Mortgage Lender Sentiment Survey®

Lenders Shift Focus to Enhancing the Consumer Experience

2017 Business Priorities and Housing Industry Threats
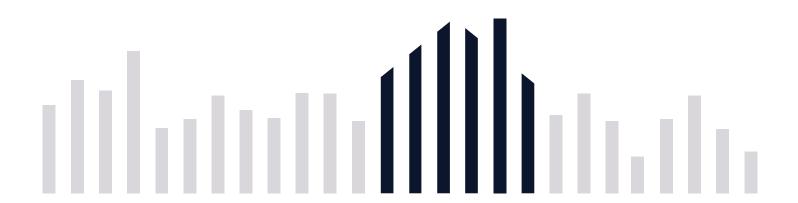
Topic Analysis – Published August 23, 2017

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For 2017, lenders focus on improving operational efficiency and the consumer experience in order to stay competitive.

2017 Business Priorities and Market Consolidation

- Business process streamlining, consumer-facing technology, and talent management are lenders' top business priorities in 2017 for improving or maintaining competitiveness. In contrast, very few lenders cited cutting costs and improving data analytics/business intelligence as top priorities.
- A majority of lenders expect more consolidation in the mortgage industry this year compared with 2016. Nearly half of lenders believe that consolidation – which could be caused by mergers and acquisitions, or lenders exiting the business – would have a positive impact on the housing industry by taking advantage of scale to meet market demand in a more cost-effective way.

Risk Concerns

- Lenders' top risk concerns for 2017 include volume decrease, compliance, and interest rate changes. Compared with Q3 2014, lenders are significantly more likely to identify interest rate risk as a growing concern area, but significantly less likely to say that compliance risk or repurchase risk concerns had grown.

Impact of Potential Policy Changes

- Regarding lenders' perceived impact of potential policy changes on housing, tight housing supply and rising interest rates are believed to have the most negative impact. A strong U.S. economy and financial de-regulation are believed to have the most positive impact.

Business Context and Research Questions

Business Context

In our most recent Mortgage Lender Sentiment Survey® (MLSS) released in June, senior mortgage executives reported subdued mortgage demand growth, a pessimistic profit margin outlook, and strong concerns about increased competition. Against this challenging backdrop, we simultaneously surveyed senior mortgage executives to understand their 2017 business priorities as well as their risk concerns.

Research Questions

1. What are lenders' two most important business priorities for 2017 in order to maintain or improve market competitiveness?

2. Do lenders expect to see more or less consolidation in 2017? And, how do they think more or less consolidation will impact the housing industry?

3. What are lenders' top risk concerns for 2017? In what areas have risk concerns grown since 2016? How do these risk concerns differ from those reported three years ago?

4. How do lenders think several potential policy changes will impact the housing industry? Which trends or potential policy changes will have the most positive impact and which will have the most negative impact?

Q2 2017 Respondent Sample and Groups

For Q2 2017, a total of 207 senior executives completed the survey during May 3-14, representing 184 lending institutions.*

Loan Origination Volume Groups**

HIGHER loan origination volume		
Larger Institutions *Top 15%*	— 100%
Mid-sized Institutions *Top 16% - 35%*	— 85%
	— 65%
Smaller Institutions *Bottom 65%*	
LOWER loan origination volume	

Sample Q2 2017		Sample Size
Total Lending Institutions The "Total" data throughout this report is an average of the means of the three loan origination volume groups listed below.		184
Loan Origination Volume Groups	**Larger Institutions** Fannie Mae's customers whose 2016 total industry loan origination volume was in the top 15% (above $1.018 billion)	54
	Mid-sized Institutions Fannie Mae's customers whose 2016 total industry loan origination volume was in the next 20% (16%-35%) (between $242 million to $1.018 billion)	58
	Smaller Institutions Fannie Mae's customers whose 2016 total industry loan origination volume was in the bottom 65% (less than $242 million)	72
Institution Type***	**Mortgage Banks** (non-depository)	58
	Depository Institutions	82
	Credit Unions	36

* The results of the Mortgage Lender Sentiment Survey are reported at the lending institutional parent-company level. If more than one individual from the same institution completes the survey, their responses are averaged to represent their parent institution.
** The 2016 total loan volume per lender used here includes the best available annual origination information from Fannie Mae, Freddie Mac, and Marketrac.
*** Lenders that are not classified into mortgage banks or depository institutions or credit unions are mostly housing finance agencies.
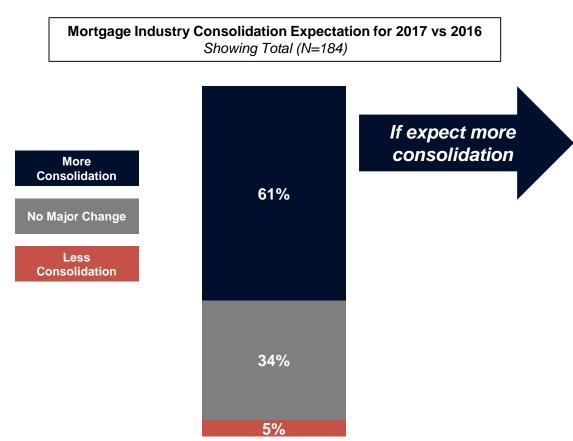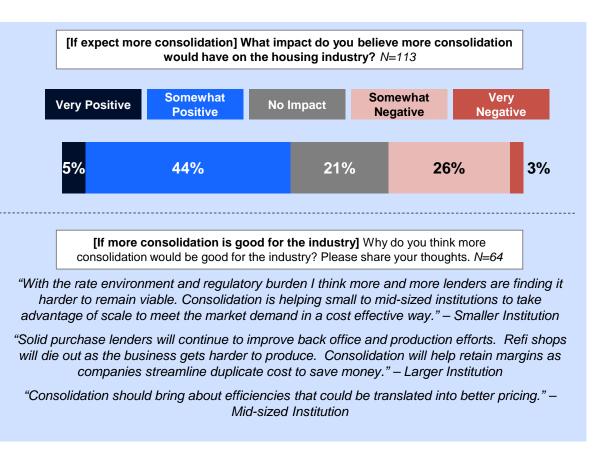
Industry Consolidation and Business Priorities to Improve or Maintain Competitiveness

Mortgage Industry Consolidation Expectation In 2017

A majority of lenders expect more consolidation in the mortgage industry this year compared with 2016. Nearly half of lenders believe that consolidation – which could be caused by mergers and acquisitions, or lenders exiting the business – would have a positive impact on the housing industry by taking advantage of scale to meet market demand in a more cost-effective way.

