Consumer Key Insights

National Housing Survey®

Q4 2017
Consumers: Key Insights from the National Housing Survey® and Mortgage Qualification Research

- **The Fannie Mae Home Purchase Sentiment Index® (HPSI)** fell 2.0 points in December to 85.8.

- **Benefits of Home Ownership and Financial Challenges**: Americans consistently agree that homeownership provides more financial and lifestyle benefits than renting, though some see financial challenges to getting a mortgage today.

- **Younger Renters**: Younger renters are likely to aspire to own a home, but report financial constraints such as credit and affording a down payment, and are most often considering personal finances when determining the right time to buy.

- **Student Debt**: The effect of student debt on homeownership likelihood varies markedly depending on whether or not the borrower obtained a bachelor’s degree.

- **Mortgage Qualification Understanding**: There is a significant lack of understanding about minimum mortgage qualification criteria; lenders are cited by consumers as the most influential source of mortgage advice.

- **Mortgage Shopping Experiences and Behaviors**: Low and moderate income recent homebuyers are flocking to mobile mortgage resources.

- **Hispanics**: Like the general population, Hispanics prefer homeownership over renting and are more likely to say that they are renting now because they cannot obtain a mortgage and to prepare financially to own in the future.

- **Home Equity Underestimated**: Many homeowners may be underestimating their home equity status, as borrower self-reported home equity is significantly less positive than CoreLogic-estimates.

- **Mortgage Refinancing**: Almost half of mortgage borrowers have refinanced the mortgage on their current home.
NATIONAL HOUSING SURVEY®
& MORTGAGE QUALIFICATION RESEARCH
Home Purchase Sentiment Index®

The HPSI fell 2.0 points in December to 85.8, reversing the rise seen last month.

• The decrease in the HPSI can be attributed to decreases in four of the six HPSI components: “Confidence About Not Losing Job” (-6), “Good Time to Buy” (-5), “Home Prices Will Go Up” (-2), and “Mortgage Rates Will Go Down” (-1).
The HPSI fell 2.0 points in December to 85.8, reversing the rise seen last month.
The decrease in the HPSI can be attributed to decreases in four of the six HPSI components: “Confidence About Not Losing Job” (-6), “Good Time to Buy” (-5), “Home Prices Will Go Up” (-2), and “Mortgage Rates Will Go Down” (-1).

<table>
<thead>
<tr>
<th>December 2017 HPSI</th>
<th>December 2017</th>
<th>Change Since Last Month</th>
<th>Change Since Last Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Time To Buy</td>
<td>24</td>
<td>-5</td>
<td>-8</td>
</tr>
<tr>
<td>Good Time To Sell</td>
<td>34</td>
<td>0</td>
<td>+21</td>
</tr>
<tr>
<td>Home Prices Will Go Up (next 12 months)</td>
<td>44</td>
<td>-2</td>
<td>+9</td>
</tr>
<tr>
<td>Mortgage Rates Will Go Down (next 12 months)</td>
<td>-52</td>
<td>-1</td>
<td>+3</td>
</tr>
<tr>
<td>Confidence About Not Losing Job (next 12 months)</td>
<td>68</td>
<td>-6</td>
<td>0</td>
</tr>
<tr>
<td>Household Income is Significantly Higher (past 12 months)</td>
<td>16</td>
<td>+2</td>
<td>+6</td>
</tr>
</tbody>
</table>
Benefits of Home Ownership and Financial Challenges

Americans consistently agree that homeownership provides more financial and lifestyle benefits than renting, though some see financial challenges to getting a mortgage today

• Americans see both financial and lifestyle benefits to owning a house
• Most view homeownership as a safe investment with a lot of potential
• Renters continue to cite down payments and credit concerns as their biggest obstacles to getting a mortgage today
Most Americans consistently agree that homeownership provides more financial benefits than renting

Which is closer to your view?
• Renting makes more sense because it protects you against house price declines and is actually a better deal than owning
• Owning makes more sense because you’re protected against rent increases and owning is a good investment over the long term

Showing % “Owning makes more sense”
Most Americans consistently agree that homeownership provides more lifestyle benefits than renting

Which is closer to your view?

- 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

Showing % “Owning makes more sense”
Since before the financial crisis, Americans have consistently agreed that homeownership provides more financial and lifestyle benefits than renting.

Generally speaking, would you say people are better off owning a residence or better off renting?

<table>
<thead>
<tr>
<th>Year</th>
<th>Owning</th>
<th>Renting</th>
<th>Depends/Not sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>13%</td>
<td>8%</td>
<td>79%</td>
</tr>
<tr>
<td>1996</td>
<td>4%</td>
<td>7%</td>
<td>89%</td>
</tr>
</tbody>
</table>

Which is closer to your view?

