

Fannie Mae Own-Rent Analysis

Theme 4: Renting and Owning Behaviors by Race,
Ethnicity, and Immigration Status



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Overview of Fannie Mae Own-Rent Analysis

Objective

- Fannie Mae conducted a research project to understand better the factors influencing consumers' decisions to buy or to rent their homes and to compare current actions and financial considerations with historic behaviors and economic factors/conditions

Methodology

- As part of the work, Penn Schoen Berland, in partnership with Oliver Wyman, conducted telephone interviews with 2,041 general respondents plus 1,566 additional respondents from geographic areas of interest
 - To inform the survey design, focus groups were held in Washington, DC and Phoenix, Arizona during July and August 2010
 - Telephone interviews were carried out during August and September 2010
- In addition to the survey, research was conducted in order to evaluate the survey findings comparatively with historical market experience

Results

- The research results are being disclosed in a series of summary themed reports
- This is the fourth themed report: *Renting and Owning Behaviors by Race, Ethnicity, and Immigration Status*

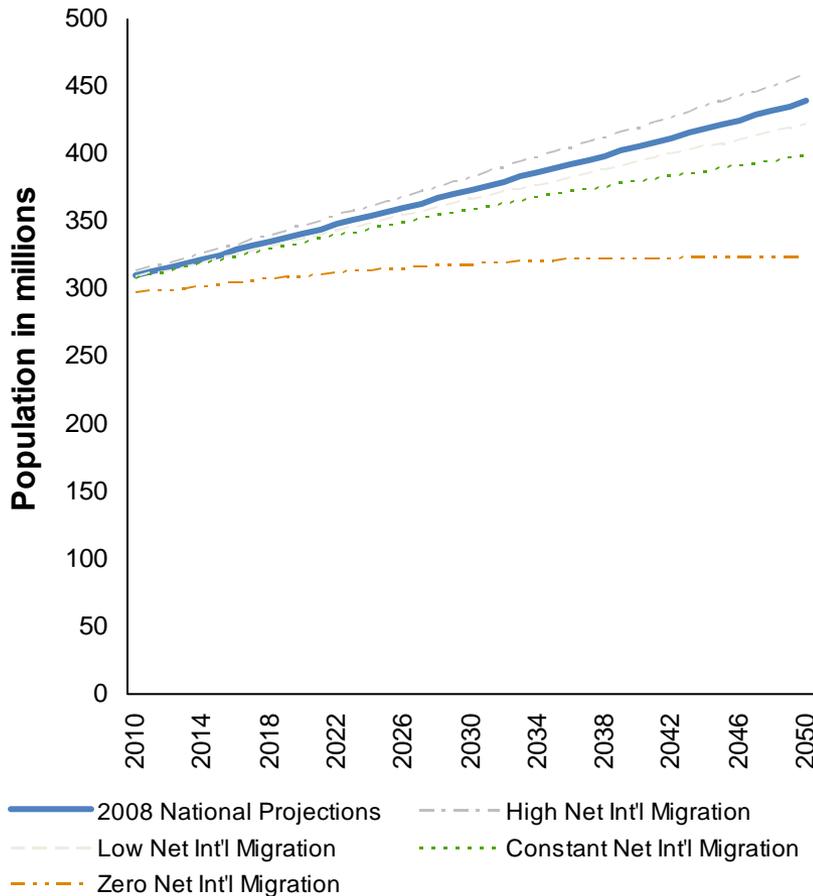
*Theme 4: Renting and Owning Behaviors by Race, Ethnicity, and Immigration Status***Despite current disparities in homeownership rates across immigrant populations and ethnicities, aspirations to own are universally strong, which could drive future homeownership**

- The U.S. population is forecast to become more racially and ethnically diverse with virtually all growth stemming from immigration
- If current racial and ethnic homeownership rates remain unchanged, overall homeownership will decrease in the U.S. by 4 percentage points by 2050, all else equal, since immigrants and minorities currently have lower homeownership rates than non-immigrants and whites
- However, homeownership rates converge regardless of race, ethnicity, and immigration status among people with higher incomes, and for immigrants, homeownership also increases with tenure in the U.S.
- Furthermore, the survey finds strong homeownership aspirations across races, ethnicities, and immigrant populations which indicates that current disparities in homeownership rates may not persist in the future, particularly if personal finances improve

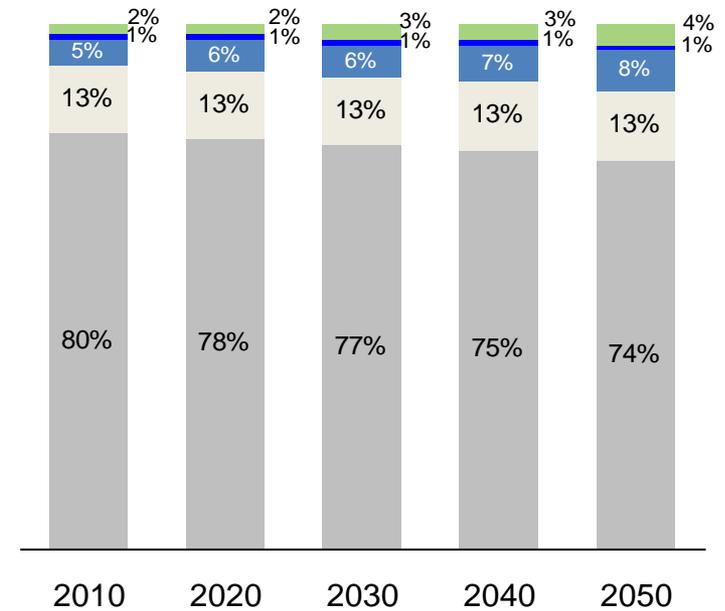
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Almost all of the population growth forecasted in the U.S. will come from immigrants and their descendents, and the population will become more diverse