Mortgage Industry Consolidation Expectation for 2017 vs 2016
Showing Total (N=184)

- More Consolidation
- No Major Change
- Less Consolidation

More Consolidation 61%

No Major Change 34%

Less Consolidation 5%

If expect more consolidation

[If expect more consolidation] What impact do you believe more consolidation would have on the housing industry? *N=113*

Very Positive	Somewhat Positive	No Impact	Somewhat Negative	Very Negative
5%	44%	21%	26%	3%

[If more consolidation is good for the industry] Why do you think more consolidation would be good for the industry? Please share your thoughts. *N=64*

"With the rate environment and regulatory burden I think more and more lenders are finding it harder to remain viable. Consolidation is helping small to mid-sized institutions to take advantage of scale to meet the market demand in a cost effective way." – Smaller Institution

"Solid purchase lenders will continue to improve back office and production efforts. Refi shops will die out as the business gets harder to produce. Consolidation will help retain margins as companies streamline duplicate cost to save money." – Larger Institution

"Consolidation should bring about efficiencies that could be translated into better pricing." – Mid-sized Institution
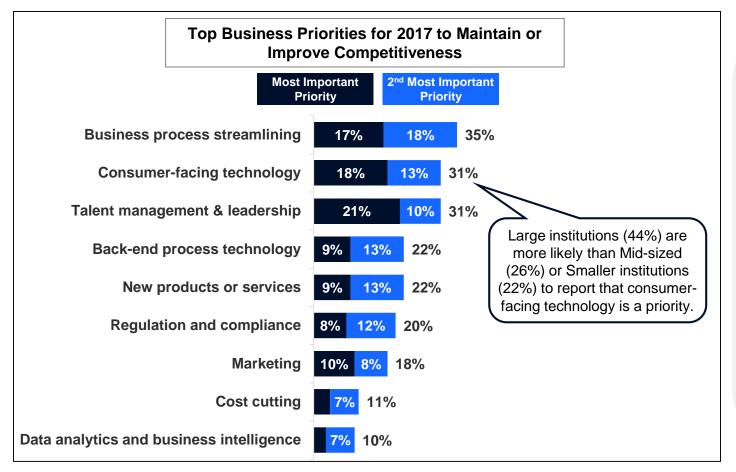
Q: Do you expect to see more or less consolidation in the mortgage industry during 2017, compared to 2016? *Showing Total (N= 184)*

Business Priorities for 2017 to Improve or Maintain Competitiveness

Business process streamlining, consumer-facing technology, and talent management are lenders' top business priorities in 2017 for improving or maintaining competitiveness. In contrast, very few lenders cited cutting costs and improving data analytics/business intelligence as top priorities.

Top Business Priorities for 2017 to Maintain or Improve Competitiveness

	Most Important Priority	2nd Most Important Priority	Total
Business process streamlining	17%	18%	35%
Consumer-facing technology	18%	13%	31%
Talent management & leadership	21%	10%	31%
Back-end process technology	9%	13%	22%
New products or services	9%	13%	22%
Regulation and compliance	8%	12%	20%
Marketing	10%	8%	18%
Cost cutting		7%	11%
Data analytics and business intelligence		7%	10%

Large institutions (44%) are more likely than Mid-sized (26%) or Smaller institutions (22%) to report that consumer-facing technology is a priority.

Why (response) is a Top Business Priority

Business Process Streamlining

*"Allowing technology to handle more internal functions to **reduce errors and increase efficiency**"* – Larger Institution

*"Just looking to re-engineer - where necessary - our processes to **ensure we're as efficient and effective** - and compliant - as needed and hopefully to **identify an area(s) where we can shave off some cost**."* – Mid-sized Institution

*"We strive to **keep the origination and servicing process as streamlined and uncomplicated as possible**."* – Smaller Institution

Consumer Facing Technology

*"Both to **streamline and meet customer expectations** as well as improved service levels."* – Larger Institution

*"Ability to **utilize mobile technology to communicate with borrowers**, application activity"* – Mid-sized Institution

*"We need to **improve our customer experience to stay competitive with larger firms**. Online, digital, improved verifications, perception of reduced consumer paperwork, etc."* – Smaller Institution

Talent Management & Leadership

*"Our industry needs new talent and initiative. We have our **experience retiring and cannot find folks who have a desire to work in our industry** unless they are paid top dollar for no training or experience."* – Mid-sized Institution

*"**Qualified leadership is required** based on technology and competition."* – Smaller Institution

Q: You mentioned that *(response)* is a top priority for your firm. Could you share some details about why it is a top priority? What do you want to achieve?

