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Fannie Mae's most recent National Survey indicates Americans uncertain that housing market has bottomed

Multiple factors indicate ongoing consumer concern about buying a home

WASHINGTON, D.C., November 23, 2010 – Fannie Mae's (FNMA/OTC) most recent nationwide housing survey finds that Americans are less certain that the housing market has bottomed, and continue to be wary of buying a home. The Third Quarter 2010 Fannie Mae National Housing Survey polled homeowners and renters between July 2010 and September 2010. Findings were compared to similar surveys conducted in June 2010, January 2010, and December 2003.

Fewer Americans think it is a good time to buy a home (68 percent, down 2 percentage points since June) and more Americans think it is a bad time to buy (29 percent, up 3 percentage points). Similar to the last survey, an overwhelming majority of Americans believe it is a bad time to sell a home (85 percent, up 2 percentage points since June).

"Consumer attitudes toward buying a home are more negative since last quarter," said Doug Duncan, Vice President and Chief Economist, Fannie Mae. "Our survey shows that Americans' declining optimism about housing and their personal finances is reinforcing increasingly realistic attitudes toward owning and renting."

One-quarter of respondents think that home prices will rise during the next 12 months (6 percentage points lower than in June), while 22 percent expect home prices to decline (4 percentage points higher). Americans continue to believe that rental prices will rise more than home prices and continue to believe that rental prices will go up rather than go down by a ratio of almost 4 to 1 (Americans expect rental prices to rise by 2.8 percent over the next year, compared to 3.6 percent in June).

The perception that buying a home is a safe investment continues to decline among Americans. Although 66 percent of Americans think buying a house is a safe investment, this is down 1 percentage point from June 2010, down 4 percentage points from January 2010, and down 17 percentage points from 2003.

For the first time, Delinquent borrowers are more likely to say they would rent rather than buy their next home – 50 percent would rent (up 10 percentage points since January) and 45 percent would buy (down 11 percentage points since January). More than half of Delinquent

borrowers are *very stressed* about their debt, and, unlike most Americans, are falling into more debt – 29 percent of Delinquent borrowers have significantly increased their mortgage debt during the last year, almost three times the percentage of Mortgage borrowers who did so.

OVERVIEW OF KEY FINDINGS

Americans Less Certain That Housing Market Has Bottomed and Show Continued Uncertainty About the Future

The survey showed that consumers are less confident about buying a home (despite fewer Americans believing that home mortgage interest rates will go up). Consumers also are less confident about home prices going up, a home purchase being a safe investment, and their personal finances.

The number of Americans who think it is a good time to buy a home dropped to 68 percent (down 2 percentage points since June). An overwhelming majority of Americans (85 percent) think it is a bad time to sell a house.

Americans are cautiously optimistic about their personal finances, with an equal percentage (41 percent) expecting their financial situation to improve as those expecting their finances to remain the same.

Fewer Americans expect home prices to rise during the next year. Delinquent borrowers and outright Owners are more likely to expect home prices to decline, in contrast to Underwater borrowers and Renters who think prices will go up modestly (0.4 percent and 1 percent, respectively).

Fewer Americans expect home mortgage interest rates to go up. While a plurality of Americans still expect rates to go up during the next year, Americans are more likely to expect the rates to remain flat, especially among Mortgage borrowers and Renters.

The perception that buying a home is a safe investment continues to decline among Americans, ranking second to putting money into a savings or money market account, and ranking just 1 percentage point ahead of putting money into an IRA or 401(k) plan.

Demand for Rental Properties Likely to Increase – Delinquent Borrowers Now More Likely to Rent If They Move

Delinquent borrowers are increasingly cautious about owning, are very stressed about their debt, are making a great deal of financial sacrifice to own their home, and, unlike most Americans, have growing debt.

- For the first time since January 2010, Delinquent borrowers are more likely to transition to renting from owning. Those who would buy have declined 11 percentage points and those who would rent have increased 10 percentage points from January's levels.
- Americans continue to be four times as likely to believe that home rental prices will go up rather than go down.
- Eighty-eight percent of Delinquent borrowers say they are making a financial sacrifice to own their home, with 69 percent saying they are making *a great deal* of financial sacrifice.

