

Fannie Mae National Housing Survey

Delinquent Borrowers Grow More Favorable Toward Homeownership in 2013

Topic Analysis 10/31/2013

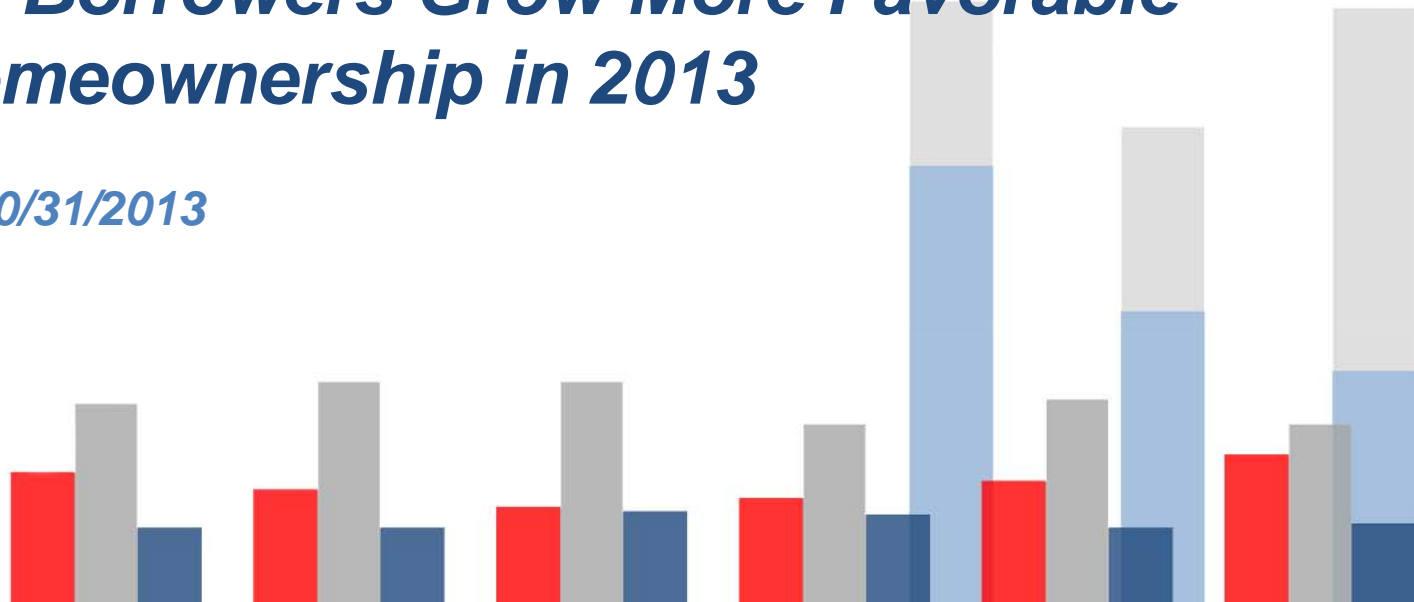


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Executive Summary

Delinquent borrowers' views toward the housing market have grown more favorable since 2012 and the majority still believe in the benefits of homeownership

- Delinquent borrowers' attitudes have grown more favorable and generally moved closer to those of the general population (GP) of mortgage borrowers in expecting home prices to go up, believing that buying a home is a safe investment, and buying on their next move.
- The majority of delinquent borrowers believe in the financial and lifestyle benefits of homeownership, though at levels somewhat lower than the general population of mortgage borrowers.

Delinquent borrowers are becoming more optimistic about their financial situation and have made considerable positive shifts during the last year

- Delinquent borrowers do still lag behind the general population of mortgage borrowers on attitudes about their personal financial situation, household income level, debt stress, and job loss concern, but positive shifts are starting to close the gap between the groups.

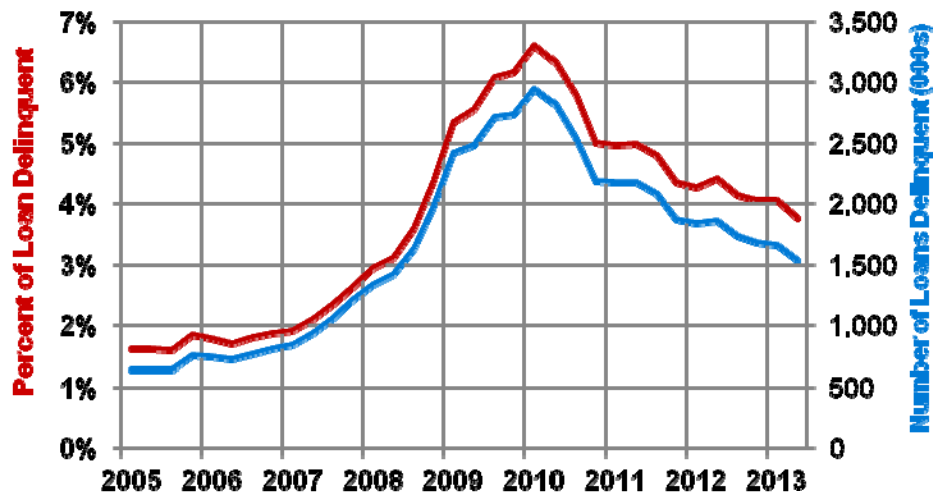
Driven by the desire to lower payments, delinquent borrowers are more likely to have unsuccessful attempts to refinance than the general population of mortgage borrowers

- Delinquent borrowers are more likely to say they have unsuccessfully attempted to refinance in the past two to three years, and are more likely to plan to refinance in the future.
- While delinquent borrowers are more likely to say they will refinance to lower their monthly payments, the general population of mortgage borrowers are more likely to refinance to shorten the loan term.
- Delinquent borrowers more often cite barriers to refinance than the general population of mortgage borrowers including not qualifying and not trusting lending institutions.

Delinquent Mortgage Borrower Profile

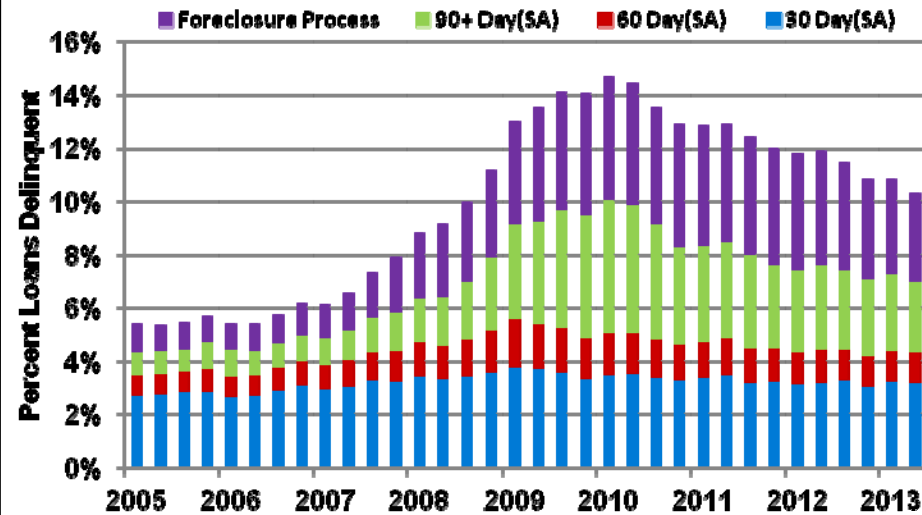
- 60+ day mortgage delinquency has dropped to the lowest level since 2008
- To focus on borrower housing attitudes, our survey includes an oversample of respondents who have a 60+ day mortgage delinquency

60+ Day Mortgage Delinquency All Loans (SA)



Source: MBA National Delinquency Survey

Mortgage Delinquencies and Foreclosures by Period Past Due, All Loans



Source: MBA National Delinquency Survey

Research Methodology

- From January 5, 2013 to March 25, 2013, Penn Schoen Berland conducted 3,419 telephone interviews among the following audiences:
 - The delinquent borrower oversample was gathered in addition to the general population sample.
 - Studies throughout 2010 included delinquent borrower oversamples. In subsequent years, the delinquent borrower oversample was only included in the first quarter of fielding.