Q: To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2017? Please select up to two most important priorities and rank them in order of importance. *Showing Total (N= 184)*
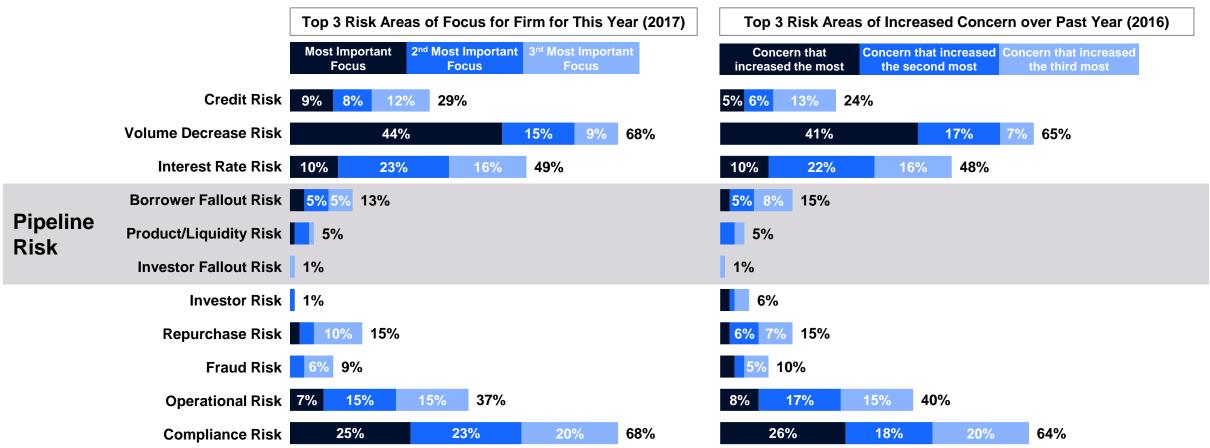
Risk Areas

Top Risk Areas of Focus for 2017 and Increased Risk Concerns from 2016

Lenders identify volume decrease, compliance, and interest rate changes as the top risk concerns for 2017 as well as the areas where concern has grown the most over the prior year.

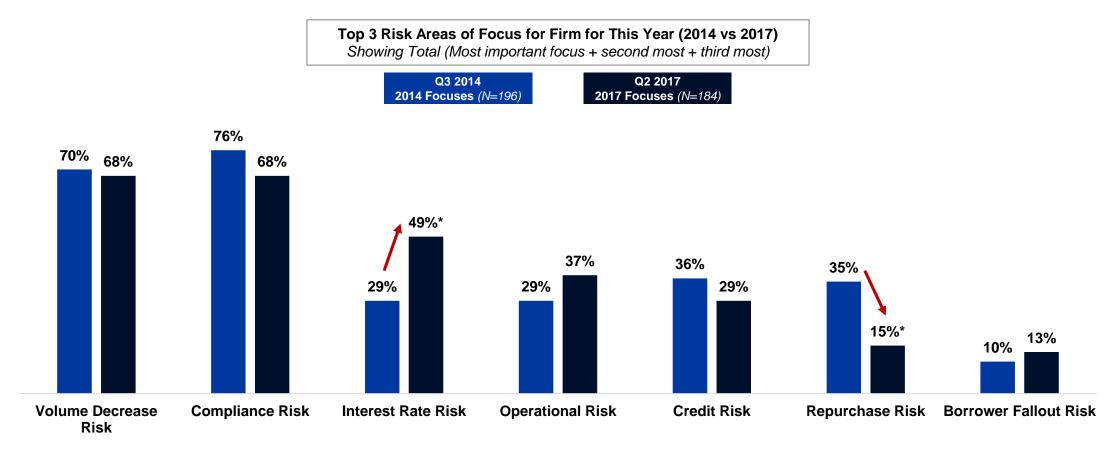|	Top 3 Risk Areas of Focus for Firm for This Year (2017)				Top 3 Risk Areas of Increased Concern over Past Year (2016)		
	Most Important Focus	2nd Most Important Focus	3rd Most Important Focus		Concern that increased the most	Concern that increased the second most	Concern that increased the third most
Credit Risk	9%	8%	12% → 29%		5%	6%	13% → 24%
Volume Decrease Risk	44%	15%	9% → 68%		41%	17%	7% → 65%
Interest Rate Risk	10%	23%	16% → 49%		10%	22%	16% → 48%
Pipeline Risk — Borrower Fallout Risk		5%	5% → 13%		5%	8% → 15%	
Product/Liquidity Risk		5%				5%	
Investor Fallout Risk			1%			1%	
Investor Risk			1%			6%	
Repurchase Risk		10% → 15%			6%	7% → 15%	
Fraud Risk		6% → 9%				5% → 10%	
Operational Risk	7%	15%	15% → 37%		8%	17%	15% → 40%
Compliance Risk	25%	23%	20% → 68%		26%	18%	20% → 64%

Q: Please select <u>up to three</u> risks that are your firm's top areas of focus this year (2017) and rank them in order of importance.
Q: Please select <u>up to three</u> risks whose concern level has grown at your firm over the past year and rank them by increased level of concern.

Top Risk Areas of Focus for the Current Year – Q2 2017 vs. Q3 2014

Compared with Q3 2014, lenders are significantly more likely to cite interest rate risk as a key concern area today and significantly less likely to cite repurchase risk.

Top 3 Risk Areas of Focus for Firm for This Year (2014 vs 2017)
Showing Total (Most important focus + second most + third most)

| Q3 2014 2014 Focuses (N=196) | Q2 2017 2017 Focuses (N=184) |

Risk Area	Q3 2014	Q2 2017
Volume Decrease Risk	70%	68%
Compliance Risk	76%	68%
Interest Rate Risk	29%	49%*
Operational Risk	29%	37%
Credit Risk	36%	29%
Repurchase Risk	35%	15%*
Borrower Fallout Risk	10%	13%

* Denotes a statistically significant difference between the 2014 and 2017 data at the 95% confidence level
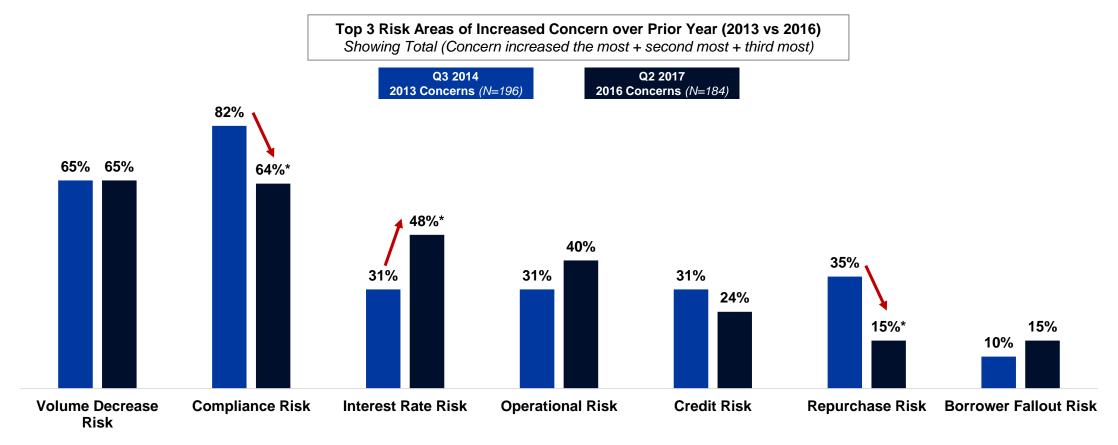Q: Listed below are different risks associated with mortgage banking. Please select up to three risks that are your firm's top areas of focus this year (2014). Please rank them in order of importance, with 1 = "Most Important Focus."
Q: Please select up to three risks that are your firm's top areas of focus this year (2017) and rank them in order of importance.

