

Fannie Mae National Housing Survey

What Younger Renters Want and the Financial Constraints They See

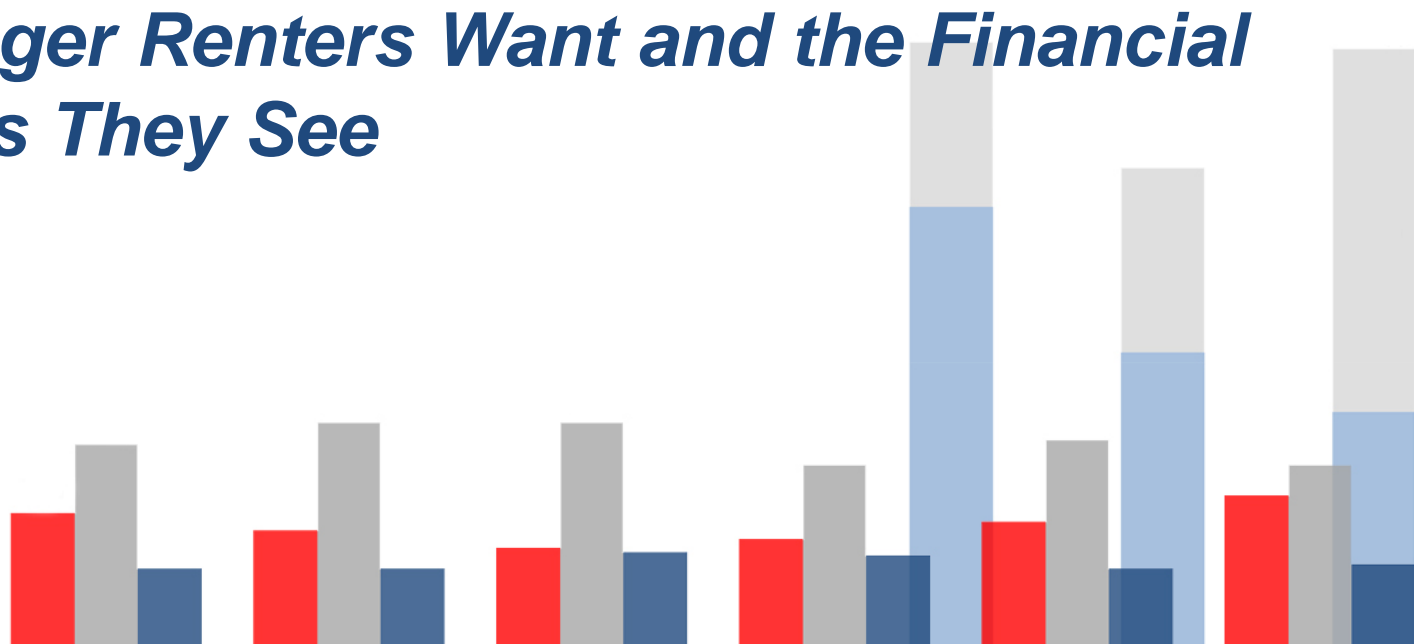


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National Housing Survey

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>

Research Methodology

Full Year 2013	Sample Size	Margin of Error
General Population (GP): Individuals 18 years and older who are involved in household financial decisions	12,039	± 0.89%
Younger Renters GP that rents their primary residence aged 18-39	2,416	± 1.99%
Younger Owners GP that owns their primary residence (either has a mortgage or owns their home outright), aged 18-39	2,198	± 2.09%

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%
Younger Renters GP that rents their primary residence aged 18-39	596	± 4.01%
Younger Owners GP that owns their primary residence (either has a mortgage or owns their home outright), aged 18-39	557	± 4.15%
Younger Renters in Single-Family Homes GP that rents a one family house detached from any other house or one family home attached to one or more houses, aged 18-39	343	± 5.29%
Younger Renters in Multifamily Homes GP that rents an apartment in a building 4 or fewer apartments, 5 to 49 apartments or 50 or more apartments, aged 18-39	225	± 6.53%

- Similar studies were conducted in January 2010 and June 2010 using a sample size of 3,000, and monthly studies from July 2010 onward used 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 U.S. Census American Community Survey demographic statistics in terms of gender, age, race/ethnicity, income, education, and housing tenure.

Executive Summary and Implications

Potential first-time homebuyers face credit standards that have risen since the housing crisis, and a recent drop in affordability due to rising rates and home prices

- The number of renter households has been increasing since the housing crisis as the number of owner households declines.

Younger renters are likely to aspire to own, but they report various financial constraints

- The majority aspire to own for both lifestyle and financial reasons.
- They have remained pessimistic over the last few years about their ability to get a mortgage; in contrast, younger owners have grown more optimistic.
- Down payment and credit score are considered top obstacles to getting a mortgage, and the presence of student loans exacerbates down payment and existing debt concerns.
- Pessimism about one's ability to get a mortgage increases as income and asset levels decrease.
- The majority report having insufficient assets to cover a 5% down payment plus closing costs on a typical starter home.

Though they see a tough road to financing homeownership, younger renters are still very likely to say that it is in their future plans

- The vast majority still plan to own someday; about half plan to buy a home the next time they move.
- However, a smaller share than last year say that their primary reason for renting now is to prepare for homeownership.

Enhanced housing education and alternative approaches to housing and savings may help renters fulfill their housing aspirations in a financially sustainable way

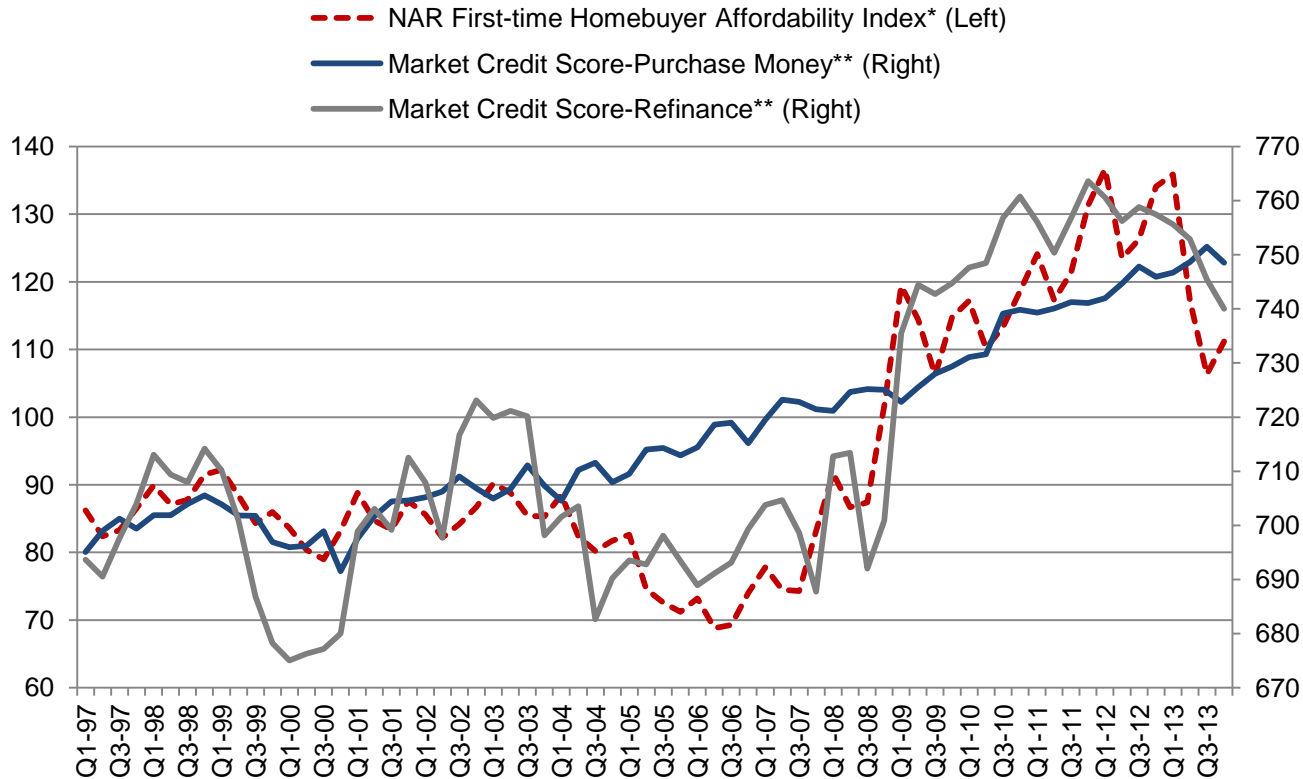
- Better educational resources and tools can help renters make more informed decisions about their housing and plan their finances early and efficiently in order to fulfill their goals.
- Alternative paths to homeownership may serve as a bridge for some renters. For example, about three quarters of younger renters and owners say a lease-to-own arrangement would make renting more desirable.
- Renters may view renting more favorably if it enables them to achieve certain benefits typically associated with homeownership, such as automatic savings, more control over their living space and environment, and living in their preferred school district.

Economic Context

Potential first-time homebuyers face credit standards that have risen since the housing crisis and a recent drop in affordability

- Still, first-time homebuyer affordability remains above pre-crisis highs

First-time homebuyer affordability and market credit scores

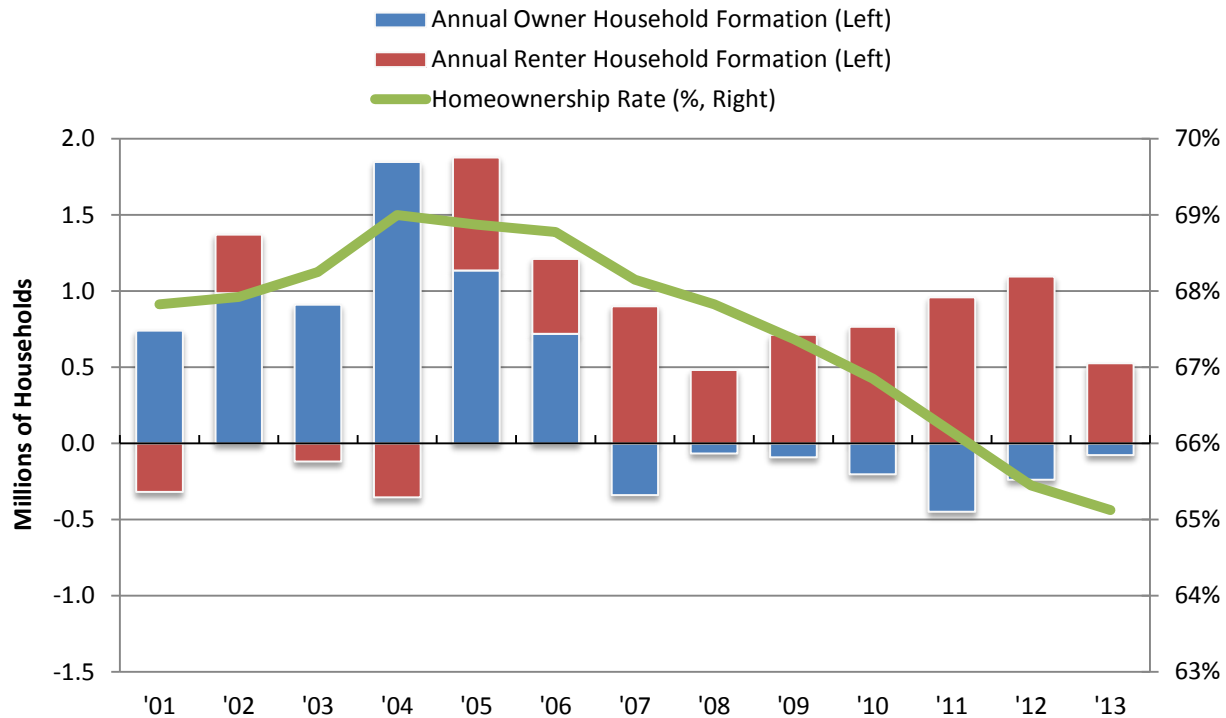


* Index = 100 when a typical first-time homebuyer has exactly enough income to qualify for a mortgage on typical starter home with a 10% down payment. A rising index indicates improving affordability conditions for first-time homebuyers.

** Market Credit Score is calculated as a weighted average of the entire mortgage market (for the segment indicated) based on loan balance at origination.

