Rental vs. Homeownership Analysis

Danielle Swerczek
MGIC Senior Account Manager
Before we get started...

The information presented in this presentation is for general information only, and is based on guidelines and practices generally accepted within the mortgage finance industry and is not intended to be all-inclusive. MGIC makes no representations or warranties of any kind with respect to the accuracy, completeness or suitability for any purpose of the information contained in this presentation. MGIC expressly disclaims any and all warranties, express or implied, including without limitation warranties of merchantability and fitness for a particular purpose regarding these materials and this presentation. In no event will MGIC be liable for any direct, indirect, incidental, punitive or consequential damages of any kind with respect to the presentation or materials provided. All examples are hypothetical and are for illustrative purposes only. This presentation is not intended and should not be interpreted or relied upon as legal advice. We encourage you to seek advice from a qualified professional.
The “vs.” mindset
Renters…

Overall, which do you think is more affordable to you today?

Source: Freddie Mac: Profile of Today’s Renter & Homeowner August 2019
Overall, which do you think is more affordable to you today?

<table>
<thead>
<tr>
<th>Month</th>
<th>Owning</th>
<th>Renting</th>
</tr>
</thead>
<tbody>
<tr>
<td>September-16</td>
<td>90%</td>
<td></td>
</tr>
<tr>
<td>March-17</td>
<td>87%</td>
<td></td>
</tr>
<tr>
<td>August-17</td>
<td>88%</td>
<td></td>
</tr>
<tr>
<td>February-18</td>
<td>90%</td>
<td></td>
</tr>
<tr>
<td>August-18</td>
<td>89%</td>
<td></td>
</tr>
<tr>
<td>April-19</td>
<td>83%</td>
<td></td>
</tr>
<tr>
<td>August-19</td>
<td>85%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Freddie Mac: Profile of Today’s Renter & Homeowner August 2019
Renters more cost burdened than in 2017

Approximately what % of your total household income after tax do you pay in rent/mortgage payments (excluding utility bills and other fees)?

Source: Freddie Mac: Profile of Today’s Renter & Homeowner August 2019
Renters more cost burdened than in 2017

Approximately what % of your total household income after tax do you pay in rent/mortgage payments (excluding utility bills and other fees)?

- Not enough saved for down payment: 37%
- Lack of available homes: 36%
- Credit score: 33%
- Amount of current debt: 29%
- I believe it's more affordable to rent than buy: 17%

Source: Nerdwallet February 2020
What do you think is the biggest obstacle that is keeping you from buying a home at this time?

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Renters who wish to buy a home</th>
<th>18-34 year olds renters who plan to buy a home</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving enough for a down payment</td>
<td>59%</td>
<td>66%</td>
</tr>
<tr>
<td>Rising home prices</td>
<td>40%</td>
<td>47%</td>
</tr>
<tr>
<td>Qualifying for a mortgage</td>
<td>36%</td>
<td>37%</td>
</tr>
<tr>
<td>Having a poor credit history</td>
<td>33%</td>
<td>31%</td>
</tr>
</tbody>
</table>
80% of Non-owners report that homeownership is part of their American Dream

Source: NAR's 2018 Aspiring Home Buyers profile
82% of non-owners aspire to be homeowners

Source: NAR’s 2018 Aspiring Home Buyers profile
72% of Millennials consider owning a home a top life priority

Source: Bank of America 2018 Homebuyer Insight Report
Why is owning home still the American Dream?
Owning a home increases number of hours spent volunteering

Children of homeowners do better in school

Source: Forbes August 2016
Homeowners are 2.5x more likely to be in good health

67% of homeowners report better relationships with family after buying a home

Source: 2019 Fall Homebuyer Insights Report
76% of homeowners pursued new hobbies after buying a home

Source: 2019 Fall Homebuyer Insights Report
79% of homeowners said owning a home made them a better person

Source: 2019 Fall Homebuyer Insights Report
So why are they renting instead of owning?
Top 2 roadblocks to homeownership
- Rising home prices
- Lack of funds for down payment

Source: National Foundation for Credit Counseling March 2019
Year-Over-Year Appreciation

Four-Quarter Change: Purchase-Only Index

2018 Q4 – 2019Q4

United States = 5.1%

Source: FHFA U.S. House Prices February 2020
Forecasted Year-Over-Year % Change in Price

CoreLogic
37% of nonhomeowners say lack of down payment is preventing them from purchasing a home.

Source: Nerdwallet February 2020
65% of consumers indicate that saving for down payment is delaying first-time home purchase

Source: TD Bank, July 2016
Affordability challenge

Not enough money for a down payment and closing costs

Source: Freddie Mac August 2019
$93,000
Amount Millennials spend on rent by time they hit 30

Source: Rentcafe March 2018
28% of Omaha – Council Bluffs renters earned at least as much as households who recently purchased a home using a mortgage

Source: Urban Institute February 2019
Biggest challenge of all?
Lack of knowledge!
62% of Americans believe you need a 20% down payment or more to purchase a home

Source: Nerdwallet  February 2020
Only 23% of consumers are familiar with low-down-payment programs

Source: NAR HOME Survey September 2018
How Borrowers Benefit from PrivateMI

- Increased buying power
- Ability to use gift funds for down payment
- Expanded cash-flow options
- Lower monthly payments for higher credit score borrowers
- Less debt and more equity than FHA
- Ability to cancel when no longer needed
Why is it so important now?
$47,500 potential growth in family wealth over the next five years based solely on increased home equity.

Increased home equity based on price appreciation projected by the Home Price Expectation Survey.
Homeowner’s net worth is nearly 45x greater than renters

There is a $72,000 difference in median housing wealth of those who bought their first home between ages 25 and 34 and those who waited until they were 35 to 44.
Opportunity to help people
Nearly 100 million Americans plan to buy a home in the next 5 years

Source: Nerdwallet  February 2020
42%

Of renters plan to buy home within the next 2–5 years

Source: Lendingtree February 2020
U.S. Millennial Renters

When Do You Plan to Buy a Home?

- 29% 1-2 Years From Now
- 33% 3-5 Years From Now
- 19% > 5 Years From Now
- 8% Never
- 10% Next 12 Months

Source: Pulse Economics
Get ready for homeownership with Readynest by MGIC
buy now vs. wait calculator

Did you know that you can buy a home with less than 20% down payment?

While waiting to save for a 20% down payment can save you money in some areas, it could cost you money in others. Our calculator can help you determine if buying a home right now is the better choice for you.
Thank You!

Danielle_Swerczek@mgic.com