Sample	Sample Size	Margin of Error
General Population (GP) Q1-2013	3,015	±1.78%
GP Mortgage Borrowers Q1 2013	1,327	±2.69%
Delinquent Borrower Oversample History:		
• Respondents who are 60+ days behind on their mortgage payments		
• Q1-2013	404	±4.88%
• Q1-2012	403	±4.88%
• Q1-2011	400	±4.90%
• Q4-2010	403	±4.88%
• Q3-2010	402	±4.89%
• June 2010	398	±4.91%
• January 2010	400	±4.90%

- Similar studies were conducted in January 2010 and June 2010 using a sample size of 3,000 and then monthly July 2010 through March 2013 using a sample size of 1,000
- Note that on each question, respondents had the option to answer "don't know" (volunteered), which is why in some cases the total % may not equal 100
- The data presented in this study has been weighted to make it reflective of the American Community Survey demographic statistics in terms of gender, age, race/ethnicity, income, education, and housing tenure.

Key Findings

1) Delinquent borrowers' views toward the housing market have grown more favorable since 2012 and the majority still believe in the benefits of homeownership

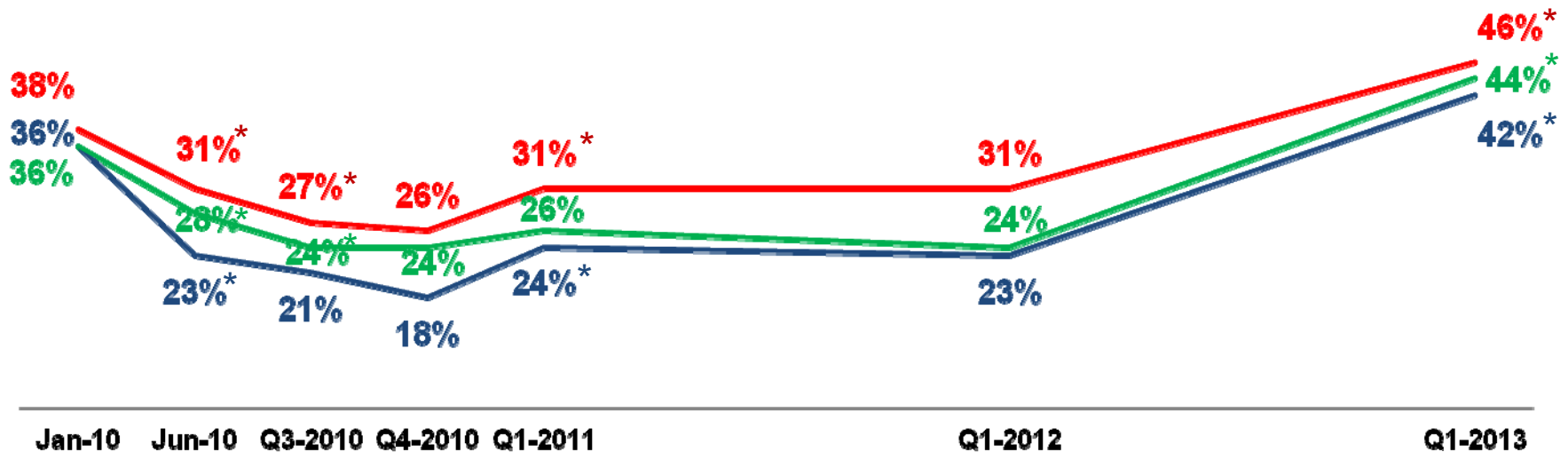
- Delinquent borrowers' attitudes have grown more favorable and generally moved closer to those of the general population of mortgage borrowers in expecting home prices to go up, believing that buying a home is a safe investment, and buying on their next move
- The majority of delinquent borrowers believe in the financial and lifestyle benefits of homeownership, though at levels somewhat less than the general population of mortgage borrowers

Delinquent borrowers have grown more positive with the general population (GP) of mortgage borrowers and the general population overall during the past year in their belief that home prices will go up

During the next 12 months, do you think home prices will go up, go down, or stay the same as where they are now?

Showing % Go Up

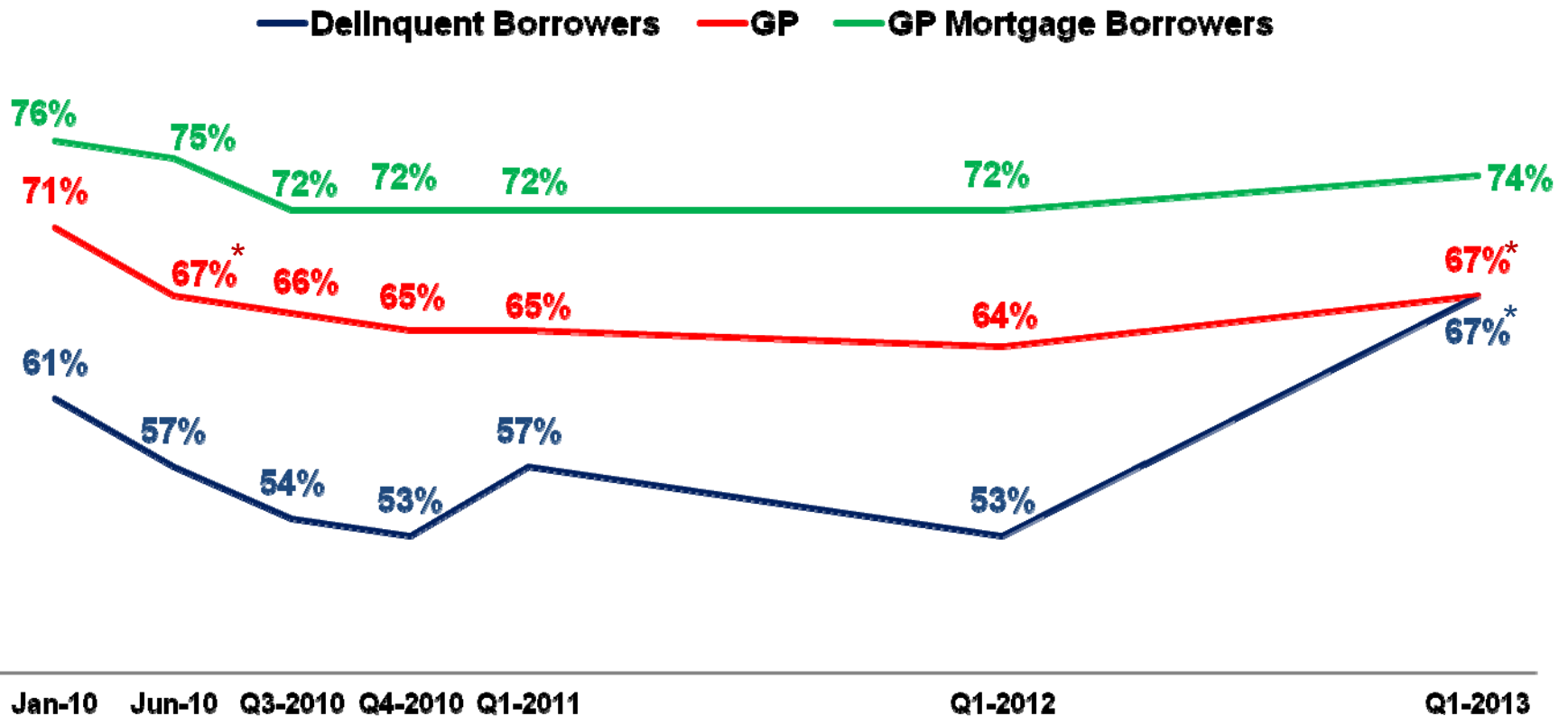
— **Delinquent Borrowers** — **GP** — **GP Mortgage Borrowers**



