

Fannie Mae National Housing Survey

Renters: Satisfied, but Reaching for Homeownership

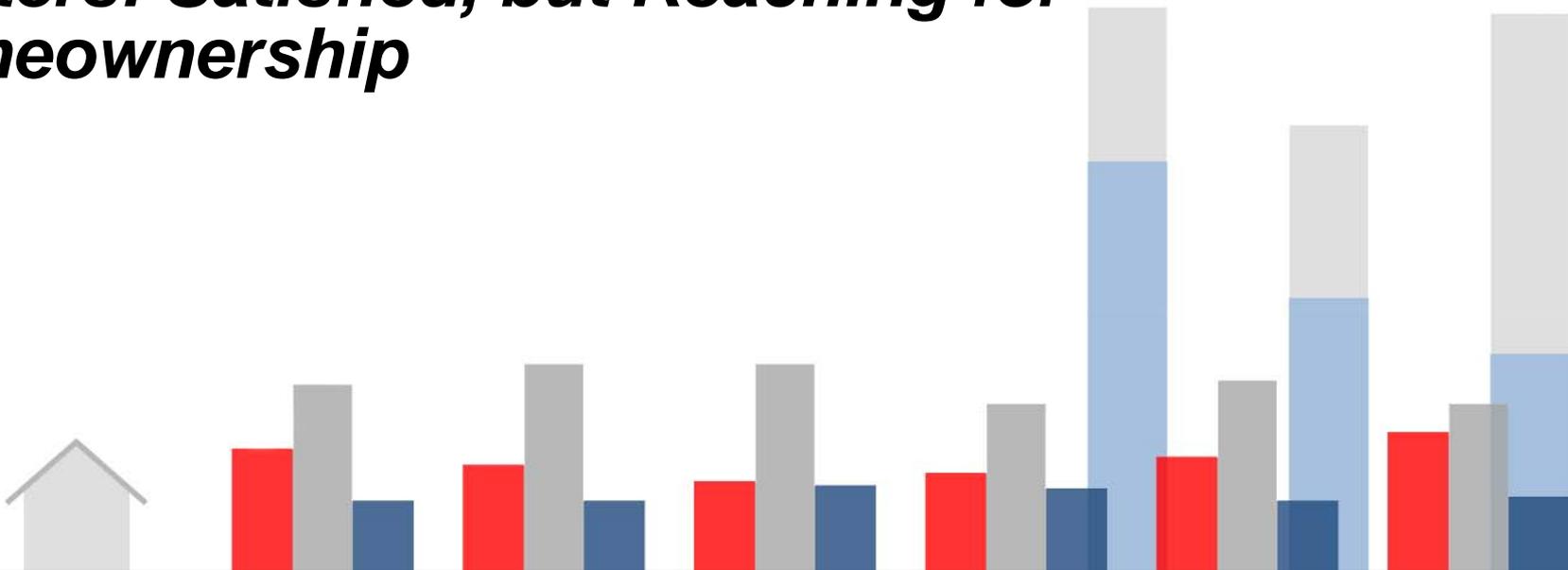


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Executive Summary

- **Renters tend to be satisfied with renting, but about half of them ultimately think owning is a more sensible housing choice.**
 - The vast majority of renters think people are better off owning if they seek control, privacy, and security, or seek to raise a family or invest wisely, but they give the edge to renting when it comes to budget, stress, and making the best decision in today’s economy.
 - Fifty-one percent of renters think owning makes more sense than renting when comparing both the financial and lifestyle benefits of each housing choice.

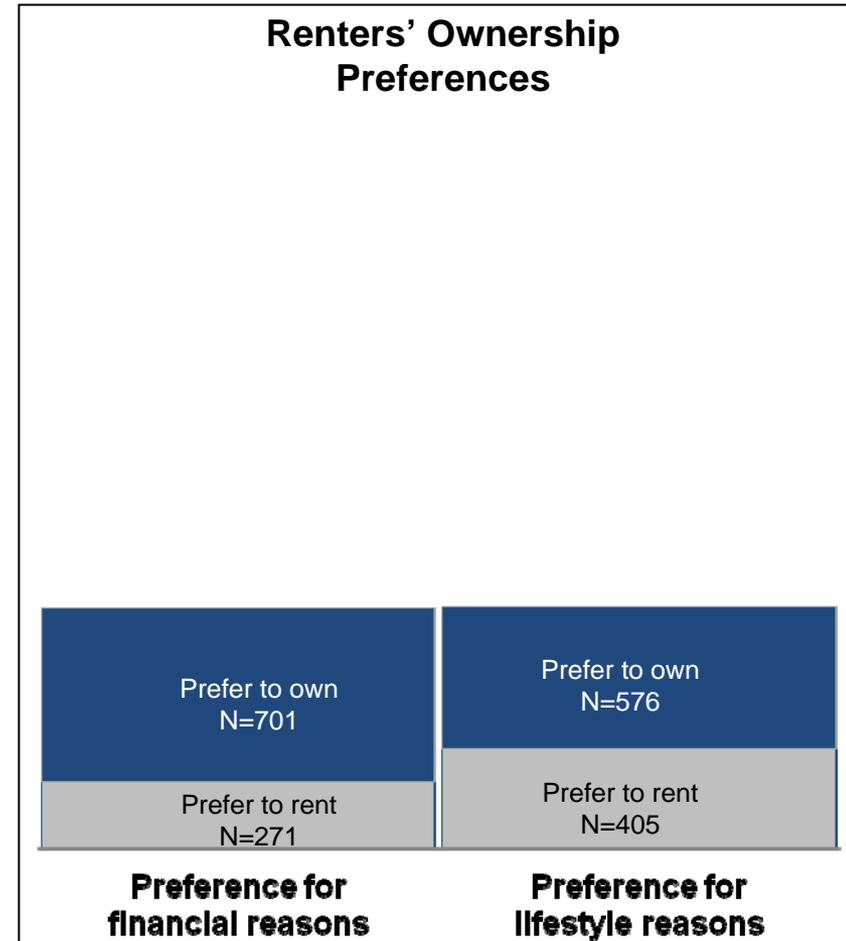
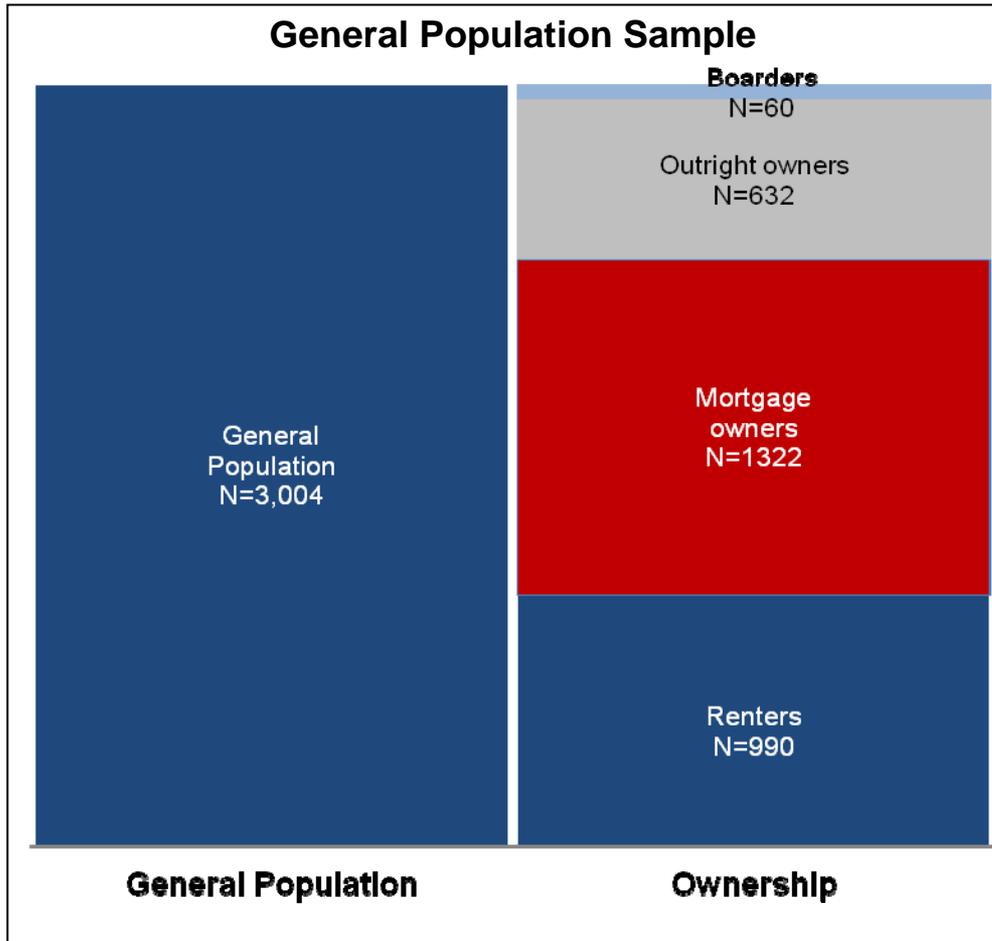
- **Renters who prefer to own perceive potential financial hurdles, and most of them think it would be difficult for them to get a mortgage today.**
 - Compared to the owners that they aspire to become, renters are more likely to have fewer assets, higher debt stress, and less income.
 - A majority say they would take steps to improve their credit score or overall financial situation if they have trouble getting a mortgage, or set their sights on a less-expensive house. Only a quarter would stop pursuing a mortgage.

- **Although 90 percent of these aspiring owners expect to reach their goal at some point, nearly half think they will not do so for at least five years, and most think it will be harder to get a mortgage in the future.**
 - Younger renters are especially likely to prefer owning, and to see renting as a stepping stone to eventual homeownership.
 - Younger renters who prefer to own are much more likely than their older counterparts to say that they are renting mainly to make themselves financially ready to own.

SAMPLE DESCRIPTIONS

Q3 2012 Research Methodology

- From July 5, 2012 to September 22, 2012*, Penn Schoen Berland conducted 3,004 telephone interviews among the following audiences (additional details can be found in the appendix):



* Three monthly samples were completed during that time and combined into one dataset. All three studies were identical in wording and placement of questions.