Population forecast by immigration scenario



Population distribution by race
2008 National Projections



	2010	2020	2030	2040	2050
Hispanic	16%	19%	23%	27%	30%
Non-Hispanic White	65%	60%	55%	51%	46%

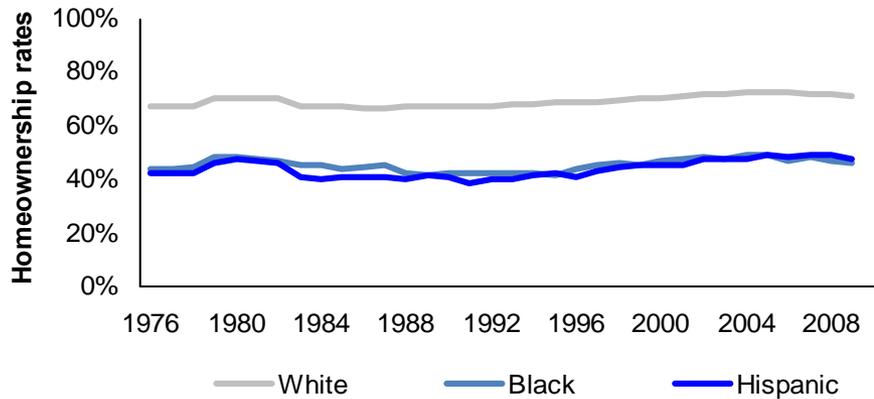
■ White ■ Black ■ Asian ■ American Indian ■ Multiracial

Source: U.S. Census Bureau Population projections

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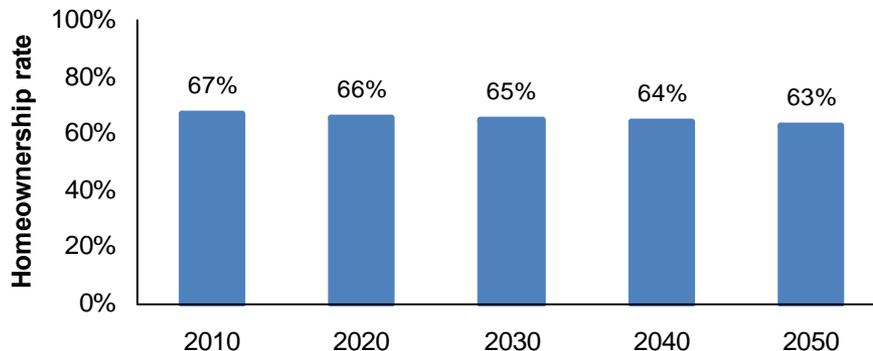
If homeownership rates by race and ethnicity were to remain at current levels, a declining percentage of households would own over the next 40 years

Historical homeownership rates



- If homeownership rates by race and ethnicity remained constant at 2009 levels, projected homeownership would decline fairly steadily until 2050
- However, there is reason to believe that the homeownership rates will be higher than indicated solely by the projected racial and demographic population distribution
 - All racial and ethnic groups as well as immigrants have strong homeownership aspirations
 - Homeownership rates increase as financial constraints are reduced

Homeownership rates projected only based on ethnic/racial composition of population

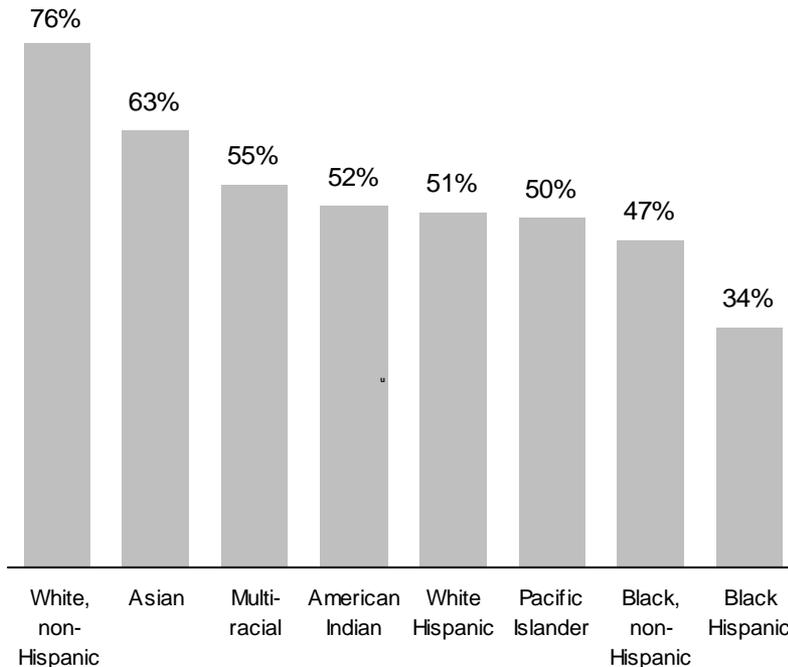


Sources: U.S. Census Bureau Population projections, American Housing Survey homeownership rates. Note: the projection is based on the assumption that all factors including household size and percentage of multi-racial households remain constant which may not be the case.

