New Source of Information on Financing Residential Properties

A recently released report shows that nearly 4 out of every 10 residential properties in the United States were owned free and clear in 2001 and that large multifamily rental properties are most likely to be mortgaged (nearly 9 out of 10 properties). Homeowners tend to pay off their mortgages as the homeowners mature and most go into retirement without owing on mortgages. Savings and loan institutions and federal savings banks held a lower share of mortgages in 2001 than they did in 1991. The typical mortgage was a fixed-rate mortgage, although the new "hybrid" mortgages were already on the rise in 2001.

These mortgage facts and others are presented in *Residential Finance Survey: 2001*.[1] The U.S. Department of Housing and Urban Development and the Census Bureau recently released this report on the financing of all nonfarm, privately owned properties as of 2001. This survey is a follow-on survey to the 2000 Census and has been done every decade since the 1950 Census. The survey is unique in that it covers all residential properties: owner-occupied, renter-occupied, and vacant properties. It collects mortgage and financing information from both the owners of the properties and the holders of the mortgages or installment loans. The survey is also unique in that it covers all sources of mortgage financing. The basic unit of observation is the property (or the group of housing units covered by a single mortgage or property title). Using the property as the basic unit of analysis allows for the identification of all mortgages and loans on a property through the use of a consistent system. The sample was drawn from the 2000 Census with some updating to account for new construction between the April 2000 Census and the middle of 2001.

Data were collected from three sources using a different questionnaire for each source: owner-occupants, owners of rental (or vacant) properties, and mortgage lenders or servicers. Three categories of information were collected for all properties: characteristics of the loans, socioeconomic characteristics of the property owners, and features of the property. In addition, management, revenue, and expense information was collected for rental and vacant properties. Separate questions were asked concerning manufactured (mobile) home installment loans.

In this article we present information about what data were collected in the survey, provide some results from the survey about mortgages in 2001 and comparisons to mortgages in 1991, and indicate how the interested person can access the report, additional tables, and the detailed survey data.

Mortgage or Loan Information

Data were collected on up to three conventional mortgages and an equity line of credit. Information was also collected for installment loans for manufactured (mobile) homes. For all property owners the presence and number of mortgages and loans were determined. For each mortgage, the following information was collected from the property owner: the origination year and month; the original principal of the loan; the type of lender; the application method; the required regular payments, frequency (monthly, biweekly, quarterly), and items included (principal, interest, taxes, insurance); mortgage insurance (FHA, VA, private); and whether the loan was a refinance or purchase mortgage. For refinance loans, questions were asked about the reasons for refinancing, whether and how much cash was taken out, and what uses were planned for the cash. The information collected from owners of manufactured (mobile) homes with installment loans was more limited. These owners were asked about the presence of a foundation; the value of the unit; the model year; the original loan amount; and regular payments, such as items included in the payment, the amount of the payment, and the frequency of regular payments.

Mortgage information was also collected from the lender. There was some overlap in the information collected from property owners and the information collected from lenders. Lenders were asked about the original mortgage amount, month, and year; the insurance type; the original value or appraisal value; and regular payments, such as items (principal, interest, taxes, hazard insurance, mortgage insurance) included in the payment, the amount of the payment, and the frequency of payments. The values supplied by the lender are considered superior to those supplied by the owner.[2]

Numerous other types of mortgage information were collected solely from the lender. This information includes the type of institution holding the mortgage, the state where the institution had its home office, distinctions between holders and servicers, the type of mortgage (fixed rate, adjustable rate, etc.), whether the mortgage was considered subprime, the current mortgage balance and interest rate, the delinquency or foreclosure status, the existence of buydowns and their type, whether payments were adjustable (including the frequency and amount), and whether the mortgage was fully amortizing.

For adjustable rate mortgages (ARMs), information collected from the lender included the index used to adjust the interest rate, the frequency of interest rate change, the initial interest rate, the rate caps (per adjustment period and per the life of the loan), and convertibility to fixed-rate mortgages.

The following information was collected from the lender for home equity lines of credit: the type of institution holding the line of credit, the value of the line of credit, the amount borrowed and the current balance, points paid and the current interest rate, and the regular payment amount and items included in payments.

Lenders of installment loans on manufactured (mobile) homes were asked to provide more limited information, including the type of institution holding the loan, date and term of the loan, original principal amount, current balance, current interest rate, and amount and frequency of regular payments.