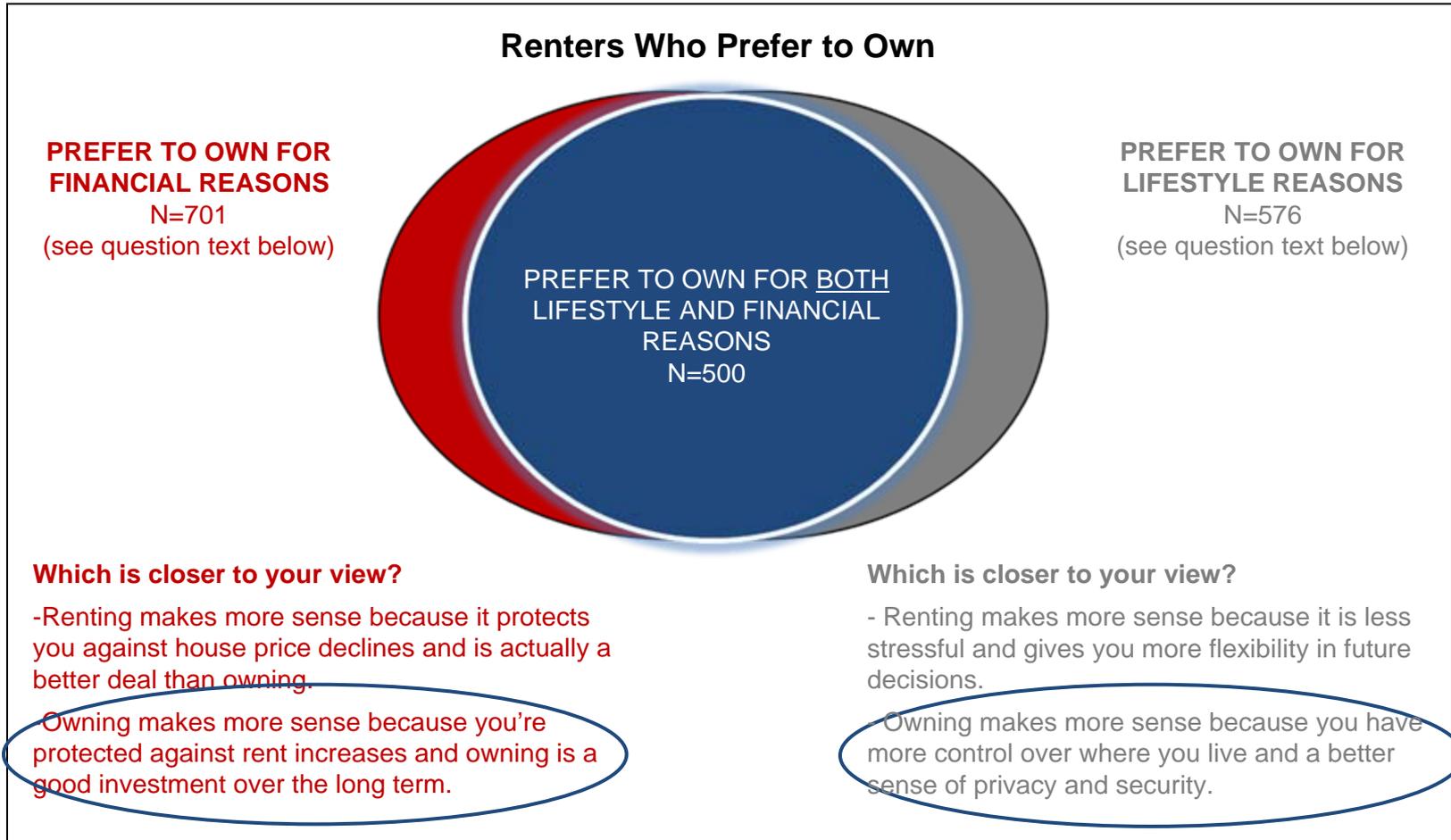
• Note that on each question, respondents had the option to answer "don't know" (volunteered), which is why, in some cases, the total % may not equal 100.

• General population interviews were conducted by dialing both landline (75%) and cell-phone only households (25%) to ensure proper representation of cell-phone-only households.

• The data presented in 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.

Q3 2012 Research Methodology, cont'd.

- Data collection was performed by Penn Schoen Berland and data analysis was performed by GfK in coordination with Fannie Mae.



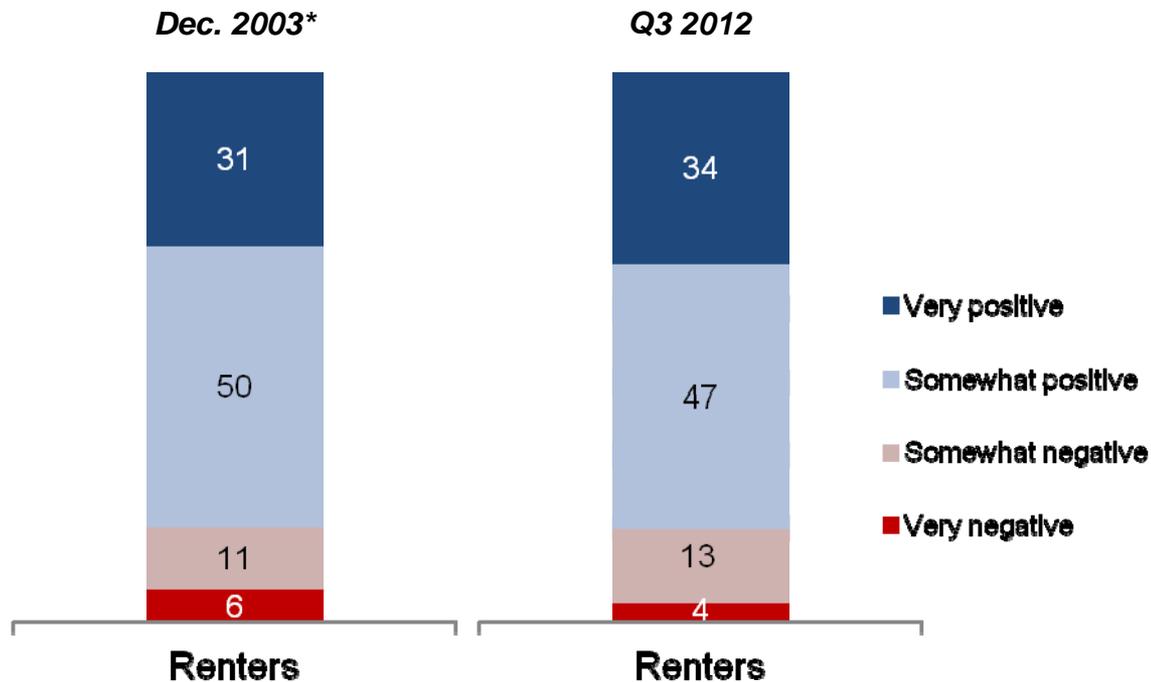
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- General population interviews were conducted by dialing both landline (75%) and cell-phone only households (25%) to ensure proper representation of cell-phone only households.
- The data presented in this study has been weighted to make it reflective of the U.S. Census' American Community Survey demographic statistics in terms of gender, age, race/ethnicity, income, education, and housing tenure.

HAPPY TO RENT, BUT HOPING TO OWN: A FOCUS ON RENTERS' HOUSING PREFERENCES

A large majority of renters are happy with their renting experience.

- The housing crisis appears not to have affected the levels of satisfaction with renting, as similar shares were satisfied with their renting experience in a 2003 Fannie Mae survey.

Has renting been very positive for you and your family, somewhat positive, somewhat negative, or very negative for you and your family? (%)

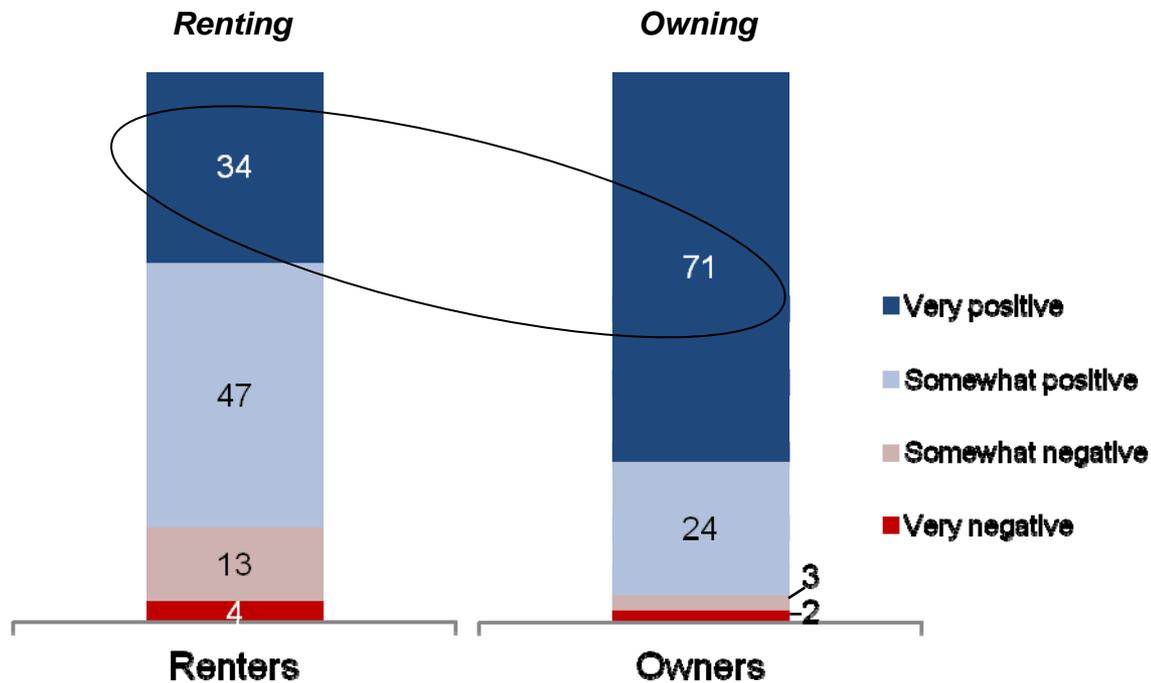


*Q3 data has been weighted to make it reflective of the U.S. Census' American Community Survey demographic statistics in terms of gender, age, race/ethnicity, income, education, and housing tenure. Note that 2003 data has been weighted only to race and geographic region.

Base: All renters

However, owners are far more likely than renters to be “very positive” about their housing experience.

Has homeownership/renting been very positive for you and your family, somewhat positive, somewhat negative, or very negative for you and your family? (%)



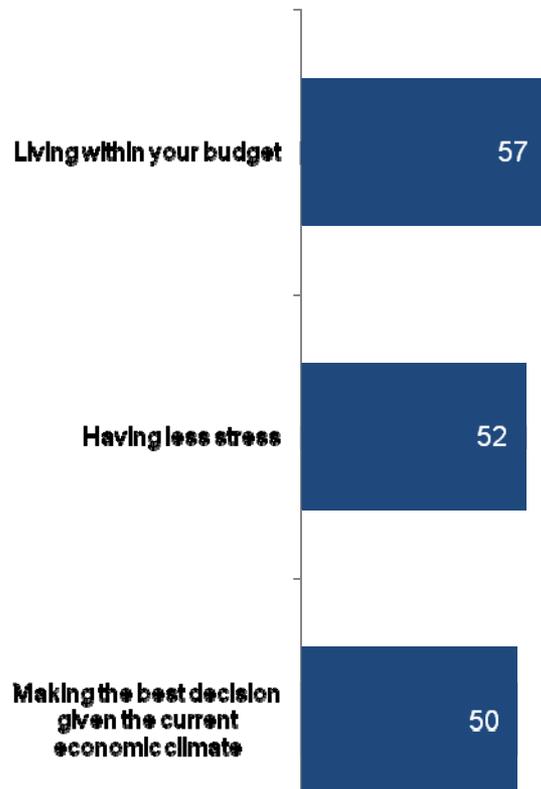
Base: All renters and all homeowners

As a group, renters acknowledge that owning has many advantages over renting.

