

Fact Sheet

Fannie Mae National Housing Survey Key Findings

First Quarter 2011

The Fannie Mae National Housing Survey polled homeowners and renters between January 2011 and March 2011 to assess their attitudes toward owning and renting a home, the current state of their household finances, views on the U.S. housing finance system, and overall confidence in the economy. Findings were compared to similar surveys conducted by Fannie Mae from October 2010 to December 2010, June 2010, January 2010, and December 2003. A news release on the new survey can be found at:

<http://www.fanniemae.com/media/survey/index.jhtml>.

SURVEY FINDINGS

Housing and the Economy

- Thirty-three percent of Americans believe that the U.S. economy is on the right track, up four percentage points from the fourth quarter of 2010, and the highest quarterly number observed in the study to date. However, this is virtually unchanged from January 2010 (31%).
- Sixty-seven percent of respondents believe it is a good time to buy a house, up two percentage points from the fourth quarter of last year but down three percentage points from June 2010.
- One in three Americans (30%) expect home prices to strengthen over the next year, up four percentage points from the fourth quarter of 2010, but virtually unchanged from a year ago. Forty-eight percent think they will remain the same, and 17 percent believe they will decrease.
- On average, respondents expect home prices to increase by nearly one percent (0.9%) compared to 0.4 percent in the fourth quarter of 2010.
- Forty-four percent of homeowners believe that the value of their home today is worth at least 20 percent more than what they originally paid for it, declining from 46 percent in June 2010 and 51 percent in January 2010.
- Forty-three percent of Americans think home rental prices will go up over the next year, up four percentage points from the fourth quarter of 2010. Respondents expect rental prices to increase by 3.2 percent, on average, up from 2.8 percent in the fourth quarter of 2010.

Desirability of Homeownership

- While the number of Americans who perceive homeownership as a safe investment has been declining (from 83% in 2003 to 66% in the first quarter of 2011), 57 percent still believe that buying home has a lot of potential, ranking higher than other investments.
- Sixty-six percent of Americans believe buying a home is a safe investment, up two percentage points from the fourth quarter of 2010, but down 4 percentage points from January 2010 and down 17 percentage points from a similar study conducted in 2003.
- Eighty-seven percent of all Americans think that owning is superior to renting, up three percentage points since the fourth quarter of 2010. Among renters, this number is 13 percentage points lower at 74, down from 80 percent in the fourth quarter of 2010.
- Respondents continue to cite non-financial reasons such as having a good place to raise children and

provide them with a good education (78%) and safety (76%) as driving factors in wanting to buy a home, ahead of financial considerations, such as the perception that paying rent is not a good investment (63%).

State of Consumer Household Finances

- Fifty-nine percent of Americans say their monthly household income has remained about the same compared to a year ago. Nearly half of delinquent borrowers (47%) said their current household income is significantly lower than it was 12 months ago. Just 20 percent of the general population said their income increased significantly.
- Forty-two percent of respondents said they expect their personal finances to improve over the next year (up 2 percentage points from the fourth quarter), compared with 44 percent in January 2010. Fifteen percent said they expected their personal financial situation to get worse, down two percentage points from the previous quarter.
- Forty percent of all respondents said their current monthly household expenses are significantly higher than they were 12 months ago, up from 34 percent in the previous quarter and 31 percent in January 2010.
- Among delinquent borrowers, forty-seven percent report significantly higher expenses compared to 12 months ago.
- The number of overall respondents reporting higher expenses spiked by nine percentage points in March (46 percent) compared to the previous month.
- Forty-four percent of delinquent borrowers say they would be more likely to rent their next home, up four percentage points from January 2010.

Underwater Borrowers

- Nearly one in four (23%) mortgage borrowers say they are underwater, compared with 30 percent in January 2010.
- Nine out of 10 underwater borrowers have not considered defaulting on their mortgage, unchanged since the previous quarter. However, nearly twice as many underwater borrowers (27%) think it is okay to walk away from a mortgage if they face financial distress than in January 2010 (14%).
- Forty-six percent of underwater borrowers are stressed about their mortgage, up 11 percentage points from June 2010.
- A significant share of underwater borrowers remains optimistic. Forty-five percent expect their personal finances to get better over the next year and 30 percent expect home prices to go up (up from 20% in the fourth quarter of 2010).
- Fewer underwater borrowers think buying a home is a safe investment (67%), down eight percentage points from January 2010 and five percentage points lower than among mortgage borrowers overall.