Top Areas of Increased Concern from the Prior Year – Q2 2017 vs. Q3 2014

Compared with Q3 2014, lenders are significantly more likely to say interest rate risk concern had grown from the prior year, but significantly less likely to say compliance risk and repurchase risk concerns had grown.

Top 3 Risk Areas of Increased Concern over Prior Year (2013 vs 2016)
Showing Total (Concern increased the most + second most + third most)

Q3 2014
2013 Concerns *(N=196)*

Q2 2017
2016 Concerns *(N=184)*

	Volume Decrease Risk	Compliance Risk	Interest Rate Risk	Operational Risk	Credit Risk	Repurchase Risk	Borrower Fallout Risk
Q3 2014	65%	82%	31%	31%	31%	35%	10%
Q2 2017	65%	64%*	48%*	40%	24%	15%*	15%

* Denotes a statistically significant difference between the 2014 and 2017 data at the 95% confidence level

Q: Please select up to three risks whose concern level has grown at your firm since last year (2013). Please rank them in order of increased concern level, with 1 = "Concern that increased the most."

Q: Please select <u>up to three</u> risks whose concern level has grown at your firm over the past year and rank them by increased level of concern.
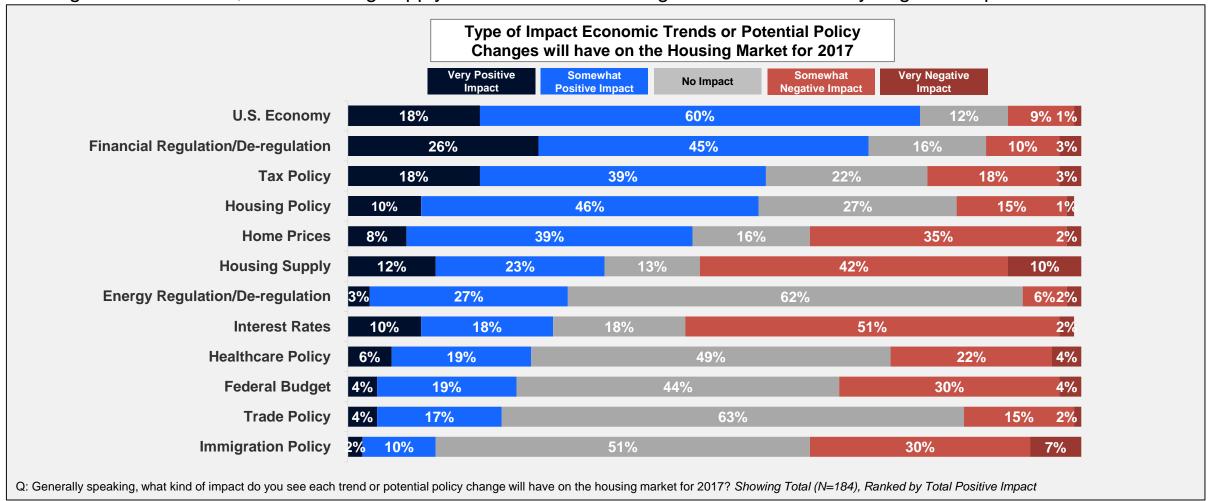
Perceived Impact of Potential Policy Changes on Housing for 2017

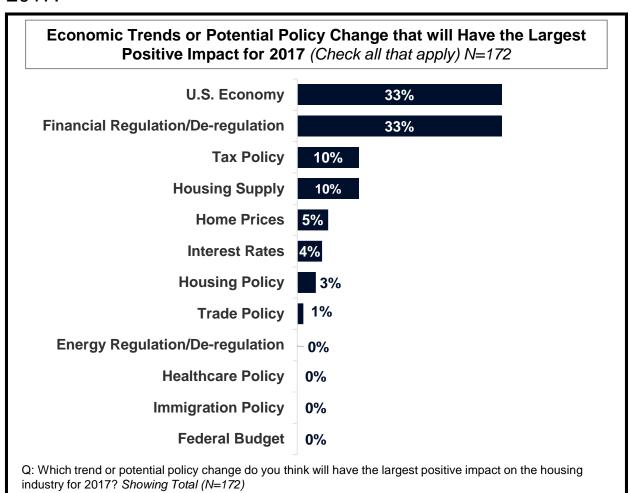# Perceived Impact of Economic Trends/Potential Policy Changes for 2017

Lenders are most likely to say that the U.S. economy and financial de-regulation would have a very positive impact on the housing market for 2017, while housing supply and interest rate changes would have a very negative impact.

Type of Impact Economic Trends or Potential Policy Changes will have on the Housing Market for 2017

	Very Positive Impact	Somewhat Positive Impact	No Impact	Somewhat Negative Impact	Very Negative Impact
U.S. Economy	18%	60%	12%	9%	1%
Financial Regulation/De-regulation	26%	45%	16%	10%	3%
Tax Policy	18%	39%	22%	18%	3%
Housing Policy	10%	46%	27%	15%	1%
Home Prices	8%	39%	16%	35%	2%
Housing Supply	12%	23%	13%	42%	10%
Energy Regulation/De-regulation	3%	27%	62%	6%	2%
Interest Rates	10%	18%	18%	51%	2%
Healthcare Policy	6%	19%	49%	22%	4%
Federal Budget	4%	19%	44%	30%	4%
Trade Policy	4%	17%	63%	15%	2%
Immigration Policy	2%	10%	51%	30%	7%

Q: Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? *Showing Total (N=184), Ranked by Total Positive Impact*

Trends/Potential Policy Changes to have the Most Positive Impact for 2017

Lenders look for a strong economy and financial de-regulation to have the most positive impact on the housing industry for 2017.

