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A Message from Jeffrey Chalmers:

"Truth or Dare. Take your pick."

Renters Mistakenly Believe They're Paying Less Than Owners

Renters questions in a new Freddie Mac survey expressed a rather **unfortunate misconception**. In its new *Profile of Today's Renter and Owner*, the company said it found that "An unprecedented number of renters **believe renting is more affordable than owning**. Eighty-four percent of respondents stated that belief, up 17 percentage points from the February 2018 survey and an all-time high. However, the survey also found that 42 percent of renters paid more than one-third of their income on rent compared to 24 percent of homeowners who paid that much on their mortgage.

With interest rates currently low, 40 percent of the survey's renters plan to purchase a home, and 46 percent of homeowners have plans to renovate in the next several months. Rates are inspiring other moves among owners; 29 percent plan to refinance and 27 percent would like to purchase a new home or an investment property.

Freddie Mac said **Baby Boomers stood out** in the survey as the least likely to take action due to rates. Seventy-one percent said they were highly satisfied with their experience as a homeowner and 61 percent prefer to live in a small home. Thirty-four percent of Boomer owners said they would never move compared to 18 percent of Gen X and 8 percent of Millennials.

Even as renters, Boomers were more satisfied than other generations. Half said so as compared to 39 percent of older Millennials 35 percent of Gen X, and a third of younger Millennials. Further, 27 percent of renters say they will never move compared to less than 10 percent of the younger cohorts.

"The housing market is strong and, based on our survey, the low mortgage rate environment **may inspire both renters and owners** to make an educated move this spring," said David Brickman, CEO of Freddie Mac. "While Baby Boomers tend to be satisfied with their current housing situation, younger generations are still struggling to determine whether to rent or purchase a home, largely due to lack of supply and affordability constraints."

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.28%	-0.09	0.00
15 Yr. Fixed	6.75%	-0.07	0.00
30 Yr. FHA	6.70%	-0.12	0.00
30 Yr. Jumbo	7.48%	-0.07	0.00
5/1 ARM	7.35%	-0.07	0.00

Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00

Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/3

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

While renters do feel renting is the more affordable option, **concerns are emerging** about many renters' ability to make housing work within their family budget. The 42 percent of renters who are cost burdened by the traditional one-third rent-to-income measure, is up 8 percentage points since last April while the percentage of cost-burdened owners has not changed in eight years.

Sixty-nine percent of renters are growing more concerned about their rent going up in the next 12 months and 67 percent have made spending changes or have moved to afford their monthly housing payment, up five points from April 2019. Among those who live in rural areas, 70 percent made changes as did 82 percent of those in the "essential workforce." These are increases from 59 percent and 76 percent respectively in April of last year.

Half of all renters are finding it **difficult to find affordable housing** that is close to work, up 22 percent since April 2019. Still, 18 percent of renters say they are not interested in ever purchasing a home, up 4 points from August 2017.

Freddie Mac contracted with Harris Insights & Analytics to conduct the online survey over a four-day period, beginning August 22. The poll collected data from 4,012 respondents over the age of 18, including 2,715 homeowners, 1,233 renters and 64 others.

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