Financial Considerations
- **Owning** protects against rent increases and is a good investment over the long term
- **Renting** protects against house price declines and is actually a better deal than owning

Lifestyle Considerations
- **Owning** you have more control over where you live and a better sense of privacy and security
- **Renting** is less stressful and gives you more flexibility in future decisions

Q4 2017
- Owning: 16%
- Renting: 3%
- Depends/Don't know: 81%

Q4 2017
- Owning: 21%
- Renting: 2%
- Depends/Don't know: 77%
Homeowners and renters say they are better off owning than renting to achieve a variety of financial and lifestyle benefits

<table>
<thead>
<tr>
<th>To achieve this, are you better off owning or better off renting?</th>
<th>Financial Benefit</th>
<th>Lifestyle Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GP %</td>
<td>Owners %</td>
</tr>
<tr>
<td></td>
<td>Q4 2016</td>
<td>Q4 2016</td>
</tr>
<tr>
<td>Having control over what you do with your living space</td>
<td>92</td>
<td>97*</td>
</tr>
<tr>
<td>Having a sense of privacy and security</td>
<td>88</td>
<td>94*</td>
</tr>
<tr>
<td>Having a good place for your family or to raise your children</td>
<td>87</td>
<td>90*</td>
</tr>
<tr>
<td>Having the best investment plan</td>
<td>85</td>
<td>91*</td>
</tr>
<tr>
<td>Living in a place where you and your family feel safe</td>
<td>84</td>
<td>90*</td>
</tr>
<tr>
<td>Building up wealth</td>
<td>82</td>
<td>91*</td>
</tr>
<tr>
<td>Saving for retirement</td>
<td>82</td>
<td>89*</td>
</tr>
<tr>
<td>Being better off financially overall</td>
<td>81</td>
<td>89*</td>
</tr>
<tr>
<td>Feeling engaged in your community</td>
<td>81</td>
<td>88*</td>
</tr>
<tr>
<td>Living in a nicer home</td>
<td>80</td>
<td>86*</td>
</tr>
<tr>
<td>Making the best decision given the current economic climate</td>
<td>73</td>
<td>80*</td>
</tr>
<tr>
<td>Living in your preferred school district</td>
<td>72</td>
<td>79*</td>
</tr>
<tr>
<td>Having the best overall tax situation</td>
<td>70</td>
<td>78*</td>
</tr>
<tr>
<td>Living within your budget</td>
<td>69</td>
<td>81*</td>
</tr>
<tr>
<td>Living in a convenient location</td>
<td>65</td>
<td>71*</td>
</tr>
<tr>
<td>Having flexibility in future decisions</td>
<td>61</td>
<td>64</td>
</tr>
<tr>
<td>Having less stress</td>
<td>56</td>
<td>58</td>
</tr>
</tbody>
</table>

* Denotes a statistically significant difference from GP at the 95% confidence level.
Americans feel that the lifestyle benefits of home ownership are the best reasons to buy a house

Which of the following is the best reason to buy a house?

- The financial benefits of home ownership, such as its value as an investment (especially compared to paying rent), its value as a way to build up wealth for retirement or to pass on to your family, and the tax benefit
- The broader security and lifestyle benefits of home ownership, such as providing a good and secure place for your family and children, where you have the control to make renovations and updates if you want, and in a place that’s in a community and location that you prefer

The secondary y-axis shows the Federal Housing Finance Agency’s House Price Index. The HPI is a broad measure of the movement of single-family house prices. The HPI is a weighted, repeat-sales index, meaning that it measures average price changes in repeat sales or refinancings on the same properties.
Two thirds of Americans view homeownership as an investment with a lot of potential

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>March</th>
<th>June</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2010</td>
<td>31%</td>
<td>35%</td>
<td>35%</td>
<td>55%</td>
<td>60%</td>
</tr>
<tr>
<td>2011</td>
<td>24%</td>
<td>26%</td>
<td>31%</td>
<td>50%</td>
<td>51%</td>
</tr>
<tr>
<td>2012</td>
<td>22%</td>
<td>24%</td>
<td>29%</td>
<td>51%</td>
<td>48%</td>
</tr>
<tr>
<td>2013</td>
<td>24%</td>
<td>29%</td>
<td>32%</td>
<td>51%</td>
<td>48%</td>
</tr>
<tr>
<td>2014</td>
<td>23%</td>
<td>22%</td>
<td>30%</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>2015</td>
<td>23%</td>
<td>24%</td>
<td>31%</td>
<td>52%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Do you think this investment is…?

- Safe investment with a lot of potential
- Safe investment with very little potential
- Risky investment with very little potential
- Risky investment with a lot of potential

Showing % “A Lot of Potential”

- Buying a home
- Putting money into a savings or money market account
- Buying stocks
- Buying government or corporate bonds
- Investing in a mutual fund
Homeownership is viewed as a safe investment, just behind putting money into a savings or money market account

Do you think this investment is…?

- Safe investment with a lot of potential
- Safe investment with very little potential
- Risky investment with very little potential
- Risky investment with a lot of potential

Showing % “Safe”

Buying a home
Putting money into a savings or money market account
Buying stocks
Buying government or corporate bonds
Investing in a mutual fund

Q4 2017 Consumer and Lender Key Insights
Renters see affording the down payment or closing costs and having insufficient credit as the biggest obstacles to getting a mortgage today

What would be your biggest obstacle to getting a mortgage to purchase or refinance a home today?