The number of renter households has been increasing since the housing crisis as the number of owner households declines

Homeownership rate and household formation

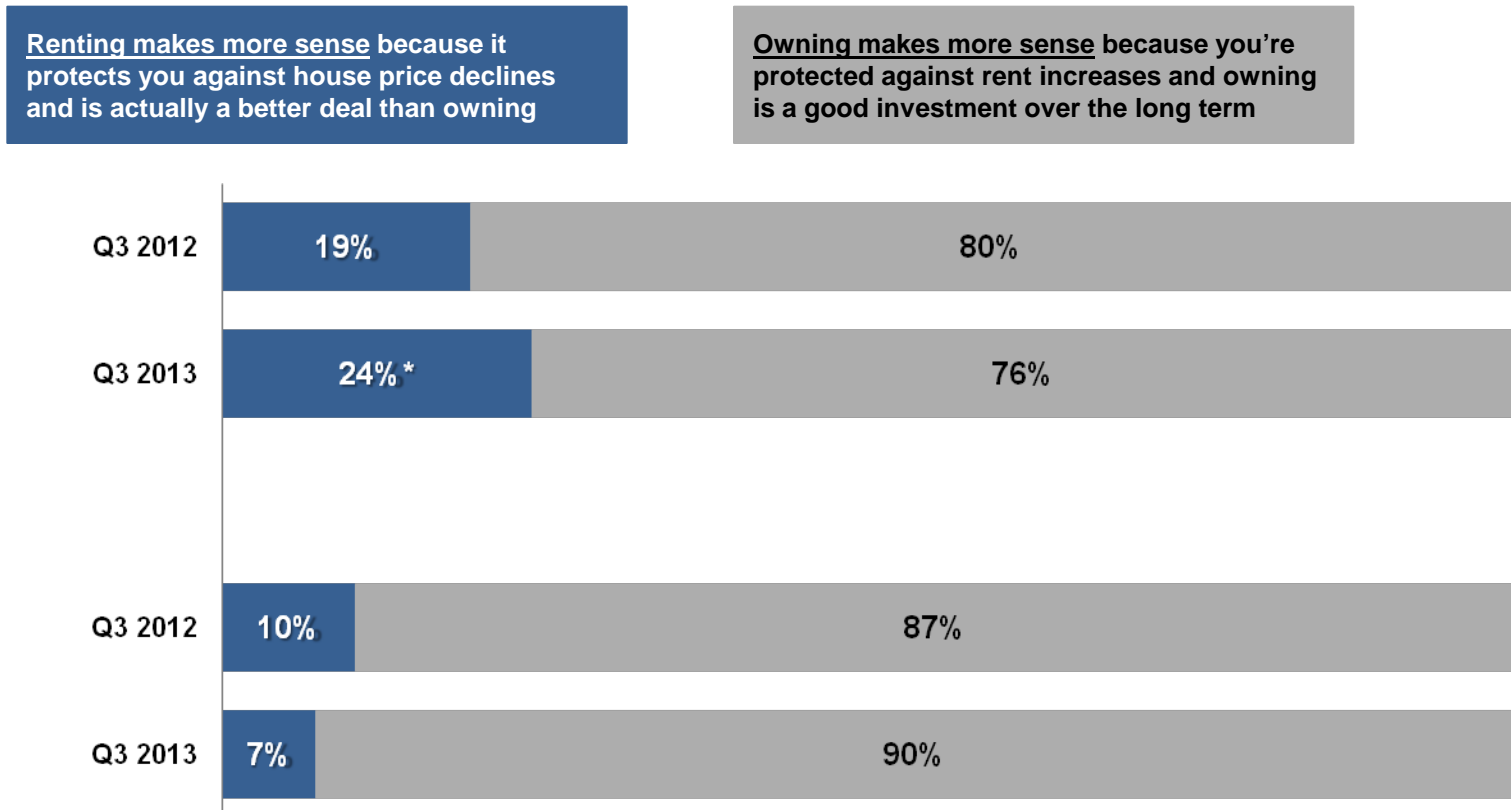


Key Findings

Most younger renters think owning is a more sensible housing choice for financial reasons

- 76% of younger renters think owning makes more sense because you're protected against rent increases and owning is a good investment over the long term

Which is closer to your view?
Q3 2012 and 2013

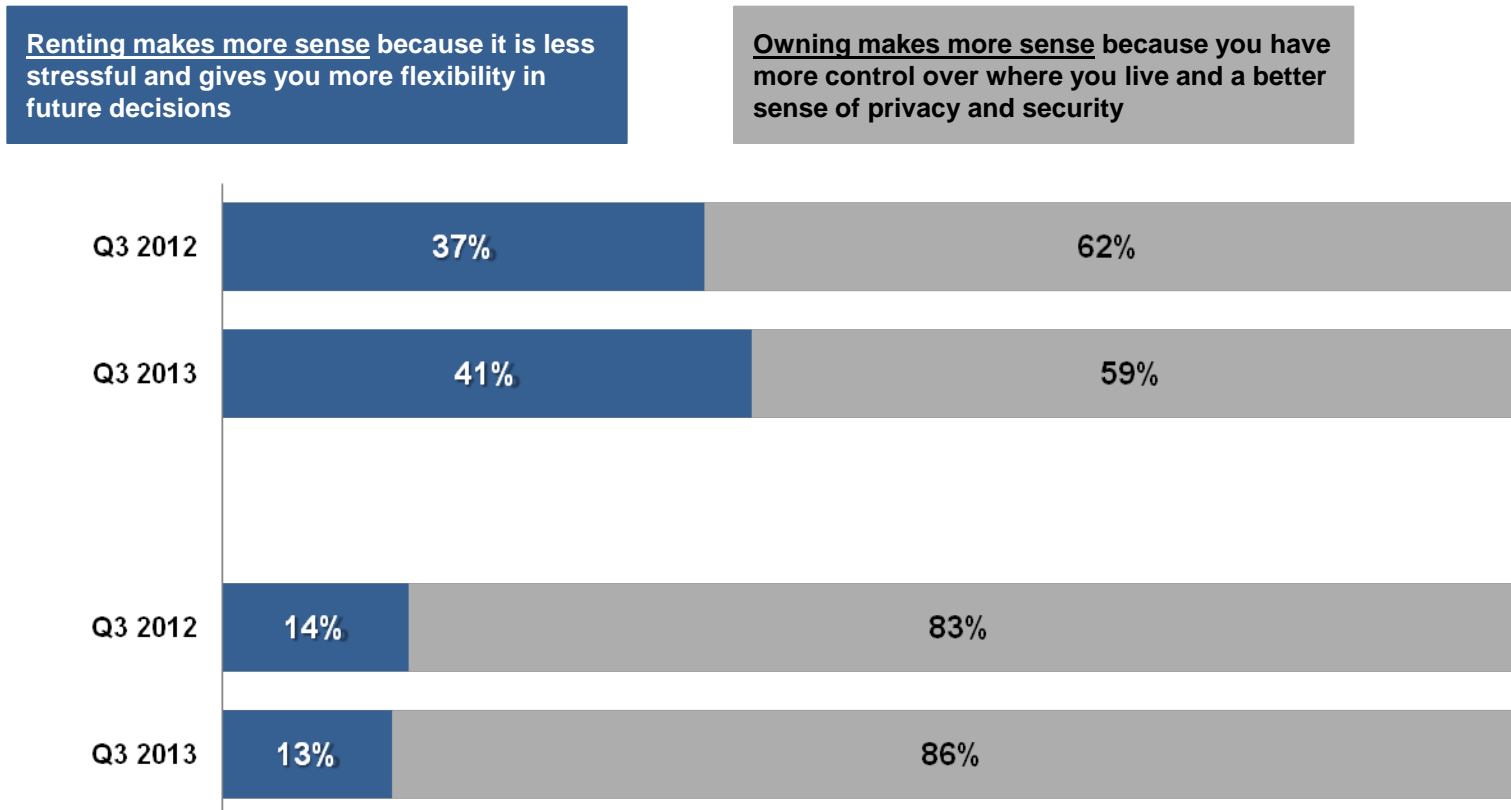


* Denotes a statistically significant difference between younger owners and younger renters from 2012 to 2013 at the 95% confidence level

Most younger renters also think owning is a more sensible housing choice for lifestyle reasons

- When forced to choose, 59% of younger renters think owning makes more sense while 41% think renting makes more sense for lifestyle reasons

Which is closer to your view?
Q3 2012 and 2013



Renting makes more sense because it is less stressful and gives you more flexibility in future decisions

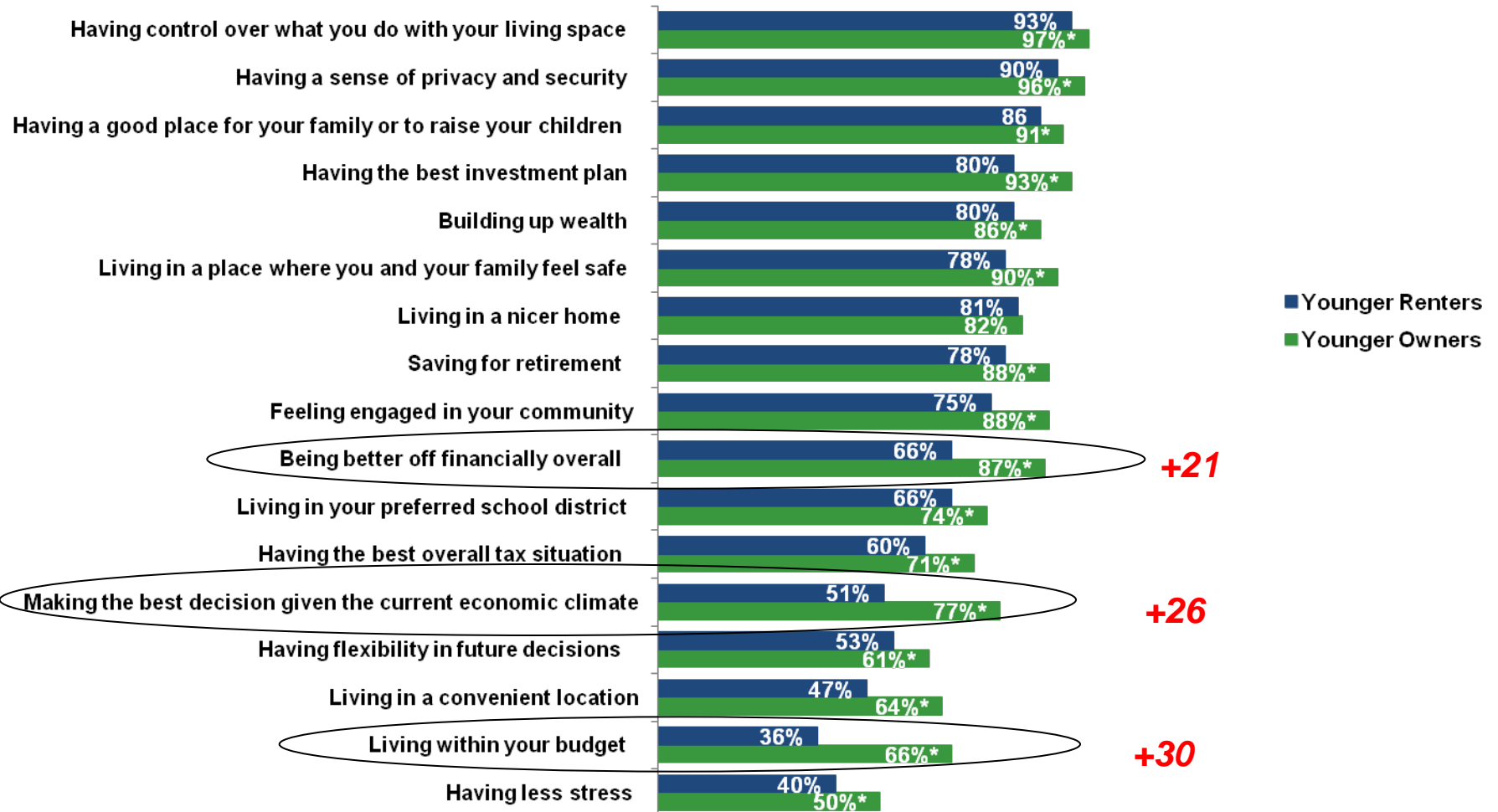
Owning makes more sense because you have more control over where you live and a better sense of privacy and security

* Denotes a statistically significant difference between younger owners and younger renters from 2012 to 2013 at the 95% confidence level

Younger renters see a variety of benefits from owning; though in many cases, younger owners are even more inclined toward owning

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

Showing % Owning – Q3 2013



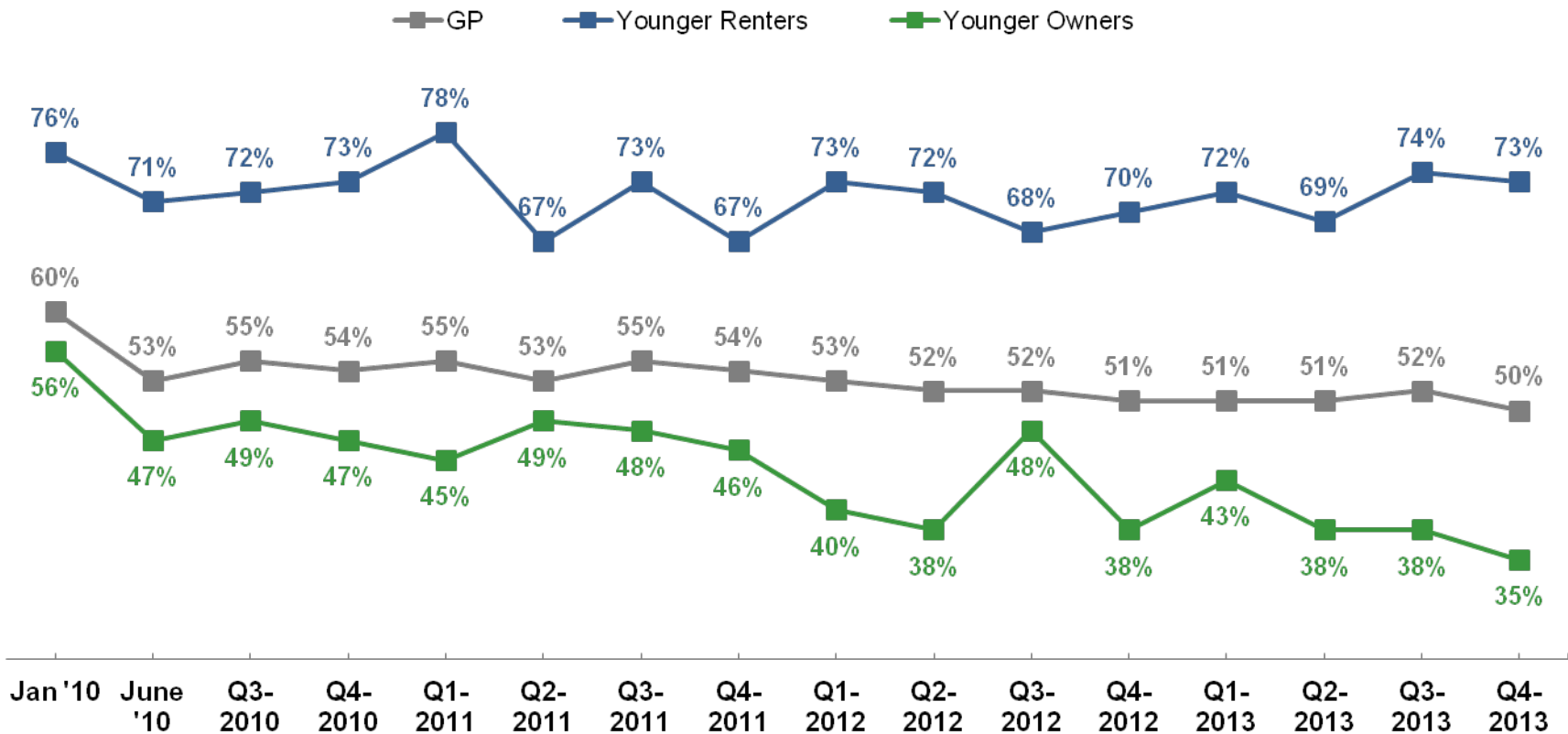
* Denotes a statistically significant difference between younger owners and younger renters at the 95% confidence level

