Mortgage Lender Sentiment Survey®
Special Topics Report

Lenders' 2022 Business Priorities

July 2022

Fannie Mae®

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Executive Summary

This year, cost-cutting became the top priority for lenders for the first time, while talent management surpassed business process streamlining as the second most important priority. Similar to last year, a majority of lenders continue to consider online direct-to-consumer lenders as their top competitor and plan to focus on improving the mortgage origination process and the customer experience to prepare for a purchase mortgage-heavy market.

Top Business Priorities

(Combined % most important + second most important)

39% say **cost-cutting**

37% say **talent management and leadership**

34% say **business process streamlining**

BUSINESS PRIORITY TRENDS:

In 2022, **cost-cutting rose** to **#1** as **business process streamlining fell** to **#3**

Competitors & Strategies

54% say **online direct-to-consumer lenders** will be their **top competitor** over the next five years

Among firms that interact directly with consumers (Combined % biggest + second biggest competitor)

TOP STRATEGY

to prepare for a shift to a purchase market

(Combined % most important + second most important strategy)

42% say **improve mortgage origination process and customer experience**

27% say **expand footprint (e.g., retail branches or loan officers)**

25% say **partner with builders or real estate agents**

Mortgage Servicing

Among firms that service mortgage loans

STRATEGIES TO GROW PORTFOLIO

Among firms that want to grow their servicing portfolio (%, select all that apply)

59% say they are **looking to retain more MSRs on originations**

45% say they are **looking to grow selectively based on product execution**

REASONS TO GROW OR MAINTAIN PORTFOLIO

Among firms that want to grow or maintain their servicing portfolio

67% say **additional revenue from mortgage servicing**

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Business Context

Business Context and Research Questions

Business Context

The mortgage industry in 2021 experienced significant growth, with loan originations reaching a record high.[1] Entering 2022, the industry faced a number of challenges, including continued home price appreciation, rapidly rising interest rates, persistent inflation, and a slowdown of global economic growth. Consensus opinion expects both purchase and refinance originations to decline meaningfully this year. In early May, we surveyed over 200 senior mortgage executives, via the Mortgage Lender Sentiment Survey®, to better understand their 2022 business priorities and strategies.

Research Questions

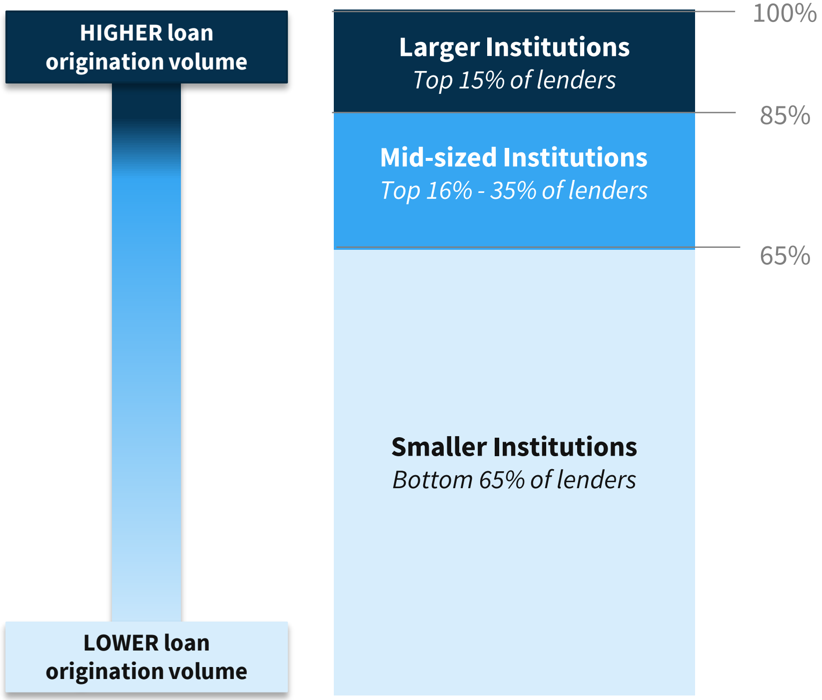
1. What are lenders' most important business priorities for 2022 to maintain or improve their competitiveness in the marketplace? And how are their top business priorities for 2022 different from those in the prior four years? What has changed?
2. Whom do lenders consider to be their biggest competitor over the next five years and why?
3. What changes, if any, are lenders making to prepare for the market shift towards a heavier purchase-mortgage market?
4. What strategies do lenders plan to use in 2022 for their mortgage servicing portfolio? And what factors drive them to want to grow or to downsize?