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At present, White homeownership rates are higher than minority rates, but the rates converge in higher income brackets

Homeownership rates by race/ethnicity in 2009



Homeownership rates segmented by income from the Fannie Mae 2010 Own-Rent Survey

Standard errors in red

Family income in 2009

Race/Ethnicity	<25K	25K - 49K	50K - 99K	100K+	Survey Total
White	48% 3.1%	67% 2.6%	79% 2.1%	84% 2.7%	71% 1.2%
Black/African-American	26% 4.8%	34% 7.1%	60% 7.1%	90% 6.5%	44% 3.3%
Hispanic	33% 5.1%	49% 5.8%	63% 7.6%	93% 4.9%	53% 3.2%
Other	9% 6.1%	39% 8.8%	64% 7.7%	91% 4.9%	54% 5.5%
Survey Total	38% 1.7%	57% 1.7%	76% 1.4%	88% 1.5%	64% 1.1%

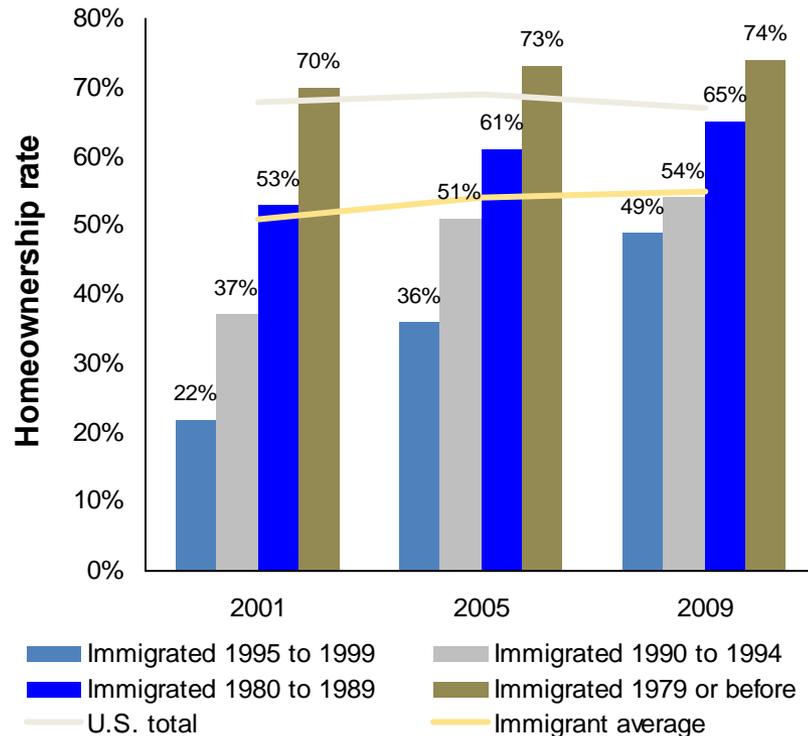
- As financial security increases, homeownership rates across races and ethnicities converge
 - For all groups, homeownership rates increase in higher income brackets
 - In the highest income bracket, Black / African American, Hispanic, and other minorities have surpassed White homeownership

Source for graph: American Housing Survey. Source for table: Fannie Mae 2010 Own-Rent Survey. The racial and ethnic segmentation was more granular in the American Housing Survey than the Fannie Mae 2010 Own-Rent Survey which had smaller sample sizes. In the Own-Rent Survey, 26% of Hispanics also are captured in other race groups.

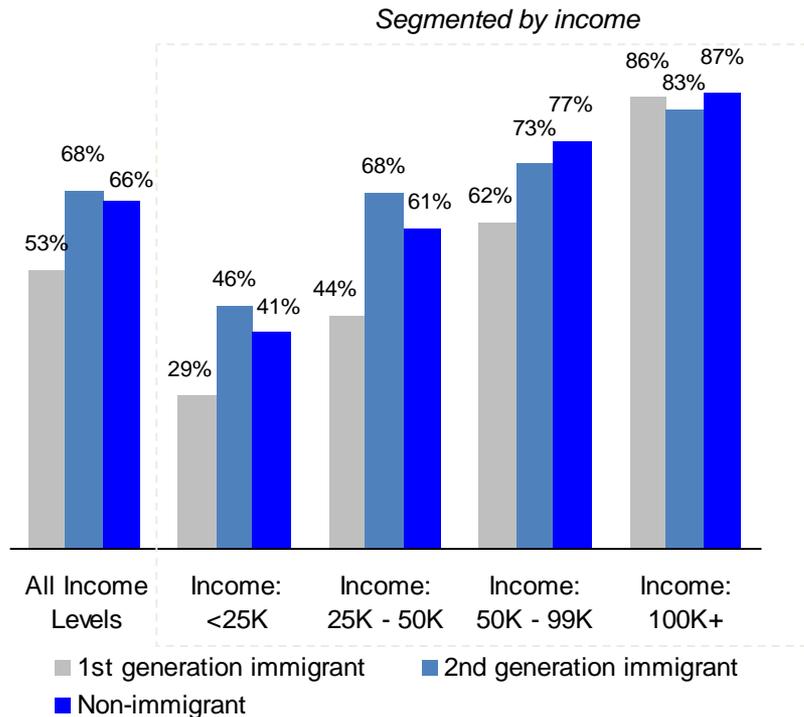
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Immigrants also tend to have lower homeownership rates, but the gap quickly narrows over time as tenure in the U.S. increases

Immigrant homeownership rates by year of immigration



Homeownership rates by income



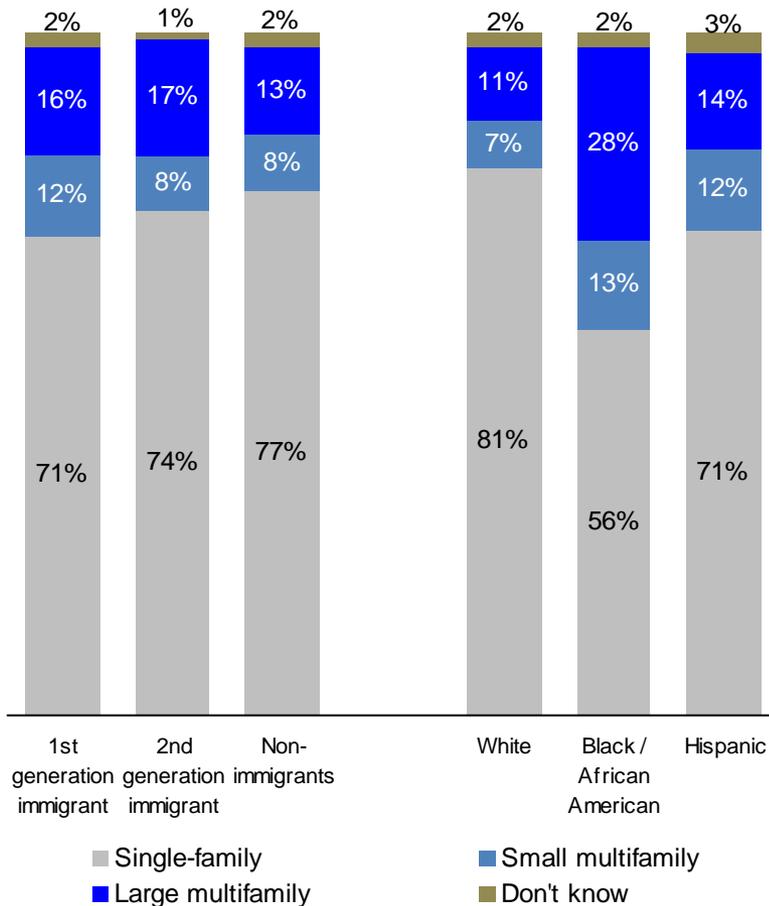
- Within 30 years, immigrant homeownership rates catch up with overall U.S. average rates
- Second generation immigrants have higher homeownership than the overall population
- At high incomes, immigrants have ownership on par with non-immigrants