Younger renters have remained pessimistic over the last few years about their ability to get a mortgage

- In contrast, younger owners' views about the ease of getting a mortgage have been improving steadily

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 (includes very difficult + somewhat difficult)

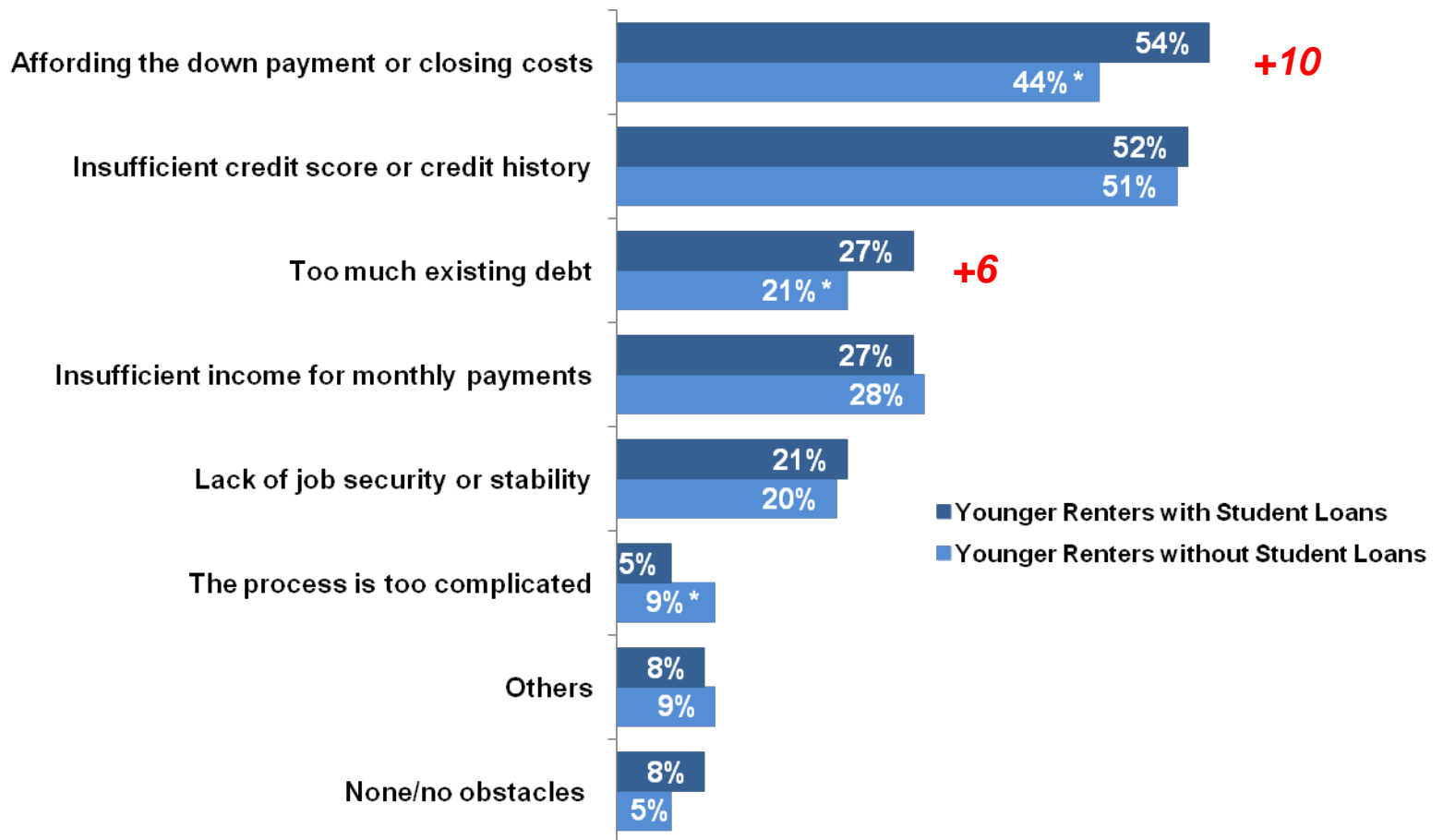


Younger renters most frequently cite insufficient credit history and difficulty with affording a down payment as their biggest obstacles to getting a mortgage

What would be your biggest obstacle to getting a mortgage to purchase or refinance a home today? SELECT UP TO 3 Q3 2013	Q3 2013 GP	Q3 2013 Younger Renters	Q3 2013 Younger Owners
Insufficient credit score or credit history	30%	53%	27%
Affording the down payment or closing costs	35%	50%	35%
Insufficient income for monthly payments	24%	33%	16%
Too much existing debt	18%	25%	18%
Lack of job security or stability	19%	22%	17%
The process is too complicated	10%	7%	8%
Others	10%	11%	7%
None/no obstacles	19%	4%	25%

Younger renters with student loans are even more likely than those without them to cite down payment and existing debt as their biggest obstacles to getting a mortgage

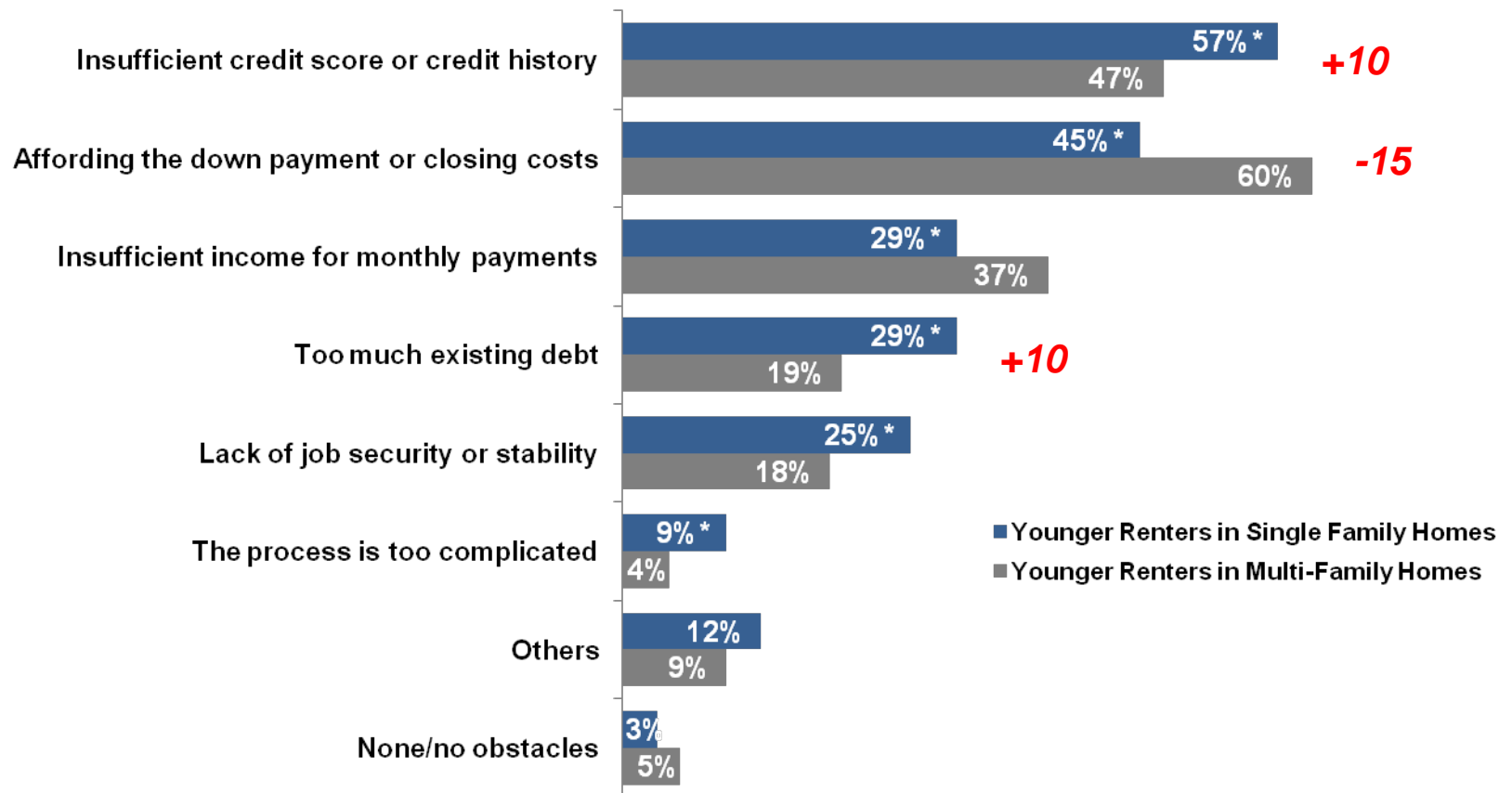
What would be your biggest obstacle to getting a mortgage to purchase or refinance a home today?
SELECT UP TO 3 - Q3 2013



* Denotes a statistically significant difference between younger renters with and without student loans at the 95% confidence level

Younger renters living in single-family homes most often cite insufficient credit, while those in multifamily homes most often cite the down payment as their biggest obstacle to getting a mortgage

What would be your biggest obstacle to getting a mortgage to purchase or refinance a home today?
 SELECT UP TO 3 – Q3 2013



Younger renters in **single-family homes** live in a one family house detached from any other house or one family home attached to one or more houses
 Younger renters in **multifamily homes** live in a building with 4 or fewer apartments, 5 to 49 apartments or 50 or more apartments

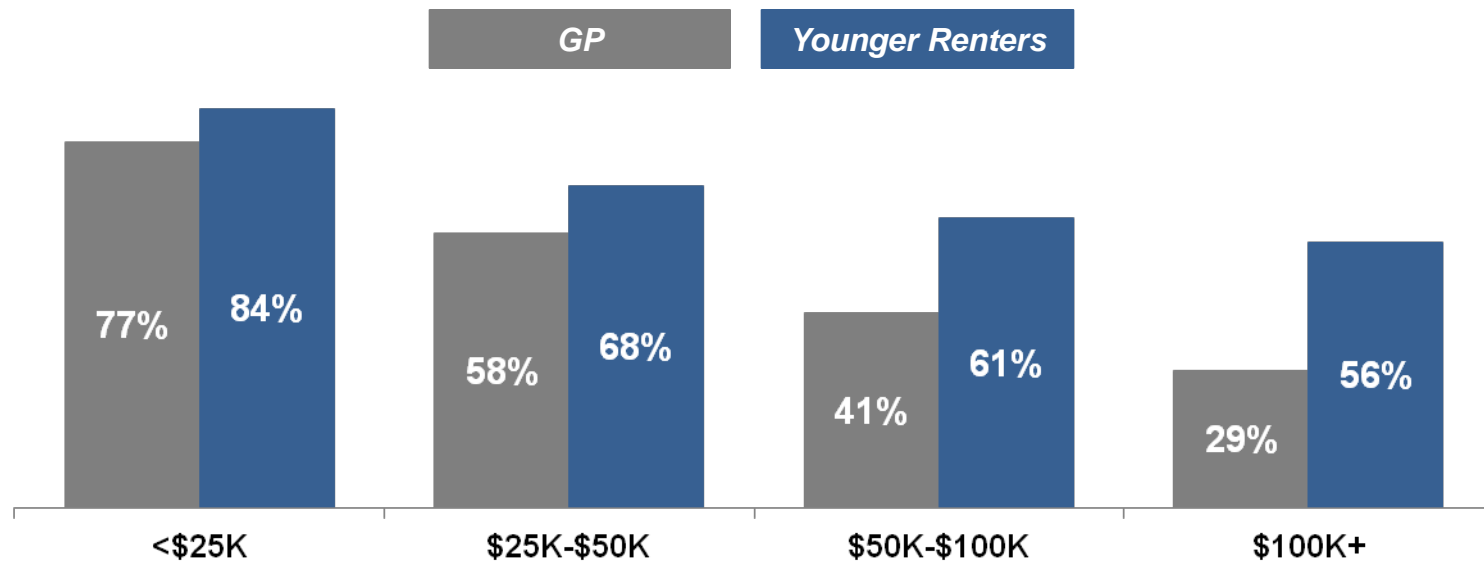
* Denotes a statistically significant difference between younger renters in single-family homes and in multifamily homes at the 95% confidence level

Younger renters with less income are more likely to perceive difficulty getting a mortgage than those with more income

- As income level increases, pessimism about the difficulty of getting a mortgage does not improve as dramatically for younger renters as it does for the general population