1. The mortgage industry in 2021 had a record-breaking $4.4 trillion in mortgage originations, outpacing 2020's prior record high of $4.3 trillion. BlackKnight's Jan. 2022 Mortgage Monitor, https://www.blackknightinc.com/black-knights-january-2022-mortgage-monitor/

Respondent Sample and Groups

For the current study, a total of 210 senior executives completed the survey between May 3-16, representing 189 lending institutions.*

Lender Size Groups**



Sample Q2 2022		Sample Size
Total Lending Institutions The "Total" data throughout this report is an average of the means of the three lender-size groups listed below.		189
Lender Size Groups	**Larger Institutions** Lenders in the Fannie Mae database who were in the top 15% of lending institutions based on their total 2021 loan origination volume (above $2.264 billion)	50
	Mid-sized Institutions Lenders in the Fannie Mae database who were in the next 20% (16%-35%) of lending institutions based on their total 2021 loan origination volume (between $607 million and $2.263 billion)	43
	Smaller Institutions Lenders in the Fannie Mae database who were in the bottom 65% of lending institutions based on their total 2021 loan origination volume (less than $607 million)	96
Institution Type***	**Mortgage Banks** (non-depository)	75
	Depository Institutions	77
	Credit Unions	32

* 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 weighted to represent their parent institution.
** The 2021 total loan volume per lender used here includes the best available annual origination information from Fannie Mae, Freddie Mac, and Marketrac. Lenders in the Fannie Mae database are sorted by their firm's total 2020 loan origination volume and then assigned into the size groups, with the top 15% of lenders being the "larger" group, the next 20% of lenders being the "mid-sized" group and the rest being the "small" group.
*** Lenders that are not classified into mortgage banks or depository institutions or credit unions are mostly housing finance agencies or investment banks.