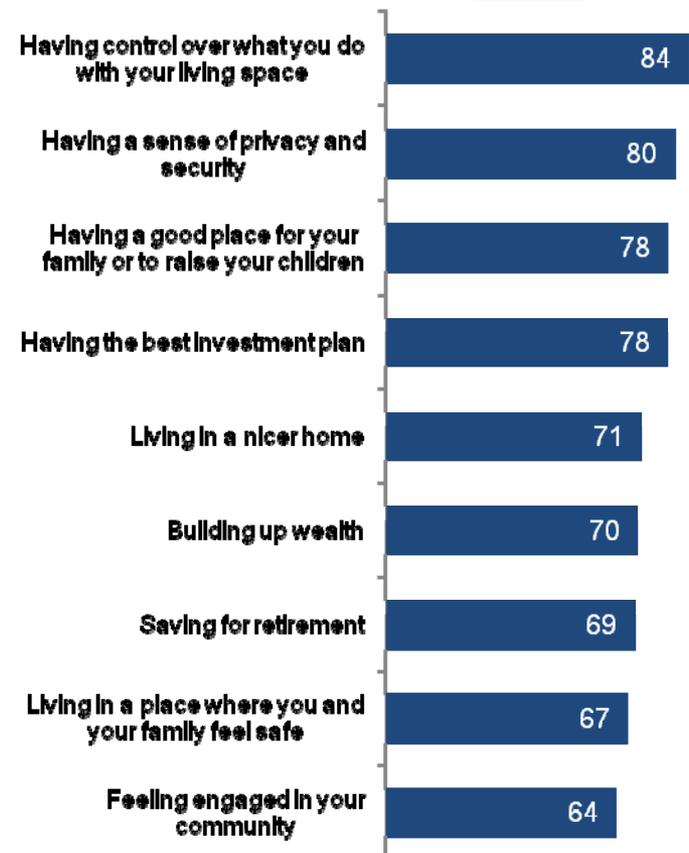
- However a majority of renters give the edge to renting when it comes to living within your budget, having less stress, and making the best decision in today's economy

To achieve this, are you better off owning or better off renting? (%)

Selected "Better off renting"



Selected "Better off owning"



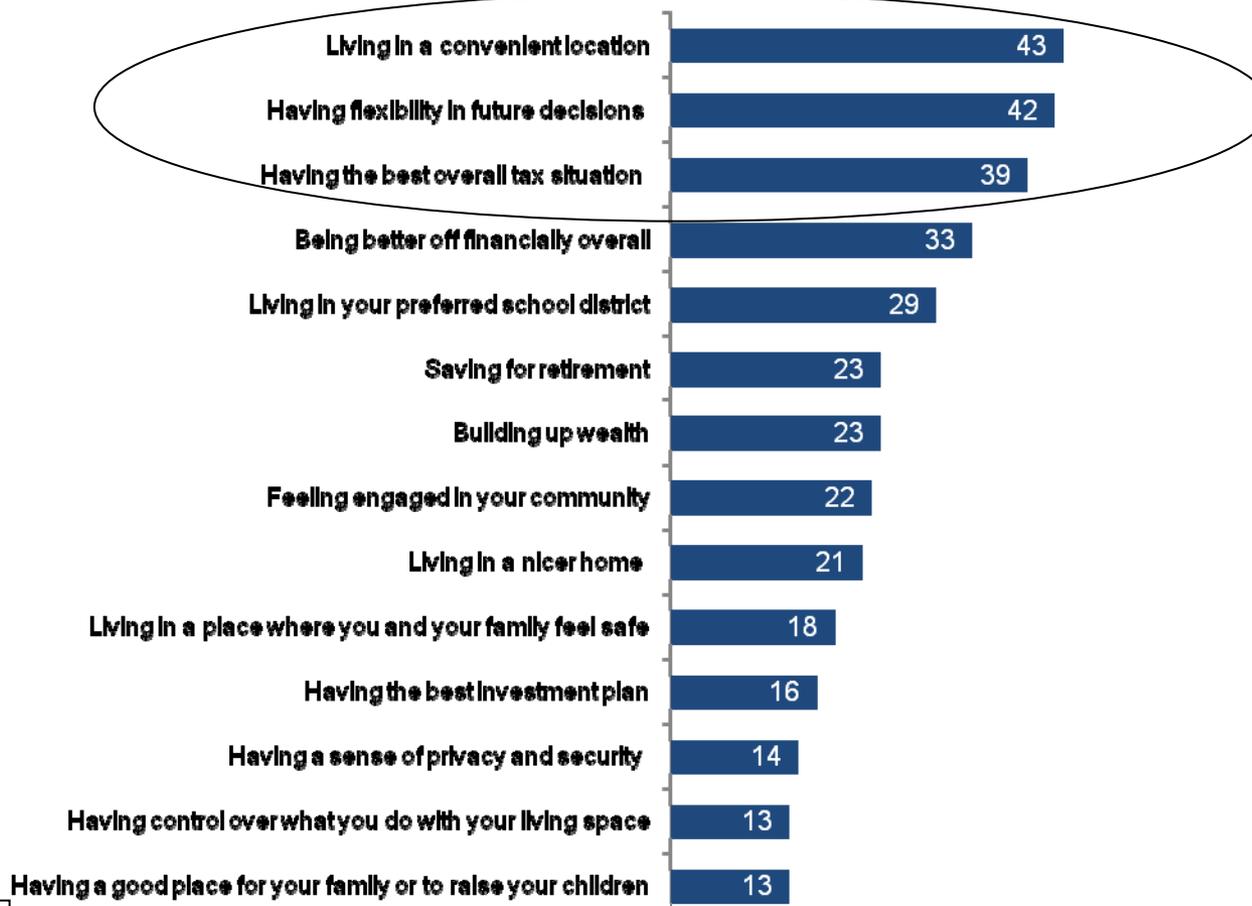
Base: All renters

Many renters also feel that renting offers them flexibility, convenience, and a better overall tax situation.

- Far fewer see renting as better for family-centered reasons

To achieve this, are you better off owning or better off renting? (%)

Selected “Better off renting” (Continued from previous page)

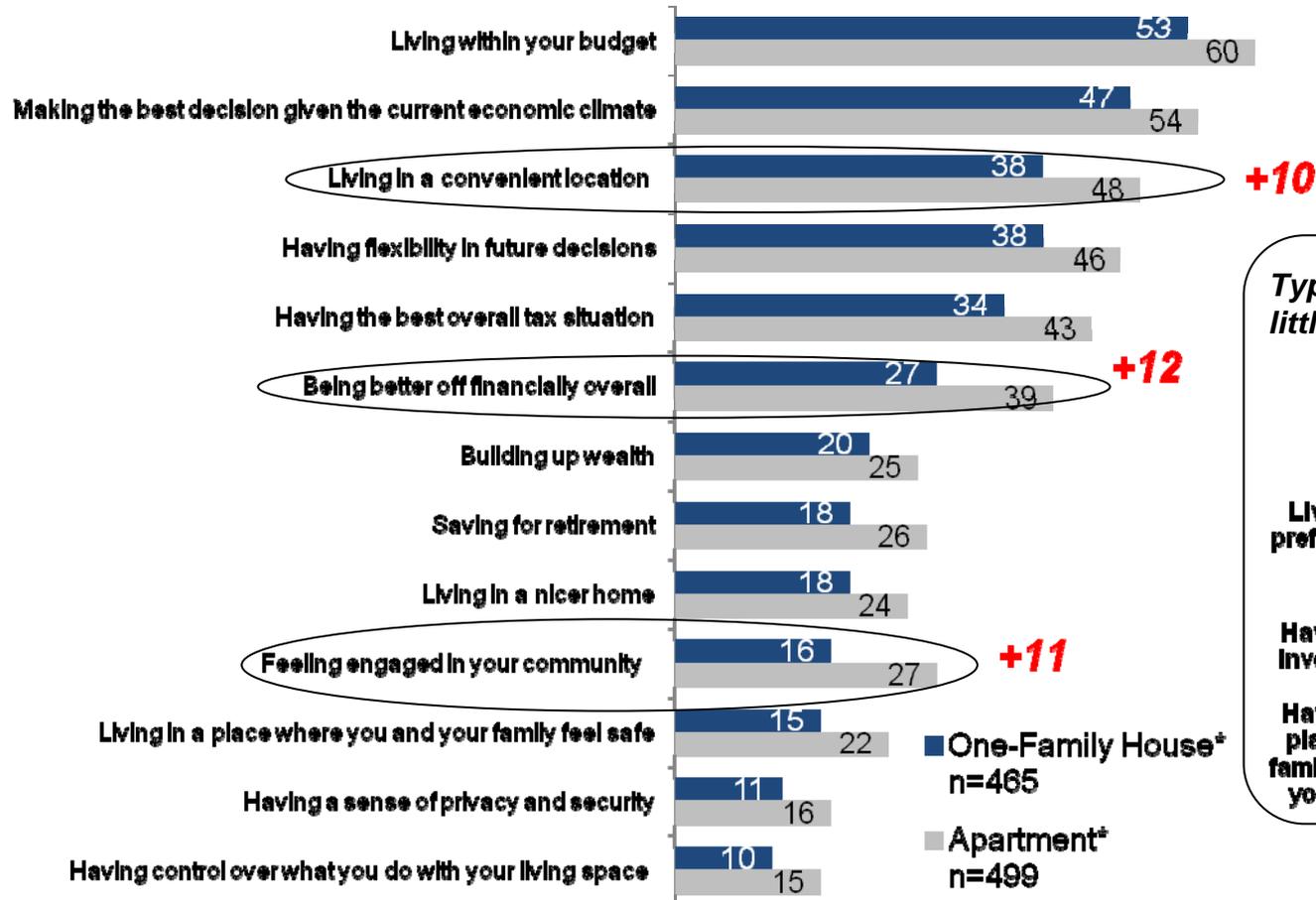


Base: All renters

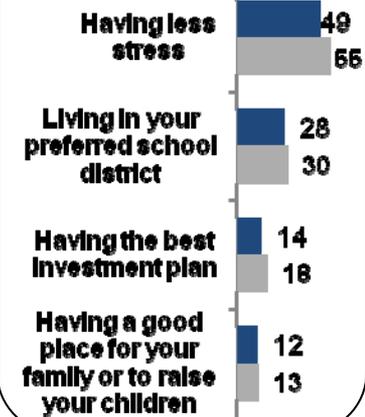
Apartment dwellers are more likely than single-family rental dwellers to say that they are better off renting to achieve certain benefits.

To achieve this, are you better off owning or better off renting? (%)

Selected "Better off renting"



Type of rental makes little difference when it comes to:

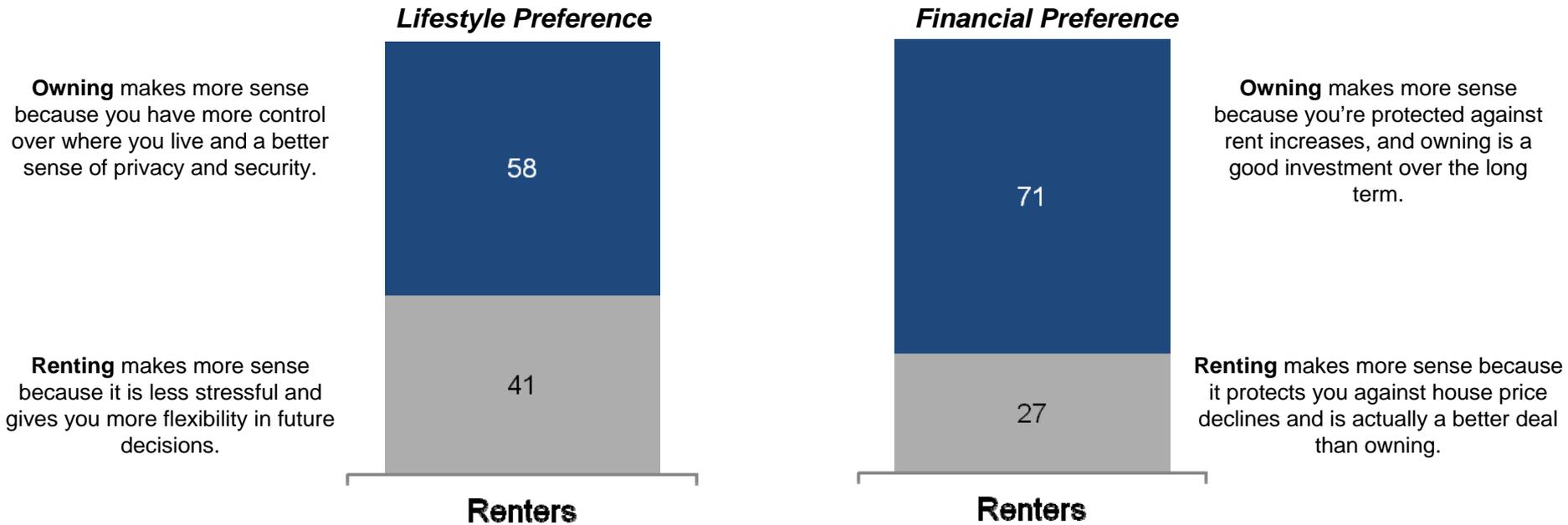


Base: All renters

*Rental unit is determined by responses to Q28CC. Apartment is defined as a studio or 1 or more bedroom apartment. One-Family House is defined as attached or detached from any other house. For question wording, please see the questionnaire.

