

**RESULTS OF THE
FANNIE MAE FOUNDATION
AFFORDABLE HOUSING SURVEY**

Conducted by

**HART/TEETER
MAY/JUNE 2002**

On behalf of the Fannie Mae Foundation, Peter D. Hart Research Associates and the Coldwater Corporation surveyed a randomly selected and nationally representative sample of 1,004 adults over age 22 by telephone. The survey was conducted from May 28 to June 4, 2002 and concerned respondents' assessments of their living situations and their preferences regarding housing and community. During the same period, a randomly selected sample of 300 adult members of "working families" was also surveyed by telephone. The "working families" sample consists of households that 1) have at least one child under age 18 living in the household, 2) live in a metropolitan area of 1,000,000 or more, 3) have an adult that is employed full-time or has multiple part-time jobs, and 4) have a combined total household income less than \$54,000 (the median income for families living in metropolitan areas in the United States). The margin of error is 3.2% for the national sample of adults and 5.8% for the sample of working families. With each sample, the margin of error is higher for any results concerning subgroups. This report briefly provides some of the main findings from the research.

To complement and inform the quantitative research, the Fannie Mae Foundation also commissioned the research firms to conduct a series of focus group discussion sessions with members of working families. The sessions were held in Boston, MA; Charlotte, NC; and San Diego, CA on May 16, 17, and 20, 2002.

SUMMARY OF FINDINGS

Americans recognize the difficulties that low- and moderate-income families face in finding affordable homes.

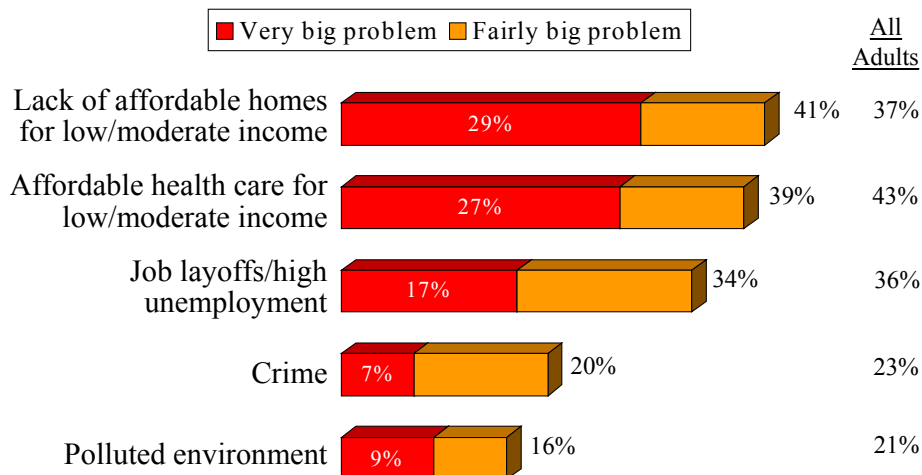
Americans see a lack of affordable homes for low- and moderate-income working families as being as much of a problem in their communities (37% say it is a very or fairly big problem) as are job loss and unemployment (36%), an even bigger problem than crime (23%) and a polluted environment (21%), and second only to a lack of affordable health care (43%). A total of 61% of Americans say that the availability of affordable homes is at least a moderate problem in their area and only 34% describe it as a slight problem or not a problem at all.

Awareness of a lack of affordable homes is highest among those who have experienced the problem first-hand. Among those who moved to a new area or community in the past five years, 46% say it is a very or fairly big problem, an additional 21% say it is a moderate problem, and only 28% say it is a slight problem or not a problem at all. Of those who have lived in the same area for more than five years, only 35% say it is a very or fairly big problem and 35% say it is a slight problem or not a problem at all. Similarly, 45% of those likely to move in the next few years say that it is a very or fairly big problem compared with only 33% who are unlikely to move.

Working families see a lack of affordable homes (41% say it is a very or fairly big problem) as a big a problem as a lack of affordable health care (39%). In fact, they see it has an

even bigger problem in the areas where they live than job layoffs and unemployment (34%), crime (20%), or pollution (16%).