- More than half of Delinquent borrowers are *very stressed* about their debt, with 7 in 10 believing that their household income is insufficient for their expenses. Overall, most Americans perceive their incomes to be sufficient for covering their expenses.
- While more Americans report significantly lower mortgage and non-mortgage debt than those who report significantly higher debt versus a year ago, the opposite is true for Delinquent borrowers. Twenty-three percent of Mortgage borrowers have reduced their mortgage debt significantly in the last year, while 29 percent of Delinquent borrowers have increased their mortgage debt significantly.

More Americans Know Someone Who Has Defaulted On a Mortgage; More Mortgage Borrowers Believe Their Lender Would Pursue Other Assets If They Defaulted

The survey found that the incidence of knowing a defaulter is spreading among Americans, especially among those who have a mortgage.

- Forty-two percent of Americans, 63 percent of Delinquent borrowers, and 58 percent of Underwater borrowers (up 3, 7, and 10 percentage points since June, respectively) know someone who has defaulted on a mortgage.
- Those who know defaulters are more likely to have considered defaulting themselves. However, Delinquent borrowers are nearly three times as likely to have considered stopping their mortgage payments completely if they know someone who has defaulted on their mortgage, and are more likely to know a Strategic Defaulter (i.e., someone who stops making mortgage payments despite having the financial capacity to pay them) than they were in June.
- Fifty-five percent of Underwater borrowers, 51 percent of all Mortgage borrowers, and 43 percent of Delinquent borrowers (up 11, 6, and 6 percentage points since January, respectively) think their lender would pursue other assets in addition to their home if they defaulted on their mortgage.

Economic and Housing Attitudes Among Minority Respondents

The survey continued to show a mix of optimism and concern among African-Americans and Hispanics regarding their personal financial situation and their ability to obtain a mortgage.

- Sixty-five percent of African-Americans and 61 percent of Hispanics expect their personal financial situation to get better during the next year, compared to 41 percent of the general population.
- African-Americans (75 percent) and Hispanics (74 percent) continue to cite building up wealth as a *major reason* to buy a home, compared to 59 percent of the general population.
- Fifty-one percent of African-Americans and 32 percent of Hispanics believe the economy is on the right track, compared to 28 percent of the general population.
- Sixty-eight percent of African Americans and 73 percent of Hispanics believe that it would be difficult to get a home mortgage today. In comparison, 57 percent of the general population thinks getting a home mortgage today would be difficult.

Survey Methodology

From July 5, 2010 – October 4, 2010, 3,417 telephone interviews were conducted with Americans aged 18 and older to assess their confidence in homeownership as an investment, the current state of their household finances, views on the U.S. housing finance system, and overall confidence in the economy.

This included a random sample of 3,015 members of the General Population, including 834 Outright Homeowners, 1,156 Mortgage borrowers, and 894 Renters. Out of the 1,156 Mortgage borrowers, 305 identified themselves as Underwater borrowers (those who report owing at least 5 percent more on their mortgage than their home is worth). The overall margin of error for the general population sample is +/- 1.78 percent and larger for sub-groups.

An additional oversample of 402 random national Delinquent borrowers also was polled. The margin of error for the Delinquent borrower oversample is +/- 4.89 percent and larger for sub-groups. Delinquency was defined as not having made a mortgage payment in the past 60 or more days.

Interviews were conducted by Penn Schoen Berland, in coordination with Fannie Mae.

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About Fannie Mae

Fannie Mae exists to expand affordable housing and bring global capital to local communities in order to serve the U.S. housing market. Fannie Mae has a federal charter and operates in America's secondary mortgage market to enhance the liquidity of the mortgage market by providing funds to mortgage bankers and other lenders so that they may lend to home buyers. Our job is to help those who house America.

About Penn Schoen Berland

Penn Schoen Berland, a unit of the WPP Group (NASDAQ: WPPGY), is a global research-based consultancy that specializes in messaging and communications strategy for blue-chip political, corporate and entertainment clients. We have over 30 years of experience in leveraging unique insights about consumer opinion to provide clients with a competitive advantage - what we call Winning Knowledge™. PSB executes polling and message testing services for Fortune 100 corporations and has helped elect more than 30 presidents and prime ministers around the world. More information is available at www.psbresearch.com.