A majority of renters would prefer to own their home regardless of whether ownership is framed as a lifestyle or financial choice, but the latter seems more persuasive.

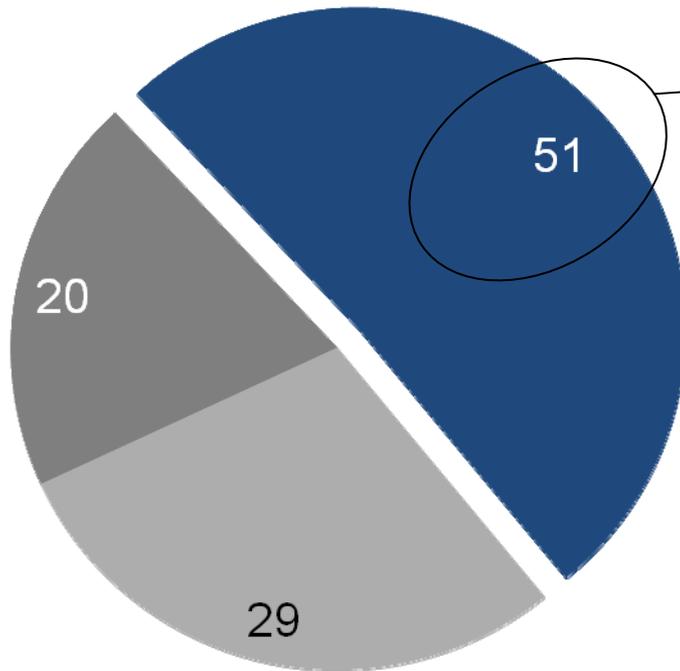
Which is closer to your view? (%)
 Agree with each statement



Base: All renters

Looking at these two questions together, about half of today's renters clearly want to be tomorrow's owners.

Which is closer to your view? (%)

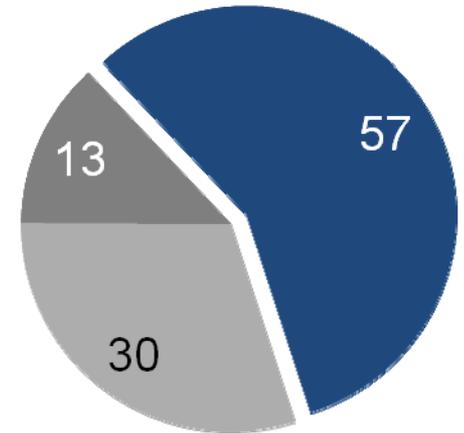


- Prefer owning for both lifestyle and financial reasons
- Mixed preference
- Prefer renting for both lifestyle and financial reasons

Base: All renters

This group of renters who prefer to own is the focus of the remaining analysis in this report

Younger renters are even more likely to prefer owning

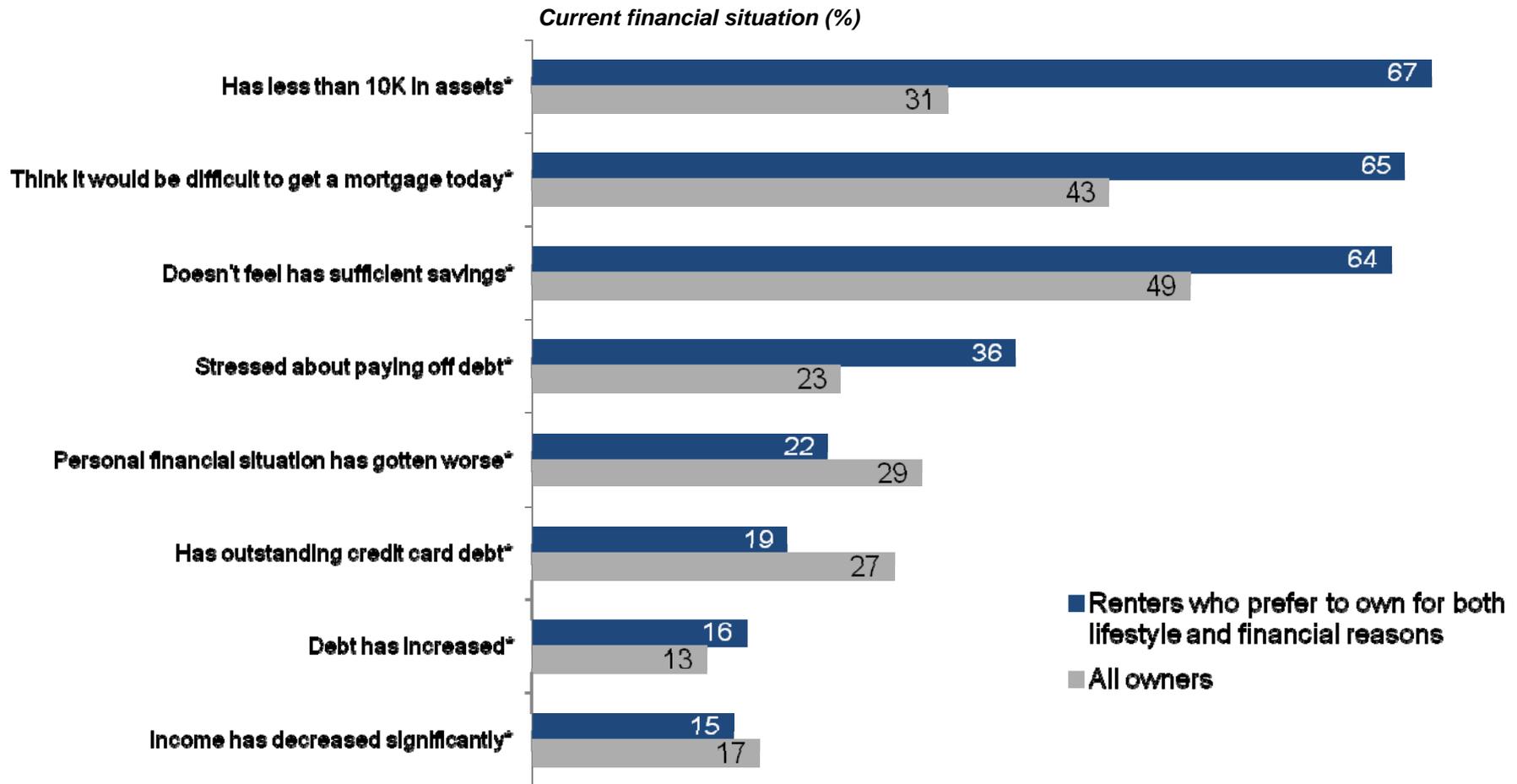


Base: Renters ages 18-34, n=497

OVERCOMING FINANCIAL CHALLENGES: A FOCUS ON RENTERS WHO PREFER TO OWN

Renters who prefer to own perceive potential financial hurdles.

- Compared to the owners that they aspire to become, renters are more likely to have fewer assets and higher debt stress – and they doubt their ability to get a mortgage.

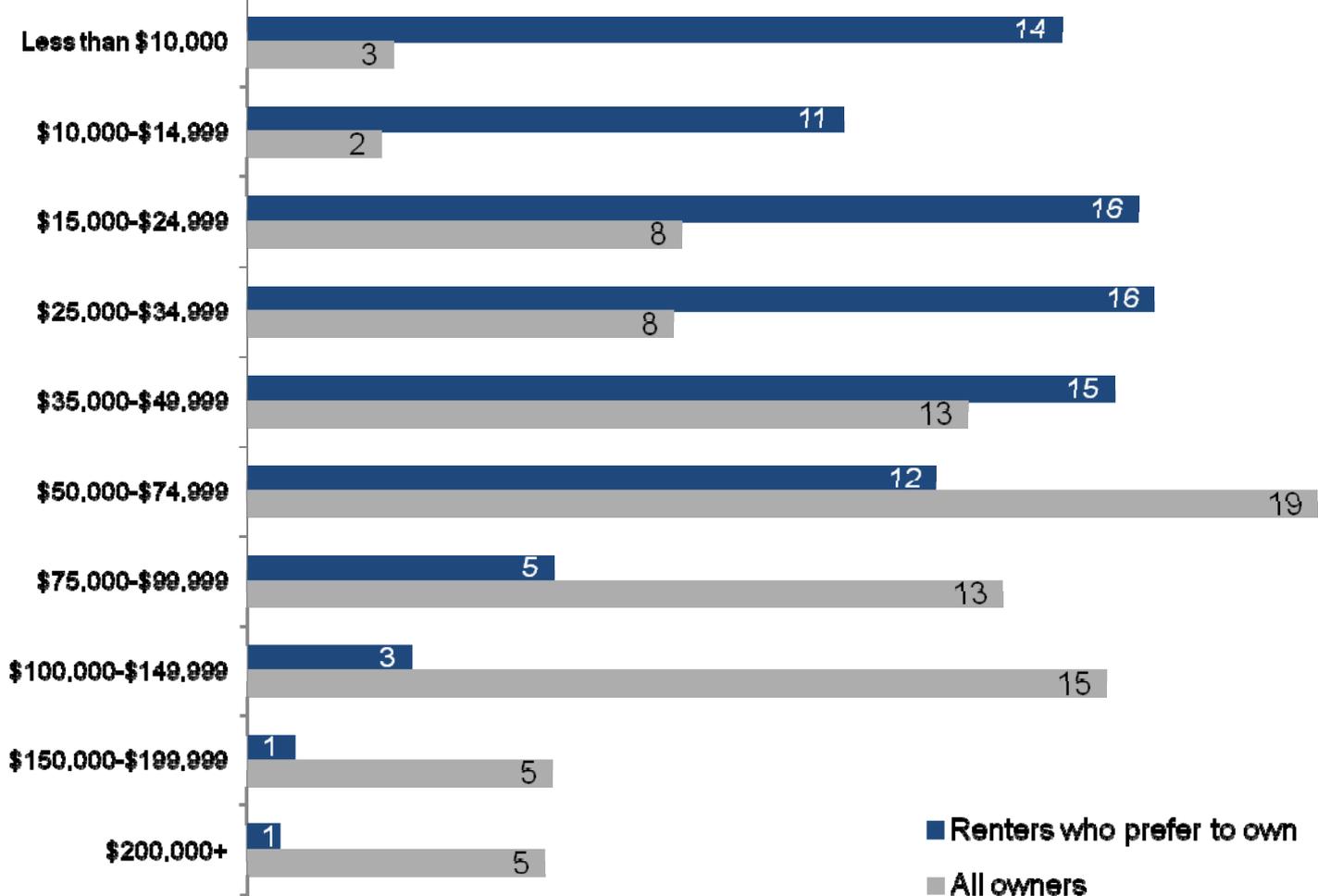


*Q143B; Q22; Q111; Q109; Q11B; Q107; Q119; Q116. For question wording, please see the questionnaire.