* Denotes a statistically significant difference from the previous wave at the 95% confidence level

The percentage of delinquent borrowers now equal the general population (GP) overall and moved much closer to the general population of mortgage borrowers in the belief that buying a home is a safe investment

Buying a home: Do you think this investment is... Showing % Safe



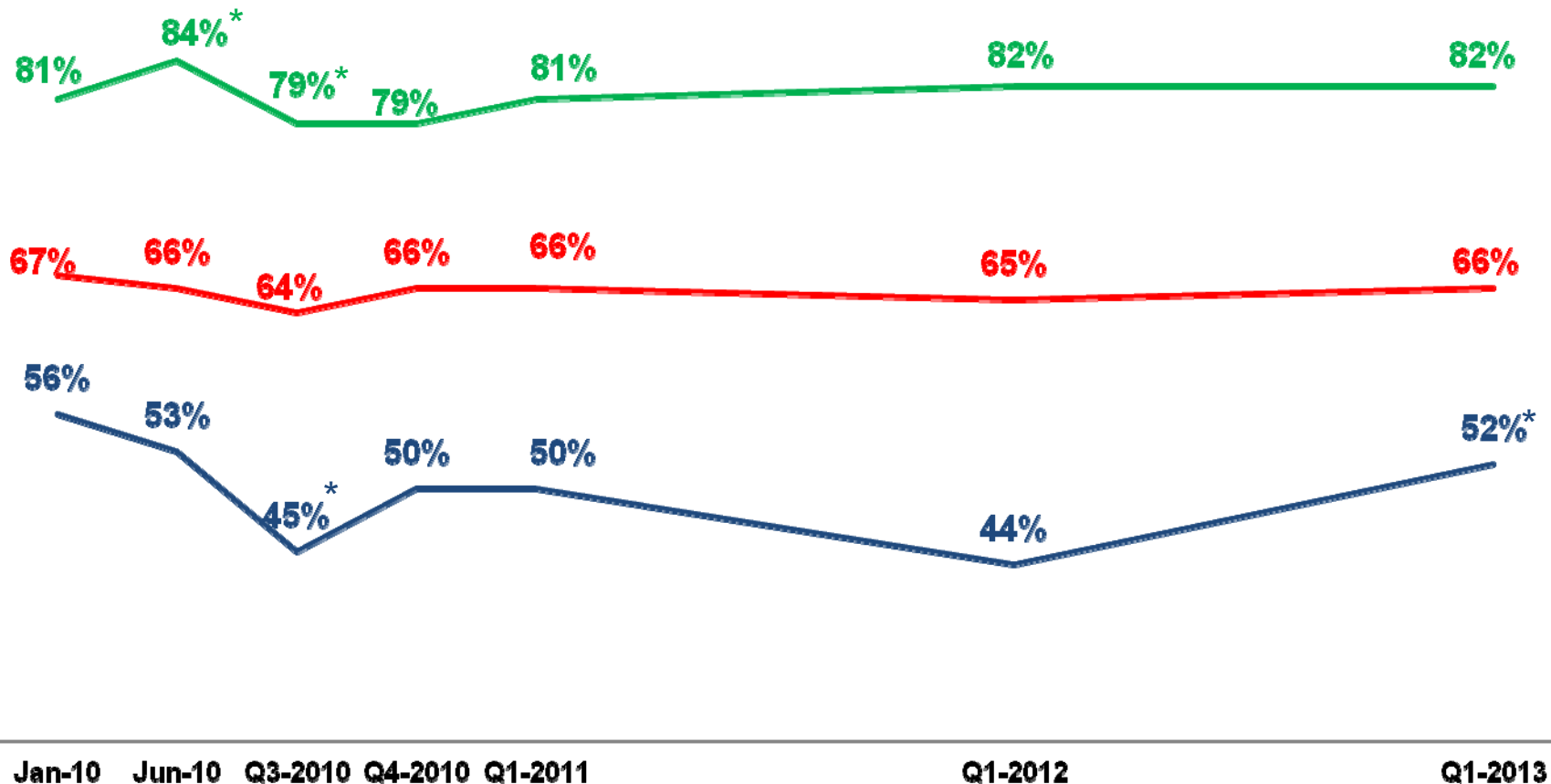
* Denotes a statistically significant difference from the previous wave at the 95% confidence level

The percentage of delinquent borrowers who would buy on the next move has increased and moved closer to the general population (GP) groups

If you were going to move, would you be more likely to buy or rent?

Showing % Buy

— **Delinquent Borrowers** — **GP** — **GP Mortgage Borrowers**



* Denotes a statistically significant difference from the previous wave at the 95% confidence level

Though delinquent borrowers are less likely to think they are better off owning for financial reasons than the general population (GP) of mortgage borrowers, the majority still believe in the financial benefits of homeownership

To achieve this, are you better off owning or better off renting? <i>Showing % Q1-2013 Owning (Sorted by Q1 2013 Gap)</i>	GP	GP Mortgage Borrowers	Delinquent Borrowers	Gap (Q1-2013)	Gap (Q1-2012)
Building up wealth	82	90	74*	-16	-13
Saving for retirement	81	87	71*	-16	-16
Being better off financially overall	81	88	73*	-15	-20
Living within your budget	64	76	61*	-15	-15
Having the best investment plan	86	93	80*	-13	-11
Making the best decision given the current economic climate	69	79	66*	-13	-20
Having the best overall tax situation	71	79	70*	-9	-8

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

Delinquent borrowers are slightly less likely than the general population (GP) of mortgage borrowers to value the lifestyle benefits of homeownership

To achieve this, are you better off owning or better off renting? Showing % Q1-2013 <u>Owning</u> (Sorted by Q1 2013 Gap)	GP	GP Mortgage Borrowers	Delinquent Borrowers	Gap (Q1-2013)	Gap (Q1-2012)
Feeling engaged in your community	81	89	79*	-10	-9
Living in a place where you and your family feel safe	83	91	81*	-10	-7
Having less stress	52	54	44*	-10	-10
Living in a nicer home	81	85	76*	-9	-9
Having a good place for your family or to raise your children	87	93	86*	-7	-4
Having a sense of privacy and security	90	96	89*	-7	-6
Living in your preferred school district	71	78	71*	-7	-8
Living in a convenient location	63	69	65	-4	-3
Having control over what you do with your living space	93	97	94*	-3	-4
Having flexibility in future decisions	64	65	67	2	-1

