

Bureau of the Census Statistical Brief

Financing Our Residential Property

Since 1950, the Census Bureau has made a special effort as part of the population and housing censuses to gather information about the ways Americans finance residential property. We collect this information via a follow-up survey, the Residential Finance Survey (RFS). The box on back explains how we conduct the RFS.

This Brief covers financing arrangements for both single-unit, owner-occupied properties and rental and vacant properties with five or more housing units. It compares data collected by the 1991 RFS with statistics the survey gathered a decade earlier.

Outstanding debt on mortgages grew in the 1980's.

There were 48 million nonfarm, single-unit, owner-occupied properties in the United States in 1991, up over 6 million from 1981. Nearly 2 in 3 (63 percent) had a mortgage. The total outstanding debt on all mortgages on these properties was \$1.7 trillion. Even after adjusting for inflation and the rise in the number of these properties, debt was 45 percent higher in 1991 than in 1981. This debt represented 53 percent of the total

aggregate value of these mortgaged properties, up from 40 percent ten years earlier.

The story for the 600,000 large rental properties (those with 5 or more units) was similar. More than 2 in 3 (72 percent) were mortgaged. The total outstanding debt on their mortgages was \$329 billion, also up 45 percent (after adjusting for inflation and the slight rise in the number of these properties) in the last decade. Median mortgage debt as a share of a large rental property's value rose from 43 to 55 percent over the period.

ARM's become more popular.

Though the overwhelming majority of first mortgages on single-family,

owner-occupied properties are still fixed-rate (83 percent, down from 96 percent), adjustable-rate mortgages have made real inroads (13 percent, up from 4 percent). Furthermore, 2 percent of these properties had only a home equity loan.

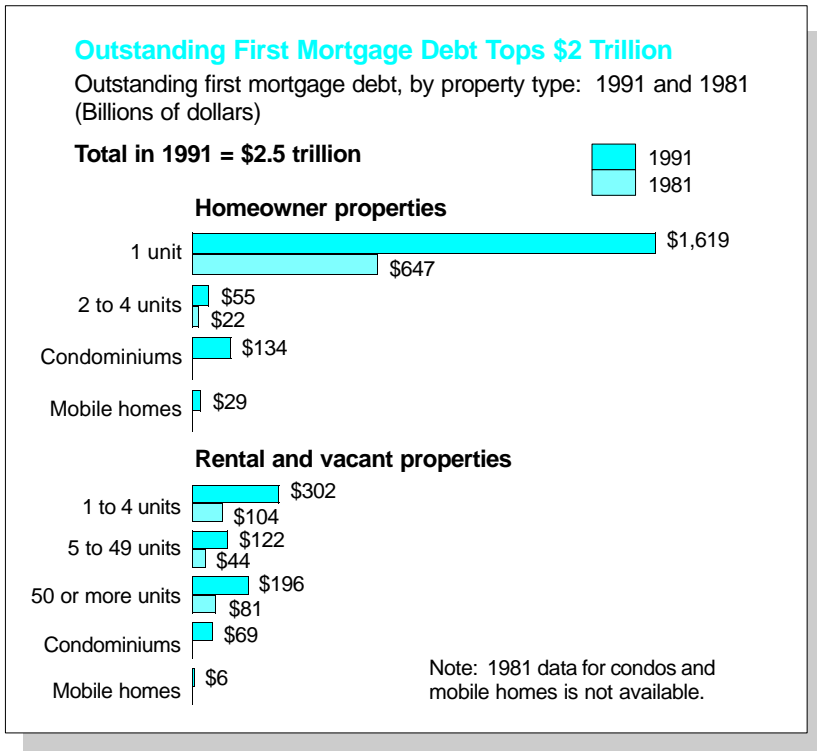
Most mortgages on single-family properties are not insured.