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 by Income (includes very difficult + somewhat difficult) – Full Year 2013



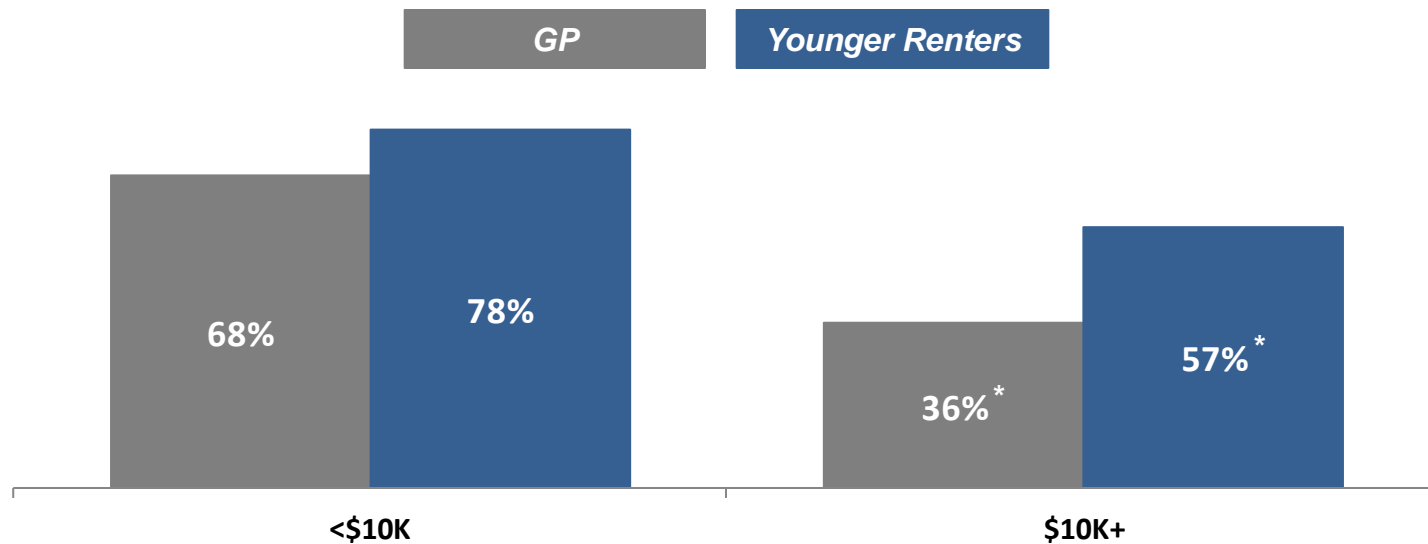
For statistical purposes, we need to know your family income for 2012. Will you please tell me which of the following categories best represents your total family income?

Younger renters with less than \$10K in assets are more likely to perceive difficulty getting a mortgage than those with more assets

- As asset level increases, pessimism about the difficulty of getting a mortgage does not improve as dramatically for younger renters as it does for the general population

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 by Assets (includes very difficult + somewhat difficult) – Full Year 2013

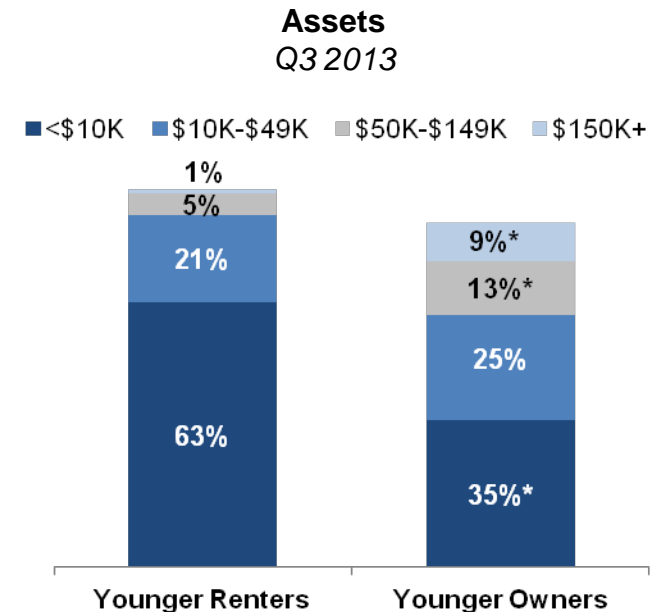


And again, for statistical purposes only, please tell me which of the following categories best represents how much in assets you currently have, either invested or available for investing, in terms of checking or savings accounts, investment accounts, and brokerage accounts, but not including the value of any real estate or employer-sponsored retirement plan such as a 401k?

* Denotes a statistically significant difference between the different asset segments at the 95% confidence level within each audience

The majority of younger renters report having insufficient assets to cover a 5% down payment plus closing costs on a typical starter home

Estimated upfront cash needed to purchase a starter home	Down Payment (% of home price)			
	3.5%	5%	10%	20%
<i>2013 Starter Home Price:</i> \$167,800**				
Down payment	\$5,873	\$8,390	\$16,780	\$33,560
Closing costs**	\$2,402			
Cash reserves (0-6 months)**	\$0-\$4,458			
Estimated minimum total upfront cash	\$8,275	\$10,792	\$19,182	\$35,962



And again, for statistical purposes only, please tell me which of the following categories best represents how much in assets you currently have, either invested or available for investing, in terms of checking or savings accounts, investment accounts, and brokerage accounts, but not including the value of any real estate or employer-sponsored retirement plan such as a 401k?

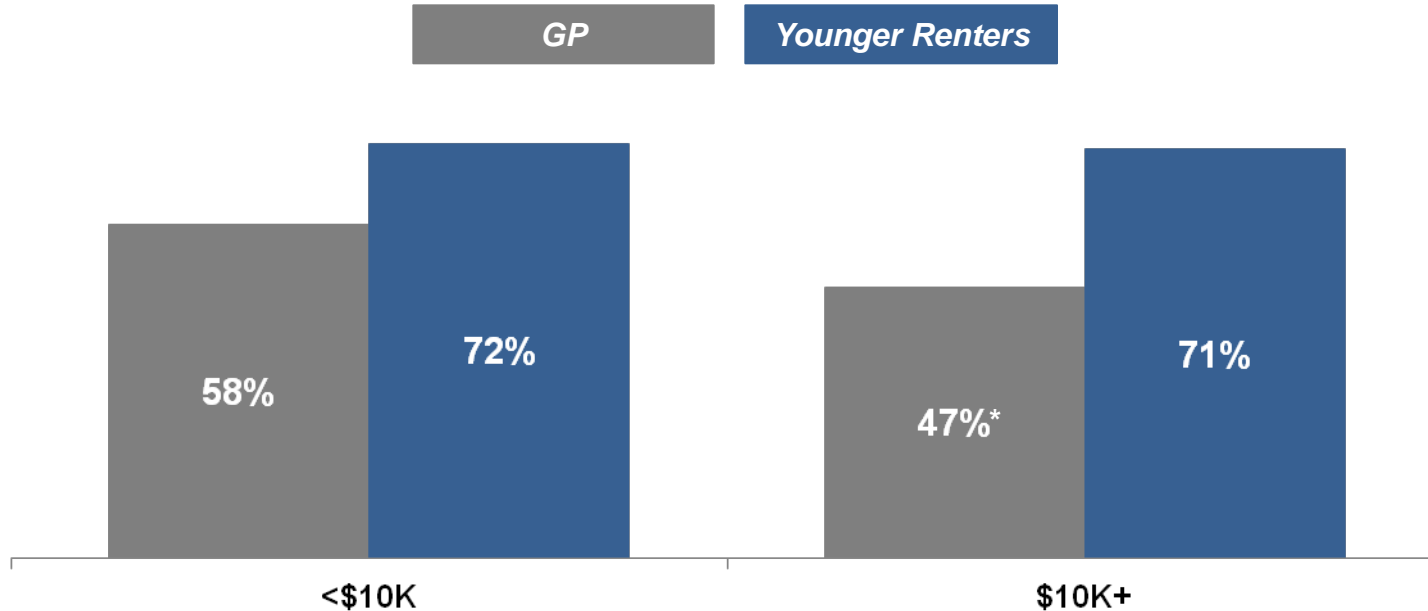
* Denotes a statistically significant difference between younger owners and younger renters at the 95% confidence level

** Sources: National Association of Realtors® Housing Affordability Index (assumes a 10% down payment to calculate monthly payments; this is the basis for the cash reserve estimate); Bankrate.com 2013 Closing Cost Survey (based on a \$200,000 loan with a 20% down payment, excludes title insurance, title search, taxes, property insurance, association fees, interest and other prepaid items).

Younger renters with less than \$10K in debt are about as likely to perceive difficulty getting a mortgage as those with more debt

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 by Debt (includes very difficult + somewhat difficult) – Full Year 2013

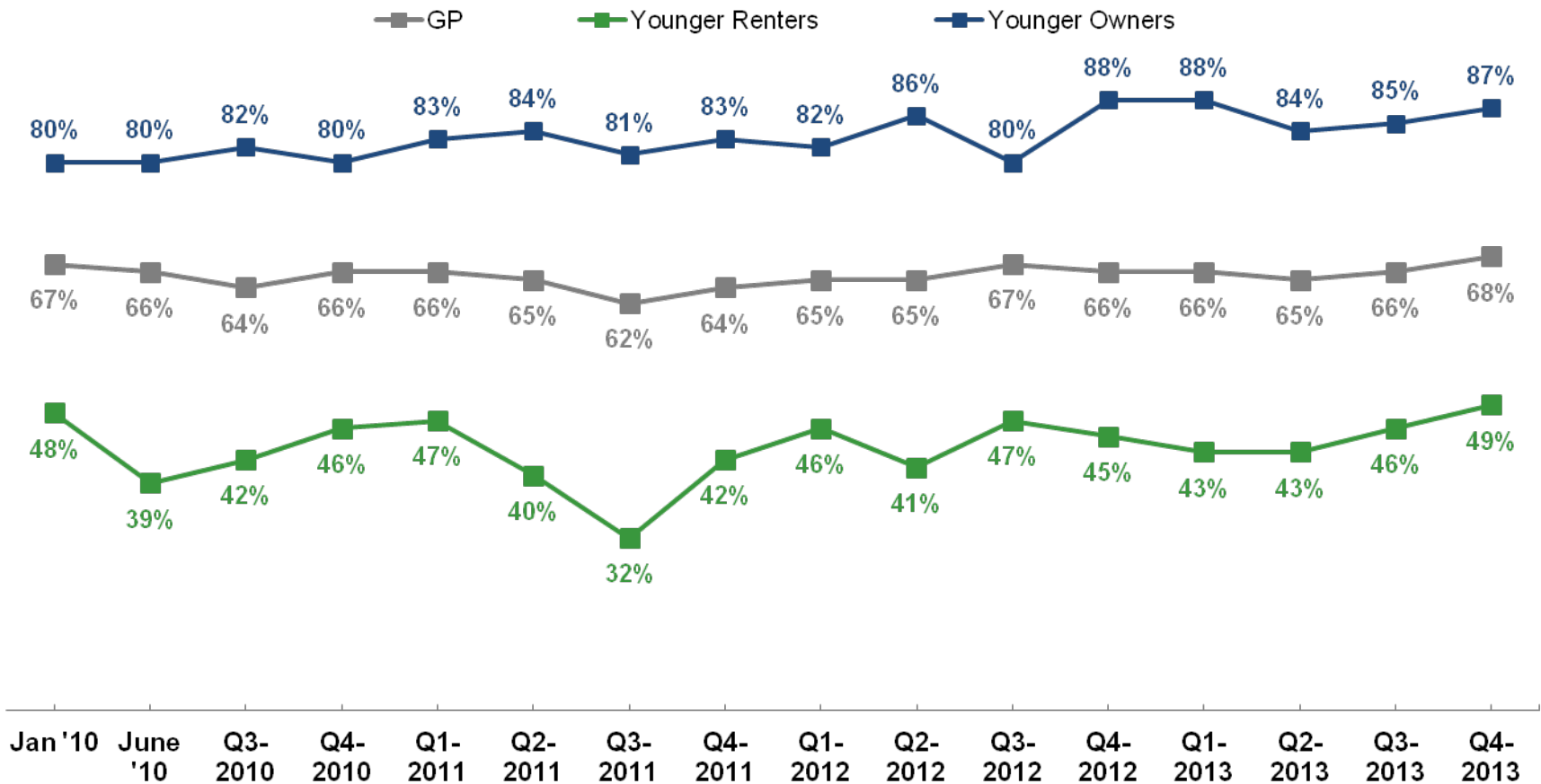


Finally, for statistical purposes only, please tell me which of the following categories represents how much total debt your household currently have, including first mortgage, second mortgage, home equity line of credit, credit card, auto and student loan, and any other debt?