Economic Trends or Potential Policy Change that will Have the Largest Positive Impact for 2017 *(Check all that apply) N=172*

Trend/Policy	Percent
U.S. Economy	33%
Financial Regulation/De-regulation	33%
Tax Policy	10%
Housing Supply	10%
Home Prices	5%
Interest Rates	4%
Housing Policy	3%
Trade Policy	1%
Energy Regulation/De-regulation	0%
Healthcare Policy	0%
Immigration Policy	0%
Federal Budget	0%

Q: Which trend or potential policy change do you think will have the largest positive impact on the housing industry for 2017? *Showing Total (N=172)*

Could you share your thoughts on why you think *(response)* will have the largest positive impact on the housing market? How do you see *(response)* impacting the housing industry?

U.S. Economy

*"**When consumers have a positive expectation about the economy continuing to improve, they are more likely to purchase a first home**, or move up to a higher priced home, creating activity with both first time homebuyers and move up buyers."* – Smaller Institution

*"Continued confidence in the market with **low unemployment will drive renters into buyers**. The Millennials delayed purchasing due to watching their parents, aunts, uncles, etc. lose their homes thru the great recession are **becoming less fearful about homeownership**."* – Mid-sized Institution

*"**Homebuyers will buy homes as long as they feel confident about their future**. They will put up with some discomfort from regulation, documentation, home prices, or rates, but **they must feel secure about the future**."* – Larger Institution

Financial Regulation/De-regulation

*"More simplification of regulation would **allow lenders to focus more on good business rather than controlling expenses caused by an over-abundance of compliance overhead**."* – Smaller Institution
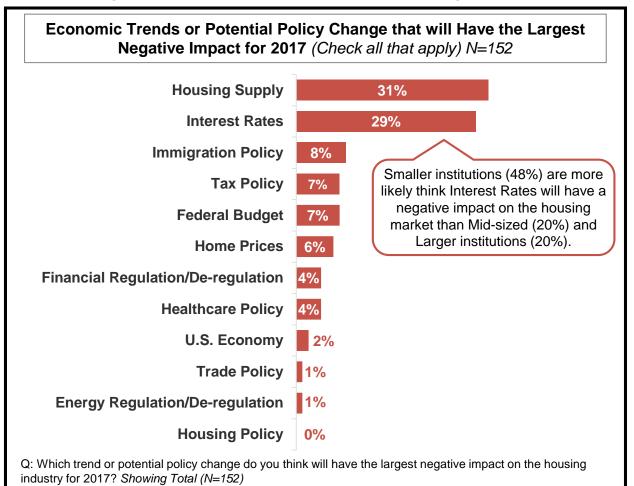
*"We are hoping that the tone and approach of regulatory oversight and enforcement, if not the substance of housing-related regulations, are **softened up and made more business-friendly**. The regulations, and the much of the industry's application of them, along with **fear of regulators, deter private capital from participating as fully as would be optimal**."* – Larger Institution

*"If de-regulation comes to fruition, **much of the increased cost and time** involved with mortgage lending that has been added in the past few years **should go away. I would hope these benefits would be passed onto consumers**."* – Mid-sized Institution

Trends/Potential Policy Changes to have the Most Negative Impact for 2017

Lenders believe that tight housing supply and rising interest rates will have the most negative impact on housing for 2017 by accelerating home price appreciation and pricing out potential first-time homebuyers.

Economic Trends or Potential Policy Change that will Have the Largest Negative Impact for 2017 *(Check all that apply) N=152*

Category	%
Housing Supply	31%
Interest Rates	29%
Immigration Policy	8%
Tax Policy	7%
Federal Budget	7%
Home Prices	6%
Financial Regulation/De-regulation	4%
Healthcare Policy	4%
U.S. Economy	2%
Trade Policy	1%
Energy Regulation/De-regulation	1%
Housing Policy	0%

Smaller institutions (48%) are more likely think Interest Rates will have a negative impact on the housing market than Mid-sized (20%) and Larger institutions (20%).

Q: Which trend or potential policy change do you think will have the largest negative impact on the housing industry for 2017? *Showing Total (N=152)*

Could you share your thoughts on why you think *(response)* will have the largest negative impact on the housing market? How do you see *(response)* impacting the housing industry?

Housing Supply

*"In many of the markets in which we lend, there is a **drastic shortage of housing inventory**. We have a lot of pre-approved buyers who are **unable to find a home**."*
– Larger Institution

*"**The smaller supply the higher the price wars go** and a possible bubble. If rates would remain constant then those thinking of trading up will do so, allowing more inventory and greater volumes."* – Mid-sized Institution

*"In our regions of NE and Western WI we are experiencing **extremely tight levels of housing inventory for sale**. We are seeing this push housing prices higher, too fast, and **pricing out some of the potential buyers**."* – Smaller Institution

*"In our area **inventory is tightening, increasing prices**."* – Smaller Institution

Interest Rates

*"Rising interest rates would likely cause **a slowdown in mortgage refinances** and at some point impact purchase volume, too."* – Larger Institution

*"**As rates trend up, it scares consumers.** We are seeing a shift from active shopping to sideline."* – Mid-sized Institution

*"Although interest rates will remain in historically low levels, **they will be increasing**. Consumers have short memories and the **psychological shock will negatively impact housing**."* – Smaller Institution

*"**Rising rates make the purchase of a home more expensive**. Buying power is reduced and could cause sales to lag or lose some momentum."* – Smaller Institution

Appendix

Research Objectives

- The survey is unique because it is used not only to track lenders' current impressions of the mortgage industry, but also their insights into the future.