Property Characteristics

Property characteristics collected from all property owners included information on the acquisition of the property, including the year it was bought, how the property was acquired (purchased, built, inherited, etc.), whether it was new or existing at the time of purchase, the purchase price, the financing method, and the source of downpayment. Other property information collected for the survey included structure type by number of units (single-family attached or detached, multifamily in single or multiple buildings); current values; whether the property is age restricted or predominately occupied by seniors; expenses for real estate taxes, special assessments, property insurance, mortgage insurance, and land rent (if land was not owned); and capital improvements in the past 3 years.

The location of the property was provided based on census region (Northeast, Midwest, South, or West), metropolitan location (central city of a metropolitan statistical area [MSA], outside a central city in an MSA, or outside an MSA), and state (for properties in one of the 12 larger states).[3]

In addition, unique information, including the use of professional property managers, rental receipts (broken down by residential and business), vacancy losses, acceptance of Section 8 tenants, form of legal ownership (individual, partnership, real estate investment trust, etc.), and amounts for expenses related to rental properties (property management and administration, maintenance and repairs, utilities and fuels, land rent, and other expenses), was collected from owners of rental properties.

Owner Characteristics

Information about noninstitutional property owners and co-owners was collected, including the number of owners; race (including Hispanic heritage), age, and sex; veteran and active-duty military status; income (source and total income); whether the owner lived on the property; and whether this was the first home owned. For institutional owners, information about the legal form of ownership was collected.

Overview of Residential Finance Survey Results

In this section, we present a few exhibits to provide an overview of the results in table format. The following tables and estimates are a miniscule fraction of the tables and estimates that exist in the published report or tables and estimates that can be created using the microdatabase. (Information on accessing the reports and databases is presented in the subsequent section.)

Overall, most residential properties are mortgaged. Homeowner units are more often mortgaged than rental properties are. Large multifamily rental properties are most likely to be mortgaged, while manufactured (mobile) housing units (homeowner and rental) are least likely to have outstanding debts. Exhibit 1 presents an overview of all properties and whether they were mortgaged in 1991 and 2001. Since 1991, the likelihood of homeowner properties having mortgages has

Exhibit 1. Mortgage Status by Property Type: 2001 and 1991

Property Type	2001				1991			
	All Properties*	Mort-gaged*	Nonmort-gaged*	% Mort-gaged	All Properties*	Mort-gaged*	Nonmort-gaged*	% Mort-gaged
All Properties	83,465	50,570	32,896	60.6	70,907	42,033	28,874	59.3
Total Homeowner Properties	67,671	43,636	24,035	64.5	56,058	34,533	21,525	61.6
1 housing unit	56,960	37,968	18,992	66.7	47,578	30,070	17,508	63.2
2 to 4 housing units	1,087	643	444	59.2	1,581	901	680	57.0
Condominiums	3,883	2,437	1,446	62.8	2,636	1,959	677	74.3
Manufactured homes	5,741	2,588	3,153	45.1	4,263	1,602	2,661	37.6
Total Rental or Vacant Properties	15,794	6,933	8,861	43.9	14,849	7,500	7,349	50.5
1 housing unit	9,855	4,237	5,618	43.0	8,964	4,255	4,709	47.5
2 to 4 housing units	2,035	1,144	891	56.2	2,320	1,449	871	62.5
5 to 49 housing units	473	293	180	61.9	557	391	166	70.2
50 or more housing units	71	61	10	85.9	65	57	8	87.7
Condominiums	1,619	854	765	52.7	1,587	1,068	519	67.3
Manufactured homes	1,741	344	1,397	19.8	1,355	281	1,074	20.7

*Thousands of units.

increased while the likelihood of rental properties having mortgages has declined.

There were an estimated 83,465,000 properties in 2001; 67,671,000 of these properties were owner-occupied or homeowner properties and 15,794,000 were rental (or vacant) properties. Overall, the growth in total properties was 17.7 percent from 1991 to 2001 with the growth for ownership units (20.7 percent) exceeding the growth of rental units (6.4 percent). In 2001, all properties were slightly more likely to have mortgages than in 1991 as shown in Exhibit 1; 60.6 percent had mortgages in 2001 compared to 59.3 percent in 1991. Owner-occupied units were more likely to be mortgaged (64.5 percent) in 2001 than rental or vacant units (43.9 percent) were, and this was also true in 1991. There was a downward shift in the likelihood of rental or vacant units having mortgages. Homeowner units were more likely to be mortgaged (64.5 percent in 2001 and 61.6 percent in 1991) than rental units (43.9 percent in 2001 and 50.5 percent in 1991). Single-family homeowner units were most likely to carry mortgages (66.7 percent) in 2001. Manufactured (mobile) homes were the least likely to have outstanding debts. In 2001, 45.1 percent of owner-occupied manufactured homes and 19.8 percent of rentals were mortgaged. The proportion of owner-occupied manufactured homes with mortgages increased from 37.6 percent in 1991 to 45.1 percent in 2001. Rental properties with 50 or more units were the most likely to be mortgaged; 85.9 percent of these properties were mortgaged in 2001 and 87.7 percent were mortgaged in 1991.