* Denotes a statistically significant difference between the different debt segments at the 95% confidence level within each audience

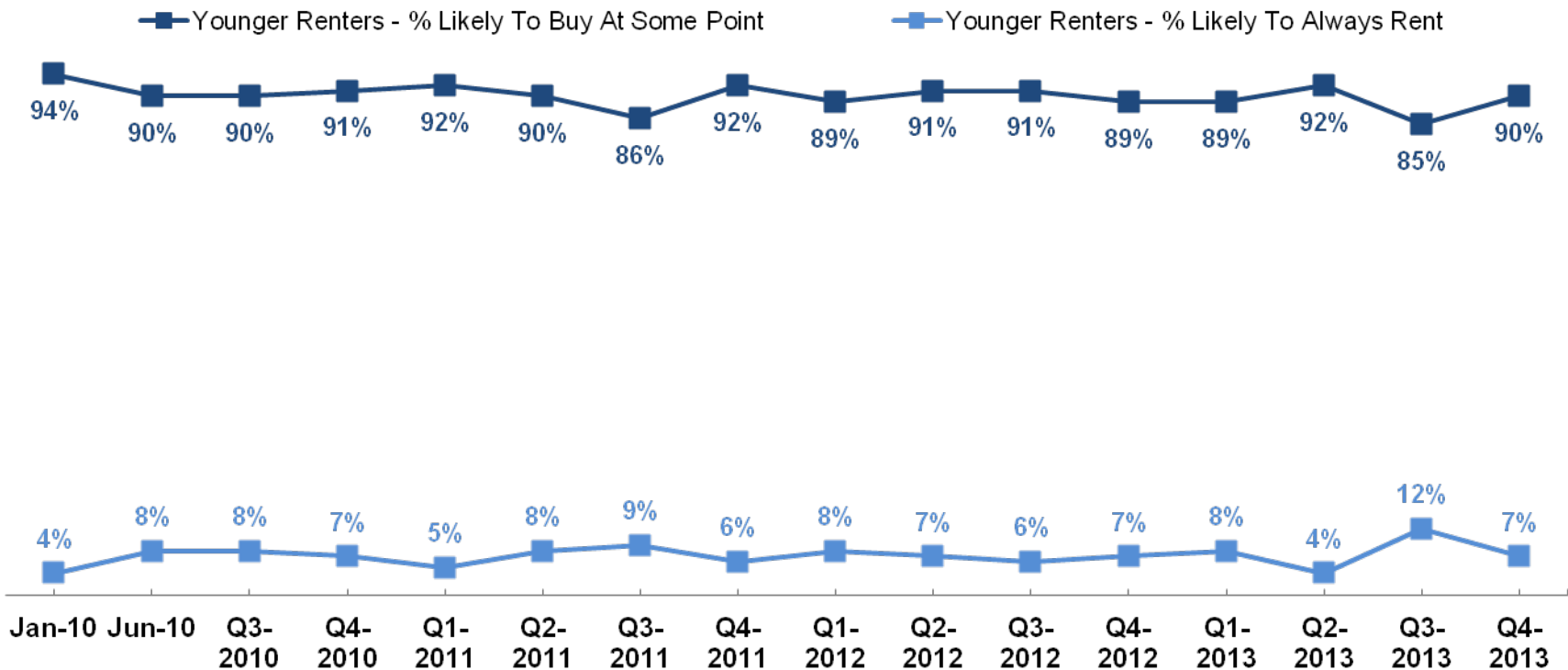
Younger renters are much less likely than younger owners to say that they will buy their next home

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



The vast majority of younger renters still plan to buy a home at some point in the future

Lifetime intentions to own a home among younger renters



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*

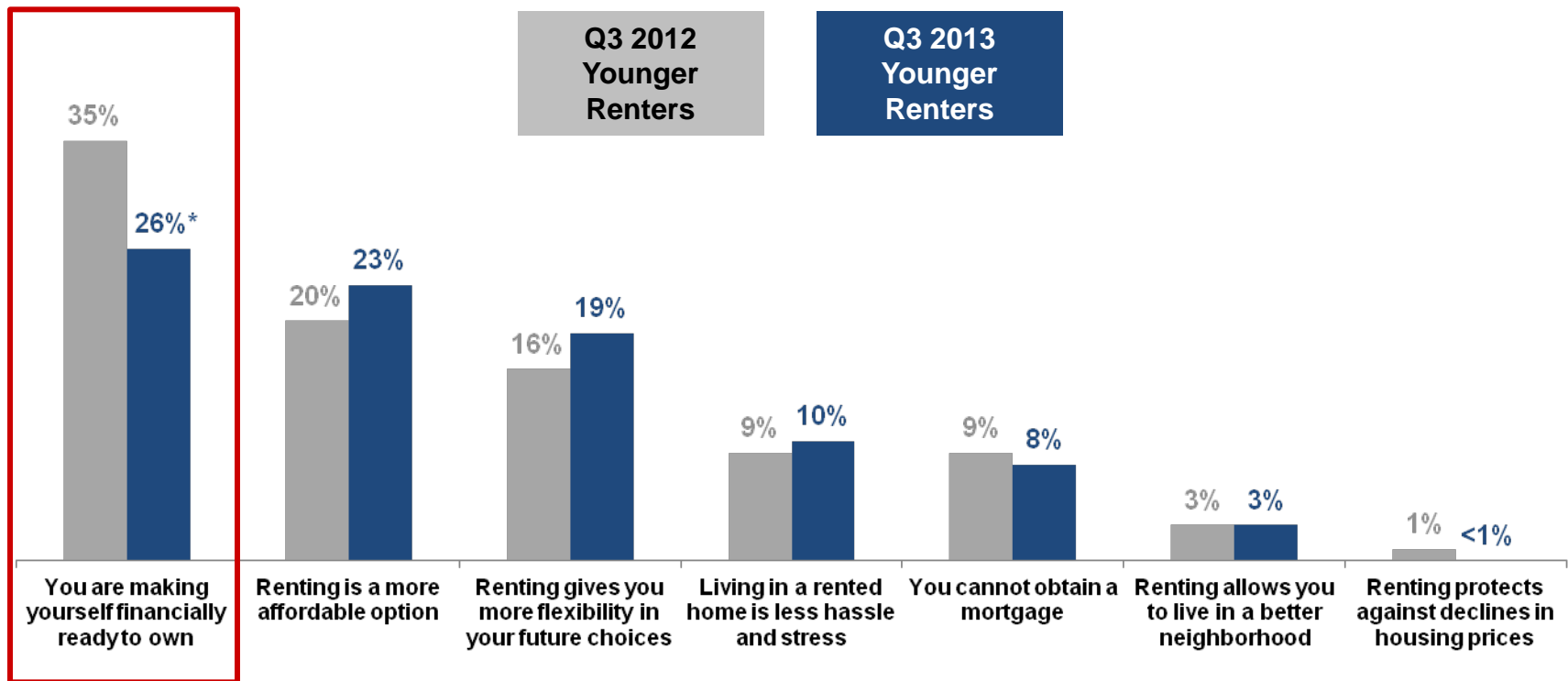
Younger renters likely to buy at some point: Q31= Buy or Q50 = Buy at some point in the future

Younger renters likely to always rent: Q50 = Always Rent

Compared to 2012, younger renters are less likely to say that the primary reason they're renting is to make themselves financially ready to own

- The next most common reason for renting is affordability

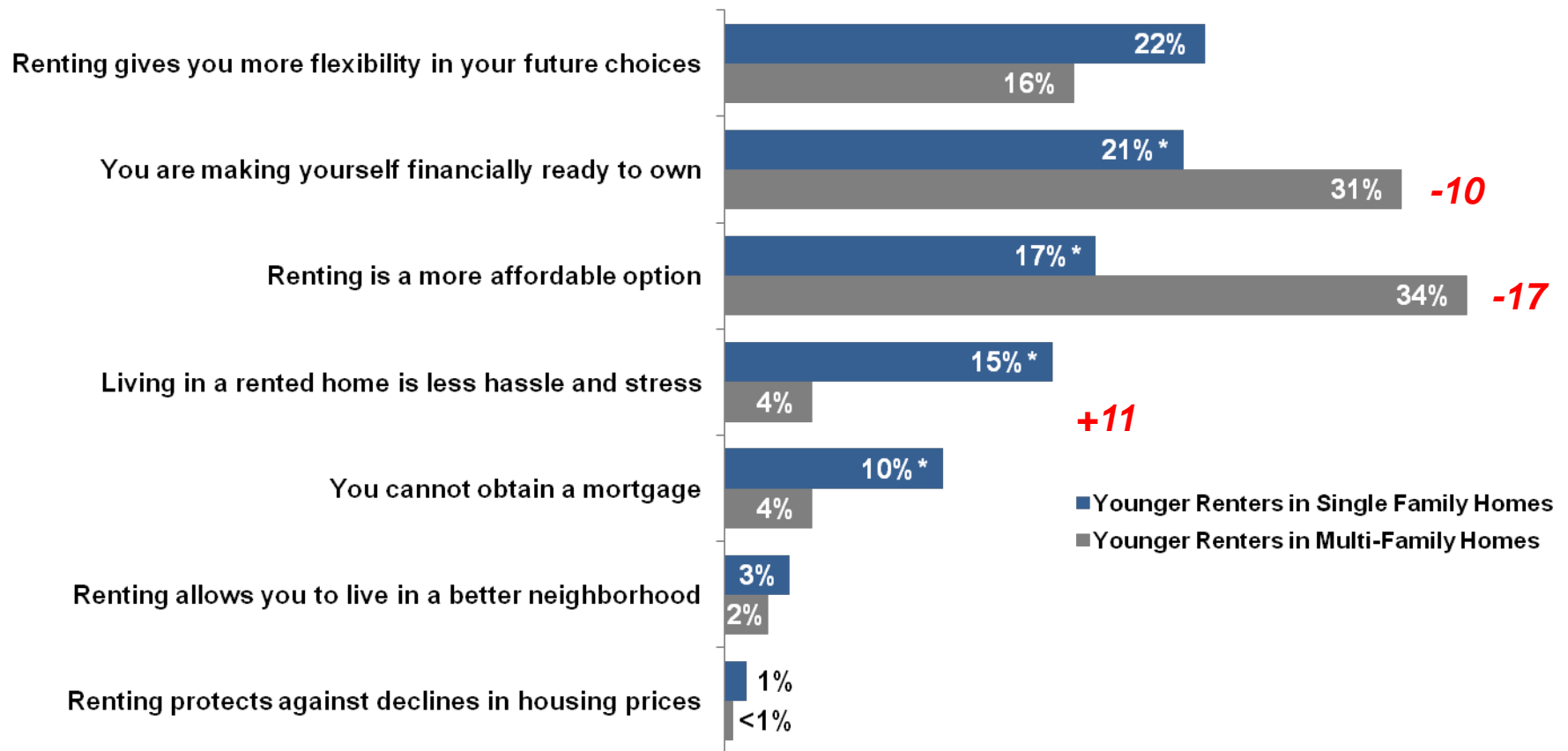
What is your primary reason for renting now?
Q3 2012 and 2013



* Denotes a statistically significant difference between younger renters in Q3 2012 and Q3 2013 at the 95% confidence level

Younger renters in multifamily homes are more likely to say they're renting for affordability or to make themselves financially ready to own

What is your primary reason for renting now?
Q3 2013



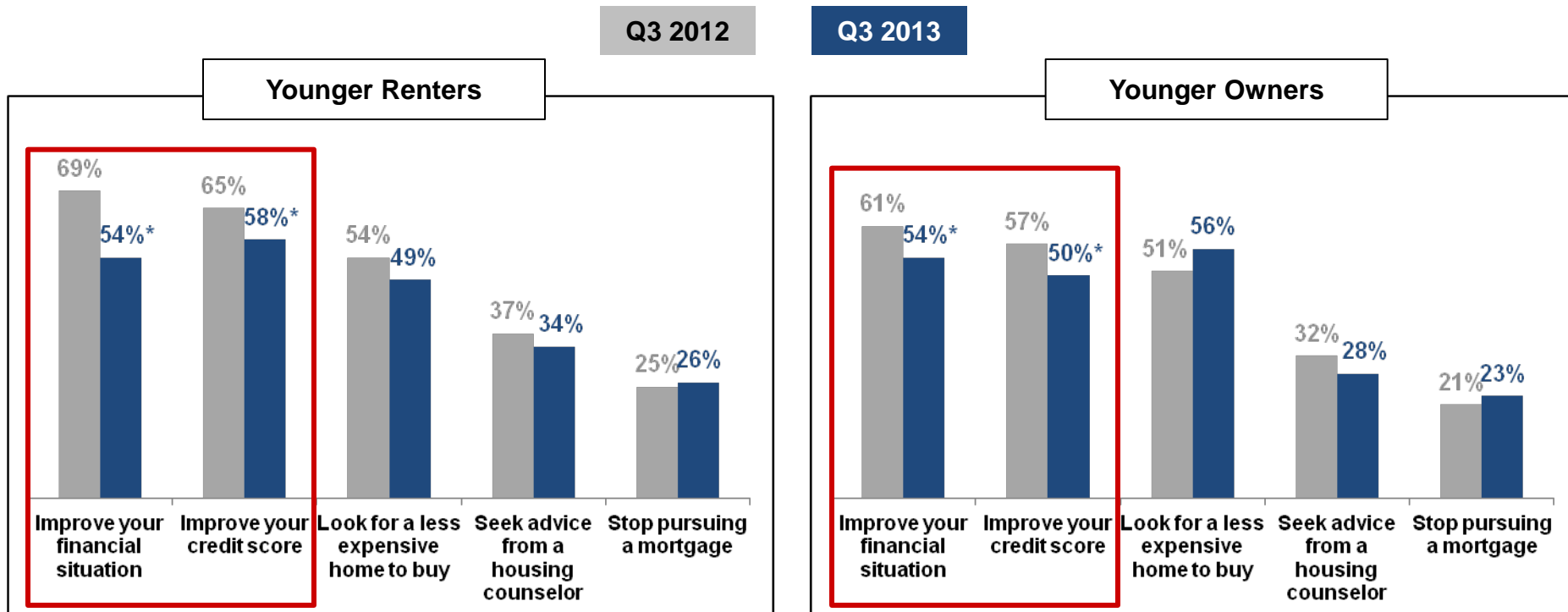
Younger renters in **single-family homes** live in a one family house detached from any other house or one family home attached to one or more houses
 Younger renters in **multifamily homes** live in a building with 4 or fewer apartments, 5 to 49 apartments or 50 or more apartments

* Denotes a statistically significant difference between younger renters in single-family homes and in multifamily homes at the 95% confidence level