**UP TO 3 RESPONSES PERMITTED**

**Among all renters**

- Affording the down payment or closing costs
- Insufficient credit score or credit history
- Too much existing debt
- Insufficient income for monthly payments
- Lack of job security or stability
- The process is too complicated

![Graph showing percentage of renters facing each obstacle over time from Q4 2013 to Q4 2017]
Younger Renters

Younger renters are likely to aspire to own a home, but report financial constraints such as the down payment and credit, and are most often considering personal finances when determining the right time to buy

- Younger renters most frequently cite difficulty with affording a down payment and insufficient credit as their biggest obstacles to getting a mortgage
- The vast majority of younger renters do plan to buy at some point in the future
Most younger renters think owning makes more sense for financial and lifestyle reasons. Three fifths think it would be difficult for them to get a mortgage today.

Q47b - Which is closer to your view? Showing owning makes more sense because you’re protected against rent increases and owning is a good investment over the long term.

Q22 - Do you think it would be very difficult, somewhat difficult, somewhat easy, or very easy for you to get a home mortgage today? Showing very + somewhat difficult to get a mortgage.

Showing results among Renters 25-34
Younger renters continue to see affording the down payment or closing costs and having insufficient credit as the biggest obstacles to getting a mortgage today.

What would be your biggest obstacle to getting a mortgage to purchase or refinance a home today?
UP TO 3 RESPONSES PERMITTED
Among Renters 25-34

- Affording the down payment or closing costs
- Insufficient credit score or credit history
- Too much existing debt
- Insufficient income for monthly payments
- Lack of job security or stability
- The process is too complicated


- 2013: 53% Affording the down payment or closing costs, 45% Insufficient credit score or credit history, 25% Too much existing debt
- 2014: 46% Affording the down payment or closing costs, 44% Insufficient credit score or credit history, 21% Too much existing debt
- 2015: 57% Affording the down payment or closing costs, 49% Insufficient credit score or credit history, 21% Too much existing debt
- 2016: 45% Affording the down payment or closing costs, 41% Insufficient credit score or credit history, 18% Too much existing debt
- 2017: 61% Affording the down payment or closing costs, 39% Insufficient credit score or credit history, 20% Too much existing debt

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Renters more often consider their personal finances over their career or life stage as the primary factor when choosing the right time to buy

<table>
<thead>
<tr>
<th>Reason</th>
<th>All Renters</th>
<th>Renters 25-34</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal financial reasons</td>
<td>47%</td>
<td>46%</td>
</tr>
<tr>
<td>Lifecycle reasons such as marriage or having children</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>Career factors such as completing education or getting a new job</td>
<td>24%</td>
<td>31%*</td>
</tr>
<tr>
<td>Housing or mortgage market conditions such as home prices or interest rates</td>
<td>21%</td>
<td>23%</td>
</tr>
<tr>
<td>Economic conditions such as the job market and overall growth</td>
<td>18%</td>
<td>20%</td>
</tr>
</tbody>
</table>

* Denotes a statistically significant difference from All Renters at the 95% confidence level
Income growth tops the list of financial concerns for all renters when determining the right time to buy a home.

Given your personal situation, which of the following is most important to you when it comes to choosing the right time to buy a home? Please select up to 2.

Q3 2015

- **All Renters**
  - Increase in income: 31%
  - Improvement in credit score: 23%
  - Increase in savings: 19%
  - Decrease in debt: 11%
  - Decrease in expenses: 4%

- **Renters 25-34**
  - Increase in income: 31%
  - Improvement in credit score: 16%
  - Increase in savings: 24%
  - Decrease in debt: 17%
  - Decrease in expenses: 4%

* There are no statistically significant differences from All Renters at the 95% confidence level.
Younger renters view homeownership as a safe investment, behind putting money into a savings or money market account

Do you think this investment is…?

- Safe investment with a lot of potential
- Safe investment with very little potential
- Risky investment with very little potential
- Risky investment with a lot of potential

Showing % “Safe” among Renters 25-34

Q4 2017 Consumer and Lender Key Insights
More than half of younger renters view homeownership as an investment with a lot of potential

<table>
<thead>
<tr>
<th>Do you think this investment is...?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Safe investment with a lot of potential</td>
</tr>
<tr>
<td>• Safe investment with very little potential</td>
</tr>
<tr>
<td>• Risky investment with very little potential</td>
</tr>
<tr>
<td>• Risky investment with a lot of potential</td>
</tr>
</tbody>
</table>

Showing % “A Lot of Potential” among Renters 25-34

- Buying a home
- Putting money into a savings or money market account
- Buying stocks
- Buying government or corporate bonds
- Investing in a mutual fund

Q4 2017 Consumer and Lender Key Insights
For the past five years, younger renters say that making themselves financially ready to own is the primary reason they choose to rent.

What is your primary reason for renting now?