Attitudes about Delinquency

- Thirty-three percent of delinquent borrowers have considered defaulting (compared to only 5% of all mortgage holders), with 20 percent of delinquent borrowers saying they have considered the option *seriously*.
- Most Americans (87%) continue to disapprove of defaulting if underwater or facing financial distress.
- Delinquent borrowers are nearly twice as likely (39% versus 22%) to have considered defaulting if they know someone who has defaulted.
- Among delinquent borrowers, only 56 percent perceive buying a home as a safe investment, up three percentage points from the previous quarter but down nine percentage points from January 2010.
- Thirty-nine percent of delinquent borrowers view buying a home as a safe investment with a lot of potential, compared to 43 percent of the general public and 46 percent of mortgage borrowers.

Views Among “Generation Y” (18 to 34 years old)

- Fifty-nine percent of Generation Y Americans (age 18-34) expect their personal financial situation to improve over the next year, compared to 49 percent among Generation X (age 35-44) and 37 percent among Baby Boomers (age 45-64).
- Only 13 percent of Pre-Baby Boomers (age 65+) think it will be easier for the next generation to purchase a home than it was for them, compared with 28 percent of Generation Y Americans.
- Sixty-two percent of Generation Y perceive buying a home as a safe investment, up one percentage point from the previous quarter, and compared to 66 percent of the general population and 70 percent of Baby Boomers.

Renters’ Views on Renting and Homeownership

- Most renters (65%) continue to say they would buy at some point in the future even if they are more likely to continue renting after their next move. Thirty-one percent of renters say they will always rent, rather than buy, a home. This is down three percentage points from the previous quarter, but up two percentage points from January 2010.
- Four in five renters (81%) believe that homeownership would require making a financial sacrifice, and 61 percent of Hispanics or African-Americans said it would require “a great deal” of financial sacrifice to own a home.

Challenges Facing Americans

- Income, credit history and having enough for a down payment are cited as the most significant obstacles to getting a home loan. Credit history remains the top reason given by renters for not buying a home, followed by the ability to afford and keep up a home.
- Seventy-one percent of delinquent borrowers and forty-one percent of renters believe their income is insufficient for the expenses they have.
- On average, delinquent borrowers pay 11.6% more of their income towards home mortgage than all mortgage borrowers.
- Only 31 percent of underwater borrowers think their savings are sufficient (compared to 42% in June 2010 and 43% of all mortgage borrowers), and more underwater borrowers (46%) are stressed about their ability to make payments on their debt (compared to 35% in June and 33% of all mortgage borrowers).

KEY FINDINGS AMONG MINORITY GROUPS

Hispanic Housing Attitudes

- Three in five Hispanics (59%) expect their financial situation to get better over the next year, 17 points higher than the general population.
- Hispanics are more likely than other Americans to believe that owning a home is a good way to build up wealth that can be passed along to their families (74% compared with 59%).
- A large majority of Hispanics (84%) cite the perception that a home is a good place to raise children and provide them with a good education as a major reason to buy, compared to 78 percent of the general population.
- Eighty-three percent of Hispanics think that owning a home allows you to have a physical structure where you and your family feel safe, compared to 76 percent of the general population.
- Forty-nine percent of Hispanics think that buying a home motivates them to become a better citizen and engage in important civic activities, compared to 30 percent of the general population.

African-American Housing Attitudes

- Nearly one in two African-Americans (44%) think the U.S. economy is on the right track, 11 percentage points above the general population but down seven percentage points from the previous quarter.
- African-Americans are more optimistic about their personal finances than the general public. Two-thirds of African-Americans (61 percent) expect their personal finances to get better over the next year, compared to 42 percent of the general population. However, optimism among African-Americans decreased six percentage points from the fourth quarter of 2010.
- A large majority (80 percent) of African-Americans cite the perception that a home is a good place to raise children and provide them with a good education as a major reason to buy, compared to 78 percent of the general population.
- Sixty-two percent of African-Americans think that owning a home is a good retirement investment, compared to 70 percent of Hispanics and 56 percent of the general population.

METHODOLOGY

From January 4, 2011 to March 29, 2011, 3,403 telephone interviews with Americans age 18 and older were conducted by Penn Schoen Berland. This included a random sample of 3,003 members of the general population, including 781 Outright Homeowners, 1,261 Mortgage Borrowers, 841 Renters. Out of the 1,261 Mortgage Borrowers, 297 identified themselves as Underwater Borrowers (those who report owing at least five percent more on their mortgage than their home is worth). The overall margin of error for the general population sample is +/- 1.79% and larger for sub-groups.

An additional oversample of 400 random Delinquent Borrowers also was polled. The margin of error for the Delinquent Borrower oversample is +/- 4.90 percent and larger for sub-groups. Delinquency was defined as not having made a full mortgage payment in the past 60 or more days.

For more information, visit <http://www.fanniemae.com/about/housing-survey.html>