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

2) Delinquent borrowers are becoming more optimistic about their financial situation and have made considerable positive shifts during the last year

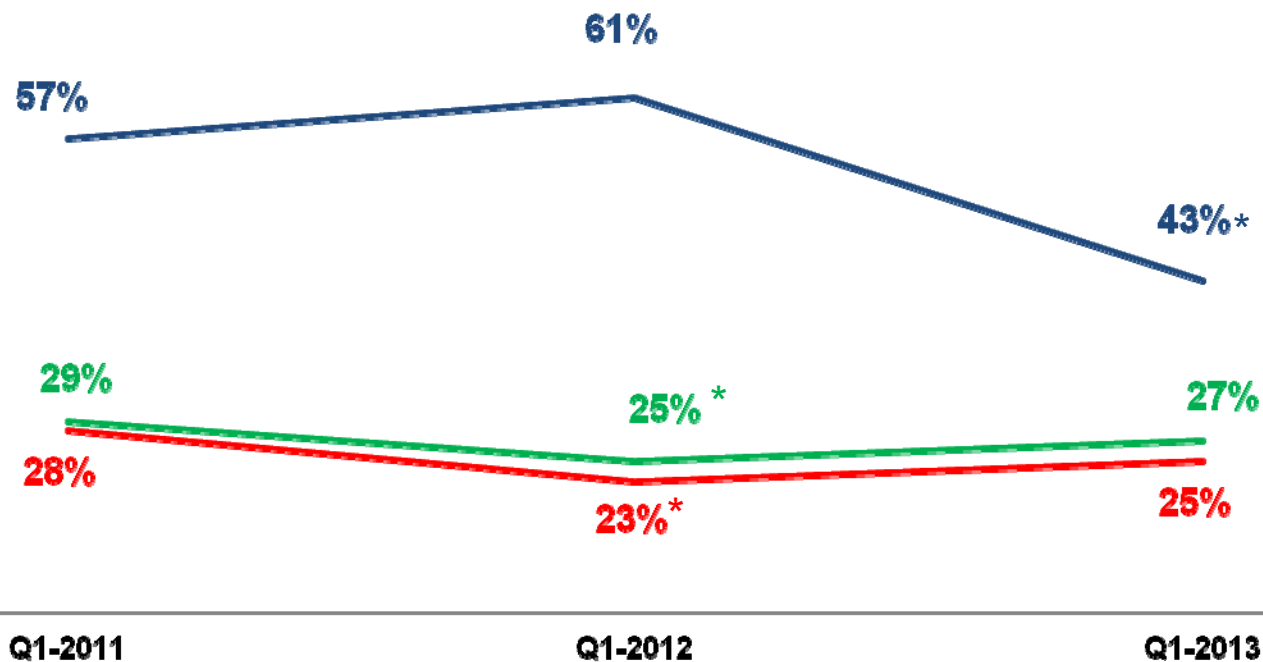
- Delinquent borrowers still lag behind the general population of mortgage borrowers on attitudes about their personal financial situation, household income level, debt stress, and job loss concern, but positive shifts are starting to close the gap between the groups

Delinquent borrowers who say their personal financial situation has gotten worse has decreased by 18 percentage points from last year, helping to close the gap with the general population (GP) groups

Now, looking back over the past year, did your personal financial situation get better, or did it get worse?

Showing % Got Worse

— **Delinquent Borrowers** — **GP** — **GP Mortgage Borrowers**



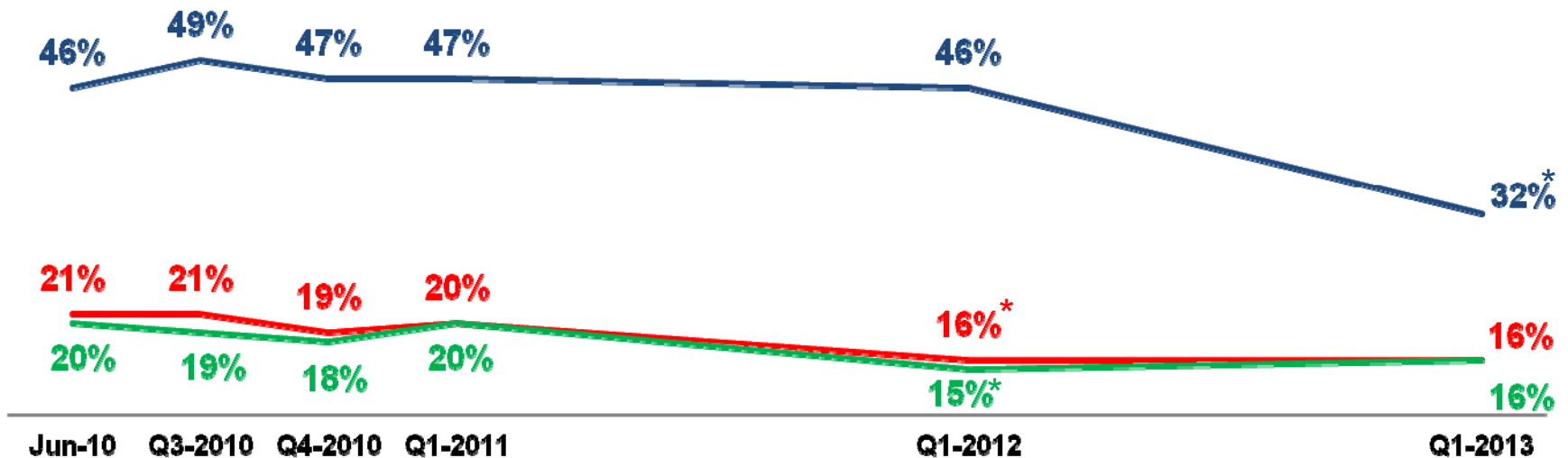
* Denotes a statistically significant difference from the previous wave at the 95% confidence level

Delinquent borrowers are less likely by 14 percentage points to report income declines than last year, again helping to close the gap with the general population (GP) groups

How does your current monthly household income compare to what it was twelve months ago?