**Among Renters 25-34**

- **You are making yourself financially ready to own:**
  - Q3 2012: 49%
  - Q3 2013: 42%
  - Q3 2014: 36%
  - Q3 2015: 39%
  - Q3 2016: 35%
  - Q3 2017: 30%
- **Renting is a more affordable option:**
  - Q3 2012: 24%
  - Q3 2013: 14%
  - Q3 2014: 22%
  - Q3 2015: 24%
  - Q3 2016: 23%
- **Renting gives you more flexibility in your future choices:**
  - Q3 2012: 15%
  - Q3 2013: 16%
  - Q3 2014: 19%
  - Q3 2015: 16%
  - Q3 2016: 12%
- **You cannot obtain a mortgage:**
  - Q3 2012: 8%
  - Q3 2013: 12%
  - Q3 2014: 8%
  - Q3 2015: 6%
  - Q3 2016: 11%
- **Living in a rented home is less hassle and stress:**
  - Q3 2012: 6%
  - Q3 2013: 7%
  - Q3 2014: 7%
  - Q3 2015: 5%
  - Q3 2016: 5%
- **Renting allows you to live in a better neighborhood:**
  - Q3 2012: 1%
  - Q3 2013: 3%
  - Q3 2014: 2%
  - Q3 2015: 3%
  - Q3 2016: 3%
- **Renting protects against declines in housing prices:**
  - Q3 2012: 2%
  - Q3 2013: 1%
  - Q3 2014: 1%
  - Q3 2015: 2%
  - Q3 2016: 2%

* Denotes a statistically significant difference between younger renters in Q3 2016 and Q3 2015 at the 95% confidence level.
The vast majority of younger renters do plan to buy at some point in the future

**Lifetime Intentions to Own a Home Among Renters**

Q1 2017 to Q4 2017

- Likely to Always Rent
- Likely to Buy at Some Point

<table>
<thead>
<tr>
<th></th>
<th>All Renters (N=3892)</th>
<th>Renters 25-34 (N=1093)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19%</td>
<td>19%</td>
<td>8%*</td>
</tr>
<tr>
<td>81%</td>
<td>81%</td>
<td>92%*</td>
</tr>
</tbody>
</table>

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
Likely to buy at some point: Q31= Buy or Q50 = Buy at some point in the future
Likely to always rent: Q50 = Always Rent

* Denotes a statistically significant difference between all renters and renters 25-34 at the 95% confidence level
Student Debt

The effect of student debt on homeownership likelihood varies markedly depending on whether or not the borrower obtained a bachelor’s degree

• The benefits of obtaining at least a bachelor's degree outweigh the burden that student loans place on homeownership likelihood

• However, for those who started but did not complete their bachelor's degree, the negative effect of student loans on homeownership is particularly acute; among 25- to 44-year-olds with student debt, 40 percent did not get their bachelor's degree

• Having student loans may delay homeownership but does not seem to affect renters' long-term homeownership aspirations
Having a college degree increases the likelihood of owning a home, even for those who have student debt

<table>
<thead>
<tr>
<th>Likelyhood of Homeownership</th>
<th>Student Loan holders with at least a bachelor’s degree are 27% more likely to be homeowners</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Those with at least a bachelor’s degree and no loans are 43% more likely to be homeowners</td>
</tr>
</tbody>
</table>

Student Loan holders without a bachelor’s degree are 32% less likely to be homeowners

Overall percentage of homeownership of those aged 25-44 in sample is 52%

* Indicates a statistically significant difference from High School Graduates without Student Loans at the 95% confidence level; confidence level for Student Loan holder without College Degree is 94.5%, just below the 95% cut point. Regression analysis based on 2015 Q3 sample (N = 724) and controls for age to create a fair comparison among the groups. This analysis focuses on average outcomes among the four educational attainment/student loan status groups. Individual outcomes can vary due to a range of factors like personal ability, external financial resources, type of degree, etc.
Having student loans may delay homeownership

- Renters with student loans are less likely to say that they will buy on their next move than those without student loans, controlling for age, income, and marital status.

* Indicates a statistically significant difference at the 95% confidence level.

Analysis is based on 2015 Q3 sample (N = 318), which only looks at "buy" or "rent" at next move, and doesn’t take into consideration when they plan to move, therefore the estimated student loan effect can only serve as an indirect measure of a "delaying purchase" effect.
Having student loans doesn’t seem to affect renters’ long-term homeownership aspirations

- Renters with student loans are almost as likely as those without student loans to say they will buy at some point, if not on their next move, controlling for age, income, and marital status

**Buy at Some Point, if not on Next Move**

*Renters Age 25-44*

<table>
<thead>
<tr>
<th>Age 30-34 vs. Age 25-29</th>
<th>Age 35-39 vs. Age 25-29</th>
<th>Age 40-44 vs. Age 25-29</th>
</tr>
</thead>
<tbody>
<tr>
<td>-23%*</td>
<td>-6%</td>
<td>-31%*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income $25-49k vs. Income &lt;$25k</th>
<th>Income $50-74k vs. Income &lt;$25k</th>
<th>Income $75k+ vs. Income &lt;$25k</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>13%</td>
<td>34%*</td>
</tr>
</tbody>
</table>

Marital Status

- Married vs. Not Married: 3%

Overall percentage of renters aged 25-44 who would buy at some point if not on next move in sample is 80%

* Indicates a statistically significant difference at the 95% confidence level

Analysis is based on the 2015 Q3 sample of renters who say they would rent on their next move (N = 154), a small subset of the student loan relevant population.
Mortgage Qualification Research Key Insights

- When asked to identify accurate key mortgage qualification criteria (down payment, credit score, and DTI ratio), about one half of consumers were unable to provide an answer
  - The lack of understanding is more pronounced among those with less education and lower income as well as among renters (as opposed to homeowners with mortgages), African-Americans, and Hispanics
  - Only 23 percent are aware of the 3 percent and 5 percent down payment programs
  - Although more than eight in 10 consumers (81 percent) indicate that they have seen their credit score, when asked what their score is, nearly half consumers (49 percent) say “don’t know” or provide a number outside of the score range (300-850)