If younger renters and owners were unable to qualify for a mortgage today, they are less likely to take additional action than last year

- 54% of younger renters would improve their financial situation, compared to 69% in 2012

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?
Q3 2012 and 2013



* Denotes a statistically significant difference between younger owners and younger renters from 2012 to 2013 at the 95% confidence level

Like the general population, younger renters say that both lease-to-own arrangements and location within one’s preferred school district make renting more desirable

<p>I am now going to read a list of features that might be available to a renter. Please tell me whether each one would make renting much more desirable, somewhat more desirable, about as desirable, somewhat less desirable, or much less desirable. <i>Showing % Desirable (includes much more + somewhat more) – Q3 2013</i></p>	<p>Q3 2013 GP</p>	<p>Q3 2013 Younger Renters</p>
<p>A lease-to-own arrangement which allows the tenant the option to purchase the home after a period of time</p>	<p>72%</p>	<p>73%</p>
<p>Location within your preferred school district</p>	<p>64%</p>	<p>68%</p>
<p>Permission from the landlord to complete upgrades or renovation of the rental home at the tenant’s expense</p>	<p>44%</p>	<p>49%</p>
<p>A long-term lease of 5-10 years</p>	<p>26%</p>	<p>27%</p>

Implications

Though most younger renters prefer owning, many of them may stay renters longer due to insufficient financial capability and/or preparation

Enhanced housing education and alternative approaches to housing and savings may help renters fulfill their housing aspirations in a financially sustainable way

- Better educational resources and tools can help renters make more informed decisions about their housing and plan their finances early and efficiently in order to fulfill their goals. Such resources and tools may address:
 - Creating a budget for housing to ensure affordability.
 - Determining when and whether to own, based on lifestyle and financial considerations.
 - Creating a down payment target well in advance of a home purchase, and accumulating the necessary savings gradually over time.
 - Meeting mortgage qualification requirements for criteria such as credit score and debt-to-income ratio.
- Alternative paths to homeownership may serve as a bridge for some renters. For example, about three quarters of younger renters and owners say a lease-to-own arrangement would make renting more desirable.
- Renters may view renting more favorably if it enables them to achieve certain benefits typically associated with homeownership, such as automatic savings, more control over their living space and environment, and living in their preferred school district.

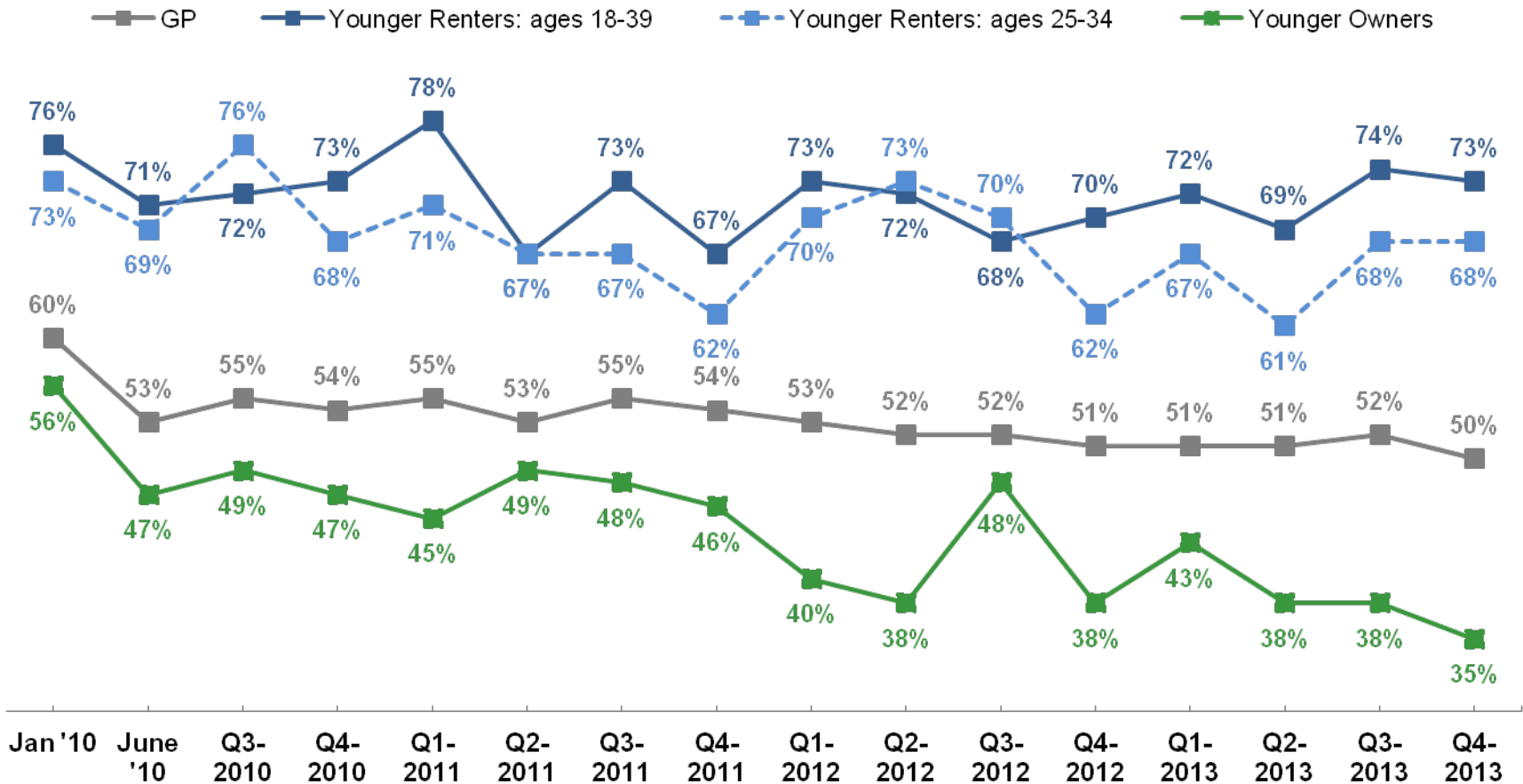
Appendix

- Difficulty of getting a mortgage by age: 18-39 versus 25-34 (time series)
- Attitudes by unit type: single-family homes versus multifamily homes
- Difficulty of getting a mortgage by debt level (time series)
- Attitudes about personal savings levels (time series)
- Housing market expectations
- Demographic comparisons
- Research Methodology – 2012 Samples

Renters age 25-34 are about as likely as those age 18-39 to say it would be difficult for them to get a mortgage

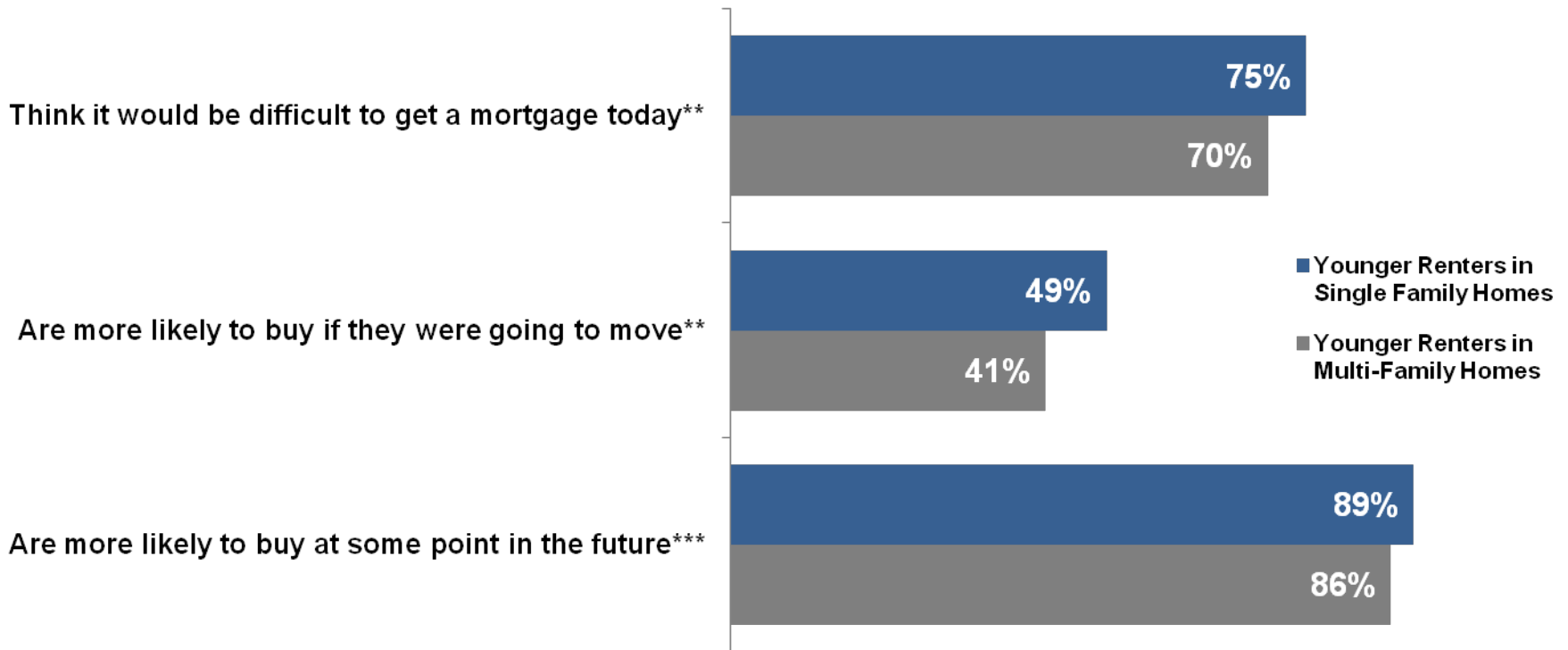
Do you think it would be very difficult, somewhat difficult, somewhat easy, or very easy for you to get a home mortgage today?

Showing % Difficult (includes very difficult + somewhat difficult)



Single-family and multifamily younger renters are similar in their attitudes about the difficulty of getting a mortgage and owning in the future

Attitudes about the difficulty of getting a mortgage and intentions to own a home among younger renters
Q3 2013



Younger renters in **single-family homes** live in a one family house detached from any other house or one family home attached to one or more houses
Younger renters in **multifamily homes** live in a building with 4 or fewer apartments, 5 to 49 apartments or 50 or more apartments

* Denotes a statistically significant difference between younger renters in single-family homes and in multifamily homes at the 95% confidence level

** For question wording, please see questionnaire question numbers Q22, Q31, and Q50

*** Younger renters likely to buy at some point: Q31= Buy or Q50 = Buy at some point in the future

Single-family and multifamily younger renters say that both lease-to-own arrangements and location within one's preferred school district make renting more desirable

<p>I am now going to read a list of features that might be available to a renter. Please tell me whether each one would make renting much more desirable, somewhat more desirable, about as desirable, somewhat less desirable, or much less desirable. <i>Showing % Desirable (includes much more + somewhat more) – Q3 2013</i></p>	<p>Q3 2013 Younger Renters in Single-Family Home</p>	<p>Q3 2013 Younger Renters in Multifamily Home</p>
<p>A lease-to-own arrangement which allows the tenant the option to purchase the home after a period of time</p>	<p>74%</p>	<p>72%</p>
<p>Location within your preferred school district</p>	<p>70%</p>	<p>66%</p>
<p>Permission from the landlord to complete upgrades or renovation of the rental home at the tenant's expense</p>	<p>48%</p>	<p>52%</p>
<p>A long-term lease of 5-10 years</p>	<p>29%</p>	<p>24%</p>

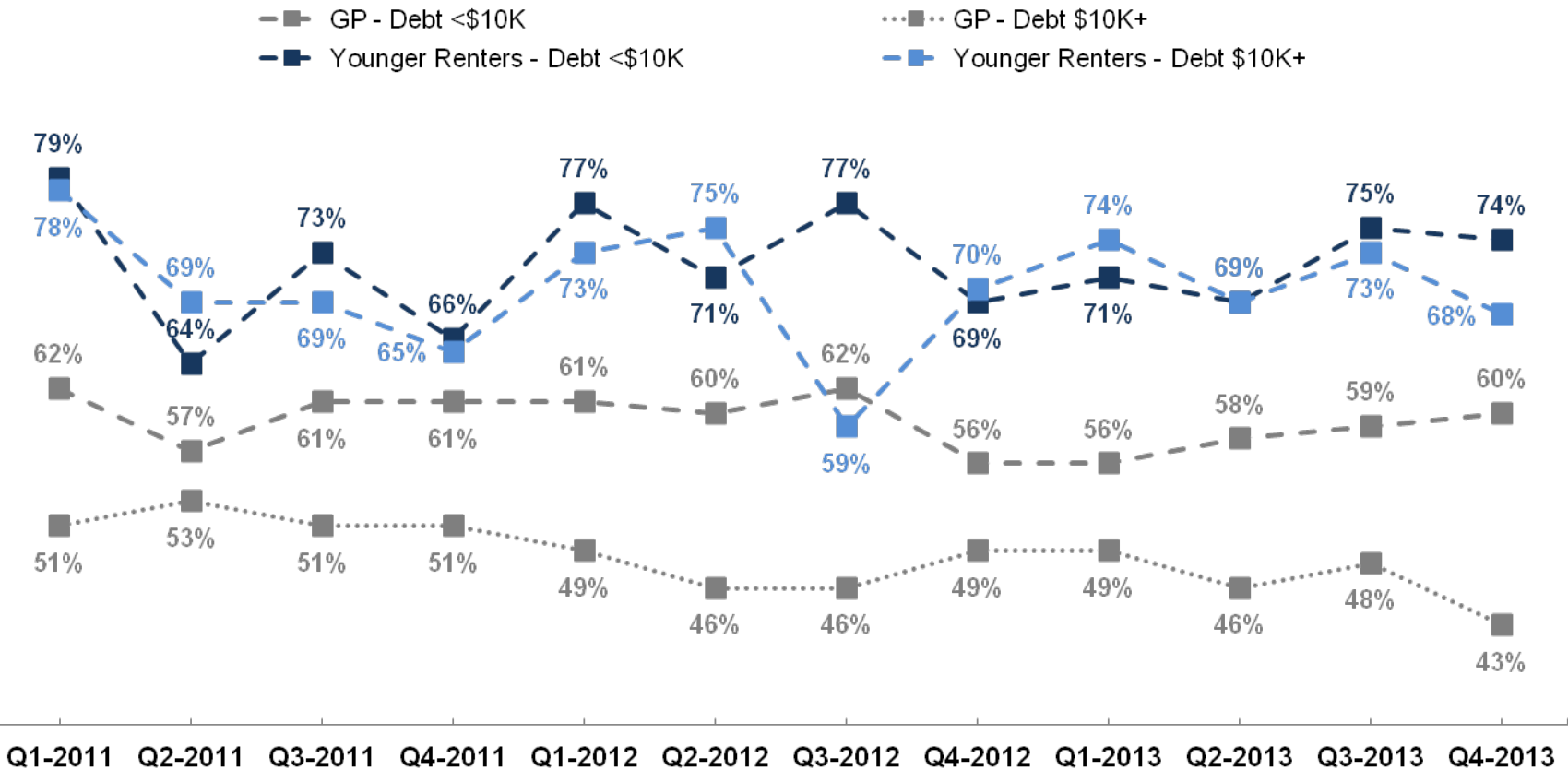
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 Younger renters in **multifamily homes** live in a building with 4 or fewer apartments, 5 to 49 apartments or 50 or more apartments