Showing % Significantly Lower

— **Delinquent Borrowers** — **GP** — **GP Mortgage Borrowers**



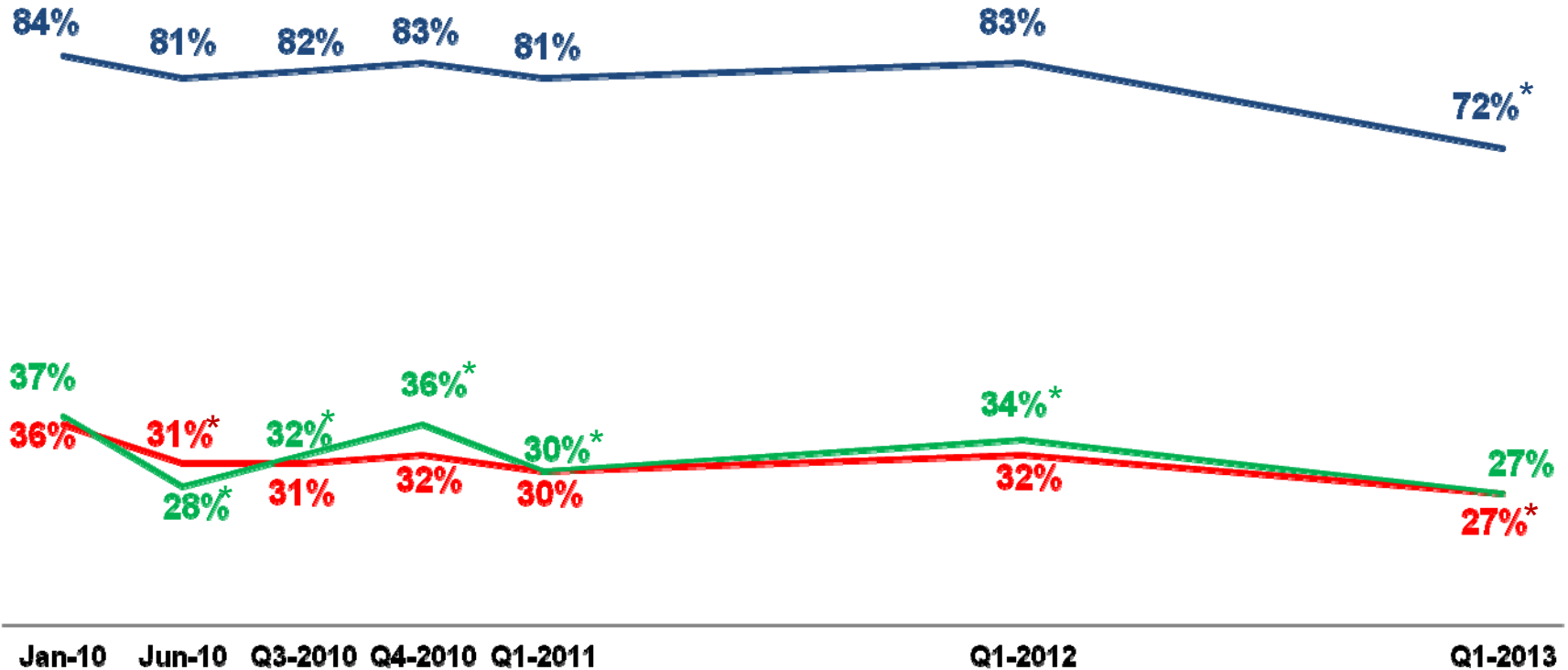
* Denotes a statistically significant difference from the previous wave at the 95% confidence level

Debt stress has decreased 11 percentage points in the past year for delinquent borrowers, though they remain significantly more likely to be stressed about debt payments than general population (GP) groups

Are you stressed or not stressed about your ability to make payments on your debts?

Showing % Stressed

— **Delinquent Borrowers** — **GP** — **GP Mortgage Borrowers**



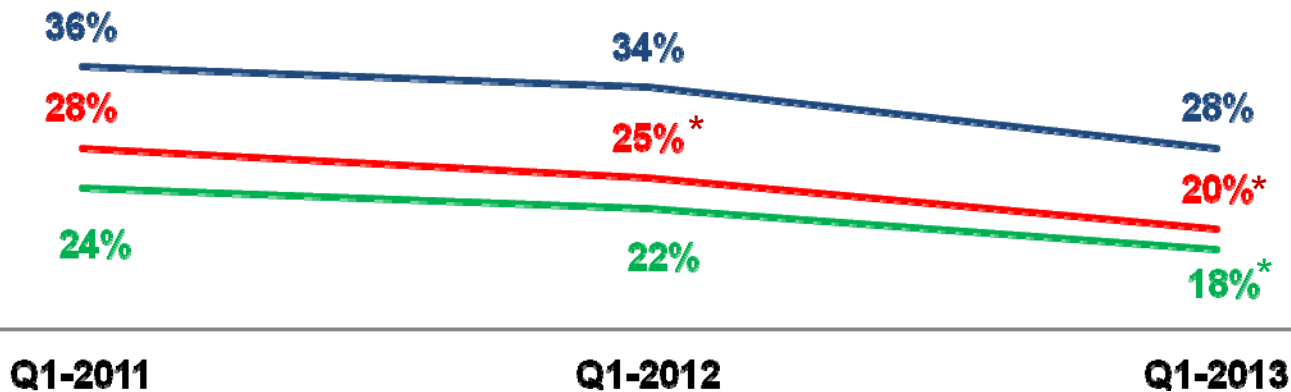
* Denotes a statistically significant difference from the previous wave at the 95% confidence level

Though employed delinquent borrowers are more likely to be concerned about job loss, this concern has been decreasing with the general population (GP) groups since 2011

IF EMPLOYED: How concerned are you that you will lose your job in the next twelve months? Are you concerned or not concerned?

Showing % Concerned

— GP — Delinquent Borrowers — GP Mortgage Borrowers



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3) Driven by the desire to lower payments, delinquent borrowers are more likely to have unsuccessful attempts to refinance than the general population of mortgage borrowers

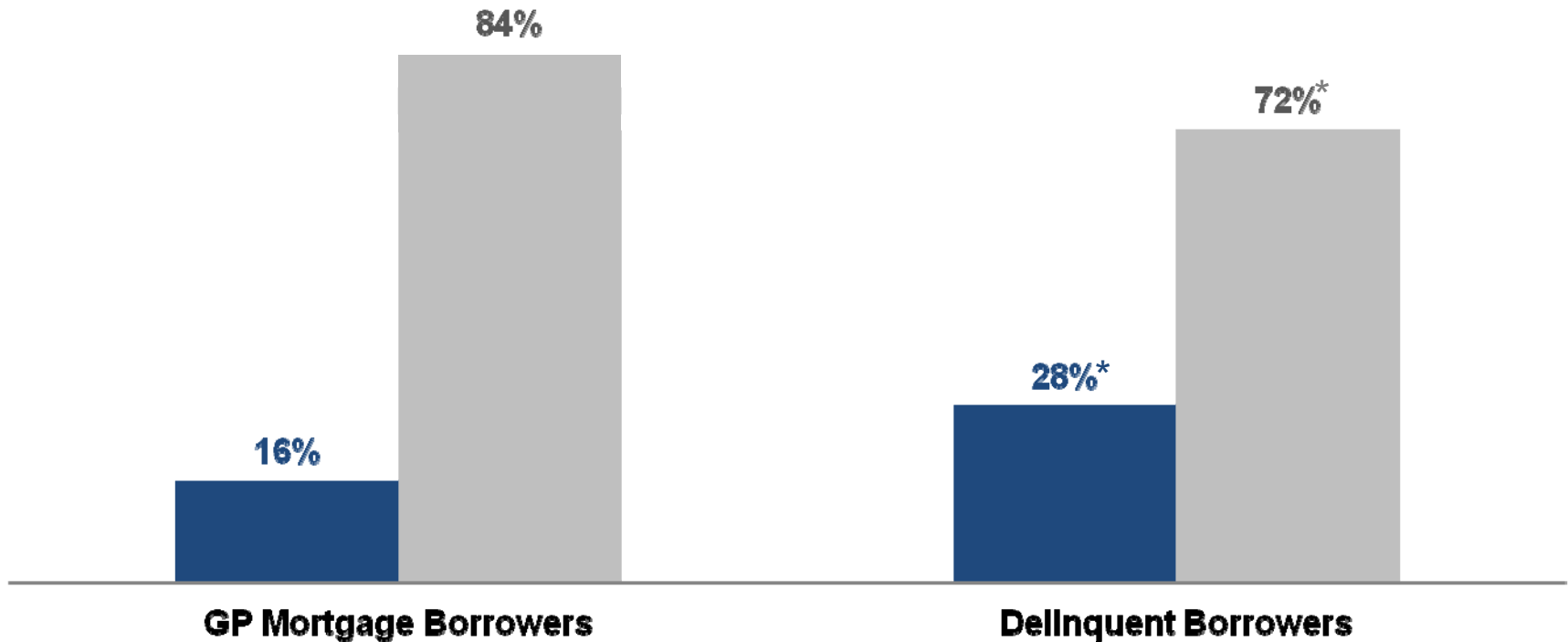
- Delinquent borrowers are more likely to have attempted unsuccessfully to refinance in the past two to three years, and are more likely to plan to refinance in the future
- While delinquent borrowers are more likely to say they will refinance to lower their monthly payments, the general population of mortgage borrowers are more likely to refinance to shorten the loan term
- Delinquent borrowers more often cite barriers to refinance than the general population of mortgage borrowers including not qualifying and not trusting lending institutions