- And, among those who did provide an answer, only 5 to 16 percent of them chose an answer within the correct range
  - The “over-estimate” is more pronounced among less-educated and lower-income consumers, African-Americans, and Hispanics. When asked about the maximum DTI ratio, these consumer groups are more likely to “under-estimate” the ratio
  - Their mean responses about the minimum down payment and credit score requirements are higher than Fannie Mae requirements

<table>
<thead>
<tr>
<th></th>
<th>What Consumers Say</th>
<th>Fannie Mae Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Credit Score Required</td>
<td>Mean = 652 / Median = 650 / Don’t Know/Wrong = 54%</td>
<td>620 (minimum)</td>
</tr>
<tr>
<td>Minimum % Down Payment Required</td>
<td>Mean = 12% / Median = 10% / Don’t Know = 40%</td>
<td>3% (minimum)</td>
</tr>
<tr>
<td>Maximum Back-End DTI Ratio</td>
<td>Mean = 44% / Median = 45% / Don’t Know = 59%</td>
<td>45% (maximum for most circumstances)</td>
</tr>
</tbody>
</table>
Down Payment – Consumer Preferences, Lender Expectations, and Requirements

- Roughly four in 10 respondents are uncertain what down payment lenders either expect or require. When consumers consider a down payment, the threshold they set for themselves is, on average, more stringent than what they believe lenders both expect and require.

Overall, less-educated and lower-income consumers, African-Americans, Hispanics, and current renters are more likely to say “Don’t Know” across these down payment questions.

Base: Total sample, N=3,868

Q31. Imagine that you are planning to purchase a new home. What is the minimum percentage of the home’s sale price or appraised value that you would feel comfortable paying as a down payment in order to proceed with applying for a mortgage loan?

Q32. Based on what you have heard, what is the percentage of a home’s sale price or appraised value that lenders expect borrowers pay as a down payment for a typical mortgage today?

Q33. Regardless of what lenders expect, what do you think is the minimum down payment that lenders actually require?
Awareness of the 3 to 5 Percent Down Payment Programs

- Three-quarters of consumers are not aware of low down payment programs. The awareness level is lower among less-educated consumers, lower-income consumers, and seniors.

Q4 2017 Consumer and Lender Key Insights

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Q38. As you may know, there are housing programs that allow some people to pay 3% to 5% of the sale price or the appraised value of the home as a down payment. Generally speaking, how familiar are you with these programs? (Darker colors used to indicate intensity.)