Most single-family properties continued to be financed by uninsured conventional first mortgages (58 percent, down 2 percentage points). First mortgages insured by the Federal Government were still much less common — 19 percent were FHA-insured, 9 percent VA-guaranteed, up 3 and down 5 percentage points, respectively. An even bigger majority of large rental



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properties were financed by uninsured conventional first mortgages (88 percent, not significantly different from 1981). FHA- and privately insured mortgages each comprised 5 percent of first mortgages on large rental properties, also not significantly different from 1981.

It's less likely for savings and loans to be mortgage holders.

Federally secured mortgage pools were big winners in the 1980's. In 1991, they held 34 percent of first mortgages on single-family properties, up 19 percentage points since 1981. Their gain came at the expense of savings and loan (S&L) organizations, whose share plunged from 41 percent to 22 percent over the period. The problems suffered by S&Ls and the dramatic rise in mortgage-backed securities account for these changes.

These S&L difficulties are also reflected in the changes for large rental properties. S&Ls held 35 percent of first mortgages on these properties in 1991, down from 44 percent in 1981. Meanwhile, commercial banks became more active in large property lending, as their share climbed from 14 percent to 22 percent over the period.

There wasn't much change in how buyers acquired properties.

In 1991, 3 in 4 (73 percent) of owners of single-family properties had acquired them by placing a single new mortgage; the 1981 figure was 68 percent. On the other hand, the share who had assumed mortgages slipped from 9 percent to 6 percent. Virtually all of the remainder had either paid all cash (11 percent), received their property as a gift or through an inheritance (4 percent), placed more than one new mortgage (2 percent), or borrowed money using assets other than the property (2 percent). These latter 4 percentages were not significantly different from the corresponding 1981 proportions.

There wasn't a lot of change for owners of large rental properties

either. In both years, about two-thirds had placed one or more new mortgages (69 percent in 1991, 65 percent in 1981). A declining share assumed their mortgage (13 percent in 1981, 9 percent in 1991). In both years, 7 percent paid cash.

Refinancing gets more fashionable.

Looking at existing first mortgages, we see that 18 percent of those on single-family properties had been refinanced, up from 8 percent in 1981. Meanwhile, those mortgages *originated* when the property was acquired saw their share fall from 77 percent to 72 percent and those *assumed* when it was acquired dipped from 12 percent to 7 percent.

The patterns for large rental properties were similar. About one-quarter (26 percent) of their existing first mortgages were refinanced, up from 13 percent in 1981. At the same time, 61 percent were originated and 11 percent were assumed when the property was acquired, down 4 and 7 percentage points, respectively, during the decade.

Longer-term mortgages become more common.

Relatively more mortgaged property owners are opting for loans with terms of 28 years or more. The percentage with these longer-term first mortgages jumped from 55 to 64 percent for single-family owners and from 21 to 36 percent among owners of large rental properties.

More information:

Residential Finance, Series 1990 CH-4-1, is being sold by the U.S. Government Printing Office. Microdata files from the RFS are available on both computer tape and CD-ROM. These files show responses made on the individual questionnaires sent to property owners and their mortgage lenders. Identifying information, such as names and addresses, has been removed. Contact Customer Services (301-763-4100 or 301-457-4100 after December 16) for information on how to order.

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This Brief is one of a series that presents information of current policy interest. It may include data from businesses, households, or other sources. All statistics are subject to sampling variability, as well as survey design flaws, respondent classification errors, and data processing mistakes. The Census Bureau has taken steps to minimize errors, and analytical statements have been tested and meet statistical standards. However, because of methodological differences, use caution when comparing these data with data from other sources.

About the Residential Finance Survey

Unlike the decennial census, which collects information from every housing unit, the unit of tabulation in the Residential Finance Survey (RFS) is the nonfarm, privately owned, residential property. (If mortgaged, a property is defined as all the buildings and land covered by a single first mortgage. All other properties are defined by the owner.)

For the latest RFS (conducted in 1991), we selected a sample of about 70,000 residential addresses from the 1990 Decennial Census address file. We then sent each owner a questionnaire. If their property had a mortgage, they were asked to identify their lenders. These lenders, in turn, received a form that asked them to provide detailed information about the mortgages on the properties.