* Denotes a statistically significant difference between younger renters in single-family homes and in multifamily homes at the 95% confidence level

Consistently over the last few years, younger renters' pessimism about their ability to get a mortgage is fairly similar across debt levels

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

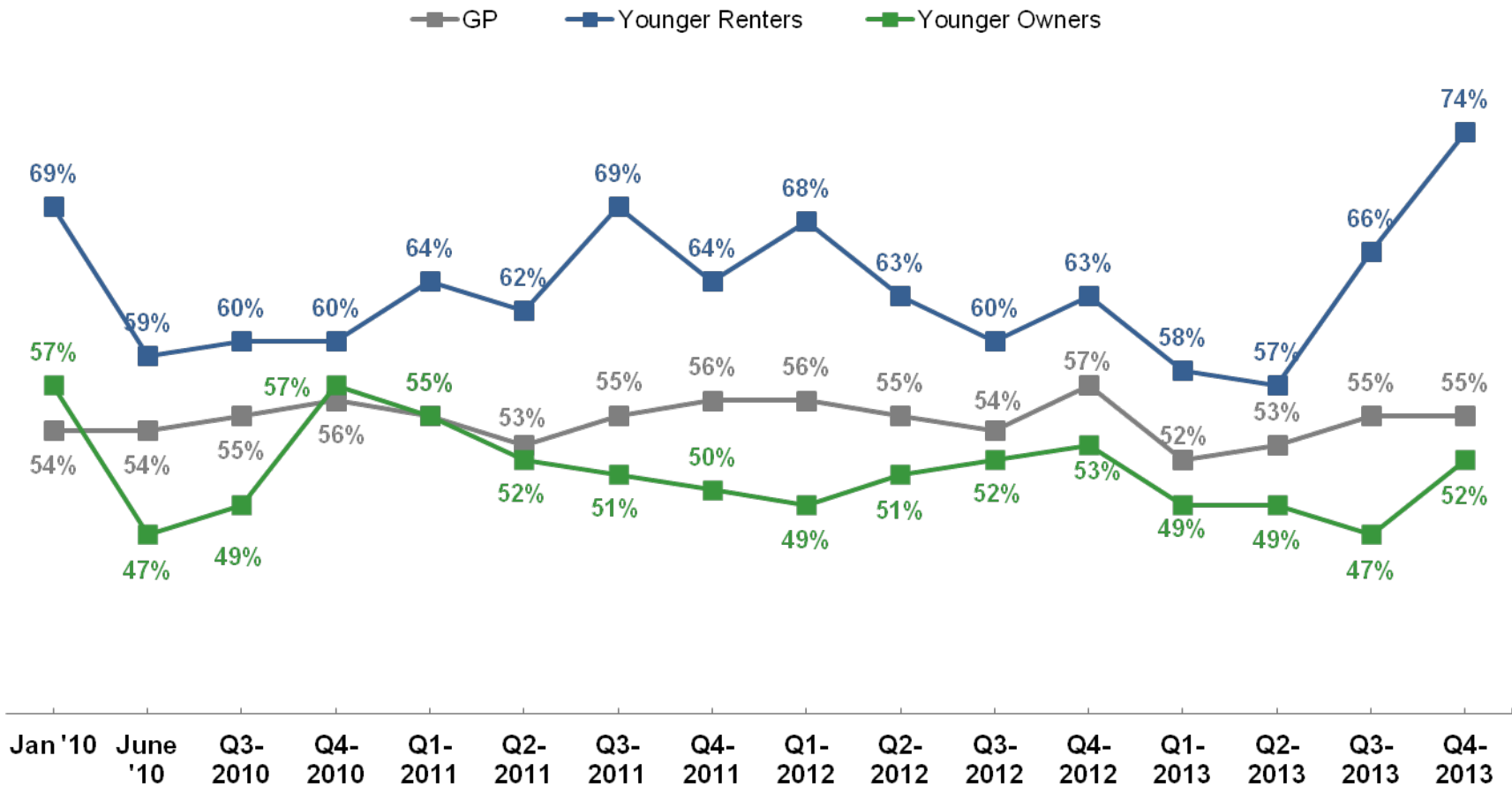
Showing % Difficult (includes very difficult + somewhat difficult)



Finally, for statistical purposes only, please tell me which of the following categories represents how much total debt your household currently have, including first mortgage, second mortgage, home equity line of credit, credit card, auto and student loan, and any other debt?

Younger renters have recently become less likely to say they have sufficient savings

Do you feel you have sufficient savings?
Showing % No



Similarly to last year, two-thirds of younger renters are positive about the current home buying environment

In general, do you think this is a very good time to buy a house, a somewhat good time, a somewhat bad time, or a very bad time to buy a house? <i>Q3 2012 and 2013</i>	GP		Younger Renters		Younger Owners	
	Q3 2012	Q3 2013	Q3 2012	Q3 2013	Q3 2012	Q3 2013
Good time	71%	73%	65%	66%	74%	75%
Bad time	25%	23%	31%	27%	22%	21%

↑ Significant increase since 2012 at the 95% confidence level

↓ Significant decrease since 2012 at the 95% confidence level

Younger renters and owners expect home prices and mortgage rates to go up during the next 12 months

- 53% of younger renters think home prices will go up during the next 12 months, compared to 31% in 2012

During the next 12 months, do you think home prices in general will go up, go down, or stay the same as where they are now? <i>Q3 2012 and 2013</i>	Younger Renters		Younger Owners	
	Q3 2012	Q3 2013	Q3 2012	Q3 2013
Prices will go up	31%	53% ↑	31%	48% ↑
Prices will go down	14%	7% ↓	11%	7% ↓
Prices will remain about the same	48%	36% ↓	52%	43% ↓

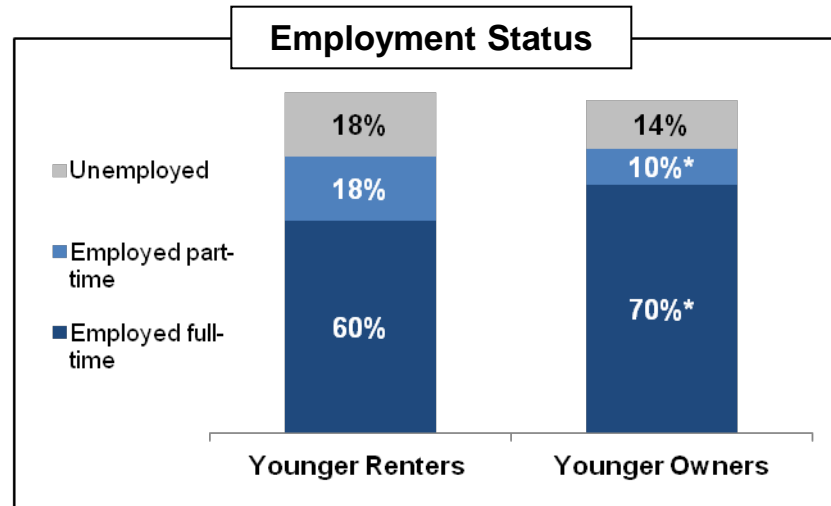
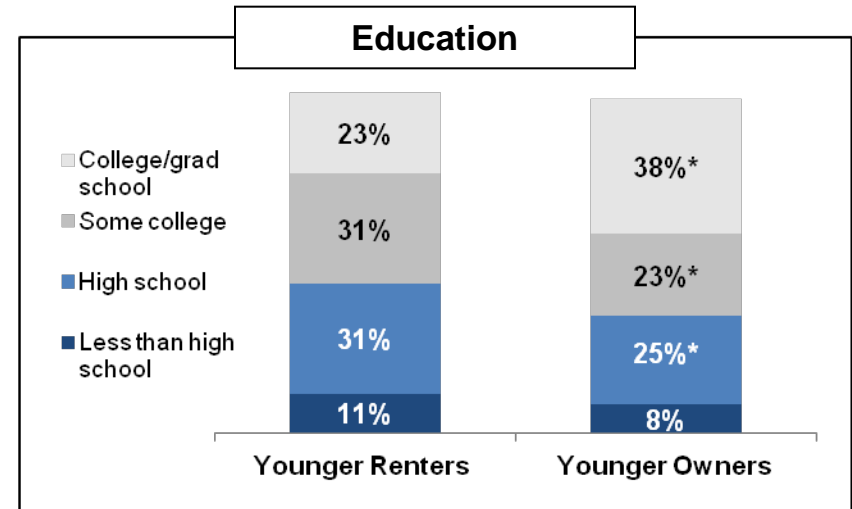
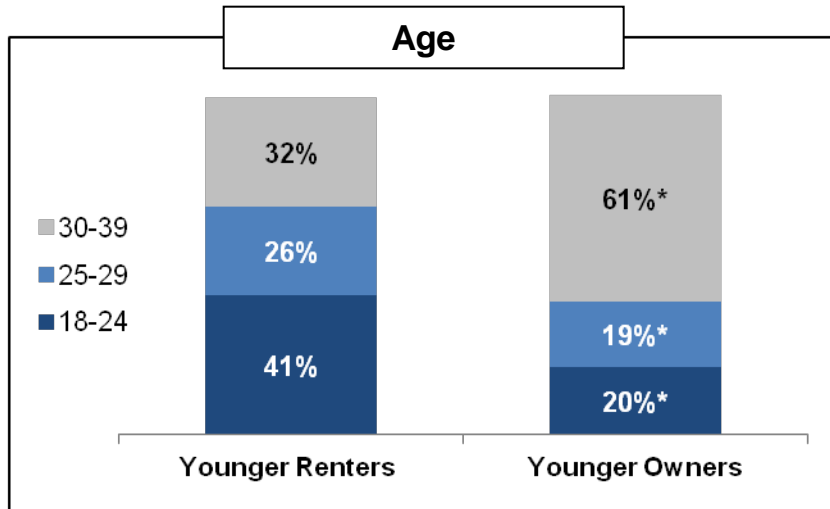
During the next 12 months, do you think home mortgage interest rates will go up, go down, or stay the same as where they are now? <i>Q3 2012 and 2013</i>	Younger Renters		Younger Owners	
	Q3 2012	Q3 2013	Q3 2012	Q3 2013
Prices will go up	41%	50% ↑	38%	58% ↑
Prices will go down	8%	6%	9%	6%
Prices will remain about the same	40%	38%	48%	33% ↓