Source: U.S. Census Bureau Housing Composition data on left graph, Fannie Mae 2010 Own-Rent Survey on right graph. Note that first generation immigrant households include those where just one spouse immigrated and second generation immigrants include people with at least one parent or spouse's parent who has immigrated.

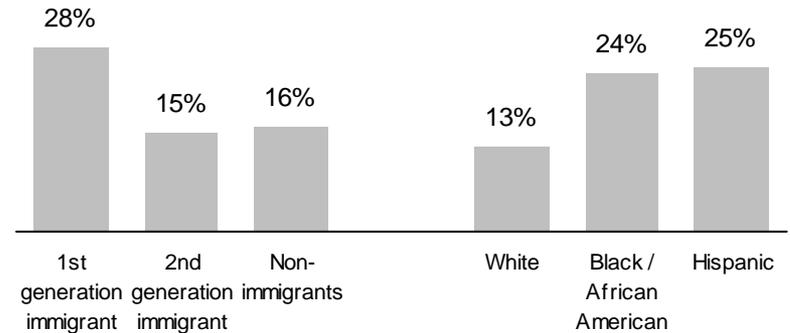
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First generation immigrants and minorities are more likely to be living in multifamily housing and more likely to want to own these units

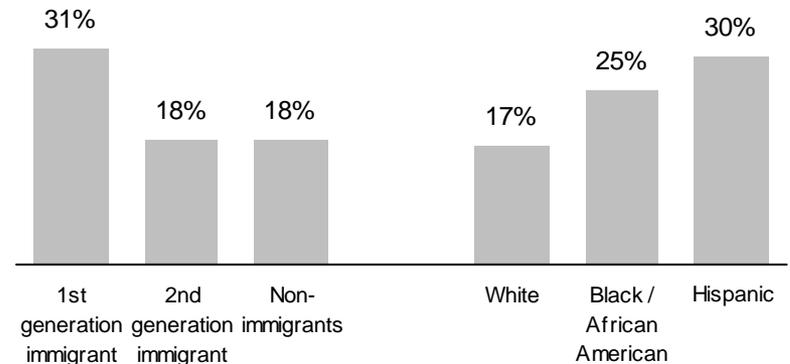
What type of housing unit do you currently live in?



How likely are you to own in a multi-unit building with one to four units?



How likely are you to own in a multi-unit building with five or more units?



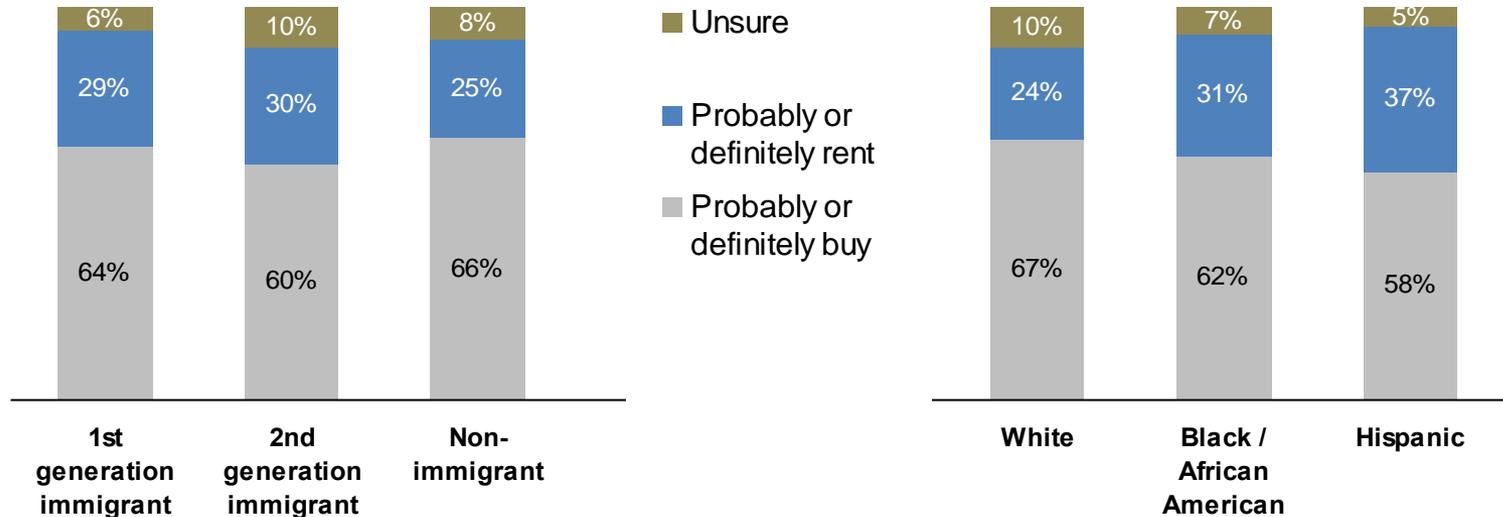
Source: Fannie Mae 2010 Own-Rent Survey

Note: Small multifamily homes have between two and four units and large multifamily homes have five or more units.