Delinquent borrowers are more likely to have unsuccessful attempts to refinance their mortgage in the past two to three years than the general population (GP) of mortgage borrowers

IF NOT REFINANCED: Have you tried to refinance your mortgage in the past 2-3 years?

Showing % Q1-2013

■ Yes ■ No



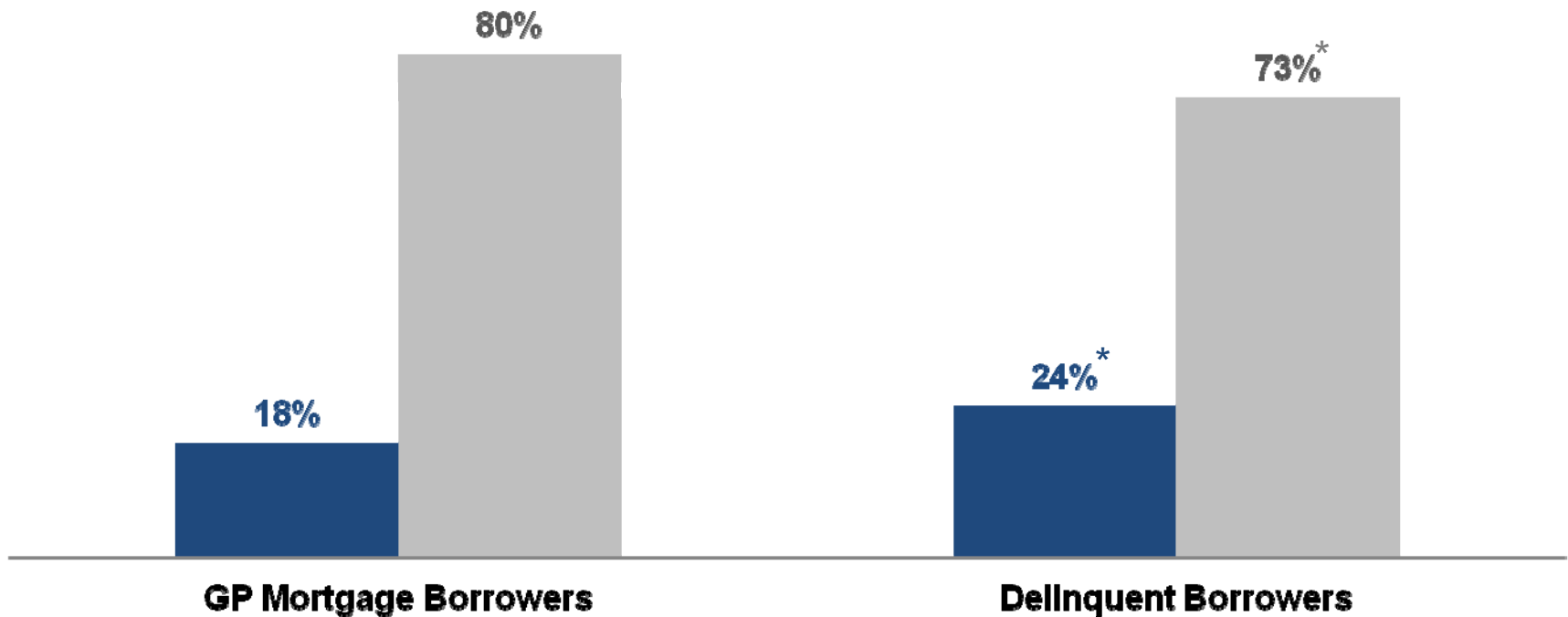
* Denotes a statistically significant difference between Delinquent Borrowers and the GP Mortgage Borrowers at the 95% confidence level

And at 24 percent, delinquent borrowers are more likely to say they are likely to refinance their mortgage in the next 12 months

How likely are you to refinance the mortgage on your primary home in the next 12 months?

Showing % Q1-2013

■ Likely ■ Unlikely



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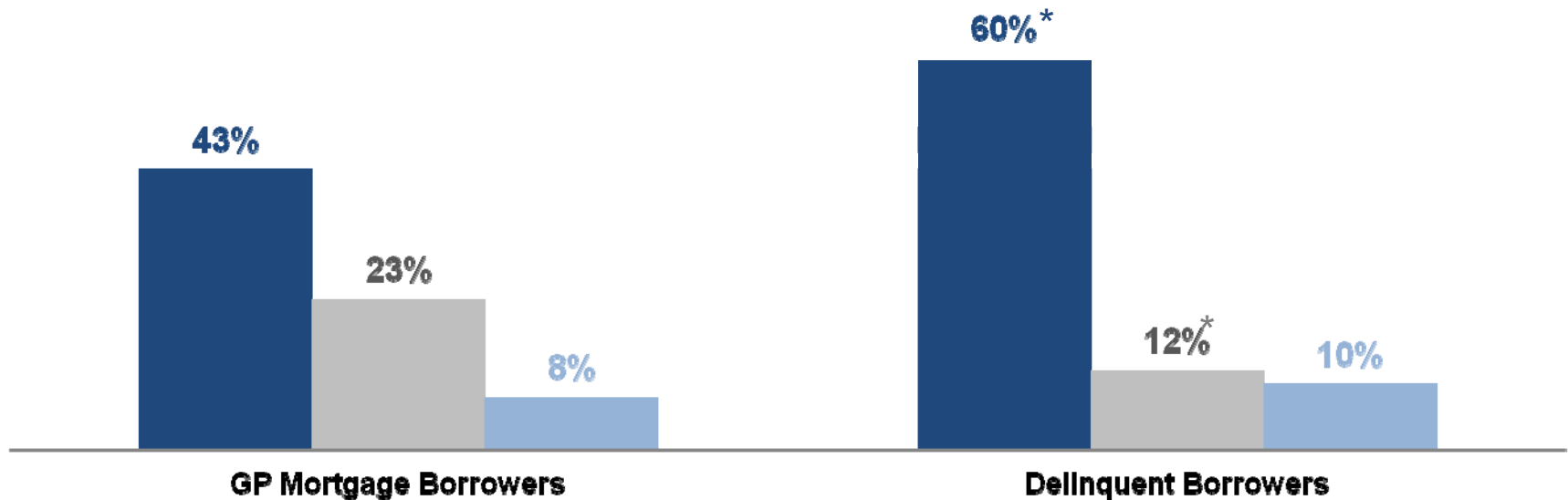
Delinquent borrowers are more likely than general population (GP) of mortgage borrowers to say they prefer to lower their monthly payments when refinancing

- Delinquent borrowers are less likely than GP mortgage borrowers to refinance to shorten the length of their mortgage

Would you be most likely to refinance if you could...