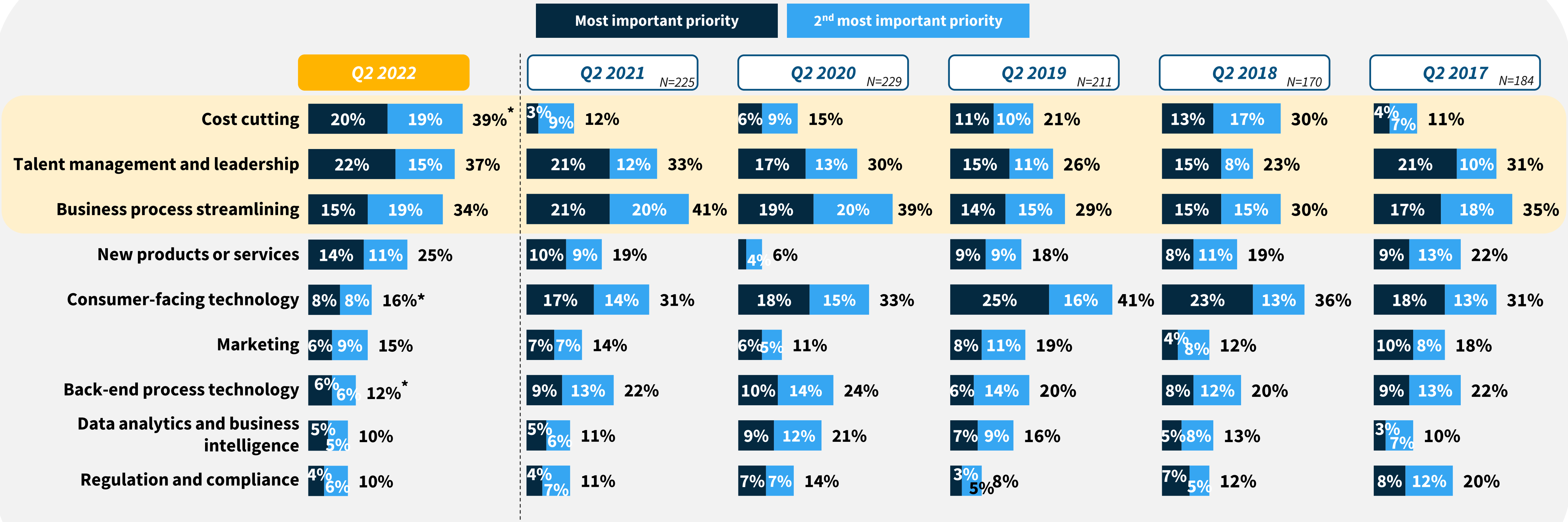
Lenders’ Business Priorities

Top Business Priorities in 2022

Cost-cutting jumped significantly from last year to become the top business priority since 2017. Talent management surpassed business process streamlining for the first time. Consumer-facing technology dropped out of the top 3 priorities this year.

Most Important Business Priorities for 2022

Select up to two, N=189



In 2022, 2% (N=3) chose no answer for the second most important

Less than 2% (N=3) of respondents said “Other”. Responses include: “Lending volume”, “Recruiting”, “Hiring originators”.

* *Indicates a significant difference in total between 2022 and 2021 at the 95% Confidence Interval*

Q: *To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2022? Please select up to two most important priorities and rank them in order of importance.*

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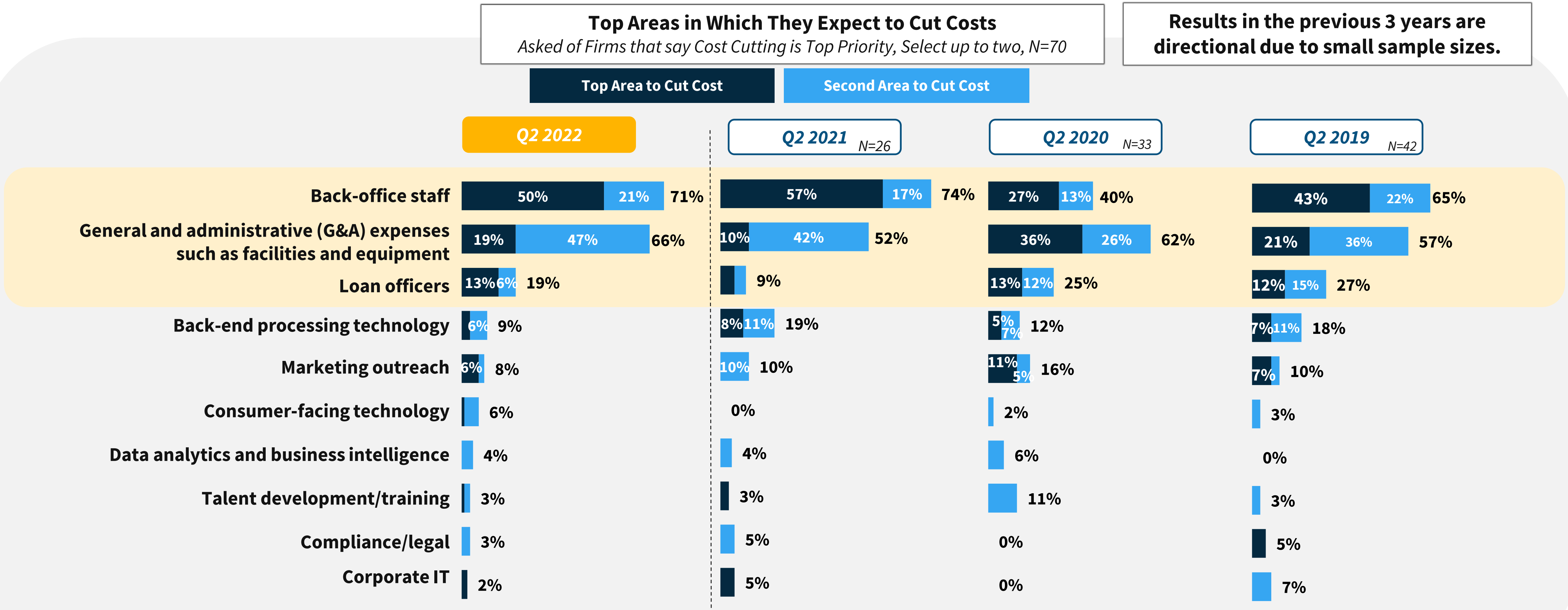
Top Areas for Cost-Cutting *(if cost-cutting is selected as a top priority)*