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Homeownership rates will increase for immigrants and minorities if they are able to achieve their housing plans

If you were going to move, would you be more likely to...?



Fannie Mae 2010 Own-Rent Survey homeownership rate

53%

68%

66%

71%

44%

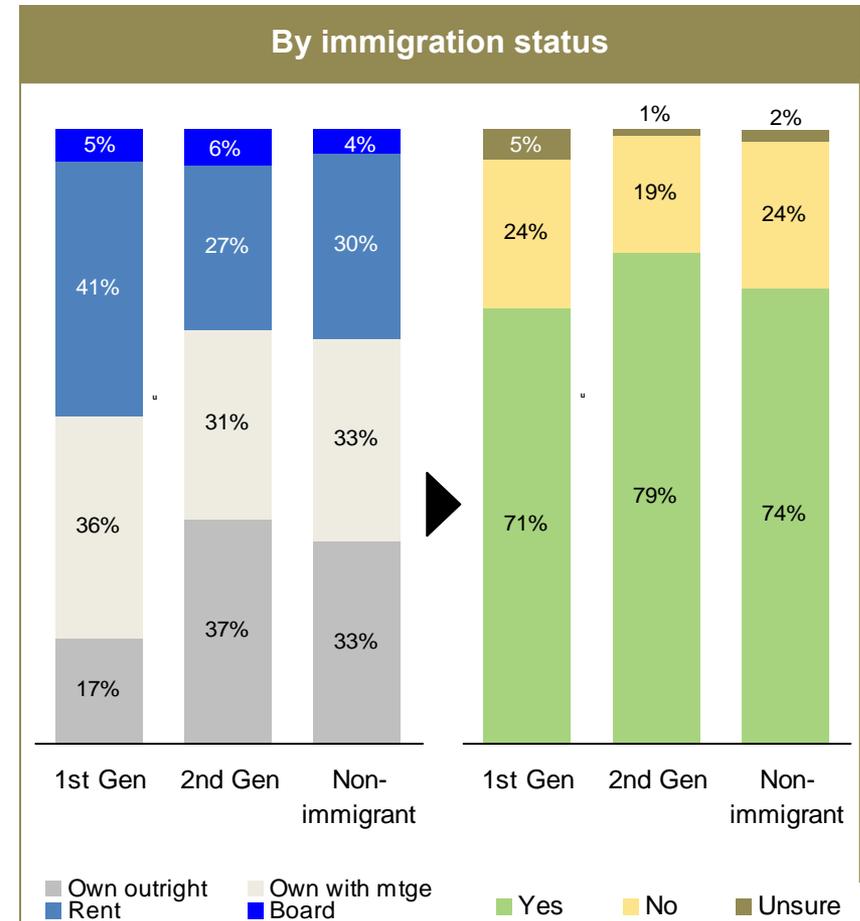
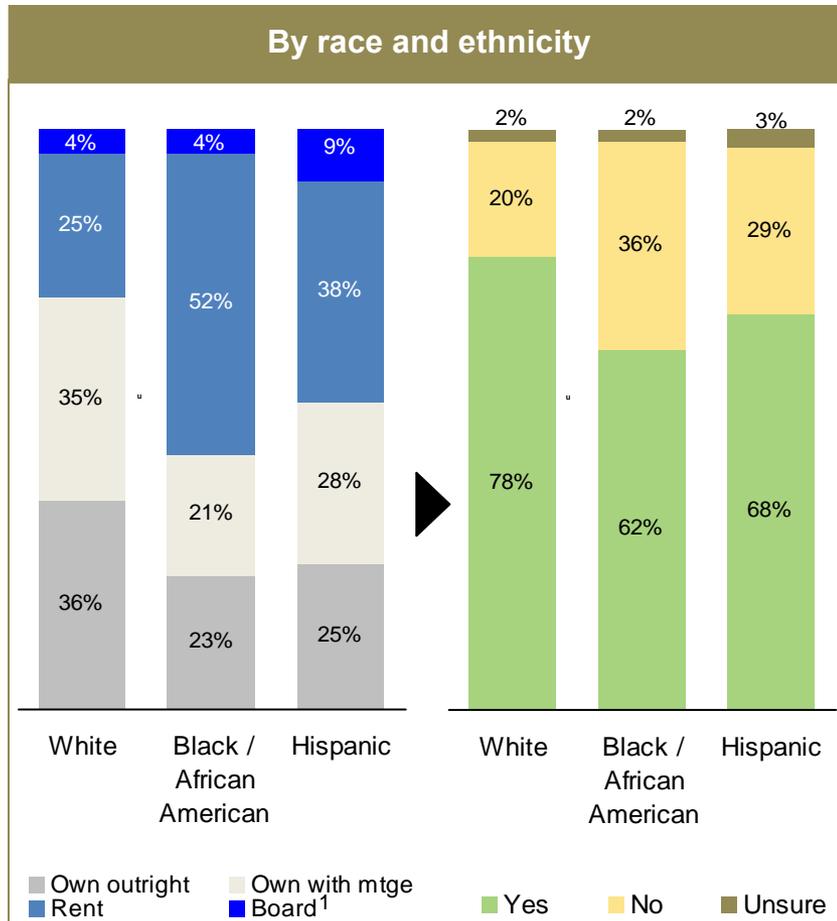
53%

- Aspiration to own is strong across all groups
 - For all segments of the population except for Whites and 2nd generation immigrants, planned ownership rates are higher than current ownership rates
 - Whites and 2nd generation immigrants already have the two highest homeownership rates
- Groups with low ownership are most likely to be inspired to buy because owning is a symbol of success
 - 55% of 1st generation immigrants say it's a major reason to buy versus 44% of 2nd generation immigrants and 37% of non-immigrant
 - 60% Black / African Americans and 60% of Hispanics say it's a major reason to buy, versus 33% of Whites

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Immigrants and minorities are less likely to say they are satisfied with their current housing choices, perhaps due to unrealized ownership aspirations

What is your current housing situation and is this what you want to be doing?