- The *Mortgage Lender Sentiment Survey®*, which debuted in March 2014, is a quarterly online survey among senior executives in the mortgage industry, designed to:

Track insights and provide benchmarks into current and future mortgage lending activities and practices.

Quarterly Regular Questions	Featured Specific-Topic Analyses
– Consumer Mortgage Demand	– Lenders' Experiences with APIs and Chatbots
– Credit Standards	– Next-Gen Technology Service Providers
– Mortgage Execution Outlook	– Mortgage Technology Innovation
– Mortgage Servicing Rights (MSR) Execution Outlook	– Lenders' Experiences with TRID
– Profit Margin Outlook	– A Time-Series Look at the Factors Driving Lenders' Profit Margin Outlook

- A quarterly 10-15 minute online survey of senior executives, such as CEOs and CFOs, of Fannie Mae's lending institution customers.
- The results are reported at the lending institution parent-company level. If more than one individual from the same institution completes the survey, their responses are averaged to represent their parent company.

Mortgage Lender Sentiment Survey®

Survey Methodology

- A quarterly, 10-15 minute online survey among senior executives, such as CEOs and CFOs, of Fannie Mae's lending institution partners.
- To ensure that the survey results represent the behavior and output of organizations rather than individuals, the Fannie Mae Mortgage Lender Sentiment Survey is structured and conducted as an establishment survey.
- Each respondent is asked 40-75 questions.

Sample Design

- Each quarter, a random selection of approximately 3,000 senior executives among Fannie Mae's approved lenders are invited to participate in the study.

Data Weighting

- The results of the Mortgage Lender Sentiment Survey are reported at the institutional parent-company level. If more than one individual from the same parent institution completes the survey, their responses are averaged to represent their parent institution.
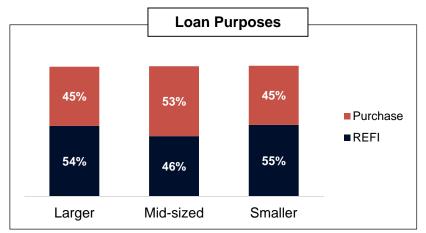
Lending Institution Characteristics

Fannie Mae's customers invited to participate in the Mortgage Lender Sentiment Survey represent a broad base of different lending institutions that conducted business with Fannie Mae in 2016. Institutions were divided into three groups based on their 2016 total industry loan volume – Larger (top 15%), Mid-sized (top 16%-35%), and Smaller (bottom 65%). The data below further describe the compositions and loan characteristics of the three groups of institutions.

Institution Type

Legend:
- Other
- Mortgage Banks
- Credit Union
- Depository Institution

Loan Types

Legend:
- Government
- Jumbo
- Conforming

Loan Purposes

Legend:
- Purchase
- REFI

2017 Q2 Cross-Subgroup Sample Sizes

	Total	Larger Lenders	Mid-Sized Lenders	Smaller Lenders
Total	**184**	**54**	**58**	**72**
Mortgage Banks (non-depository)	58	29	20	9
Depository Institutions	82	17	25	40
Credit Unions	36	4	11	21

How to Read Significance Testing

On slides where significant differences between three groups are shown:

- Each group is assigned a letter (L/M/S, M/D/C)
- If a group has a significantly higher % than another group at the 95% confidence level, a letter will be shown next to the % for that metric. The letter denotes which group the % is significantly higher than.

Example:

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? *Showing Housing Supply*

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)
N=	184	54	58	72
Very positive impact	12%	10%	13%	14%
Somewhat positive impact	23%	26%	13%	31% ^{M}
No impact	13%	8%	11%	19%
Somewhat negative impact	42%	39%	55% ^{S}	31%
Very negative impact	10%	17% ^{S}	8%	4%

31% is significantly higher than 13% (Mid-sized institutions)

17% is significantly higher than 4% (Smaller institutions)

Calculation of the "Total"

The "Total" data presented in this report is an average of the means of the three loan origination volume groups (see an illustrated example below). Please note that percentages are based on the number of financial institutions that gave responses other than "Not Applicable." Percentages may add to under or over 100% due to rounding.

Example:

Do you expect to see more or less consolidation in the mortgage industry during 2017 compared to 2016? Consolidation could be caused by mergers and acquisitions, or lenders exiting the business.

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)
N=	184	54	58	72
Expect to see more consolidation	61%	68%	62%	53%
Expect to see less consolidation	5%	2%	6%	7%
Expect no major changes	34%	31%	32%	40%

"Total" of 61% is
(68% + 62% + 53%) / 3

Appendix

Additional Findings by Subgroups

Business Priorities for 2017

To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2017? Please select up to two most important priorities and rank them in order of importance. *Showing Most + Second Most Important Priority*

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Business process streamlining	35%	41%	35%	29%	31%	32%	36%
Consumer-facing technology	31%	44% M,S	26%	22%	35%	29%	19%
Talent management & leadership	31%	26%	29%	37%	22%	41% M	26%
Back-end process technology	22%	20%	25%	19%	23%	21%	21%
New products or services	22%	15%	27%	24%	22%	16%	38% D
Regulation and compliance	20%	15%	16%	28%	14%	28% M	14%
Marketing	18%	12%	17%	25%	19%	16%	25%
Cost cutting	11%	11%	11%	12%	18% C	7%	0%
Data analytics and business intelligence	10%	14%	14% S	3%	14%	7%	13%
Other	3%	2%	4%	2%	2%	2%	8%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Risk Concerns for 2017

Listed below are different risks associated with mortgage banking. Please select up to three risks that are your firm's top areas of focus this year (2017) and rank them in order of importance. Hover over the terms in the table below to see the definitions.
Showing % ranked Most, 2nd most, and 3rd most important