Base: Renters who prefer to own for both lifestyle and financial reasons and all homeowners

In addition, renters who prefer to own tend to have lower incomes than those who already own their homes.

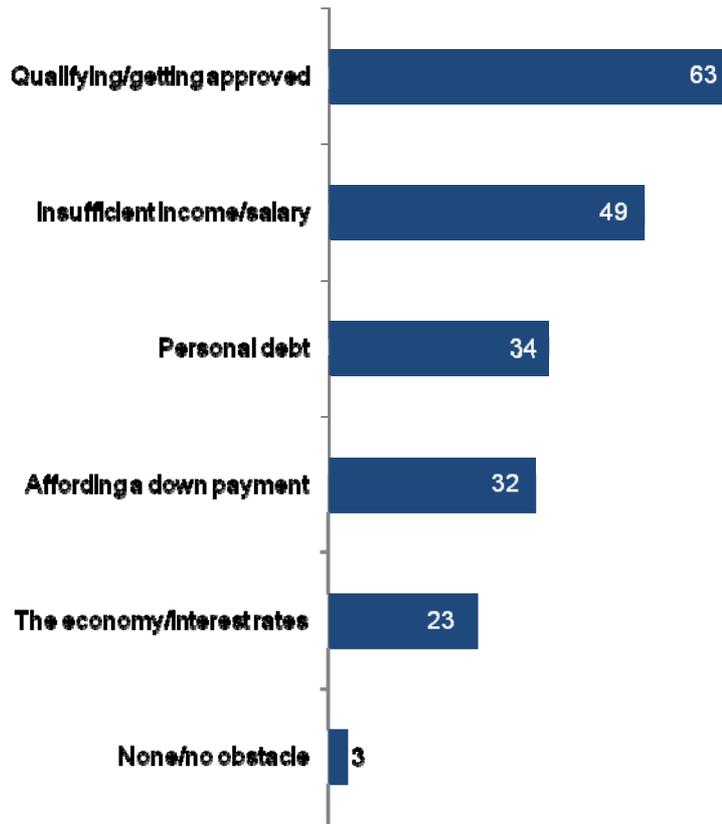
For statistical purposes only, we need to know your total family income for 2011. Will you please tell me which of the following categories best represents your total family income? (%)



Base: Renters who prefer to own for both lifestyle and financial reasons and all homeowners

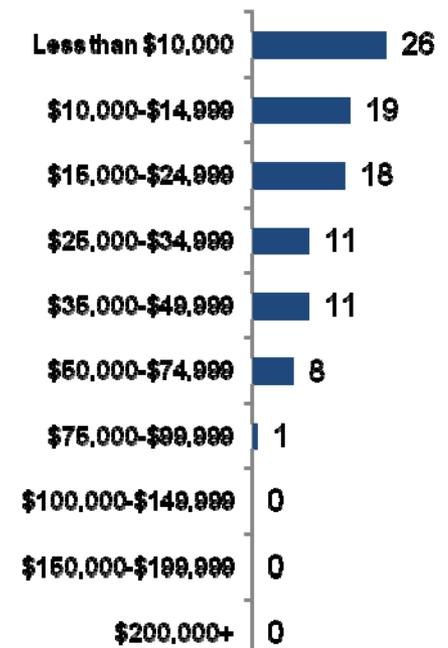
Looking more closely at the perceived barriers to homeownership, many aspiring owners feel they would not qualify for a mortgage because their income is insufficient.

What are the major obstacles to your getting a mortgage to purchase or refinance a home? (%)
(Multiple responses permitted)



Perhaps these fears are warranted: 1-in-4 renters who are concerned their income is insufficient make less than \$10k a year and the large majority makes under \$50K (84%)

Annual household income of renters who are concerned about their income (%)



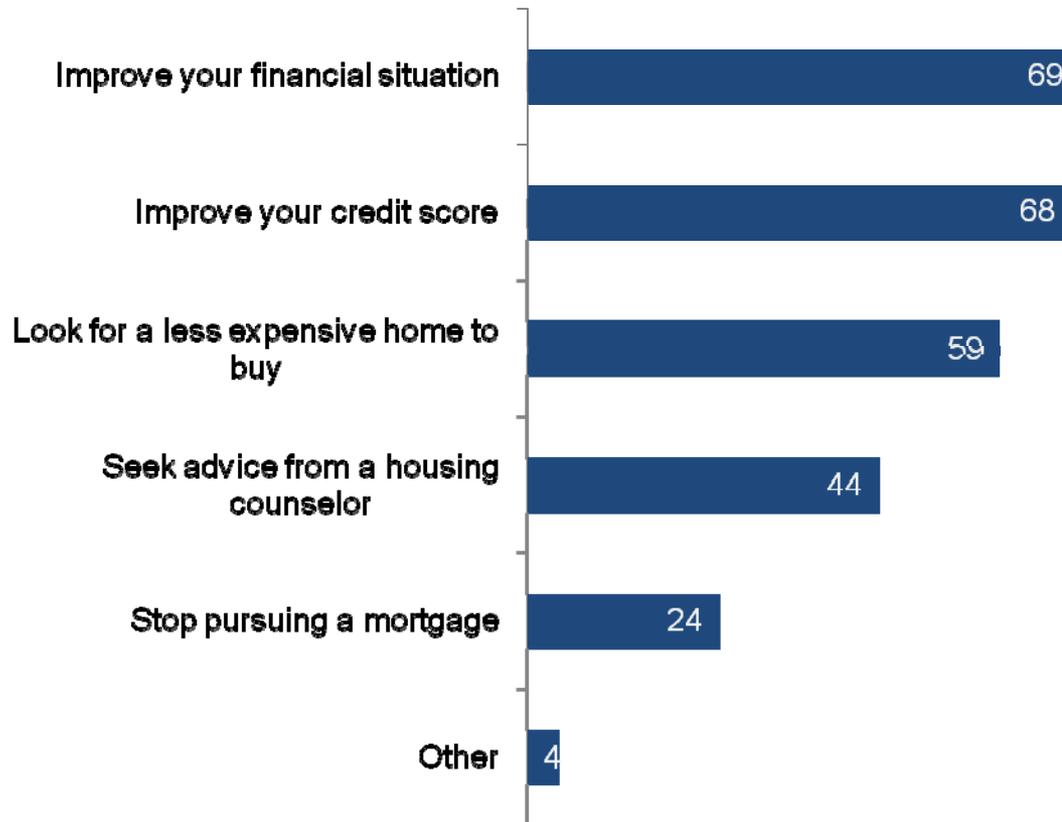
Base: Renters who prefer to own and believe income is an issue, n=160

Base: Renters who prefer to own for both lifestyle and financial reasons and think it would be difficult to get a mortgage, n=327

A majority of renters who aspire to own say they would take steps to improve their credit score or overall financial situation if they have trouble getting a mortgage, or set their sights on a less expensive house.

- Only a quarter would stop pursuing a mortgage.

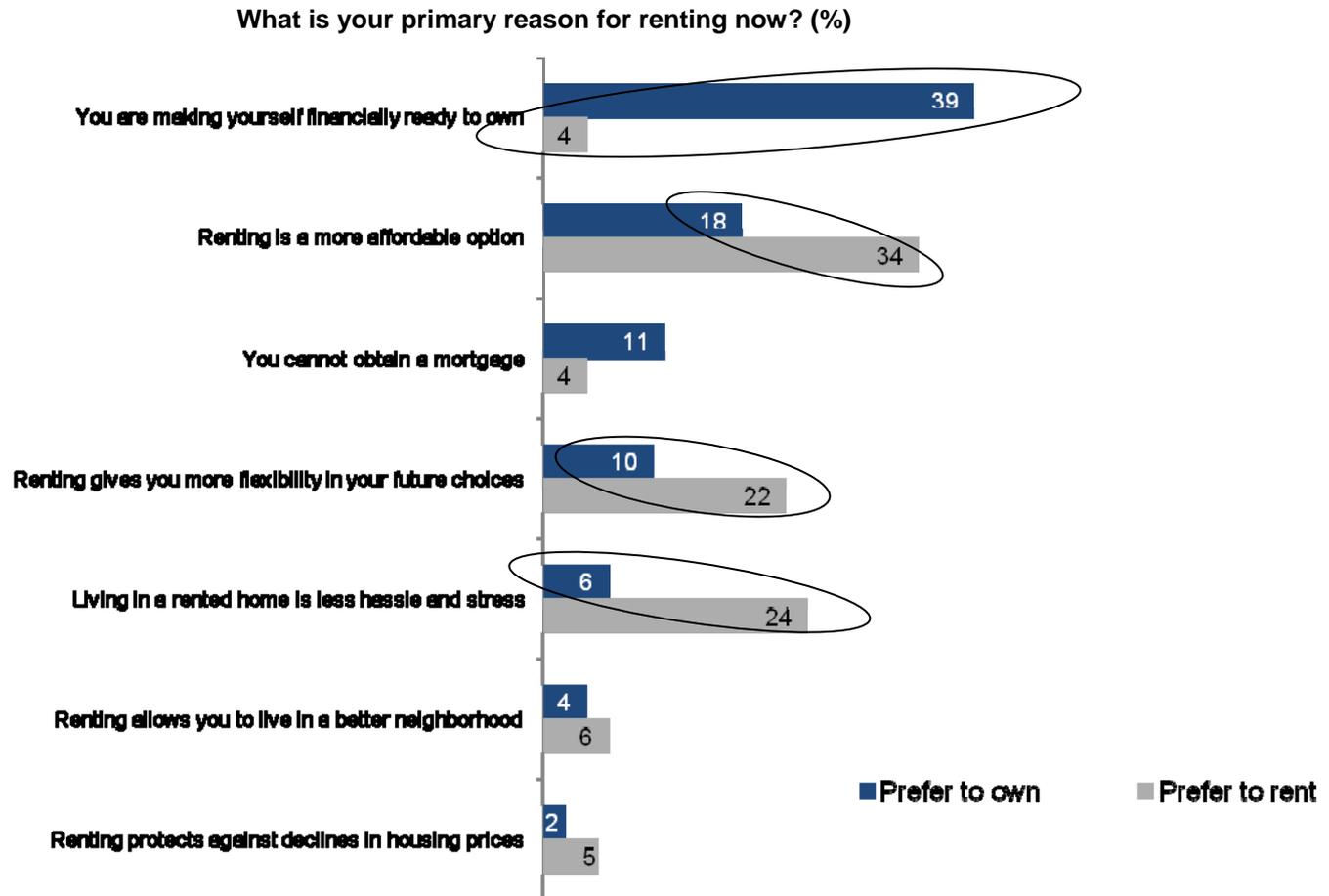
If you were looking for a mortgage today to purchase or refinance a home, but were unable to qualify, what action, if any, would you take? (%)
(Multiple responses permitted)