Base: Total sample, N=3,868
```
Credit Score

- Roughly half of respondents do not know what their credit score is or volunteer a number outside of the score range. The mean score consumers posit as the minimum credit score required is 652, higher than Fannie Mae’s requirement of 620. Only 13 percent pick the “620 - 679” choice bucket.

Base: Total sample, N=3,868
Q30. To the best of your knowledge, what do you think your FICO® score is?
Q29. In order for borrowers to get a mortgage today, what do you think is the minimum FICO® score lenders would require?
Lenders Are Most Visible Source of Information and Most Influential

- Roughly six in 10 respondents view lenders not only as the most prominent source of information on the topic of getting a mortgage but also the most personally influential source of mortgage advice.

### Sources of Information

<table>
<thead>
<tr>
<th>Information Source</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lenders</td>
<td>58%</td>
</tr>
<tr>
<td>Realtors/real estate agents</td>
<td>42%</td>
</tr>
<tr>
<td>Mass media</td>
<td>39%</td>
</tr>
<tr>
<td>Family and friends</td>
<td>33%</td>
</tr>
<tr>
<td>Online websites (e.g., Bankrate.com, Zillow, or Realtor.com)</td>
<td>33%</td>
</tr>
<tr>
<td>Financial planners and financial advisors</td>
<td>19%</td>
</tr>
<tr>
<td>Government agencies</td>
<td>13%</td>
</tr>
<tr>
<td>Social media/online forums or blogs</td>
<td>10%</td>
</tr>
<tr>
<td>Non-profit housing counselors</td>
<td>5%</td>
</tr>
<tr>
<td>Refused</td>
<td>3%</td>
</tr>
</tbody>
</table>

### Most Influential to You When Getting a Mortgage

<table>
<thead>
<tr>
<th>Information Source</th>
<th>Most Influential</th>
<th>Top 3 Influential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lenders</td>
<td>33%</td>
<td>64%</td>
</tr>
<tr>
<td>Family and friends</td>
<td>20%</td>
<td>47%</td>
</tr>
<tr>
<td>Financial planners and financial advisors</td>
<td>13%</td>
<td>37%</td>
</tr>
<tr>
<td>Realtors/real estate agents</td>
<td>12%</td>
<td>50%</td>
</tr>
<tr>
<td>Online websites (e.g., Bankrate.com, Zillow, or Realtor.com)</td>
<td>6%</td>
<td>27%</td>
</tr>
<tr>
<td>Government agencies</td>
<td>4%</td>
<td>17%</td>
</tr>
<tr>
<td>Non-profit housing counselors</td>
<td>4%</td>
<td>15%</td>
</tr>
<tr>
<td>Mass media</td>
<td>3%</td>
<td>17%</td>
</tr>
<tr>
<td>Social media/online forums or blogs</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>Other (specify)</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Refused</td>
<td>2%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Future Mobile Technology Use

- Fewer than three in 10 respondents indicate that they would like the ability to complete any one financial or mortgage shopping behavior from a mobile device. However, there is greater interest among African-Americans, Hispanics, and Asian-Americans.

Future Mobile Device Use for Financial Matters and Mortgage Shopping

<table>
<thead>
<tr>
<th>Task</th>
<th>Percentage</th>
<th>Ethnicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check current interest rates</td>
<td>28%</td>
<td>Hispanics (35%), Asian-Americans (42%)</td>
</tr>
<tr>
<td>Use a mortgage calculator</td>
<td>26%</td>
<td>Hispanics (31%), Asian-Americans (35%)</td>
</tr>
<tr>
<td>Research homes</td>
<td>24%</td>
<td>Hispanics (32%), Asian-Americans (31%)</td>
</tr>
<tr>
<td>Get homebuyer guides/education materials</td>
<td>24%</td>
<td>Hispanics (31%), Asian-Americans (36%)</td>
</tr>
<tr>
<td>Obtain and compare mortgage quotes</td>
<td>23%</td>
<td>Hispanics (29%), Asian-Americans (35%)</td>
</tr>
<tr>
<td>Research and compare credit card offers</td>
<td>20%</td>
<td>Hispanics (26%), Asian-Americans (31%)</td>
</tr>
<tr>
<td>Manage my finances</td>
<td>14%</td>
<td>African Americans (19%), Hispanics (19%), Asian-Americans (20%)</td>
</tr>
<tr>
<td>Apply for a credit card</td>
<td>14%</td>
<td>African Americans (18%), Hispanics (20%)</td>
</tr>
<tr>
<td>Fill out a mortgage application</td>
<td>13%</td>
<td>African Americans (17%), Hispanics (17%), Asian-Americans (19%)</td>
</tr>
<tr>
<td>Submit documents such as bank statements and pay stubs to your mortgage lenders</td>
<td>13%</td>
<td>African Americans (17%), Hispanics (17%), Asian-Americans (19%)</td>
</tr>
</tbody>
</table>

Base: Total sample, N=3,868
Q53. Now, for the same list of tasks, please indicate whether you would like to do this on a mobile device in the future?
Mortgage Shopping Experiences and Behaviors

Low and moderate income recent homebuyers are flocking to mobile mortgage resources

• Mobile mortgage usage and demand have approximately doubled in the last year

• Many mortgage lenders have started to respond to interest in mobile resources by developing mobile apps, and their expectations suggest that half will offer a mobile app by Q3 2016

• Mobile usage and demand for home buying activities is most prevalent among younger, college educated, and first-time homebuyers
Mobile mortgage usage and demand have approximately doubled in the last year among low and moderate income recent homebuyers from Fannie Mae’s book of business.

In Q1 2015, 27% did a mortgage activity on a mobile device and 37% wanted to do a mortgage activity on a mobile device in the future.

In Q1 2016, 64%* have done a mortgage activity on a mobile device and 72%* would like to do so in the future.

Mortgage lenders say they are developing apps at a similarly rapid pace—the share of who offer a mobile app will double between Q3 2015 and Q3 2016 according to the Mortgage Lender Sentiment Survey®.

Q1 2015: Q: Have you ever done this online? / Would you like to do this online in the future? Showing those who responded “yes” to doing any of the specified mortgage activities on a smartphone or tablet.
Q1 2016: Q: Have you ever done this using a mobile device? / Would you like to do this using a mobile device in the future? * Showing those who selected at least one of the four mortgage activities that were part of both the Q1 2015 and the Q1 2016 questionnaires.

^ Indicates a significant difference between the Q1 2015 and Q1 2016.
Among the general population, mobile mortgage usage and demand are also increasing rapidly compared to the slower pace of adoption of mobile banking.

Among those with a mobile phone and a bank account, use of mobile banking overall has increased less sharply, from 39% in 2014 to 43% in 2015, according to the Federal Reserve’s Consumers and Mobile Financial Services 2016 study.

**In Q1 2015,**

14% did a mortgage activity on a mobile device