Most lenders who expect to cut costs plan to cut back-office staff and general and administrative expenses, similar to 2021.



In 2022, 5% (N=5) chose no answer for the second top area to cut
6% of respondents said "Other". Responses include: "Improve productivity", "Deposits", Grow into talent", "Ops", and "Fulfilment".

** Indicates a significant difference between 2022 and 2021 at the 95% Confidence Interval*

Q: *You mentioned that cost cutting would be a top priority for your organization to maintain or improve competitiveness. In which areas do you expect to cut costs? Please select up to two areas.*

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Reasons for "Talent Management" and "Process Streamlining" as Business Priorities in 2022

Talent management and leadership rose to be the second top priority as lenders reported issues of high turnover and cost of training. Business process streamlining remained one of the top 3 priorities as lenders cited a desire to create a more efficient and improved experience.

What Are They Hoping To Achieve?
Asked of Those Who Listed Top Priority, Showing Top 1 and 3 Priorities

TALENT MANAGEMENT AND LEADERSHIP

*"**Turnover** is a concern in many positions. We've been lucky that our mortgage lending staff has been stable. In order to maintain that, **talent and leadership** will be required." – Smaller Institution*

*"With the older generation leaving the job market, the knowledge/years of experience is gone. The jobs that require **more training and longer tenure** to become efficient and proficient is more **difficult to find** employees for." – Smaller Institution*

*"**Leadership mainly**. I have 80 plus personnel and there just aren't a lot of capable people managers out there. SO **training and developing is key**." – Mid-sized Institution*

*"Must keep the productive **sales teams** together as lending slows." – Mid-sized Institution*

*"**Retaining, motivating and inspiring teams as hybrid/remote** becomes a permanent fixture." – Larger Institution*

*"**Sales force and management** are vulnerable to leaving when business slows and pipeline dwindle. Maintaining current and acquiring new sales people is always a priority in slow times so you can take quick advantage when the market turns again." – Larger Institution*

BUSINESS PROCESS STREAMLINING

*"We want to improve all aspects of our mortgage process, from origination to closing to **give our customers the best mortgage experience** possible to increase referral business from past customers that we provided mortgage services. We want to make the mortgage process the most streamline[d] process possible for the customer." – Smaller Institution*

*"Our origination process fails to take full advantage of our market leading portfolio options. **Streamlining** the internal process **and adding confidence to the sales team** will allow [f]or far **better pull through and execution**." – Smaller Institution*

*"We are standardizing systems and processes to gain **greater efficiencies, improved employee and customer experience, leverage technology better**." – Mid-sized Institution*

*"During this slow period focus on the streamlining internal processes leveraging lending platform **to perform more with less staffing**." – Mid-sized Institution*

*"The human capital costs of the industry are currently out of sync. Streamlining the process with advanced technology initiatives will serve to **keep our consumer pricing in line**." – Larger Institution*

"Remove redundancies. Automate tasks where possible. AI to reduce manufacturing errors." – Larger Institution