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Credit Risk	29%	20%	31%	35%	17%	26%	51% M,D
Volume Decrease Risk	68%	67%	73%	62%	65%	66%	82%
Interest Rate Risk	49%	48%	48%	50%	47%	46%	61%
PIPELINE RISK							
Borrower Fallout	13%	11%	15%	12%	15%	7%	18%
Product/Liquidity Risk	5%	7%	2%	5%	5%	4%	3%
Investor Fallout	1%	2%	0%	1%	3%	0%	0%
Investor Risk	1%	2%	0%	2%	0%	1%	6%
Repurchase Risk	15%	15%	16%	17%	22% C	17%	3%
Fraud Risk	9%	11%	11%	7%	14%	6%	10%
Operational Risk	37%	41%	38%	32%	40% C	42% C	14%
Compliance Risk	68%	69%	64%	68%	66%	76% C	50%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Risk Concerns that Have Grown over the Past Year

Please select up to three risks whose concern level has grown at your firm over the past year and rank them by increased level of concern.
Showing % ranked Concern that increased the most, 2nd most, and 3rd most

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Credit Risk	24%	21%	18%	33%	19%	24%	32%
Volume Decrease Risk	65%	59%	69%	64%	60%	65%	82% M
Interest Rate Risk	48%	41%	49%	54%	43%	44%	65% M,D
PIPELINE RISK							
Borrower Fallout	15%	14%	18%	12%	16%	11%	21%
Product/Liquidity Risk	5%	6%	5%	5%	6%	6%	3%
Investor Fallout	1%	0%	2%	2%	3%	1%	0%
Investor Risk	6%	8%	3%	5%	8%	2%	9%
Repurchase Risk	15%	13%	15%	17%	23% C	12%	4%
Fraud Risk	10%	11%	11%	7%	15%	7%	7%
Operational Risk	40%	50% S	44% S	27%	40%	44% C	23%
Compliance Risk	64%	66%	59%	67%	65%	71% C	47%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Mortgage Industry Consolidation Expectations

Do you expect to see more or less consolidation in the mortgage industry during 2017 compared to 2016? Consolidation could be caused by mergers and acquisitions, or lenders exiting the business.

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Expect to see more consolidation	61%	68%	62%	53%	68%	57%	55%
Expect to see less consolidation	5%	2%	6%	7%	3%	5%	8%
Expect no major changes	34%	31%	32%	40%	28%	37%	37%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Impact of Mortgage Industry Consolidation

What impact do you believe more consolidation would have on the housing industry?

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	113	38	36	40	40	49	20
Very positive impact	5%	4%	10%	3%	6%	2%	13%
Somewhat positive impact	44%	52% ^{S}	50% ^{S}	28%	41%	47%	36%
Somewhat negative impact	26%	20%	25%	34%	20% ^{C}	41% ^{C}	10%
Very negative impact	3%	3%	0%	8%	3%	6%	0%
No impact	21%	21%	15%	28%	30% ^{M}	4%	41% ^{M}

What impact do you believe less consolidation would have on the housing industry?

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	10	1	4	5	2	4	3
Very positive impact	0%	0%	0%	0%	0%	0%	0%
Somewhat positive impact	70%	100%	71%	60%	100%	78%	33%
Somewhat negative impact	9%	0%	0%	20%	0%	0%	33%
Very negative impact	0%	0%	0%	0%	0%	0%	0%
No impact	21%	0%	29%	20%	0%	22%	33%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Perceived Impact of Trends and Potential Policy Changes

> Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? ***Showing Financial Regulation/De-regulation***

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	26%	19%	31%	28%	30%	27%	17%
Somewhat positive impact	45%	62% [S]	44%	29%	53%	41%	39%
No impact	16%	16%	10%	22%	15%	15%	22%
Somewhat negative impact	10%	3%	14%	12%	1%	14% [M]	12%
Very negative impact	3%	0%	1%	8%	2%	2%	10%

> Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? ***Showing U.S. Economy***

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	18%	20%	20%	13%	28% [D]	12%	11%
Somewhat positive impact	60%	56%	67%	56%	51%	63%	66%
No impact	12%	18% [M]	4%	14%	14%	12%	12%
Somewhat negative impact	9%	5%	7%	15%	5%	12%	10%
Very negative impact	1%	1%	2%	1%	2%	2%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Perceived Impact of Trends and Potential Policy Changes

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? *Showing Healthcare Policy*

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	6%	4%	8%	7%	6%	5%	4%
Somewhat positive impact	19%	24%	17%	15%	23%	20%	8%
No impact	49%	52%	39%	56%	57%	46%	41%
Somewhat negative impact	22%	20%	29%	18%	12%	24%	40% *M*
Very negative impact	4%	0%	7%	4%	2%	5%	6%

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? *Showing Tax Policy*

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	18%	20%	20%	15%	27% *D,C*	13%	10%
Somewhat positive impact	39%	44%	42%	32%	46% *C*	43%	25%
No impact	22%	18%	22%	26%	12%	22%	36% *M*
Somewhat negative impact	18%	18%	10%	26% *M*	11%	20%	27% *M*
Very negative impact	3%	1%	7%	1%	4%	2%	3%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Perceived Impact of Trends and Potential Policy Changes

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? *Showing Interest Rates*

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	10%	7%	11%	12%	17%	7%	6%
Somewhat positive impact	18%	22%	17%	15%	18%	18%	18%
No impact	18%	22%	20%	12%	12%	18%	21%
Somewhat negative impact	51%	47%	52%	54%	50%	54%	50%
Very negative impact	2%	1%	0%	6%	3%	2%	6%

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? *Showing Housing Supply*

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	12%	10%	13%	14%	18%	8%	14%
Somewhat positive impact	23%	26%	13%	31% ^{M}	23%	27%	19%
No impact	13%	8%	11%	19%	6%	21% ^{M}	8%
Somewhat negative impact	42%	39%	55% ^{S}	31%	42%	41%	41%
Very negative impact	10%	17% ^{S}	8%	4%	10%	3%	17% ^{D}

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Perceived Impact of Trends and Potential Policy Changes

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? **Showing Housing Policy**

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	10%	10%	9%	10%	13%	10%	6%
Somewhat positive impact	46%	54%	46%	39%	46%	47%	45%
No impact	27%	26%	26%	31%	29%	21%	33%
Somewhat negative impact	15%	10%	17%	19%	10%	21%	16%
Very negative impact	1%	0%	2%	1%	2%	1%	0%