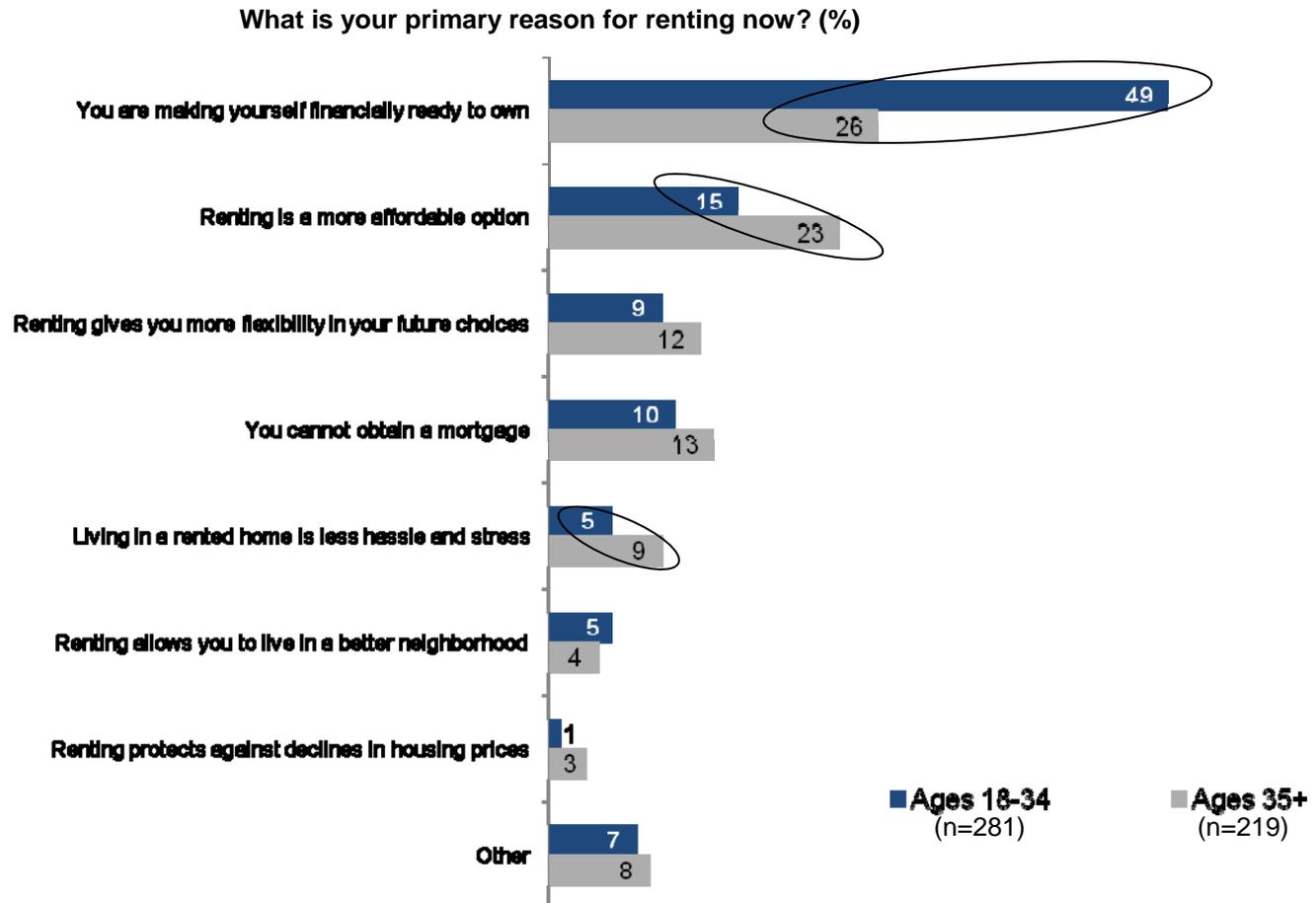
Base: Renters who prefer to own for both lifestyle and financial reasons

Of renters who prefer to own, the top reason for renting is making oneself financially ready to own.

- Renters who prefer to rent more often feel renting is the more affordable option and is less stressful.



Younger renters who prefer to own are much more likely than their older counterparts to say they are renting mainly to make themselves financially ready to own.

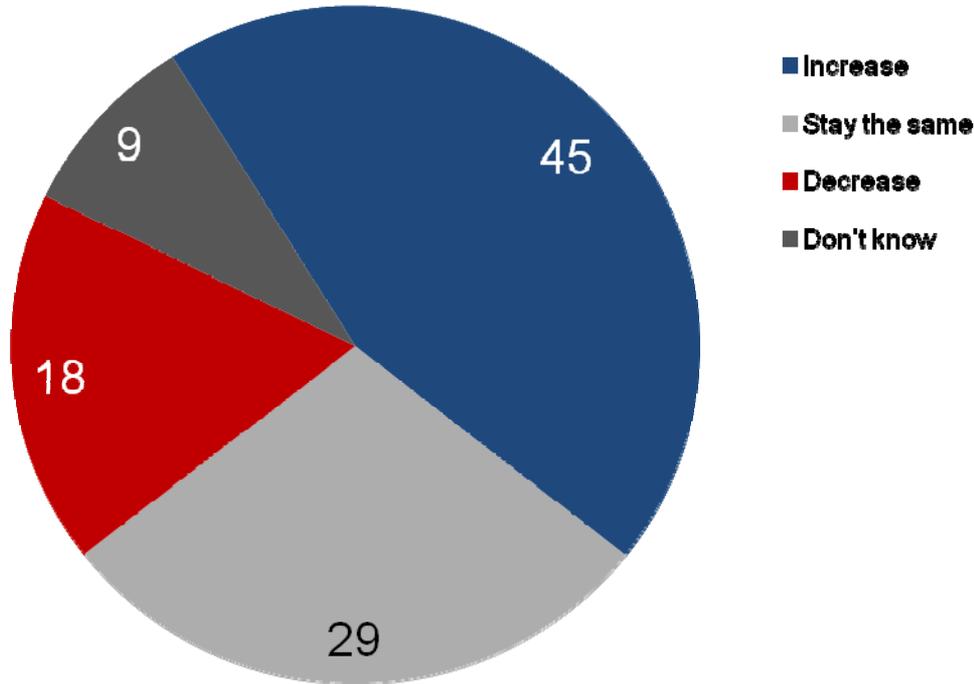


Base: Renters who prefer to own for both lifestyle and financial reasons

IF NOT NOW, WHEN? A FOCUS ON THE EXPECTATIONS OF ASPIRING OWNERS

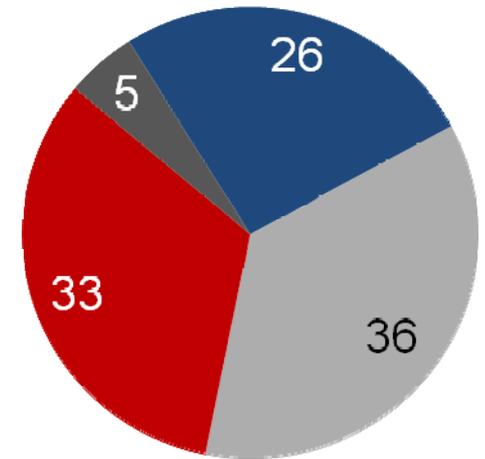
Many renters who aspire to own see themselves as being part of a trend – they believe that homeownership will rise nationally.

In five years, do you expect the percentage of people who own their home to increase, decrease, or stay the same as it is now? (%)



Base: Renters who prefer to own for both lifestyle and financial reasons

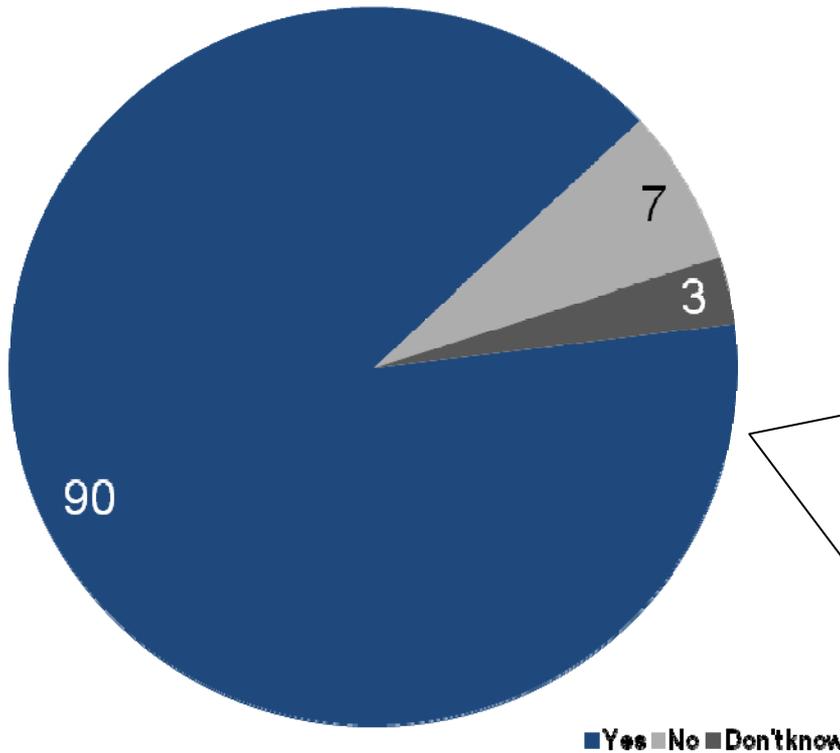
Renters who prefer to rent are less inclined to see homeownership as a growing trend



Base: Renters who prefer to rent for both lifestyle and financial reasons

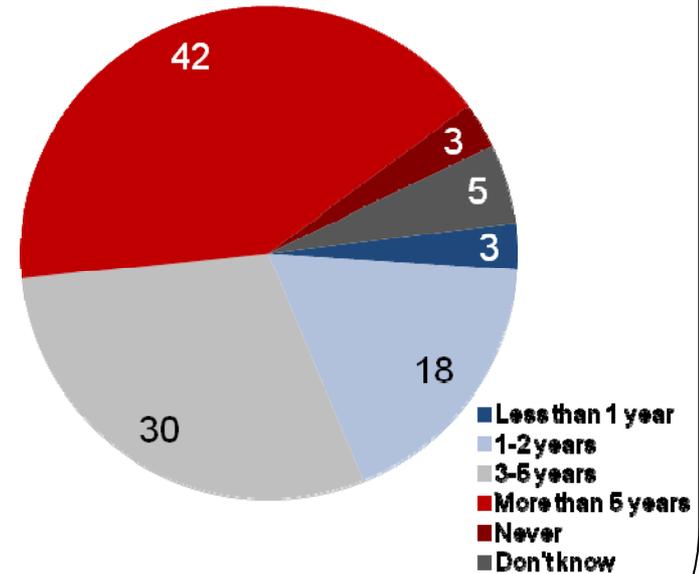
The vast majority of aspiring owners expect to achieve their goal of homeownership at some point in the future.

Expect to buy a home at some point in the future* (%)



Of those who expect to own, many believe they will not do so for at least 5 years in the future

Based on your personal situation, how soon do you expect to be buying a home? (%)



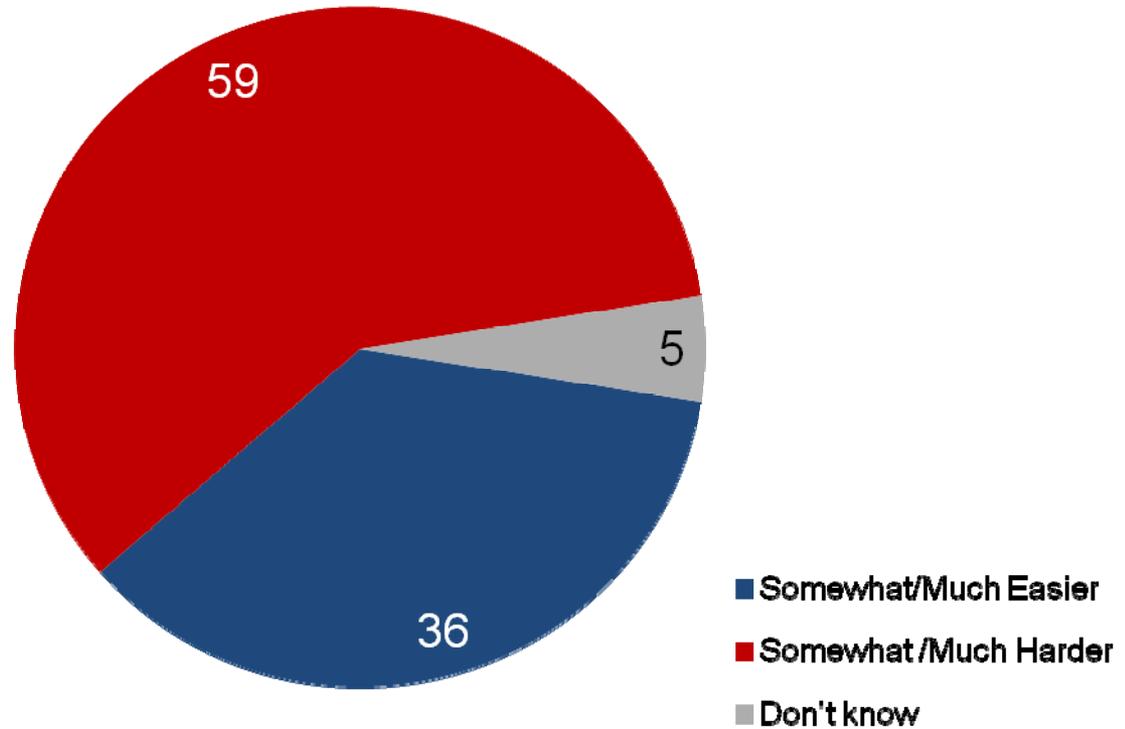
Base: Renters who prefer to own and expect to own in future, n=450

*This variable is a combination of Q24c, Q50, and Q50a. For question wording, please see the questionnaire.