Homeowners pay off their mortgages over time, refinance less often as they mature, and go into their retirement years nearly mortgage free. About 64 percent of all homeowner properties had a first mortgage in 2001, and the proportion of properties with first mortgages declined as owners aged. Exhibit 2 shows how the likelihood of having a first mortgage declined with

Exhibit 2. Percentage of Homeowner Properties With First Mortgages by Age of Owner and Property Type: 2001

Property Type	Age of Owner							
	Under 25	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 and Over	Total
Single-family detached	86.5	95.1	90.4	79.8	57.7	29.3	10.8	63.8
Single-family attached	80.6	95.6	91.6	78.6	58.1	30.9	12.7	66.2
2 to 4 housing units	100.0	94.6	87.0	80.0	55.8	30.5	14.1	56.7
Condominiums	96.5	93.5	89.3	83.3	65.9	37.0	20.4	61.3
Combined	87.3	95.1	90.4	79.9	58.2	30.1	11.8	63.6

Exhibit 3. Total Mortgages for Mortgaged Homeowner Properties by Property Type: 2001

Total Number of Mortgages	Property Type					
	Single-family Detached	Single-family Attached	2 to 4 Housing Units	Condominium	Manufactured Home	Total
	Percentage Distribution					
1	75.2	78.3	77.4	86.9	79.9	76.4
2	22.0	19.3	20.9	11.7	18.4	21.1
3	2.7	2.4	1.7	1.1	1.4	2.5
4	0.0	—	—	0.2	0.3	0.0
Number of properties	35,860,183	2,094,129	642,621	2,437,123	2,588,332	43,641,076

the age of the owner for different homeowner property types. The bottom line of the exhibit combines the four types of conventionally constructed properties (that is, omitting manufactured [mobile] homes) and shows that, except for owners less than 25 years old, the likelihood of having a first mortgage consistently declines as the age of the owner increases, going from 95.1 percent for 25- to 34-year-old owners to 11.8 percent for owners 76 years of age and older. This downward progression is true for the four property types shown in the exhibit.

Nearly a fourth of all homeowners with mortgages had more than one mortgage (including home equity loans).[4] Exhibit 3 shows that, across all homeowner property types, 76.4 percent of owners had one mortgage, 21.1 percent had two mortgages, and 2.5 percent had three mortgages. Very few had four or more mortgages. Owners of single-family attached units were most likely to have two or more mortgages (24.8 percent), while owners of condominiums were least likely to have two or more mortgages (13.1 percent).

A lower proportion of properties with mortgages carried mortgage insurance in 2001 than in 1991. Much of the decline was in government-backed insurance (FHA and VA). Exhibit 4 shows that in 2001, 70.0 percent of all first mortgages were not insured, and that this figure increased from 62.2 percent in 1991. The share with FHA insurance declined from 16.8 percent in 1991 to 10.6 percent in 2001; the VA share declined from 7.6 percent in 1991 to 2.7 percent in 2001. The percentage with private mortgage insurance increased slightly from 11.0 percent in 1991 to 12.0 percent in 2001. The fraction insured by state agencies increased nearly fourfold but, even in 2001, only 2.5 percent of all mortgaged properties were insured in this manner. The changes were nearly the same for homeowner and rental properties except for uninsured mortgages, where the rental property rate increased by 3.9 percentage points (70.5 to 74.4 percent) and the homeowner rate increased by 8.9 percentage points (60.4 to 69.3 percent) from 1991 to 2001.