Showing % Q1-2013

- Lower monthly payments
- Obtain a mortgage with a shorter term
- Receive cash back from your new mortgage



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But barriers to refinance remain for many delinquent borrowers, especially when compared to the general population (GP) of mortgage borrowers

- Delinquent borrowers say they do not qualify for refinance, do not trust lenders, and face lenders who will not refinance their mortgages
- Similar concerns were identified in our recent analysis of the U.S. Government's Home Affordable Refinance Program (HARP), which serves underwater and near-underwater borrowers:

<http://www.fanniemae.com/portal/about-us/media/commentary/030613-seidenstein.html>

How much does this apply to your decision NOT to refinance? <i>Showing % Q1-2013 Greatly Applies</i>	GP Mortgage Borrowers	Delinquent Borrowers	Gap
You do not qualify for a refinance	14	38*	+24
You are not sure what to trust with lending institutions	14	37*	+23
The lenders you contacted would not refinance your mortgage	11	29*	+18
You would need to put money down to make up for value lost since you bought your home	16	30*	+14
The refinancing process is too complicated	13	26*	+13
You don't want to lengthen your loan term	26	37*	+11
You wouldn't be able to reduce your monthly mortgage payment enough to make it worth refinancing	27	38*	+11
Closing costs are too high	21	27	+6

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Appendix

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 with Americans age 18 and older are conducted by Penn Schoen Berland (PSB), in coordination with Fannie Mae. The margin of error for the total monthly sample is ± 3.1 percent at the 95 percent confidence level and larger for sub-groups. Data collection occurs over the course of the first three weeks of each month although most occurs in the first two weeks of the month.

Monthly and Topic Analyses and Research Briefs

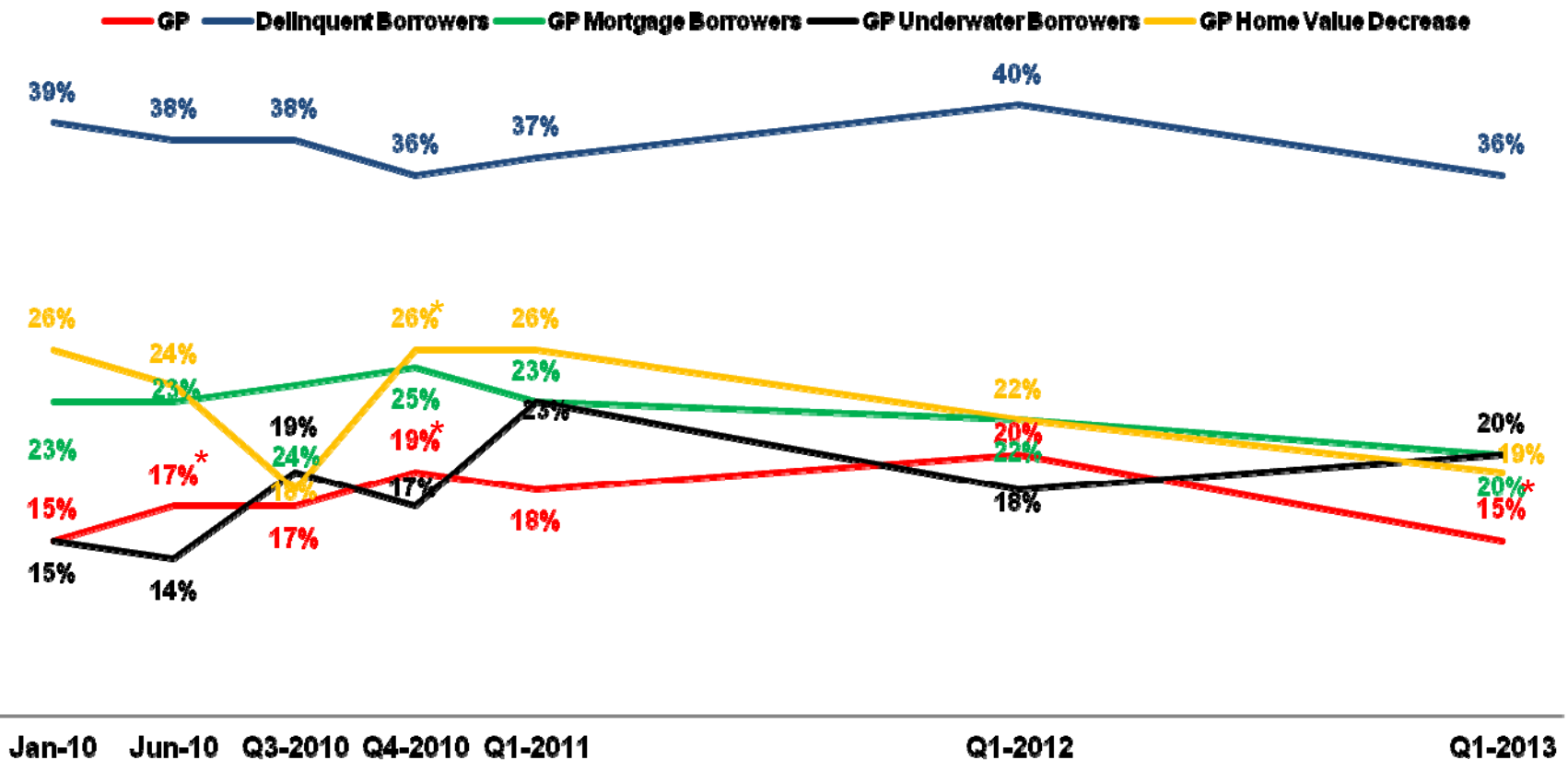
- Monthly reports provide a timely view of trends in consumers' attitudes using eleven key indicators.
<http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>
- Topic analyses provide deeper insights into one or more issues based on the compilation of three monthly samples. The three 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>

General Default Attitudes

Default acceptance has remained steady over time with just relatively minor shifts

If a person is facing financial distress, do you think it's okay for them to stop paying their mortgage?