Lack Of Affordable Homes Seen by Working Families to be as Big a Problem as Affordable Health Care



The problem is affecting some areas of the country more than others and some groups of people more than others.

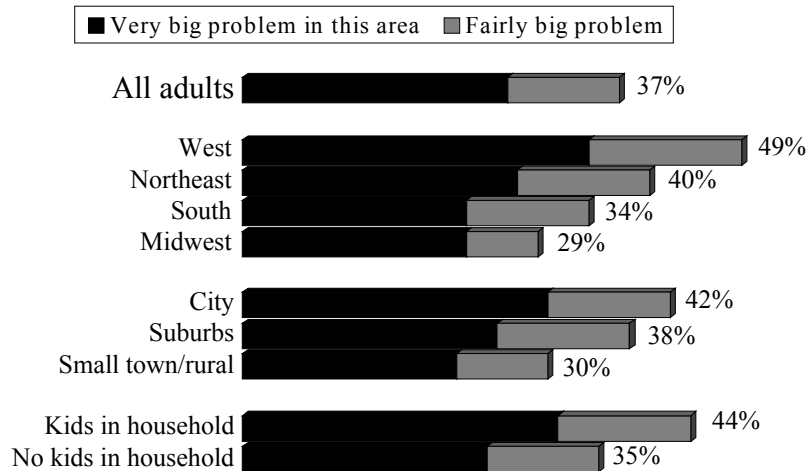
The shortage of affordable homes for low- and moderate-income working families is more acute on the coasts than it is in inland America. Half, 55%, of those living on the Pacific coast and 40% of those living in the Northeast, say that a lack of affordable housing is a very or fairly big problem. This is compared with 34% in the South and 29% in the Midwest. A lack of affordable homes is also a bigger problem in cities than in small towns—42% who reside in a city say that it is a very or fairly big problem compared with only 38% of those in the suburbs and 30% of those in small towns or rural areas.

A lack of affordable homes also affects some groups more than others. It is a particularly big problem for minority groups—52% of Hispanics, African Americans, and others say that a lack of affordable homes for low- to moderate-income working families is a very or fairly big problem in their area. Nearly two in five, 39% say it is a very big problem.

A lack of affordable homes is also a bigger problem among households with children – 44% of those with children under age 18 at home say that it is a very or fairly big problem in their area and an additional 23% say it is a moderate problem.

Affordability: Where The Problem Of Affordable Homes Is Perceived Most

Lack of affordable homes for low/moderate income families



Americans report that the problem of affordable homes is growing, not diminishing.

Many Americans who want or have to move are finding it much harder to find a good affordable home. Among those who moved more than five years ago, 47% say that it was very easy to obtain their residence. Only 37% of those who moved within the past five years say the same. In today's market, only one in five Americans (20%) say that there are many good options as far as affordable places to live, and only 36% say some good options. More than a third of Americans, 39%, say there are only a few or no good options as far as affordable places to live.

"You go, well, you should have just done it and got into it earlier, to use it as an investment, use it as a steppingstone. Housing in the last six months or whatever just went crazy."

-Renter, San Diego

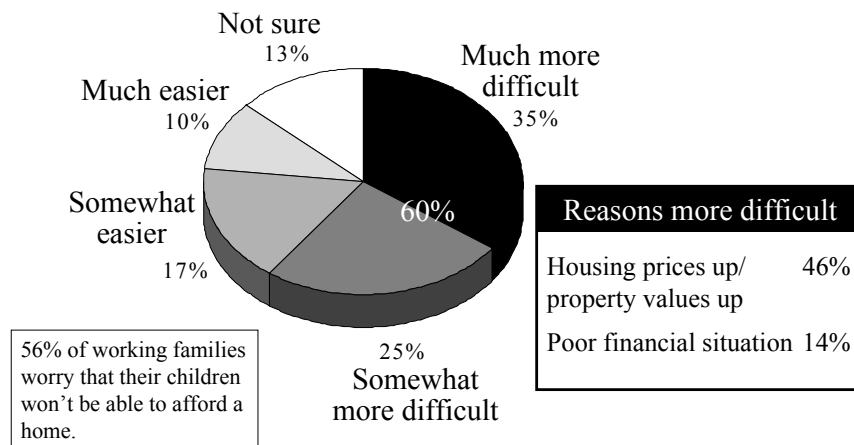
Most Americans, 60%, say that it would be more difficult to obtain their current home in today's housing market. In fact, more than a third, 35%, say that it would be much more difficult. People cite rising housing costs (39%), the increased value of their current home (8%),