Base: Renters who prefer to own for both lifestyle and financial reasons

Most renters who prefer to own also believe it will be harder to get a mortgage in the future.

Generally speaking, do you think it will become easier or harder for people to get a mortgage in the near future? (%)



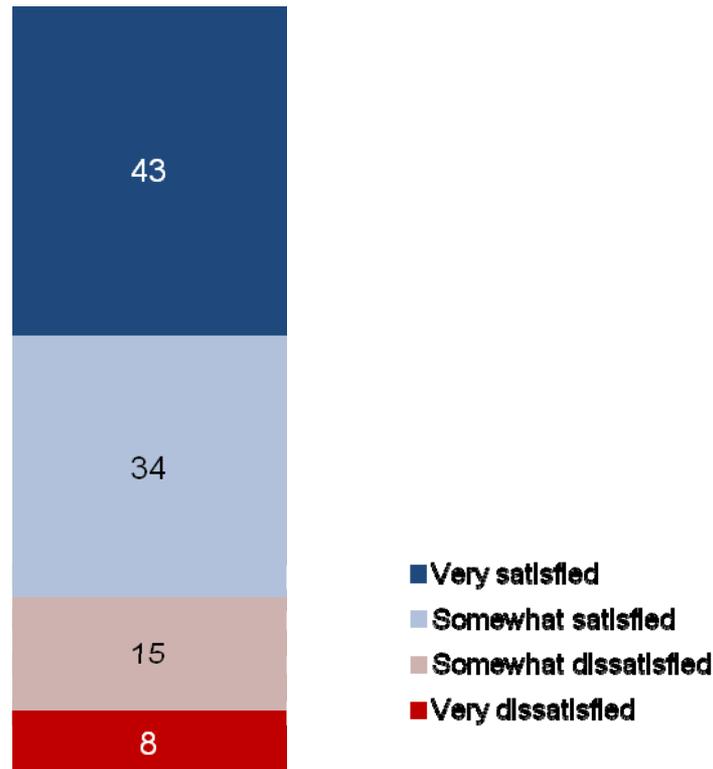
Base: Renters who prefer to own and expect to own in future, n=450

APPENDIX

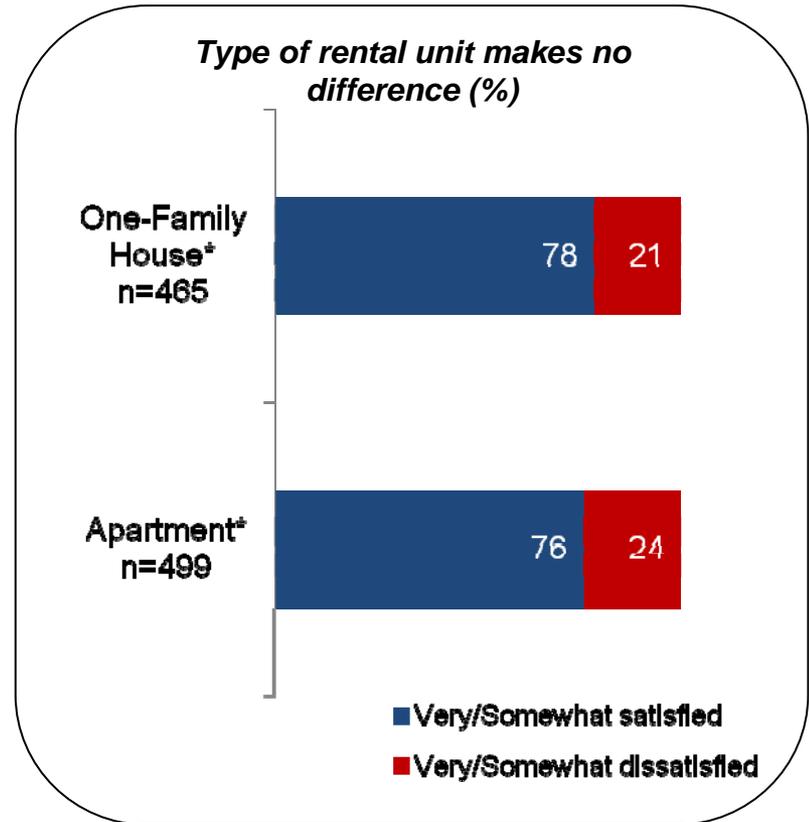
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Mirroring the high levels of overall satisfaction with renting, most renters are satisfied with the maintenance of their rental homes.

How satisfied are you with the ongoing maintenance of your rental home? (%)



Type of rental unit makes no difference (%)

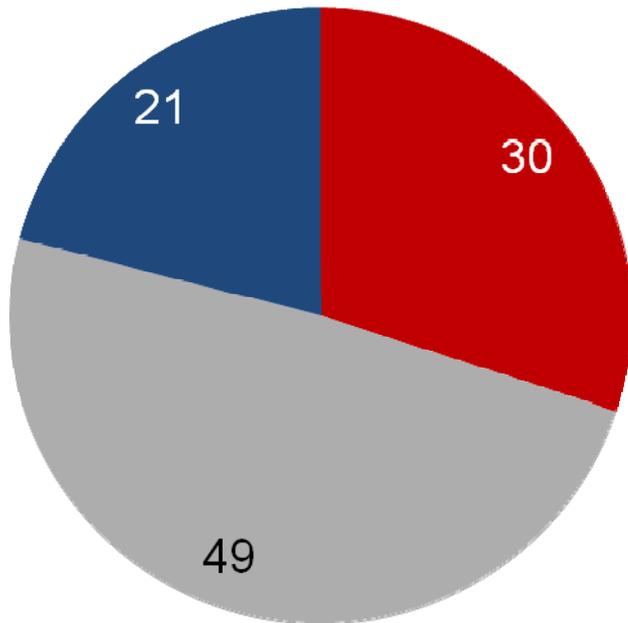


Base: All renters

*Rental unit is determined by responses to Q28CC. Apartment is defined as a studio or 1 or more bedroom apartment. One-Family House is defined as attached or detached from any other house. For question wording, please see the questionnaire.

Three-in-ten renters say that the cost of renting is greater than what they had expected.

Is your current total cost of renting (including utilities) ... than what you expected before you began living in your present home? (%)

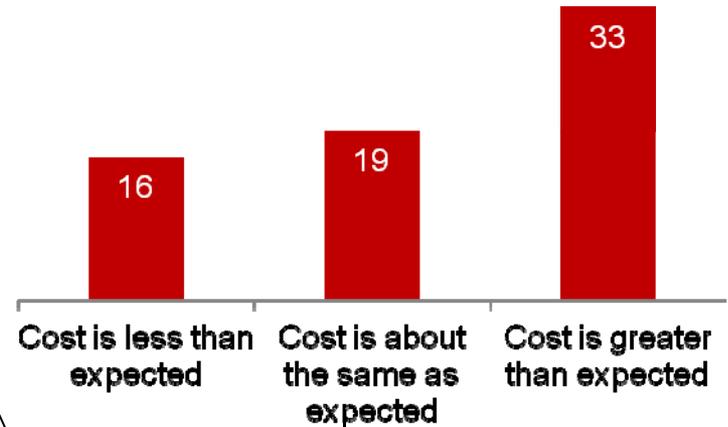


- Significantly/Somewhat greater
- About the same
- Significantly/Somewhat less

Base: All renters

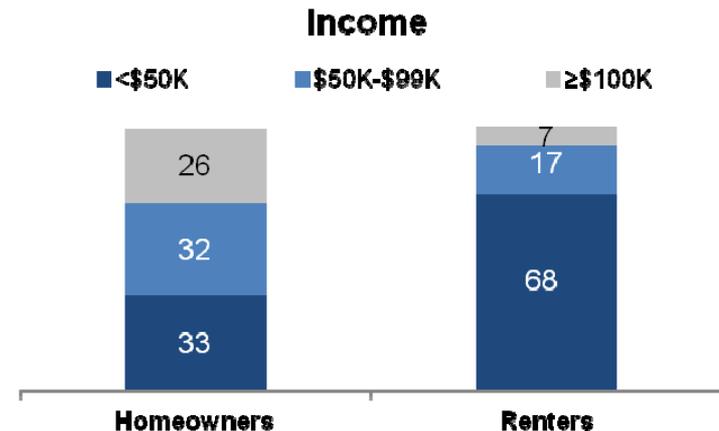
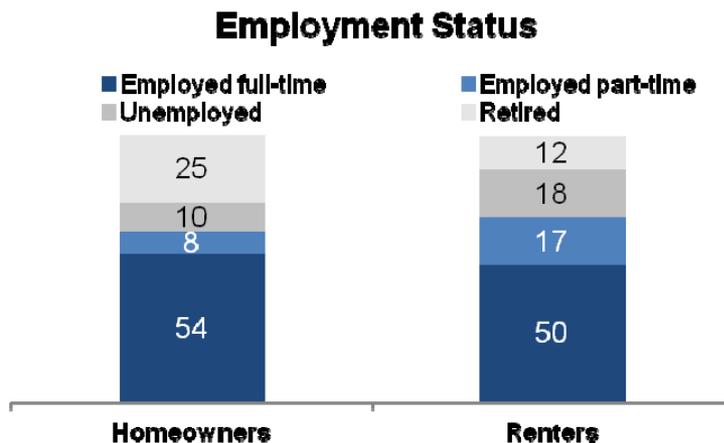
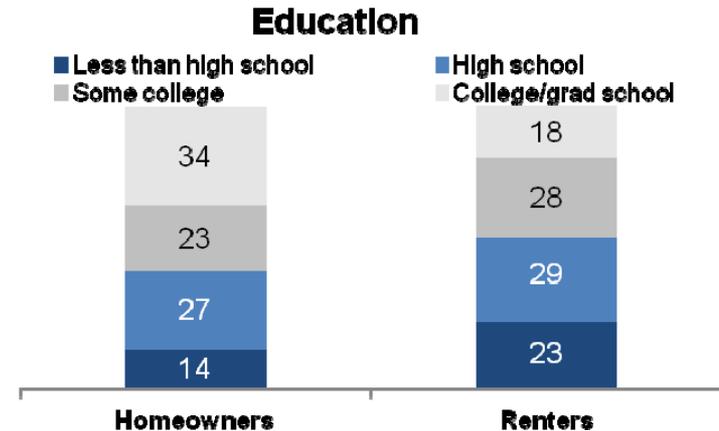
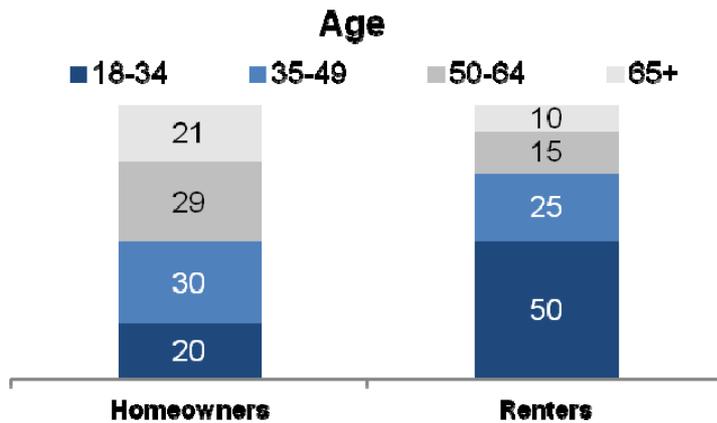
Those facing higher than expected rental costs are less satisfied with the maintenance of their rental homes.