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

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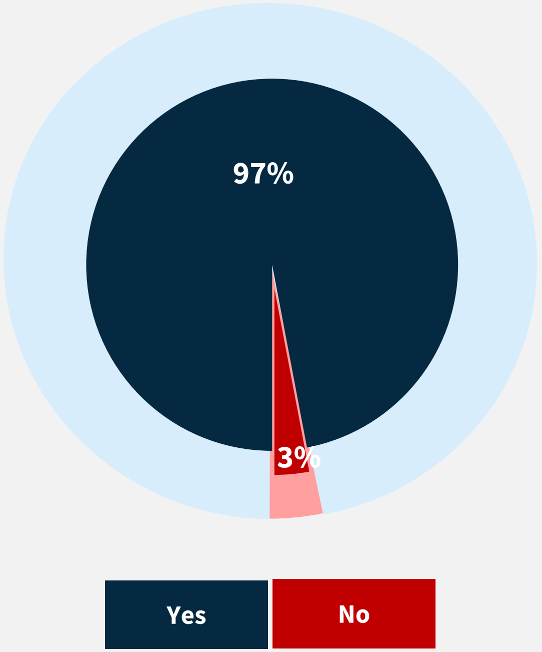
Competitors and Strategies

Biggest Competitors Over the Next Five Years

According to lenders who directly interact with borrowers, many considered online direct-to-consumer lenders as the biggest competitor, similarly to Q2 2021 and Q2 2019. Lenders were also significantly more likely to see traditional banks as a top competitor compared to last year.

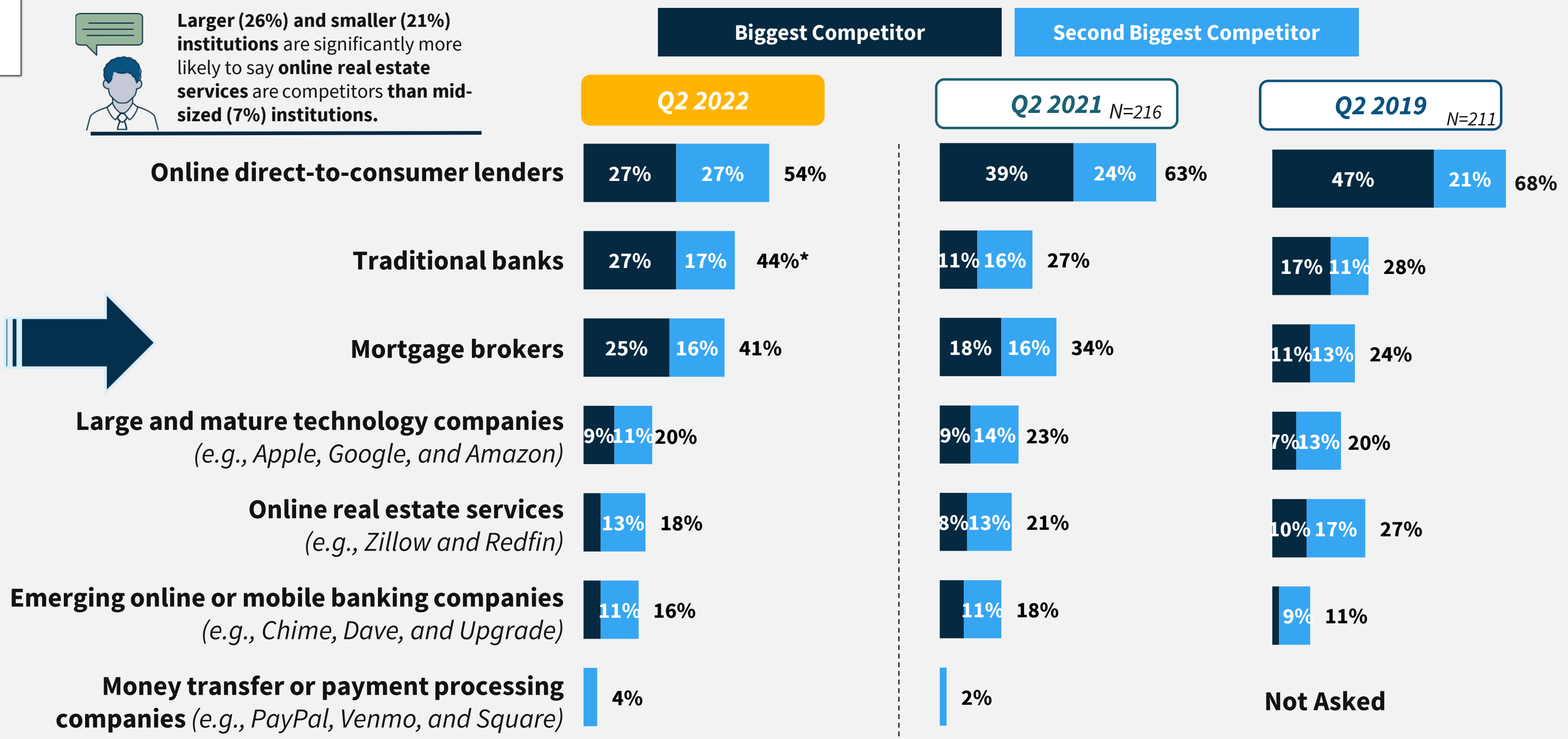
Does your firm directly interact with borrowers/consumers on mortgage inquiry, loan application, or underwriting? *(N=189)*