or a job in which their income is not keeping pace with the housing market (14%) as reasons why it would be more difficult.

Again, this is affecting some regions of the country more than others—70% of those in the West and 64% of those in the Northeast say it would be more difficult to obtain their current residence in today’s market compared to 55% of those in the Midwest and 56% of those in the South. Only half of those in the Northeast and only 50% of those in the West see many or some good options; 45% and 44% respectively say that there are only a few or no good options as far as affordable places to live.

Americans See A Growing Problem

Would it be easier or more difficult financially for you to obtain your current residence in today’s housing market?



Working families are particularly challenged in dealing with the current housing market, and renters are in an especially tough bind.

Working families have been affected the most by the changes in the housing market. One-third, 32%, say it was very easy to obtain their current residence, and among those who have moved in the past five years, only one in four, 26%, say the same.

Nearly half of working families, 47%, say that they are likely to move in the next few years even though only 13% say that they have many good options as far as affordable places to live, and nearly half, 46%, say that they have only a few or no good options.

Nearly four in five working families, 79%, say that finding a home they like and that they can afford is an obstacle to buying a home in today's market. Half, 49%, say that this would be a major obstacle. Indeed, their housing situation is a source of frustration for many working families. Nearly half, 45%, say that they thought they would be living in a much nicer place at this point in their lives.

Many of the working family focus group panelists were renters who thought they would never own a home. These panelists could not point a finger and blame anyone in particular, but they expressed feelings of anger at the inequity.

"I'm stuck. I've been here 20 years, and I'm 40-something years old. I've raised two children. My son is 26. I have a daughter who's 18. I have two grandchildren now. And here I'm still stuck in an apartment. I want to have a home for these kids. I'm a nurse. I've been a nurse for 20 years. I have a good job. I go to work every day, but I still can't afford a house, and that's really sad to me. I feel stuck, but, you know, I push hard. . . "

-Nurse, Charlotte, NC

Most renters, 53%, see a lack of affordable housing for low- and moderate-income working families as a very or fairly big problem. This is understandable, as three in four renters, 77%, say that being able to find a home they can afford would be an obstacle to buying a home. More than half, 51%, says that being able to afford a home that they like would be a major obstacle.

More than three in four renters, 77%, would prefer to own a home, and while 41% believe that they will be able to buy in the next few years, 36% say it may take awhile, and one in five, 20%, are not sure they will ever be able to buy a home. More than half of renters, 53%, say that they thought they would be living in a much nicer place at this point in their lives.

"I'm sick of struggling. I'm sick of getting paid crap. Everything costs so much. I don't know how people do it. I really don't. I couldn't afford to pay the rent, I mean, I still think my rent is horrible."

-Renter with 3 children, Boston

The dramatic rise in housing prices has had profound implications for renters, and not only because it has made homeownership less attainable. Both owners, 61%, and renters, 58%, say that it would be more difficult to obtain their current residence in today's housing market. And while 47% of owners say that their current residence is very affordable, only 36% of renters say the same. More than half of renters, 53%, say that there are only a few or no good options as far as affordable places to live.

For those who have moved recently, affordability is a bigger problem, and some may be forced into a market where they believe they have few options.