Fixed-rate mortgages continued to dominate in 2001 as they did in 1991; however, in 2001, new mortgage products were becoming more prevalent. ARMs accounted for a smaller proportion of loans in 2001 than in 1991. Exhibit 5 shows the distribution of mortgage types for the two major property type categories for 1991 and 2001. The fraction of fixed-rate loans was 74.2 percent in 2001, down 4.2 percentage points from 78.4 percent in 1991. The ARM share declined 3.8 percentage points, from 16.6 percent in 1991 to 12.8 percent in 2001. It should be noted that the spread between fixed-rate mortgages and ARMs was larger in 1991. (Table 14 in the Historical Data section shows the spread as 215 basis points in 1991 and 115 basis points in 2001.) The most dramatic change from 1991 to 2001 is the increase in loans falling into the "other" category. Only 1.1 percent of all mortgages fell into that category in 1991, but, in 2001, 8.3 percent of the mortgages were classified as "other." Examples of mortgage products falling into this "other" category include the various types of new "hybrid" loans such as interest-only and zero-payment options.

The government-sponsored enterprises (GSEs) continued to dominate the mortgage market through their secondary market operations, while savings and loan institutions and federal savings banks reduced their role between 1991 and 2001. Exhibit 6 presents distribution of first mortgages by holder for 2001 and 1991 for the two major property types. In 1991, the GSEs held the highest proportion of all first mortgages (30.4 percent), savings and loan institutions and federal savings banks held

Exhibit 4. Percentage of Mortgage Properties With Mortgage Insurance: 2001 and 1991

First Mortgage Insurance Status	2001			1991		
	All Mortgaged Properties[1]	Homeowner Properties	Rental and Vacant Properties	All Mortgaged Properties	Homeowner Properties	Rental and Vacant Properties
FHA-insured first mortgage	10.6	11.0	8.4	16.8	17.4	14.1
VA-guaranteed first mortgage	2.7	2.9	1.5	7.6	8.3	4.8
Rural Housing Service/Rural Development guaranteed loan	2.1	2.1	2.1	1.7	2.0	0.6
Insured by state agency	2.5	2.3	3.4	0.6	0.6	0.5
Insured by state agency with FHA insurance, VA, or Rural Housing Service/Rural Development guarantee	0.1	0.1	0.1	—	—	—
Privately insured conventional first mortgage	12.0	12.2	10.2	11.0	11.4	9.5
Uninsured conventional first mortgage	70.0	69.3	74.4	62.2	60.4	70.5
Number of mortgaged properties	50,569,000	43,637,000	6,933,000	42,034,000	34,533,000	7,500,000

[1] Mortgaged properties include single-family, multifamily, condominium, and manufactured homes.

Exhibit 5. Percentage of Properties With First Mortgages by Mortgage Type: 2001 and 1991

Year and Mortgage Type	All Properties	Homeowner Properties	Rental and Vacant Properties
2001			
Fixed-rate, level payment mortgage	74.2	75.4	66.9
Short-term with balloon payment mortgage	4.6	4.3	6.7
Adjustable rate mortgage (ARM)	12.8	11.7	19.5
Other	8.3	8.6	6.8
1991			
Fixed-rate, level payment mortgage	78.4	80.3	69.6
Short-term with balloon payment mortgage	3.3	2.7	6.0
Graduated payment mortgage	0.7	0.7	0.8
Adjustable rate mortgage (ARM)	16.6	15.3	22.3
Other	1.1	1.0	1.3

Exhibit 6. Percentage Distribution of First Mortgage Holders: 2001 and 1991

Holder of First Mortgage	2001			1991		
	All Properties	Homeowner Properties	Rental and Vacant Properties	All Properties	Homeowner Properties	Rental and Vacant Properties
Commercial bank or trust company	16.1	15.7	18.9	16.2	15.3	20.1
Savings and loan association, federal savings bank	9.8	9.4	12.2	22.6	21.6	26.9
Mortgage banker or mortgage company	7.9	8.1	6.7	7.5	7.5	7.4
Government-sponsored enterprises	42.4	43.4	36.5	30.4	32.4	21.5
Credit union	4.1	4.2	3.4	1.7	1.7	1.8
Finance company	5.3	5.4	5.0	2.1	2.2	1.8
Other holders	14.4	13.9	17.3	19.5	19.3	20.5
Number of first mortgages*	50,568	43,635	6,933	42,035	34,531	7,500

*In thousands.

the second highest share (22.6 percent), commercial banks or trust companies held the third highest share (16.2 percent), and all others held the remaining 30.8 percent. The share of first mortgages held by savings and loan institutions and federal savings banks declined to 9.8 percent in 2001, and the share held by the GSEs increased to 42.2 percent.