Source: Fannie Mae 2010 Own-Rent Survey

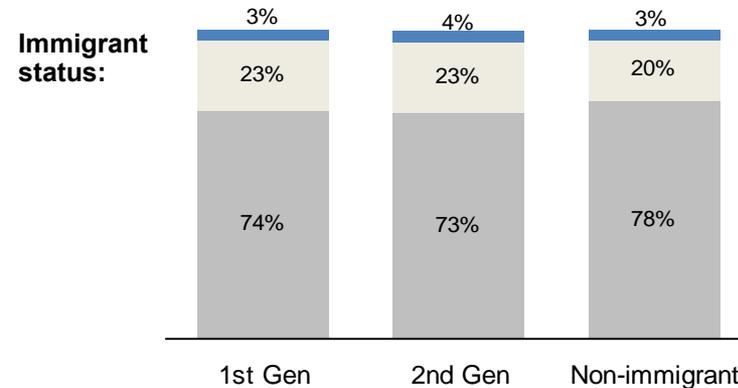
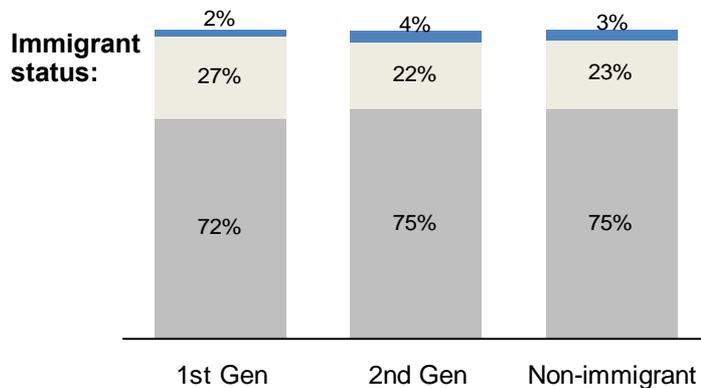
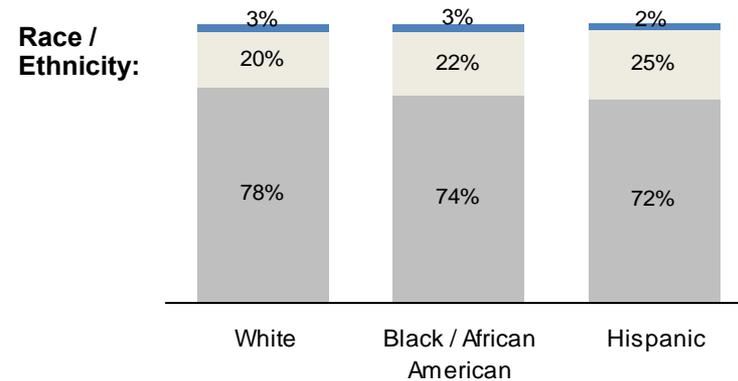
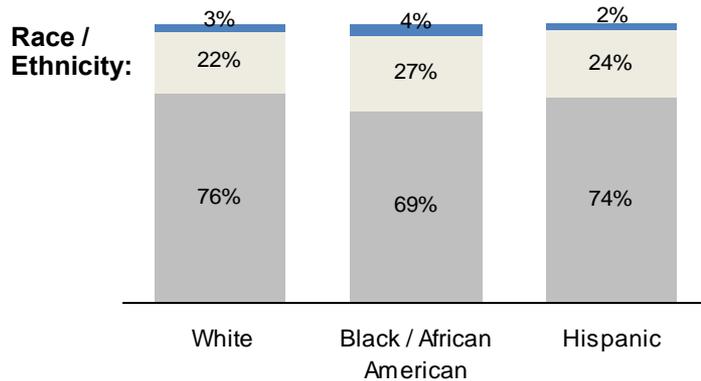
1. Boarders live with someone else and do not pay rent

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Respondents perceive owning as a better choice for both financial and lifestyle reasons in all groups

Given your current household finances, do you think you would be better off renting your home or would you be better off owning your home?

Given your current lifestyle and family situation, do you think you would be better off renting your home or would you be better off owning your home?