Fewer than half of Americans, 44%, say that their current residence is very affordable, 35% say their residence is fairly affordable, and one in five, 20%, say that their current residence is just somewhat or not really affordable. However, of those who have moved to their residence in the past five years, only 33% say their current residence is very affordable, 38% say fairly affordable, and 29% say that their residence is just somewhat or not really affordable.

The results suggest that many Americans may have to move because they find it difficult to afford their current residence. Among those who say that their residence is just somewhat affordable or not really affordable, 50% say that they are likely to move in the next few years. This is compared with only 41% of those who say that their residence is very or fairly affordable.

This is a significant proportion of the U.S. population—20% say that their residence is somewhat or not really affordable. This means that approximately 9% may be looking to move because they cannot afford their residence. Moreover, they are entering a market in which they see very few options. More than half, 53%, of those who say that they are having trouble affording their current residence also say that there are only a few or no good options as far as affordable places to live.

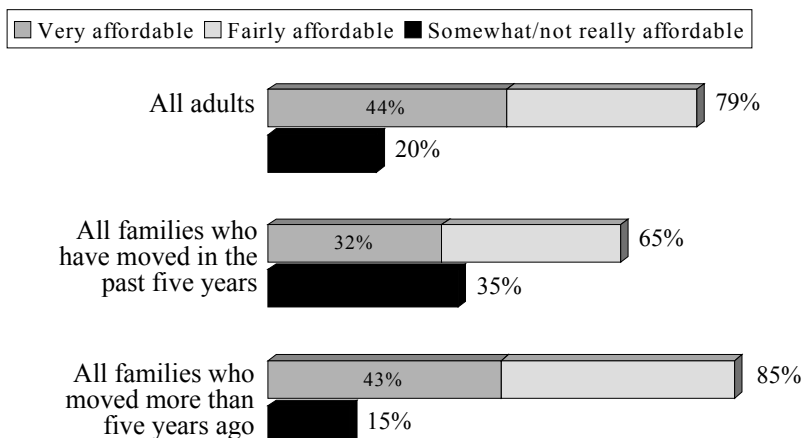
If the lack of affordable housing is not addressed, it may hit families with children the hardest.

In general, members of households with children under age 18 report having a slightly more difficult time affording their residence. What is worrisome is that families are more likely to be entering the housing market and families who have been in the market recently report even fewer affordable homes.

Among households with children under age 18 at home, only 37% say that their current residence is very affordable; 38% say their residence is fairly affordable; and one in four, 25%, say that their residence is just somewhat or not affordable. By contrast, nearly half, 48%, of those with no children at home say that their residence is very affordable and only 17% say it is just somewhat or not really affordable. Among families who have moved to a new residence in the past five years, fewer than a third, 32%, say that their residence is very affordable, 34% say it is fairly affordable, and 35% say that it is just somewhat or not really affordable.

Affordability Is A Bigger Problem For Families Who Have Moved Recently

How affordable is your current residence for you?



While a large proportion of Americans, 43%, say that they are likely to move in the next few years, the proportion is significantly higher among families—half, 52%, of those with children under age 18 in their household say that they are likely to move in the next few years.

It is no wonder that parents worry about what the future holds for their children. More than half, 53%, say that they worry that their children will not be able to afford to buy a home when they grow up.

Given the extent to which Americans view housing as a significant problem for working families, it is not surprising that a strong majority believes that government should be involved.