↑ Significant increase since 2012 at the 95% confidence level

↓ Significant decrease since 2012 at the 95% confidence level

Younger Owners vs. Younger Renters – Q3 2013

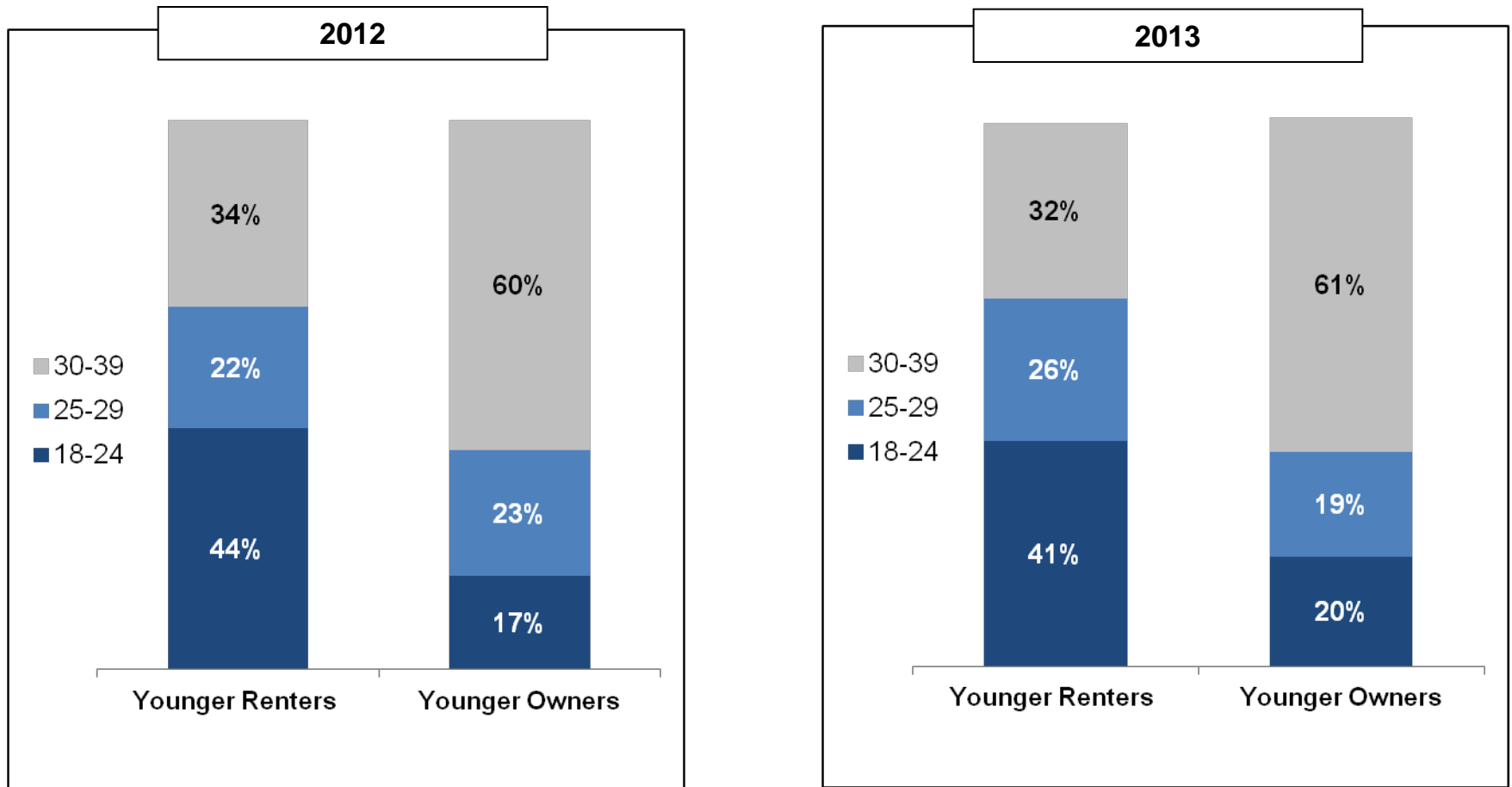
- [Previous National Housing Survey research](#) has found that age and income are highly correlated with current homeownership status



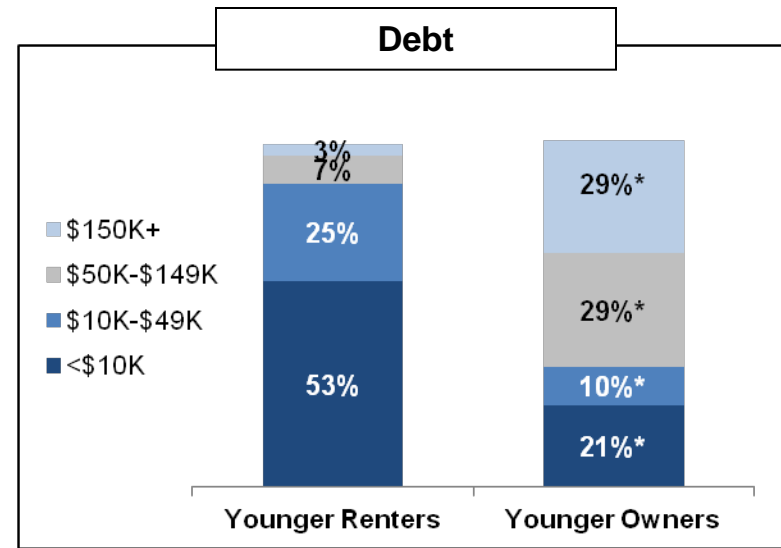
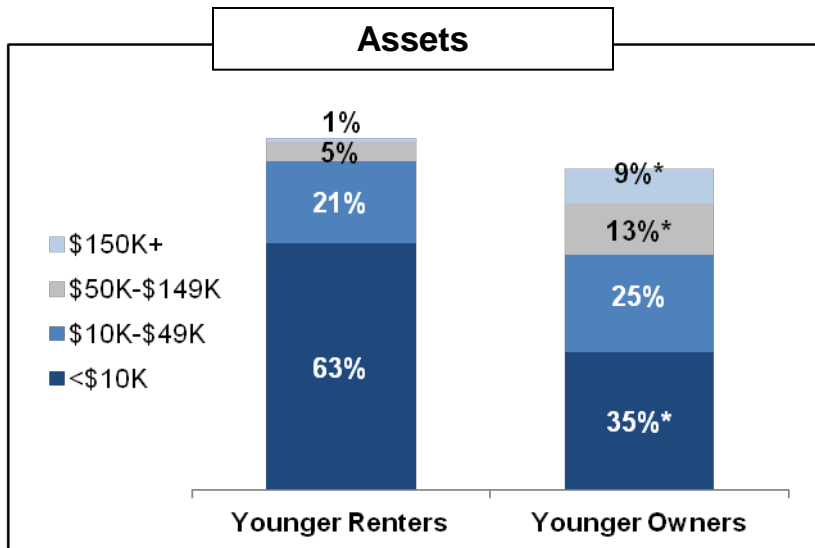
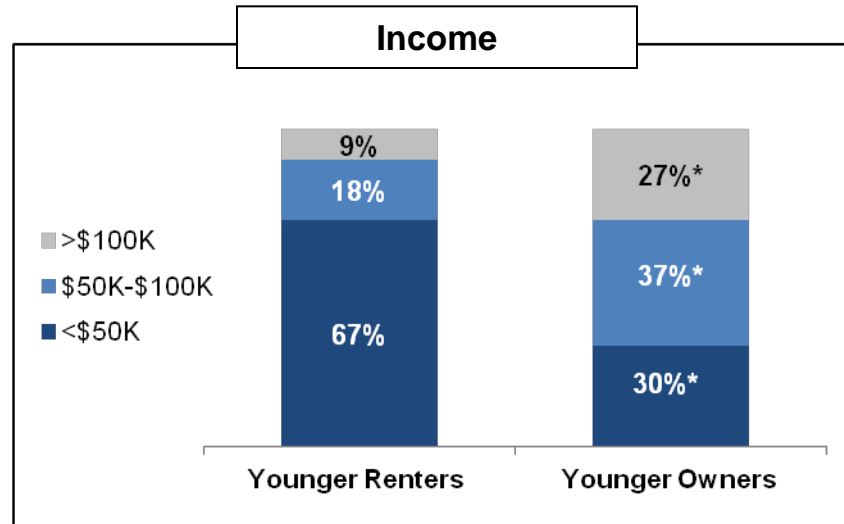
* Denotes a statistically significant difference between younger owners and younger renters at the 95% confidence level

Age distribution may explain part of the divergence in attitudes between younger renters and younger owners

Which of the following categories best describes your age?
Full Year 2012 and 2013

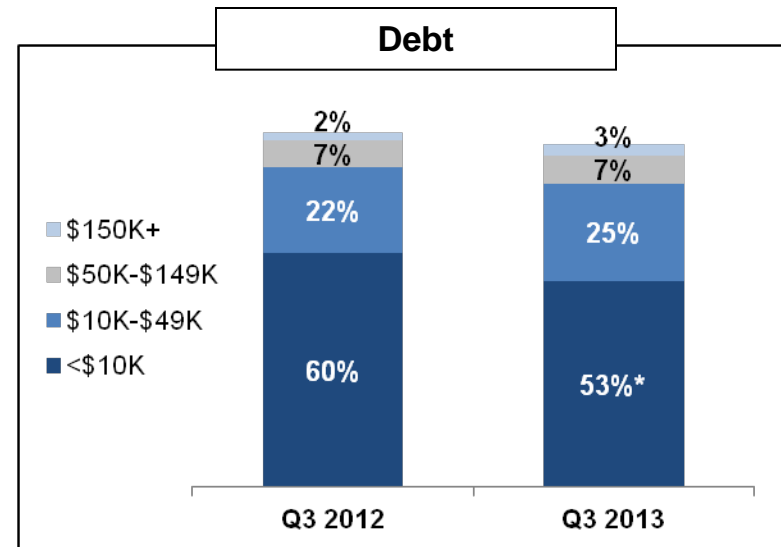
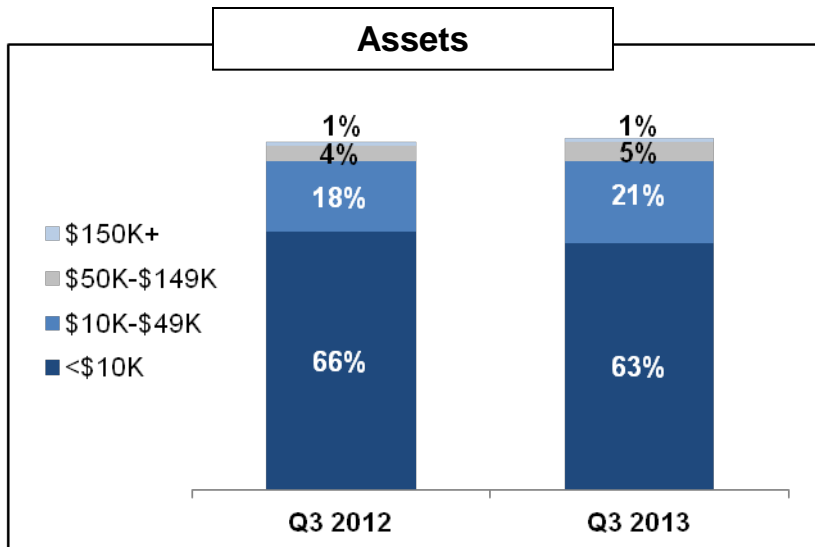
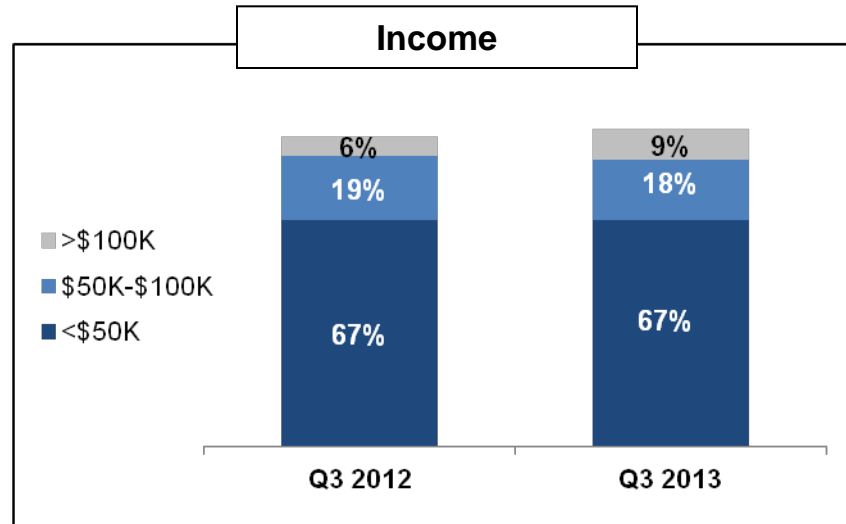


Financial Profile of Younger Renters vs. Younger Owners – Q3 2013



* Denotes a statistically significant difference between younger owners and younger renters at the 95% confidence level

Financial Profile of Younger Renters – Q3 2012 vs. Q3 2013



* Denotes a statistically significant difference between younger renters in Q3 2012 and Q3 2013 at the 95% confidence level

Research Methodology

Full Year 2013	Sample Size	Margin of Error
General Population (GP): Individuals 18 years and older who are involved in household financial decisions	12,039	± 0.89%
Younger Renters GP that rents their primary residence aged 18-39	2,416	± 1.99%
Younger Owners GP that owns their primary residence (either has a mortgage or owns their home outright), aged 18-39	2,198	± 2.09%

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%
Younger Renters GP that rents their primary residence aged 18-39	596	± 4.01%
Younger Owners GP that owns their primary residence (either has a mortgage or owns their home outright), aged 18-39	557	± 4.15%
Younger Renters in Single-Family Homes GP that rents a one family house detached from any other house or one family home attached to one or more houses, aged 18-39	343	± 5.29%
Younger Renters in Multifamily Homes GP that rents an apartment in a building 4 or fewer apartments, 5 to 49 apartments or 50 or more apartments, aged 18-39	225	± 6.53%

- Similar studies were conducted in January 2010 and June 2010 using a sample size of 3,000, and monthly studies from July 2010 onward used 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 U.S. Census American Community Survey demographic statistics in terms of gender, age, race/ethnicity, income, education, and housing tenure.

Research Methodology (continued)

- The sample sizes and margins of error below apply to data collected during 2012 and are relevant to any slides showing a comparison between 2013 and 2012 results

Full Year 2012	Sample Size	Margin of Error
General Population (GP): Individuals 18 years and older who are involved in household financial decisions	12,014	± 0.89%
Younger Renters GP that rents their primary residence aged 18-39	2,401	± 2.00%
Younger Owners GP that owns their primary residence (either has a mortgage or owns their home outright), aged 18-39	2,211	± 2.08%

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%
Younger Renters GP that rents their primary residence aged 18-39	585	± 4.05%
Younger Owners GP that owns their primary residence (either has a mortgage or owns their home outright), aged 18-39	570	± 4.10%

- Similar studies were conducted in January 2010 and June 2010 using a sample size of 3,000, and monthly studies from July 2010 onward used 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.