How satisfied are you with the ongoing maintenance of your rental home? (% dissatisfied)



Demographic comparison of homeowners and renters (NHS sample):

- **Homeowners:** Homeowners are spread evenly across age groups and income levels with the plurality having at least a college education and the majority employed full time.
- **Renters:** Renters are likely to be aged 18-34 and fewer are college-educated. Similar numbers are employed, but most renters fall into the <50K income bracket.

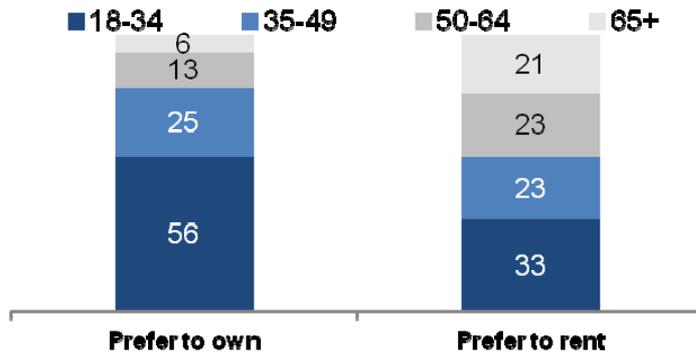


• Note that on each question, respondents had the option to answer "don't know" (volunteered), which is why, in some cases, the total % may not equal 100.

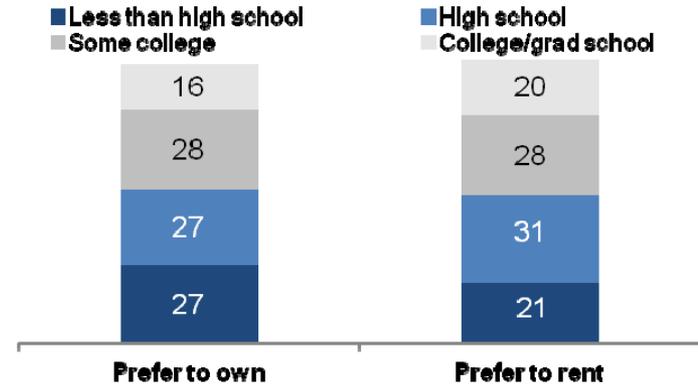
Demographic comparison of renters by housing preference (NHS Sample):

- Prefer to own:** Tend to be younger, ages 18-34, with varying education levels. Many are employed, but fall into the lower income bracket.
- Prefer to rent:** Spread more evenly across the age brackets, with the plurality age 18-34. Fewer are employed full-time, with a notable amount of retirees. Income brackets and education levels are nevertheless similar to those who prefer to own.

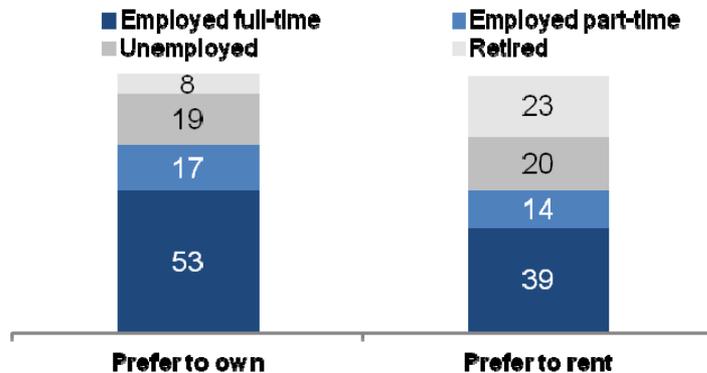
Age



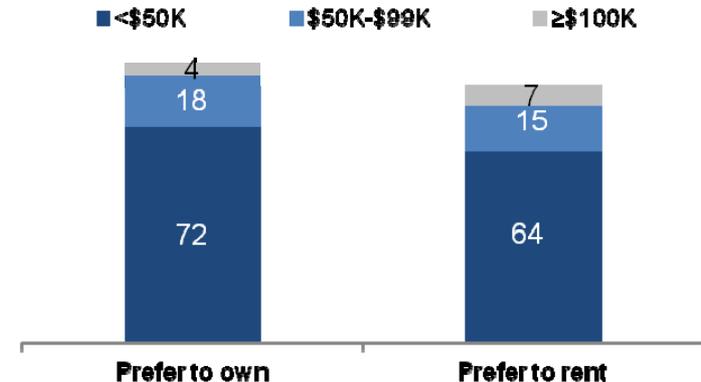
Education



Employment Status



Income

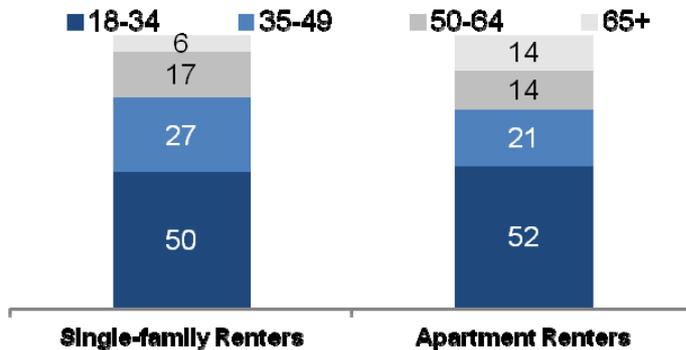


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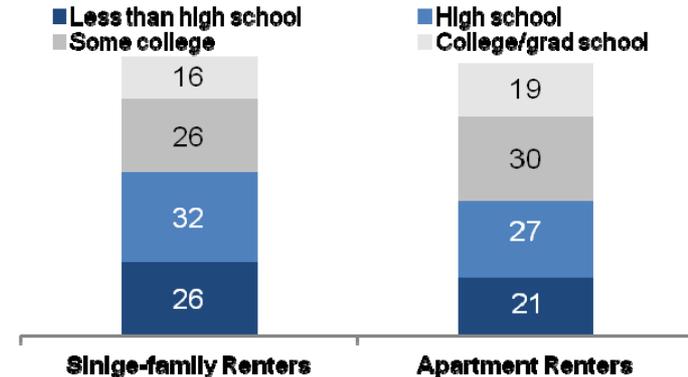
Demographic comparison of renters by unit type (NHS Sample):

- **Single-family Renters:** Tend to be younger, ages 18-34, with education at the high school graduate level and above. Many are employed, but fall into the lower income bracket.
- **Apartment Renters:** Tend to be younger, ages 18-34, with similar education levels. Less are employed full-time, and more fall into the <50K income range.

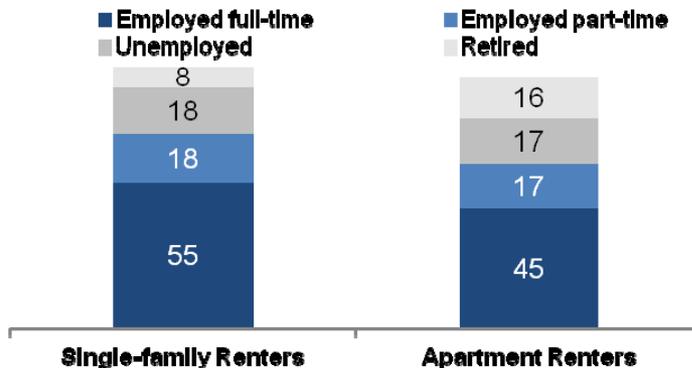
Age



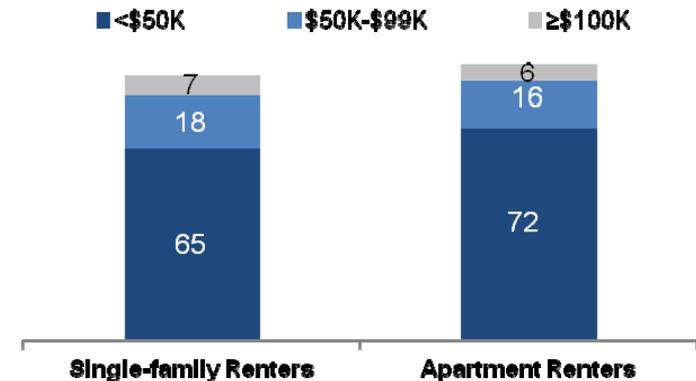
Education



Employment Status



Income



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• 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.

Q3 2012 Research Methodology

- From July 5, 2012 to September 22, 2012*, Penn Schoen Berland conducted 3,004 telephone interviews among the following audiences:

| Sample 1 (General Population) | Sample Size | Margin of Error |
|---|-------------|-----------------|
| General Population (GP), including: | 3004 | ±1.79% |
| Owners (own their home), including: | 1,954 | ±2.22% |
| • Outright Owner (own home outright) | 632 | ±3.90% |
| • Mortgage Borrowers (have a home mortgage) | 1,322 | ±2.70% |
| Renter (rent home) | 990 | ±3.11% |
| Boarder (live with someone else and don't pay for housing) | 60 | ±12.65% |
| Ownership Preferences (Renter Sample) | | |
| Prefer to Own for Both Financial and Lifestyle Reasons | 500 | ±4.38% |
| Prefer to Rent for Both Financial and Lifestyle Reasons | 198 | ±6.96% |

- Data collection was performed by Penn Schoen Berland and data analysis was performed by GfK in coordination with Fannie Mae.

* Three monthly samples were completed during that time and combined into one dataset. All three studies were identical in wording and placement of questions.

• 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.

• General population interviews were conducted by dialing both landline (75%) and cell-phone only households (25%) to ensure proper representation of cell-phone only households.

• The data presented in this study has been weighted to make it reflective of the U.S. Census's American Community Survey demographic statistics in terms of gender, age, race/ethnicity, income, education, and housing tenure.

About the 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 track 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.

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.
- Telephone interviews are 75% landline and 25% mobile.
- Data collection occurs over the course of the first three weeks of each month.

Fannie Mae National Housing Survey – Monthly and Topic Analysis Reports

- On a monthly basis, 11 indicators of Americans' attitudes from the monthly survey are released publicly. Our most current and previous National Housing Survey monthly reports can be found at:

<http://www.fanniemae.com/portal/research-and-analysis/housing-monthly.html>

- Topic Analysis Reports 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 report are identical in wording and placement of questions. Our most current and previous National Housing Survey Topic Analysis Reports can be found at: *<http://www.fanniemae.com/portal/research-and-analysis/housing-quarterly.html>*