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? **Showing Home Prices**

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	8%	6%	8%	10%	11%	6%	6%
Somewhat positive impact	39%	39%	41%	36%	37%	39%	44%
No impact	16%	19%	13%	17%	16%	19%	12%
Somewhat negative impact	35%	33%	38%	35%	31%	36%	38%
Very negative impact	2%	3%	0%	3%	4%	0%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Perceived Impact of Trends and Potential Policy Changes

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? *Showing Immigration Policy*

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	2%	2%	3%	0%	3%	0%	0%
Somewhat positive impact	10%	11%	9%	11%	12%	9%	14%
No impact	51%	46%	42%	65% ^{L,M}	44%	55%	61%
Somewhat negative impact	30%	35% ^{S}	37% ^{S}	19%	31%	30%	22%
Very negative impact	7%	6%	9%	6%	9%	7%	4%

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? *Showing Trade Policy*

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	4%	2%	2%	7%	3%	4%	3%
Somewhat positive impact	17%	18%	19%	14%	22%	15%	11%
No impact	63%	68%	60%	60%	66%	59%	66%
Somewhat negative impact	15%	13%	16%	17%	9%	19%	20%
Very negative impact	2%	0%	3%	1%	0%	4%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Perceived Impact of Trends and Potential Policy Changes

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? *Showing Federal Budget*

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	4%	6%	2%	3%	5%	2%	0%
Somewhat positive impact	19%	19%	16%	22%	25%	20%	11%
No impact	44%	46%	45%	40%	47%	38%	48%
Somewhat negative impact	30%	24%	32%	35%	22%	34%	41% M
Very negative impact	4%	5%	5%	1%	2%	7%	0%

Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? *Showing Energy Regulation/De-regulation*

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	54	58	72	58	82	36
Very positive impact	3%	6%	3%	1%	3%	1%	3%
Somewhat positive impact	27%	27%	25%	28%	29%	32%	17%
No impact	62%	65%	62%	60%	63%	58%	72%
Somewhat negative impact	6%	3%	6%	8%	3%	7%	6%
Very negative impact	2%	0%	3%	3%	2%	2%	3%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Perceived Largest Positive Impact of Trends and Potential Policy Changes

Which trend or potential policy change do you think will have the largest positive impact on the housing industry?

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	172	52	54	66	54	75	35
U.S. Economy	33%	27%	45%	26%	28%	33%	40%
Financial Regulation/De-regulation	33%	34%	29% ^S	36%	32%	39%	22%
Tax Policy	10%	18% ^S	6%	5%	18% ^D,C	5%	1%
Housing Supply	10%	5%	8%	18%	10%	10%	17%
Home Prices	5%	5%	6%	5%	5%	4%	9%
Interest Rates	4%	7%	1%	6%	5%	4%	7%
Housing Policy	3%	3%	3%	4%	3%	3%	4%
Trade Policy	1%	2%	2%	0%	0%	1%	0%
Healthcare Policy	0%	0%	0%	1%	0%	1%	0%
Immigration Policy	0%	0%	0%	0%	0%	0%	0%
Federal Budget	0%	0%	0%	0%	0%	0%	0%
Energy Regulation/De-regulation	0%	0%	0%	0%	0%	0%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Perceived Largest Negative Impact of Trends and Potential Policy Changes

Which trend or potential policy change do you think will have the largest negative impact on the housing industry?

	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	152	45	52	56	47	67	31
Housing Supply	31%	41% S	35% S	16%	35%	22%	40%
Interest Rates	29%	20%	20%	48% L,M	24%	33%	34%
Immigration Policy	8%	11%	9%	4%	18% D	3%	4%
Tax Policy	7%	6%	9%	6%	7%	7%	5%
Federal Budget	7%	8%	10%	4%	5%	10%	3%
Home Prices	6%	9%	4%	5%	4%	7%	3%
Financial Regulation/De-regulation	4%	0%	2%	11%	0%	4%	10%
Healthcare Policy	4%	2%	6%	4%	2%	7%	1%
U.S. Economy	2%	1%	3%	1%	1%	3%	0%
Trade Policy	1%	0%	2%	2%	0%	3%	0%
Energy Regulation/De-regulation	1%	2%	0%	0%	2%	0%	0%
Housing Policy	0%	0%	0%	0%	0%	0%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Question Text

qR197/qR198. To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2017? Please select up to two most important priorities and rank them in order of importance.

qR199. You mentioned that {insert answer} is a top priority for your firm. Could you share some details about why it is a top priority? What do you want to achieve?

qR200. Do you expect to see more or less consolidation in the mortgage industry during 2017 compared to 2016? Consolidation could be caused by mergers and acquisitions, or lenders exiting the business.

qR201. How good or bad do you think more consolidation would be for the housing industry?

qR201a. Why do you think more consolidation would be good for the industry? Please share your thoughts.

qR201b. Why do you think more consolidation would be bad for the industry? Please share your thoughts.

qR202. How good or bad do you think less consolidation would be for the housing industry?

qR202a. Why do you think less consolidation would be good for the industry? Please share your thoughts.

qR202b. Why do you think less consolidation would be bad for the industry? Please share your thoughts.

qR203a-qR203c. Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017?

qR204. Which trend or potential policy change do you think will have the largest positive impact on the housing industry?

qR205. Could you share your thoughts on why you think {insert answer} will have the largest positive impact on the housing market? How do you see {insert answer} impacting the housing industry?

qR206. Which trend or potential policy change do you think will have the largest negative impact on the housing industry?

qR207. Could you share your thoughts on why you think {insert answer} will have the largest negative impact on the housing market? How do you see {insert answer} impacting the housing industry?

qR208a-qR208c. Listed below are different risks associated with mortgage banking. Please select up to three risks that are your firm's top areas of focus this year (2017) and rank them in order of importance.

qR209a-qR209c. Please select up to three risks whose concern level has grown at your firm over the past year and rank them by increased level of concern.