Showing % Yes

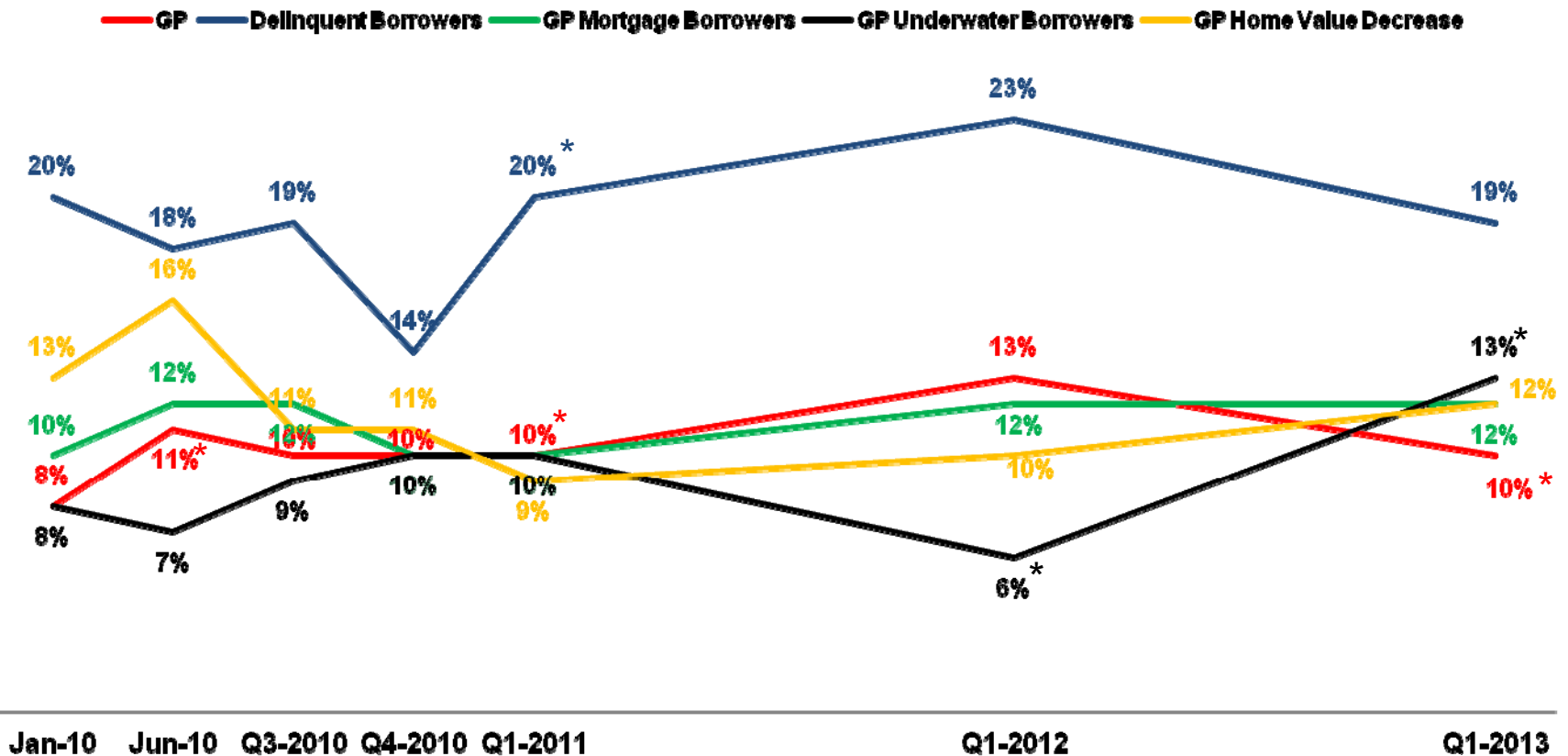


* Denotes a statistically significant difference from the previous wave at the 95% confidence level

Acceptance of strategic default among the general population (GP) also has declined in the past year, returning to more historically established levels

If a person's home is now worth less than what they owe on it, do you think it's okay for them to stop paying their mortgage?

Showing % Yes

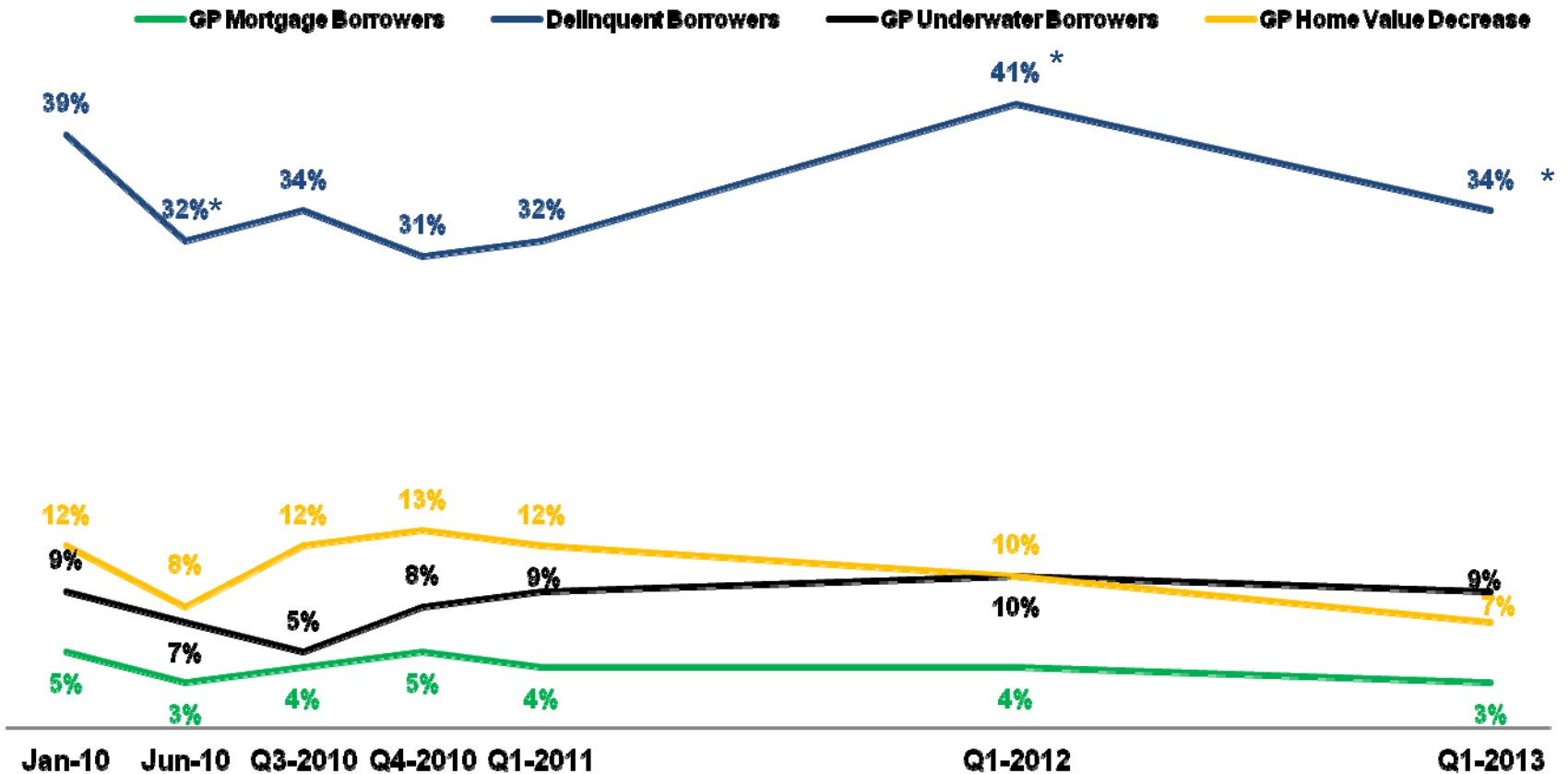


* Denotes a statistically significant difference from the previous wave at the 95% confidence level

Default consideration has declined among delinquent borrowers in the past year, returning to the historical range established in prior waves

IF HAVE MORTGAGE: Have you considered, or not considered stopping or incompletely paying your mortgage?

Showing % Yes



* Denotes a statistically significant difference from the previous wave at the 95% confidence level