One new piece of information collected from the lenders in the 2001 Residential Finance Survey (RFS) is consideration of the mortgage loan as a subprime loan. Exhibit 7 shows that lenders classified 4.9 percent of regular first mortgages for homeowner properties as subprime in 2001. The property type with the highest percent of subprime mortgages was manufactured (mobile) homes (10.0 percent). It should be noted that this figure pertains to manufactured homes with regular mortgages and does not include manufactured homes with installment loans.[5] The second highest incidence of subprime loans was for two-to-four-unit buildings in which the owner lived in one of the units (6.6 percent).

Although the overall levels of 2001 interest rates have been eclipsed by market trends, the patterns shown in the RFS may be of some interest. Exhibit 8 shows averaged interest rates for fixed-rate mortgages and ARMs for subprime status and property type. Subprime loans for single-family detached homeowner properties averaged 9.56 percent for fixed-rate loans, compared to 8.35 for prime loans—a spread of 121 basis points. The subprime spread on single-family detached homeowner

Exhibit 7. Subprime First Mortgages for Homeowners by Property Type: 2001

Property Type	Number With First Mortgages	Number Subprime	Number Not Subprime	% Subprime
Single-family detached	34,401,246	1,641,246	32,760,000	4.8
Single-family attached	1,994,845	88,470	1,906,375	4.4
2 to 4 housing units	616,587	40,871	575,716	6.6
Condominiums	2,379,993	102,245	2,277,748	4.3
Manufactured homes	916,429	91,896	824,533	10.0
Other	10,832	—	10,832	—
Total	40,324,727	1,964,727	38,360,000	4.9

Exhibit 8. Interest Rates by Loan Status and Property Type: 2001

Loan Status and Property Type	Type of Mortgage	
	Fixed Rate	ARM
	%	%
Subprime		
Single-family detached	9.56	9.17
Prime		
Single-family detached	8.35	7.68
Single-family attached	8.44	7.44
Condominiums	8.28	7.84
Manufactured (mobile) homes	9.38	7.27

properties for ARMs was 149 basis points—9.17 percent for subprime and 7.68 percent for prime loans. The fixed-rate loans averaged between 8.28 and 8.44 percent except for manufactured (mobile) homes with regular mortgages, which averaged 9.38 percent. ARMs averaged between 7.27 and 7.84 percent.

Accessing the Residential Finance Survey: Report and Data

Information and results of the RFS are available at two RFS websites:

- http://www.huduser.org/datasets/rfs.html.
- http://www.census.gov/hhes/www/rfs/rfs.html.

The information and results are available in several forms:

- Printed copies of the report can be purchased by contacting HUDUSER using the above URL, by phone at 800–245–2691, or by mail at P.O. Box 23268, Washington, D.C. 20026–3268 or by contacting the Census Bureau's Customer Services Center at www.census.gov/prod/cen2000/ or by phone at 301–763–4636.
- Downloadable PDF versions of the printed report are available from both RFS websites.
- Downloadable microdata in ASCII or SAS formats with associated codebooks and documentation are available from the RFS websites. There are two separate files: one for homeowner properties (containing 16,929 property records) and one for rental and vacant properties (containing 22,715 property records).
- Updates on the survey are provided through the RFS Electronic Mailing List.
- More detailed tables in HTML format will be provided on the Internet for browsing and downloading for the four census regions.
- The 1991 microdatabase and a scanned PDF version of the documentation are available on the HUDUSER website.

In addition to providing the reports and databases, the second RFS website provides general information about the RFS, a glossary of RFS terms and definitions, an overview of the survey, survey and sample designs, minutes of meetings held with the RFS Working Group (a group of federal agencies and nonfederal organizations that provided advice on survey content and products from the survey), RFS data processing steps, and frequently asked questions.

Notes

1. U.S. Census Bureau. 2001. *Residential Finance Survey: 2001*. Census 2000 Special Reports, CENSR-27. Washington, DC: U.S. Department of Commerce, Census Bureau.

2. In processing the data, for information items collected from both the owner and lender, the value provided by the lender was used. If the lender did not provide the answer, the information from the owner was used, if provided.

3. The 12 identified states are California, Florida, Illinois, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, Texas, Virginia, and Washington.

4. Home equity loans are treated as regular mortgages.

5. The questionnaire skip pattern was designed so that the subprime question was not asked for manufactured (mobile) home installment loans.