Better off owning
 Better off renting
 Don't know

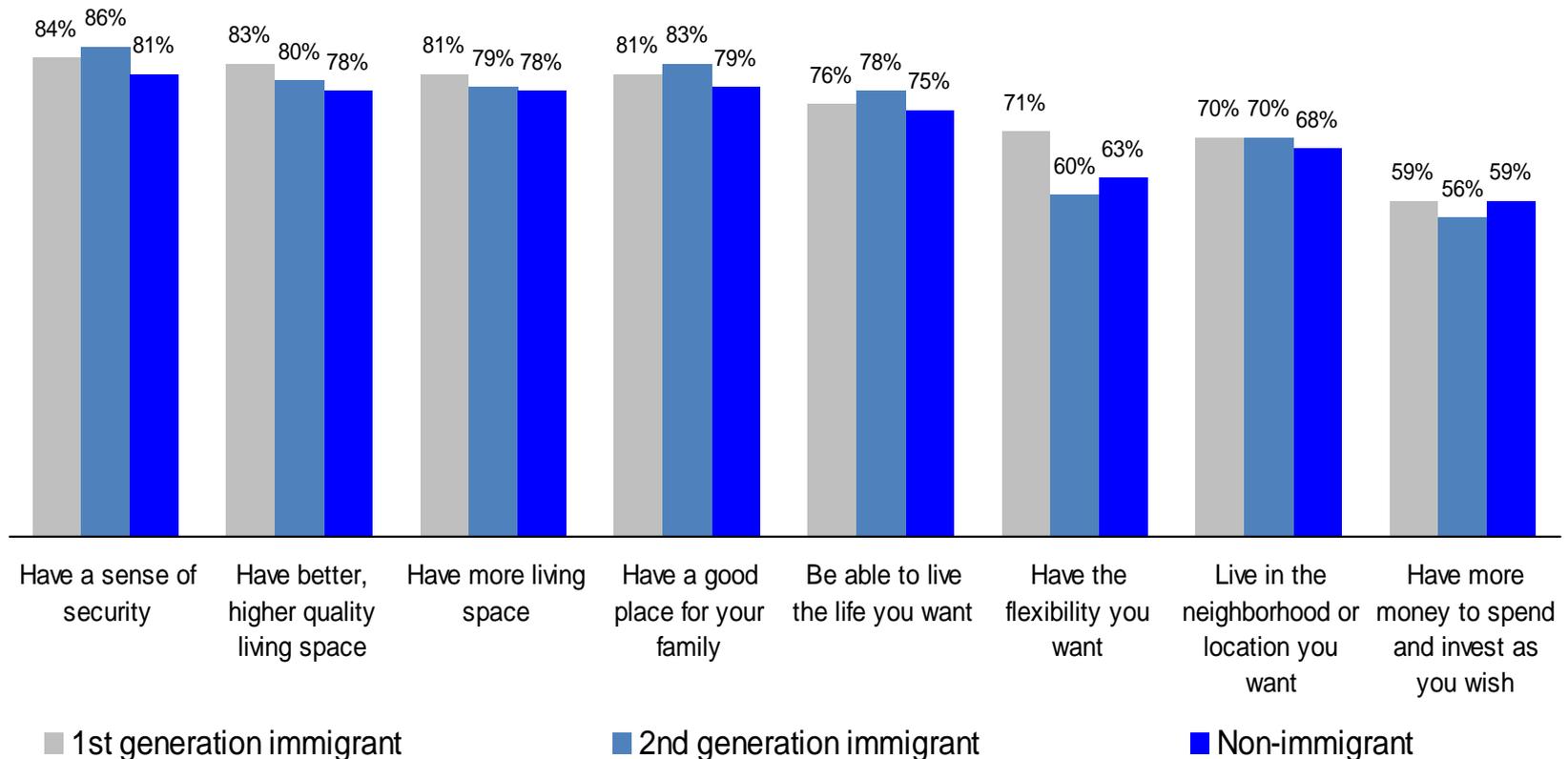
Source: Fannie Mae 2010 Own-Rent Survey

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Immigrants and non-immigrants tend to show similar preferences for owning over renting for all housing characteristics

Assuming the financial impact of renting or owning a particular home were about the same, are you better off renting or owning to...?

Respondents selecting “Better off owning” shown in graph. Other responses included “Better off renting” and “No real difference”