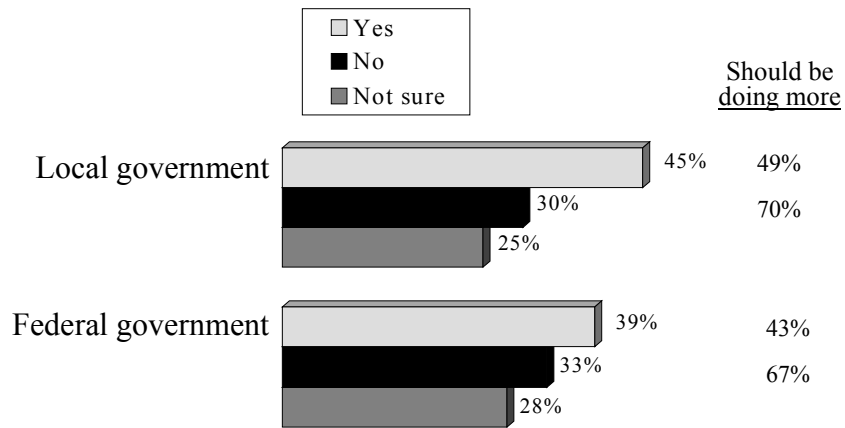
Nearly a third of Americans, 30%, say that their local government is not doing anything about the lack of affordable homes. Of this group, 71% say that their local government should act to address the problem. Just under half of Americans, 45%, believe that their local government is doing something. Of this group, 49% believe that their local government should be doing more, while the other half, (49%, supports the efforts their local government is making.

There is little opposition to involvement by local government. Among those who say that their local government is doing something right or could be doing more to address the problem are 60% of those with household incomes over \$75,000, 64% of men and 67% of women, 63% of those over age 50 and 67% of those age 22 to 34, as well as 64% of non-Hispanic whites.

Being able to find an affordable home is a significant enough concern that local governments that are working to address the problem appear to be lifting people's hopes for the future of their communities. Among those who believe that their local government is increasing the availability of affordable homes, 36% say that things in their area have gotten better over the past 10 years. Of those who say that their local government is not doing anything to make affordable homes more available, only 26% say that their area has gotten better. Two in five, 41%, of those who believe that their local government is doing something also believe that things in their area will get better over the next 10 years. Among those who say their local government is not doing anything, only a third, 33%, believe that things in their area will get better over the next decade.

Widespread Support For Government Addressing Problem

Is government working to make affordable homes available?

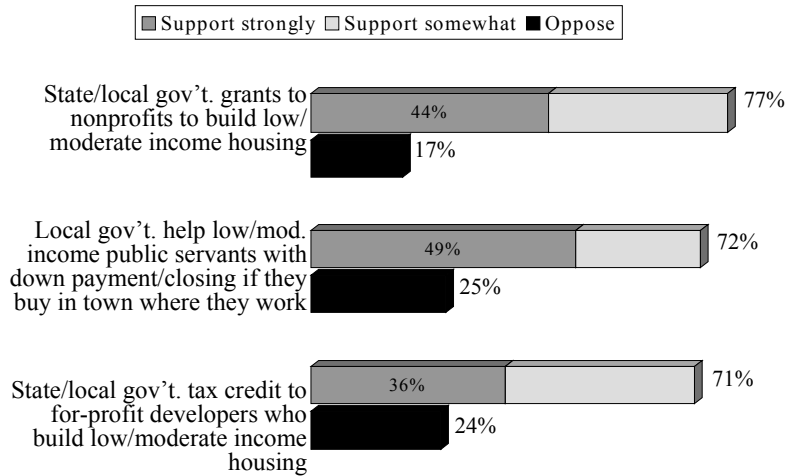


The public has a slight preference for a local government solution, but a solid majority also supports action on the part of the federal government. Nearly two in three Americans, 65%, say that local government should do something to make affordable homes available to people like themselves, and only slightly fewer, 59%, believe that federal government should address the availability of affordable homes.

The public supports a variety of state and local policy measures.

The public supports several options that state and local government might take to increase the availability of affordable homes. Specifically, there is a large margin of support, 77% to 17%, for the idea of state and local governments giving grants to not-for-profit organizations if they build housing for low- and moderate-income working families. By only a 72% to 25% slightly narrower margin, the public supports local governments providing public servants -- such as firefighters, police officers, and teachers -- with part of the down payment and closing costs if they purchase a home in the city or town where they work. Finally, by 71% to 24%, the public supports the idea of state and local governments giving tax credits to for-profit housing development companies if they build housing for low- to moderate-income working families.