30% wanted to do a mortgage activity on a mobile device in the future

**In Q1 2016**,^ for those with at least one of the four mortgage activities that were part of both the Q1 2015 and the Q1 2016 questionnaires

30%* Have done a mortgage activity on a mobile device

56%* would like to do so in the future

Q1 2015: Q: Have you ever done this online? / Would you like to do this online in the future? Showing those who responded “yes” to doing any of the specified mortgage activities on a smartphone or tablet.

Q1 2016: Q: Have you ever done this using a mobile device? / Would you like to do this using a mobile device in the future?

^ Showing those who selected at least one of the four mortgage activities that were part of both the Q1 2015 and the Q1 2016 questionnaires

* Indicates a significant difference between the Q1 2015 and Q1 2016
The demand for mobile mortgage quote comparison seems to present the greatest opportunity as it shows the largest gap between current usage and future interest among low and moderate income recent homebuyers.

Current Mobile Participation vs. Future Interest in Home Buying Activities in Q1 2016
(Select all that apply)

<table>
<thead>
<tr>
<th>Home Research Activities</th>
<th>Mortgage Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research homes for sale</td>
<td>Obtain a mortgage quote</td>
</tr>
<tr>
<td>Look for home buying advice</td>
<td>Compare mortgage quotes</td>
</tr>
<tr>
<td>Submit documents to your mortgage lender</td>
<td>Fill out a mortgage application</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current</th>
<th>Future</th>
<th>Current</th>
<th>Future</th>
<th>Current</th>
<th>Future</th>
<th>Current</th>
<th>Future</th>
<th>Current</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>79%</td>
<td>47%</td>
<td>59%*</td>
<td>46%</td>
<td>51%*</td>
<td>40%</td>
<td>56%*</td>
<td>34%</td>
<td>55%*</td>
</tr>
<tr>
<td>46%</td>
<td>58%*</td>
<td>29%</td>
<td>46%*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q: Have you ever done this using a mobile device? / Q: Would you like to do this using a mobile device in the future?

* Indicates a significant difference between Current and Future percentages
Low and moderate income recent homebuyers are more likely to have used a mobile device to research homes for sale than to complete a mortgage activity.

(Q: Have you ever done this using a mobile device?)

- 80% have researched homes for sale on a mobile device
- 47% have looked for home buying advice on a mobile device

### Mobile Usage for Home Buying Activities in Q1 2016
(Select all that apply)

- **80%** have researched homes for sale
- **47%** have looked for home buying advice
- **46%** submitted documents to your mortgage lender
- **40%** looked for advice about getting a mortgage
- **34%** obtained a mortgage quote
- **32%** compared mortgage quotes
- **29%** filled out a mortgage application

Q4 2017 Consumer and Lender Key Insights
Many mortgage lenders have started to respond to interest in mobile resources by developing mobile apps, and their expectations suggest that half will offer a mobile app by Q3 2016.

### Current Mobile Participation vs. Future Interest in Mortgage Activities

<table>
<thead>
<tr>
<th></th>
<th>Q1 2015 (%)</th>
<th>Future 2015 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Future</td>
<td>64%*</td>
<td>72%*</td>
</tr>
</tbody>
</table>

**Q1 2015:** Q: Have you ever done this online? / Would you like to do this online in the future? *Mobile includes smart phone and tablet, and is a subset of online, which includes personal computer, showing 0-100% AMI homebuyers.

**Q1 2016:** Q: Have you ever done this using a mobile device? / Would you like to do this using a mobile device in the future?

Comparing only the four mortgage activities asked in Q1 2015 among 0-100% AMI recent homebuyers, showing those who selected at least one activity.

* Indicates a significant difference between the Q1 2015 and Q1 2016.

### Q3 2015 Mortgage Lender Sentiment Survey

- **24%** Of lenders offered a mobile app.
- **52%** Of lenders will offer a mobile app within a year.

Data from the Q3 2015 Mortgage Lender Sentiment Survey.
Mobile usage and demand for home buying activities is most prevalent among younger, college educated, and first-time homebuyers

Low and moderate income recent homebuyers are more likely to have done and to want to do home buying activities on a mobile device if they...

Are younger
Are college educated
Are first-time homeowners

Q: Have you ever done this using a mobile device? / Q: Would you like to do this using a mobile device in the future?
Online websites and mortgage lenders have the same level of influence on low and moderate income recent homebuyers as sources of mortgage advice.

Q: When you were researching and receiving advice about getting your current mortgage, which of the following sources of information had the most influence on your decision?

- Real estate agent(s): 30%
- Family and friends: 20%
- Mortgage lender(s): 19%
- Online websites like Zillow, realtor.com, or bankrate: 19%
- Other: 10%
- Mass media: 1%
- Don't know (volunteered): 2%
Hispanics

Like the general population, Hispanics prefer homeownership over renting and are more likely to say that they are renting now in because they cannot obtain a mortgage and to prepare financially to own in the future

- Hispanics consistently agree that homeownership provides more financial and lifestyle benefits than renting
- Hispanic renters are more likely to say that their primary reason for renting now is to ready themselves to own
Hispanics consistently agree that homeownership provides more financial benefits than renting

Which is closer to your view?

- Renting makes more sense because it protects you against house price declines and is actually a better deal than owning
- Owning makes more sense because you’re protected against rent increases and owning is a good investment over the long term

Showing % “Owning makes more sense”

![Graph showing homeownership sentiment from Q4 2010 to Q4 2017]

General Population
Hispanic
Hispanics consistently agree that homeownership provides more lifestyle benefits than renting

Which is closer to your view?

- 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

Showing % “Owning makes more sense”

<table>
<thead>
<tr>
<th>Quarter</th>
<th>General Population</th>
<th>Hispanic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2012</td>
<td>77%</td>
<td>77%</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>78%</td>