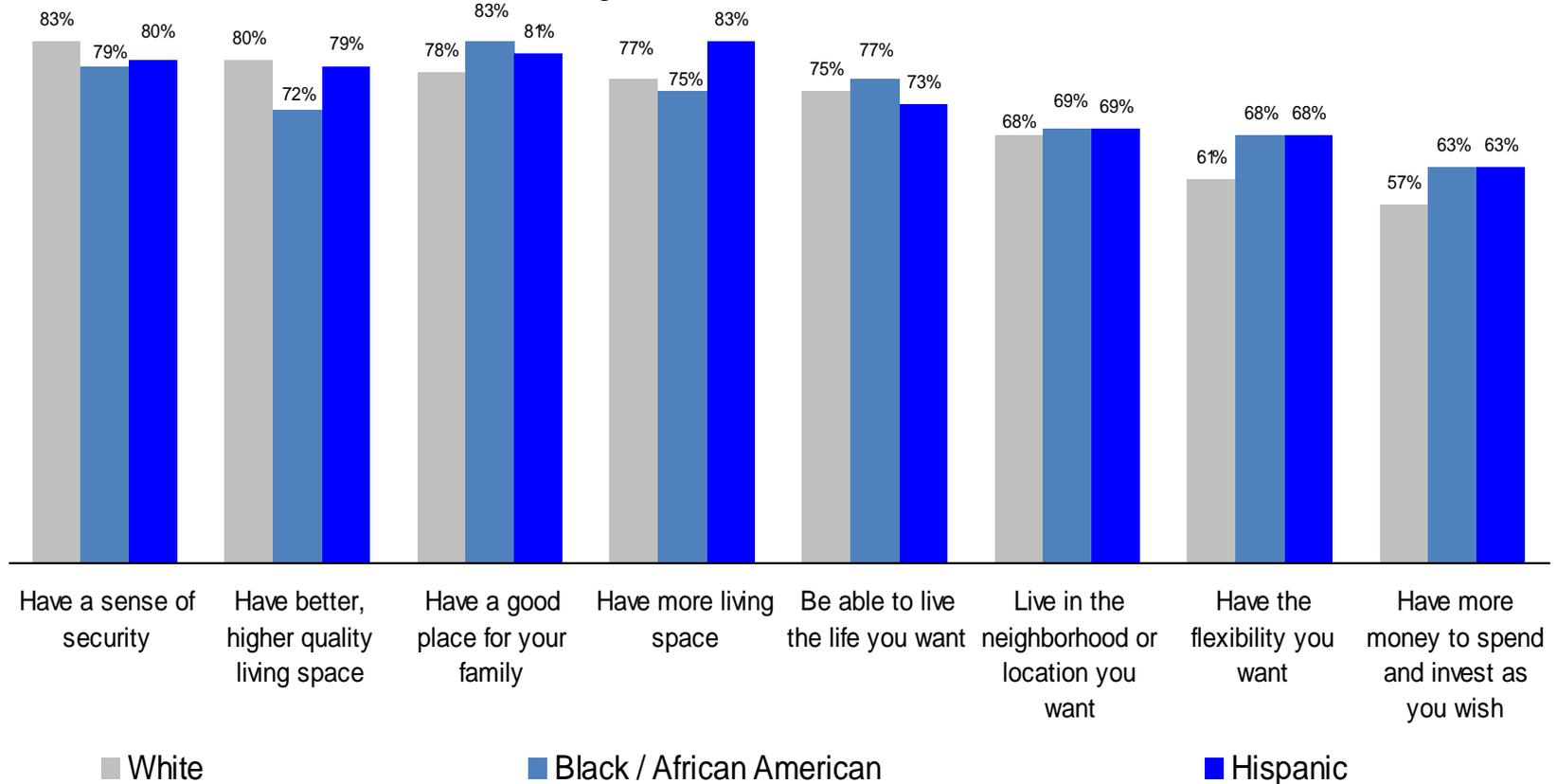
Source: Fannie Mae 2010 Own-Rent Survey

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Races and ethnicities vary, but only slightly, in their preference for owning over renting to secure desirable housing traits

Assuming the financial impact of renting or owning a particular home were about the same, are you better off renting or owning to...?

Respondents selecting “Better off owning” shown in graph. Other responses included “Better off renting” and “No real difference”

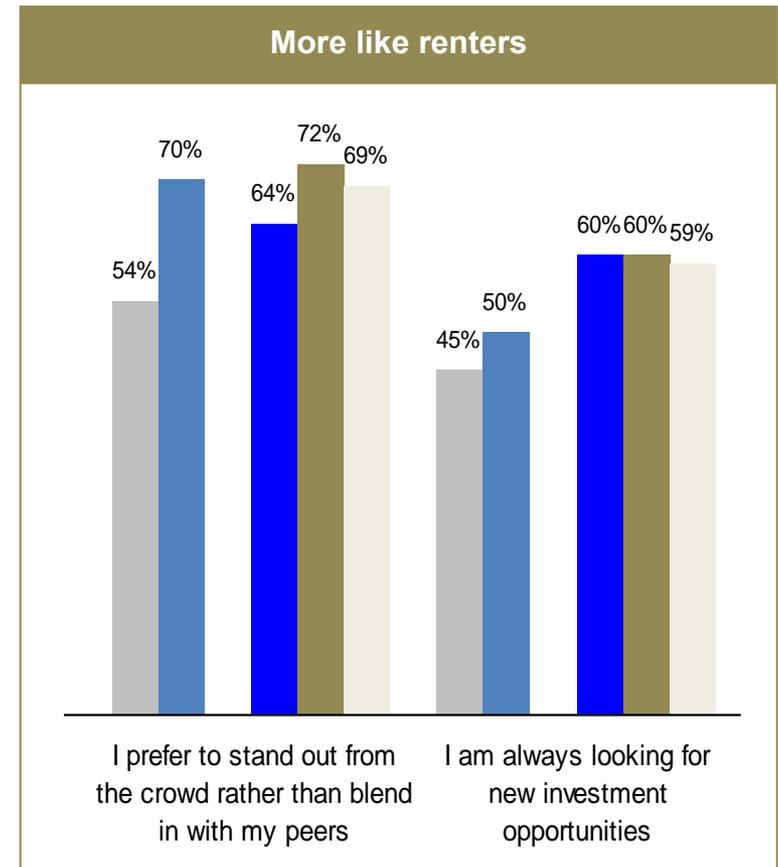
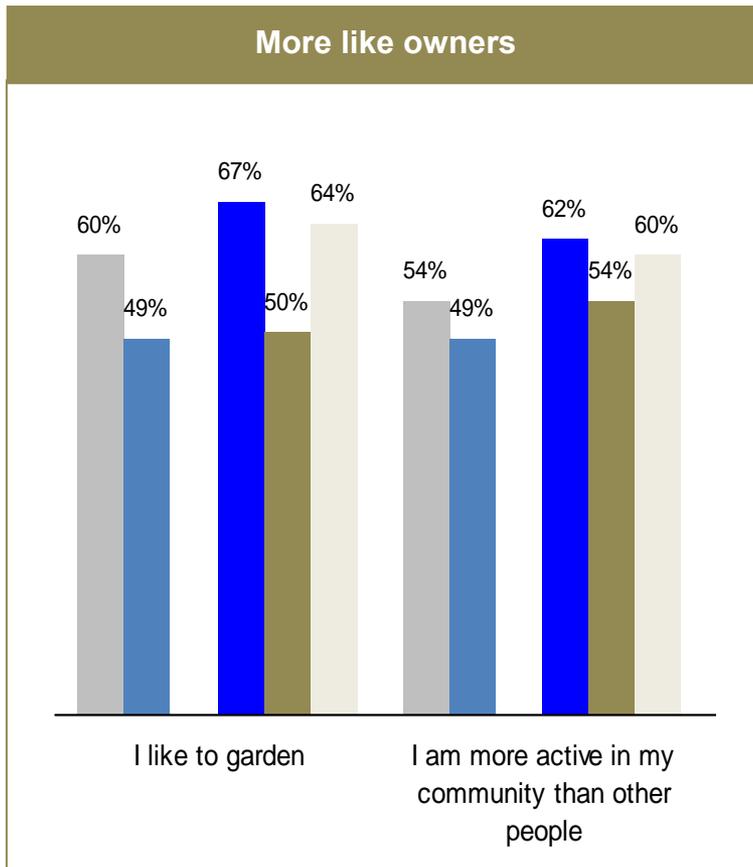


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Immigrants and minorities with low ownership rates attitudinally resemble owners in some ways while more closely resembling renters in other ways

How well does this describe you?

Showing % saying "Very well" or "Somewhat well"



All owners
 All renters
 1st generation immigrants
 Black / African American
 Hispanic