Larger (26%) and smaller (21%) institutions are significantly more likely to say **online real estate services** are competitors **than mid-sized (7%) institutions.**

Biggest Competitors Over the Next Five Years

Asked of Firms That Directly Interact with Consumers (N=184)



In Q2 2022, 2% (N=4) chose no answer for the second biggest competitor

3% of respondents said "Other". Responses include: "Other non-bank lenders", "IMBs", "Credit Unions", "Traditional IMBs"," Boots on the Ground Realtor Relationships", "Local lenders that can utilize the better rates and portfolio the loans"..

In Q2 2019, "Online direct-to-consumer lenders" was asked as "Online Business-to-Consumer (B2C) lenders and "Traditional banks" was asked as "Traditional financial services companies with branches/offices." Additional answer choices were included that were not asked in **Q2 2021 or Q2 2022.**

** Indicates a significant difference in total between 2022 and 2021 at the 95% Confidence Interval*

Q: *Does your firm directly interact with borrowers/consumers on mortgage inquiry, loan application, or underwriting?*

Q: *IF YES* *Listed below are some key players in the technology or financial services industry. Among those listed below, who do you think will be your biggest competitors over the next five years? Please select up to two.*

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Reasons Why Online Direct-to-Consumer Lenders Are Seen as Top Competitor

Lenders cited direct-to-consumer lenders' advantages in lower costs, more streamlined mortgage process, and advanced analytical and marketing capabilities that will allow them to expand their reach, especially with younger, technology familiar homebuyers.

Competitive Advantages of Online Direct-to-Consumer Lenders
Showing Themes from Those who Chose them as the Biggest Competitor

STREAMLINED AND EASY TO USE

*"**Customers** these days are **more technology savvy**, and want the most simple process possible, ranging from mortgage lending to banking options due to the limited time customers have in their lives." – Smaller Institution*

*"Given the generation and the advancements of Fintech, the ability for **borrowers to apply and upload through a mobile** will be more desired."*
– Smaller Institution

*"**Millennials are driven to technology**. Direct to consumer lending can lower variable costs significantly. A large portion of those savings can be passed on to consumers via **lower rates and fees**."*
– Larger Institution

*"**Cost structure of those companies are less along with loan officer comp smaller than the boots on the street lenders**." – Larger Institution*

MARKETING AND ANALYTICS

*"Reason**: Brand recognition developed through massive advertising capital investment.**" – Smaller Institution*

*"They have such an **advertising budget** that they are prompting consumers to respond. They are gaining market share in every market." – Smaller Institution*

*"Sophisticated front end application, processing systems and **marketing systems. Large marketing budgets**." – Mid-sized Institution*

*"Consumers continue to lean more and more to **online-only** vendors with less value on person-to-person communication. Hoping that doesn't dig in further than it has to the mortgage industry but we need to improve our tech to match those companies." – Mid-sized Institution*

*"Regulation on them is minimal right now. Plus they are extremely **well capitalized**." – Larger Institution*

***Q:** Why do you think that ## INSERT QR444A RESPONSES ## will be your biggest competitor over the next five years? In your view, what are its competitive advantages? Please share your thoughts. (Optional)*

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Reasons Why Traditional Banks and Mortgage Brokers Are Seen as Top Competitors

Lenders cited traditional banks' advantages in access to capital, lower rates, and relationships with customers. And they cited mortgage brokers' advantages in less regulation, technology, and flexibility.