<td>78%</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>77%</td>
<td>78%</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>79%</td>
<td>78%</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>81%</td>
<td>81%</td>
</tr>
<tr>
<td>Q4 2013</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Q1 2014</td>
<td>77%</td>
<td>77%</td>
</tr>
<tr>
<td>Q2 2014</td>
<td>76%</td>
<td>76%</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>79%</td>
<td>79%</td>
</tr>
<tr>
<td>Q4 2014</td>
<td>77%</td>
<td>77%</td>
</tr>
<tr>
<td>Q1 2015</td>
<td>76%</td>
<td>76%</td>
</tr>
<tr>
<td>Q2 2015</td>
<td>79%</td>
<td>79%</td>
</tr>
<tr>
<td>Q3 2015</td>
<td>77%</td>
<td>77%</td>
</tr>
<tr>
<td>Q4 2015</td>
<td>75%</td>
<td>74%</td>
</tr>
<tr>
<td>Q1 2016</td>
<td>76%</td>
<td>76%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>74%</td>
<td>74%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>78%</td>
<td>78%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>77%</td>
<td>77%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>76%</td>
<td>76%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>77%</td>
<td>77%</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>77%</td>
<td>77%</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>78%</td>
<td>78%</td>
</tr>
</tbody>
</table>
Hispanic renters are more likely than all renters to say their primary reason for renting now is because they are making themselves financially ready to own and less likely to say renting gives more flexibility.
Home Equity Misperceptions

Many homeowners with a mortgage may be significantly underestimating their home equity status

- There is a large gap between the proportion of borrowers who perceive themselves to be underwater and CoreLogic estimated proportions of underwater homeowners in America

- Likewise, there is also a large gap between the perceived number of buyers with significant (20%+) home equity, and CoreLogic estimates of the proportion of homeowners with significant equity
There is a large gap between the proportion of borrowers who perceive themselves to be underwater and CoreLogic estimated proportions of underwater homeowners in America; the gap widened as house prices have rebounded starting in 2011, though it has begun to shrink.
Similarly, the gap between the perceived number of buyers with significant (20%+) home equity and CoreLogic estimates of homeowners with significant equity has grown dramatically since housing prices began to increase in 2011.

Homeowners Who Had Significant Home Equity: Estimated vs. Perceived

(CoreLogic estimates were based on data for the end of each quarter, NHS perceptions were based on data for the last month of each quarter)

NHS: percent of mortgaged homeowners in the NHS who think total amount they owe on their home is 20 percent less than the value of their home (Q91), for the end-of-quarter month
Corelogic: Quarterly Report, table on National Residential Equity (page 9 in the Q4 2016 report), LTV >0 to <80
CoreLogic estimates the amount of equity for each property by comparing the estimated current value of the property relative to the total of first- and second-mortgage liens outstanding.
CoreLogic estimates the current value for each property with proprietary CoreLogic valuation techniques, including valuation models and the CoreLogic Home Price Index.
Mortgage Refinancing

Almost half of mortgage borrowers have refinanced the mortgage on their current home

- Barriers to refinancing include not being able to reduce payments, closing costs are too high, and not wanting to lengthen the term of the loan
Almost half of mortgage borrowers have refinanced the mortgage on their current home

Have you ever refinanced the mortgage on your current home?
Among Mortgage Borrowers

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

Yes 55% 52% 58% 51% 53% 51% 52% 54% 52%
No 45% 47% 42% 48% 46% 49% 47% 46% 47%

Q4 2017 Consumer and Lender Key Insights
“Tried but Unsuccessful” consumers are more likely to cite lenders’ unwillingness, qualification, and the need to put down more money to make up lost home values as refinancing barriers than “Never Tried”

- Overall, not enough savings, closing costs, and rigid loan terms are the most common barriers

<table>
<thead>
<tr>
<th>Refinancing Barriers</th>
<th>Total Not Refinanced</th>
<th>Not Refinanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wouldn’t be able to reduce payments</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td>Closing costs are too high</td>
<td>45%</td>
<td>43%</td>
</tr>
<tr>
<td>Don’t want to lengthen loan term</td>
<td>43%</td>
<td>44%</td>
</tr>
<tr>
<td>Not sure what to trust with lenders</td>
<td>32%</td>
<td>31%</td>
</tr>
<tr>
<td>Too complicated</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Would need to put money down</td>
<td>29%</td>
<td>26%</td>
</tr>
<tr>
<td>Do not qualify for a refinance</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td>Lenders contacted would not refinance</td>
<td>20%</td>
<td>15%^</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Never Tried</th>
<th>Tried but Unsuccessful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wouldn’t be able to reduce payments</td>
<td>52%</td>
<td>51%</td>
</tr>
<tr>
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<td>Would need to put money down</td>
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<tr>
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<td>46%*</td>
</tr>
<tr>
<td>Lenders contacted would not refinance</td>
<td>15%^</td>
<td>49%*</td>
</tr>
</tbody>
</table>

N = 516 for “Never Tried” (39% of the whole sample); N = 93 for “Tried but Unsuccessful” (7% of the whole sample)

“Tried but Unsuccessful” are individuals who indicated that they have not refinanced the mortgage on their current home, but have tried to refinance in the past 2-3 years. Each barrier is asked on a 4-point scale, “greatly applies (4),” “somewhat applies (3),” “does not apply very much (2),” and “does not apply at all (1).” The percentages here are top two box scores.

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

^ The questions of “have ever refinanced” and “have tried to refinance” are separate questions in the survey. The 15% here could be due to respondents’ misinterpretation of the survey questions or misreporting. Or, respondents might have wanted to refinance, but did not follow through formal procedures.

Source: Fannie Mae 2013 National Housing Survey®; January – March
Disclaimer

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