Public Supports A Variety Of Policy Measures



Support for all these measures cuts across demographic boundaries. The idea of local governments providing direct assistance to public servants, for example, receives support from 73% in the suburbs, 68% of those in small towns and rural areas, 65% of men, 78% of women, 72% of those in households with incomes of \$75,000 or more, and 75% of those in households with incomes less than \$30,000.

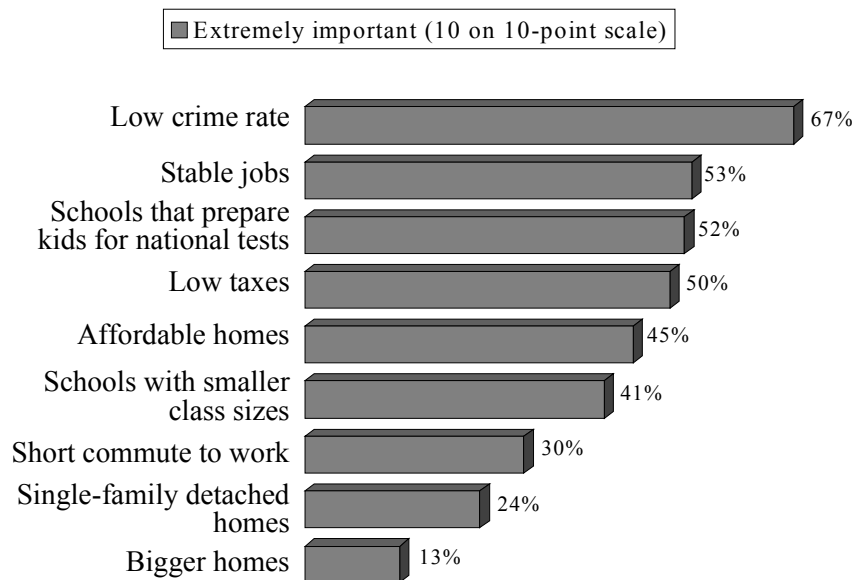
In addressing the problem, the public puts a higher priority by a margin of 72% to 16% on increasing the availability of affordable homes to buy rather than on affordable rental units. Even renters put a higher priority on homes to buy, 61% to 29%.

This problem is about more than just the affordability of apartment buildings or houses. It is as much about communities.

In the focus groups, when panelists discuss the pluses or minuses of a place to live, they referred more often to community and neighborhood than the residence. Ultimately the community people live in is more important than their specific residence. Indeed, when panelists were asked whether they would prefer a less desirable house in a more desirable community, or a more desirable house in a less desirable community, they overwhelmingly choose the better community. In broad terms, a person's "home" comprises more than just their residence; it includes the neighborhood and the community where it is located.

When people think about places to live, the factors they consider are predominantly at the community level. The most important factors for the public are the safety of the neighborhood, 40%, economic conditions in the area, 20%, the quality of the housing that is available, 17%, and the quality of the local education system, 14%. In terms of what the public looks for in a place to live, 67% say a low crime rate is extremely important, 53% say stable jobs, 52% say schools that do a good job of preparing children for national tests (60% among households with children under age 18), 50% say low taxes, and 45% say affordable homes. Much further down the list of the public's considerations is property that has been going up in value, 32%, detached homes, 24%, or bigger homes, 13%.

What People Want In A Place To Live



As a result, the issue of affordable homes goes beyond being able to obtain a mortgage or pay the rent. It involves being able to live in a community that is safe, where there are jobs, and where there are high-quality schools. A lack of affordable homes means that people either choose a home that is not affordable for them, or they find a community that is less desirable. The results suggest that people who have recently moved are choosing to live in a less affordable home in order to live in a community that they like. Currently, most Americans feel that the area in which they live is either a great (31%) or a good place (47%). If housing prices continue to

rise, this may change over time. Those who say that they have only a few or no good options as far as affordable places to live view their area more negatively, 24% great, 45% good.