Competitive Advantages of Traditional Banks and Mortgage Brokers
Showing Themes from Those who Chose them as the Biggest Competitor

TRADITIONAL BANKS

*"Just because of **size and scale** as the market shrinks and margins continue to get squeezed the **big traditional banks have access to capital and liquidity** that independent mortgage banks do not have the benefit of." – Larger Institution*

*"Traditional Banks **can offset rate fluctuations** to buy market share if they choose too. Rate has become the biggest factor again." – Larger Institution*

*"As a consumer bank, other banks are our competition. **Portfolio products, especially as ARM products become more needed due to rate movement, will be a factor**." – Mid-sized Institution*

*"Traditional banks and credit unions are already very aggressive **in lending with very low rates**." – Smaller Institution*

*"Over the next 5 years, banks will still control massive amounts of accounts with consumers. They have **brand, access, and relationship with consumers** and can lean into mortgage anytime they want. Their access and relationships with consumers is their greatest asset." –Smaller Institution*

MORTGAGE BROKERS

*"Margin compression early on- they operate **cheaper**. They also have more **flexibility with lender pd comp** at differing levels with varying investors that allow them to skirt lo comp issues." – Larger Institution*

*"Brokers have the ability to **change commissions** based on the loan transaction. The rest of us do not. Brokers can offer just **about any product with no real rep and warrant attached** and with very little time or effort needed to program and price products." – Larger Institution*

*"Large wholesalers have **invested heavily in technology** which gives brokers better visibility into how the loan is progressing. The lack of **visibility** was always one of the biggest issues with brokering loans." – Mid-sized Institution*

*"They are not **subject to continuous audits** that Banks receive, Regulator, Third Party, and internal audits. If you sell to Fannie or Freddie you are subject to their audits as well. For a small community Bank wanting to retain the servicing creates much overhead." – Mid-sized Institution*

*"Barrier to entry very low. They can have **multiple comp structures with various third parties** which doesn't make the playing ground even."–Smaller Institution*

***Q:** Why do you think that ## INSERT QR444A RESPONSES ## will be your biggest competitor over the next five years? In your view, what are its competitive advantages? Please share your thoughts. (Optional)*

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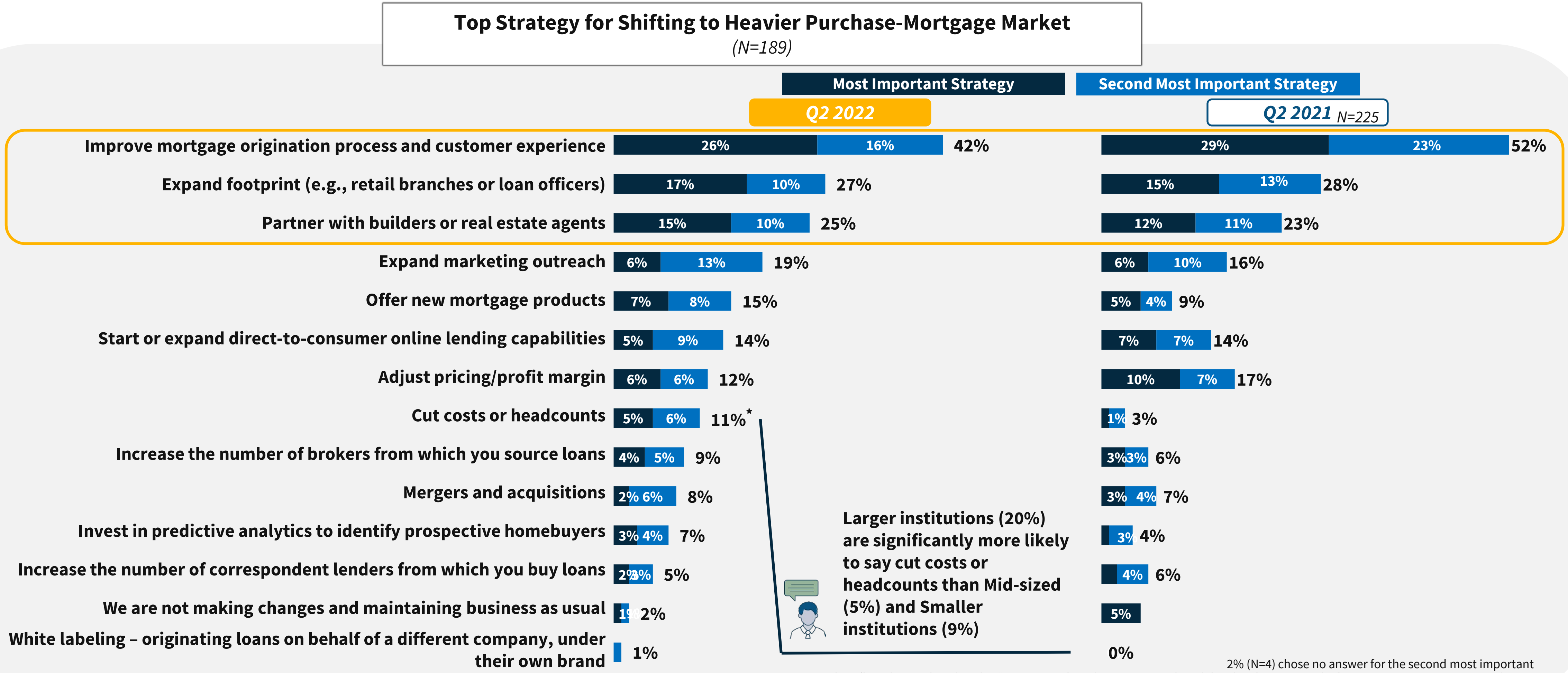
Top Strategy for Shifting to Purchase-Mortgage Focused Market

