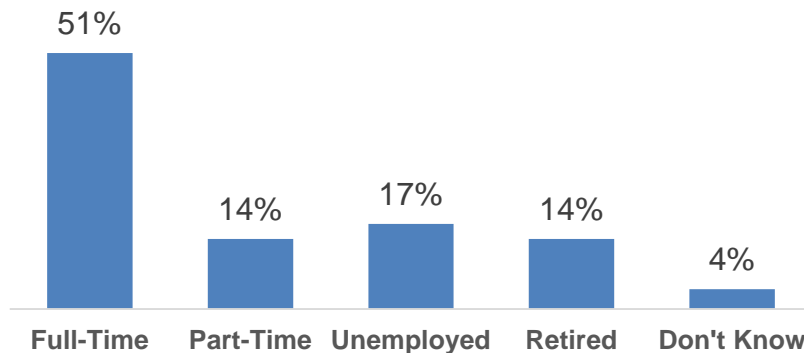
Income



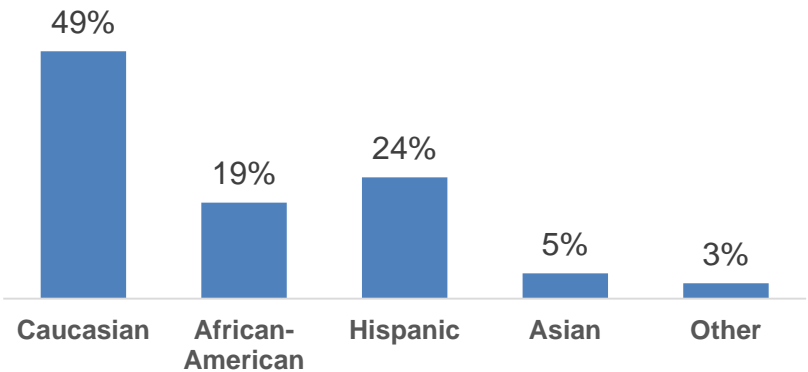
Education



Employment



Race/Ethnicity



Research Methodology: Renters

Q3 2014	Sample Size	Margin of Error
General Population (GP): Individuals 18 years and older who are involved in household financial decisions	3,006	±1.79%
Renters 25-34 GP that rents their primary residence age 25-34	245	±6.26%
Hispanic Renters GP that rents their primary residence and self-identifies as Hispanic	232	±6.43%
Renters – Income <\$50K GP that rents their primary residence and earn less than \$50K	652	±3.84%
Renters – Income \$50K+ GP that rents their primary residence and earn greater than \$50K	254	±6.15%

Q3 2013	Sample Size	Margin of Error
General Population (GP): Individuals 18 years and older who are involved in household financial decisions	3,007	±1.78%
Renters 25-34 GP that rents their primary residence age 25-34	266	±6.01%
Hispanic Renters GP that rents their primary residence and self-identifies as Hispanic	223	±6.56%
Renters – Income <\$50K GP that rents their primary residence and earn less than \$50K	680	±3.76%
Renters – Income \$50K+ GP that rents their primary residence and earn greater than \$50K	241	±6.31%

Q3 2012	Sample Size	Margin of Error
General Population (GP): Individuals 18 years and older who are involved in household financial decisions	3,004	±1.79%
Renters 25-34 GP that rents their primary residence age 25-34	240	±6.33%
Hispanic Renters GP that rents their primary residence and self-identifies as Hispanic	230	±6.46%
Renters – Income <\$50K GP that rents their primary residence and earn less than \$50K	672	±3.78%
Renters – Income \$50K+ GP that rents their primary residence and earn greater than \$50K	236	±6.38%

- Note that on each question, respondents had the option to answer "don't know" (volunteered), which is why in some cases, the total % may not equal 100
- The data from the General Population portion of this study has been weighted to make it reflective of the U.S. Census American Community Survey demographic statistics in terms of gender, age, race/ethnicity, income, education, and housing tenure.

National Housing Survey

Background

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

Survey Methodology

- Each month, beginning in June 2010, approximately 1,000 live (not automated) telephone interviews (75 percent landline and 25 percent cell phone) with Americans age 18 and older are conducted by Penn Schoen Berland (PSB), in coordination with Fannie Mae. The margin of error for the total monthly sample is ± 3.1 percent at the 95 percent confidence level and larger for sub-groups. Data collection occurs over the course of the first three weeks of each month although most occurs in the first two weeks of the month.

Monthly and Topic Analyses and Research Briefs

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

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