Similar to Q2 2021, lenders most commonly named improving the mortgage origination process and customer experience as their top strategy to prepare for the shift toward a purchase mortgage-heavy market. About a quarter of lenders also said they plan to expand their footprint and partner with builders and/or real estate agents.



* Indicates a significant difference in total between 2022 and 2021 at the 95% Confidence Interval

2% (N=4) chose no answer for the second most important

One respondent (less than 1%) said “Other”: “A targeted marketing approach with localized agents, and a focus on our current customer base.”

Q: *What changes, if any, is your firm making to prepare for the shift towards a heavier purchase-mortgage market? Please select up to two and rank them in order of importance.*

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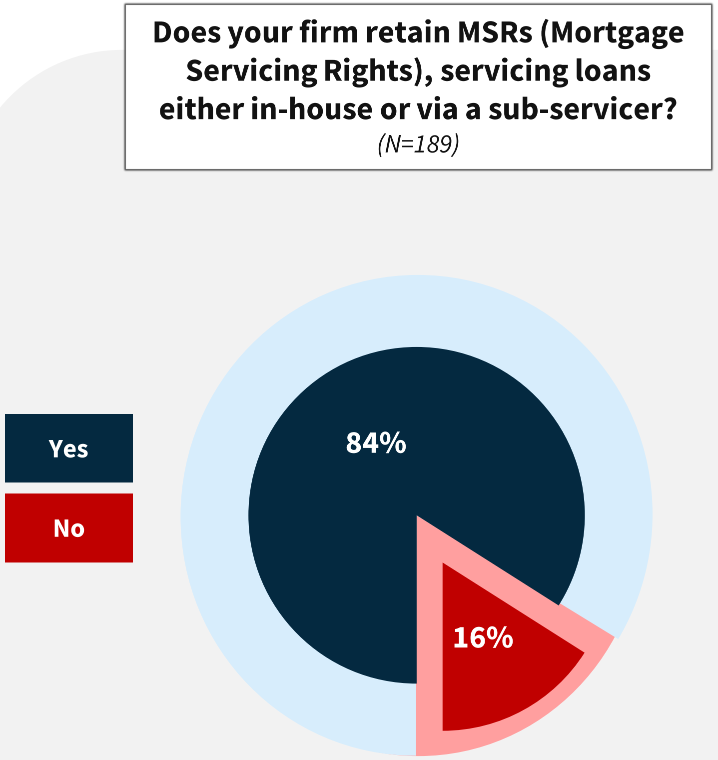
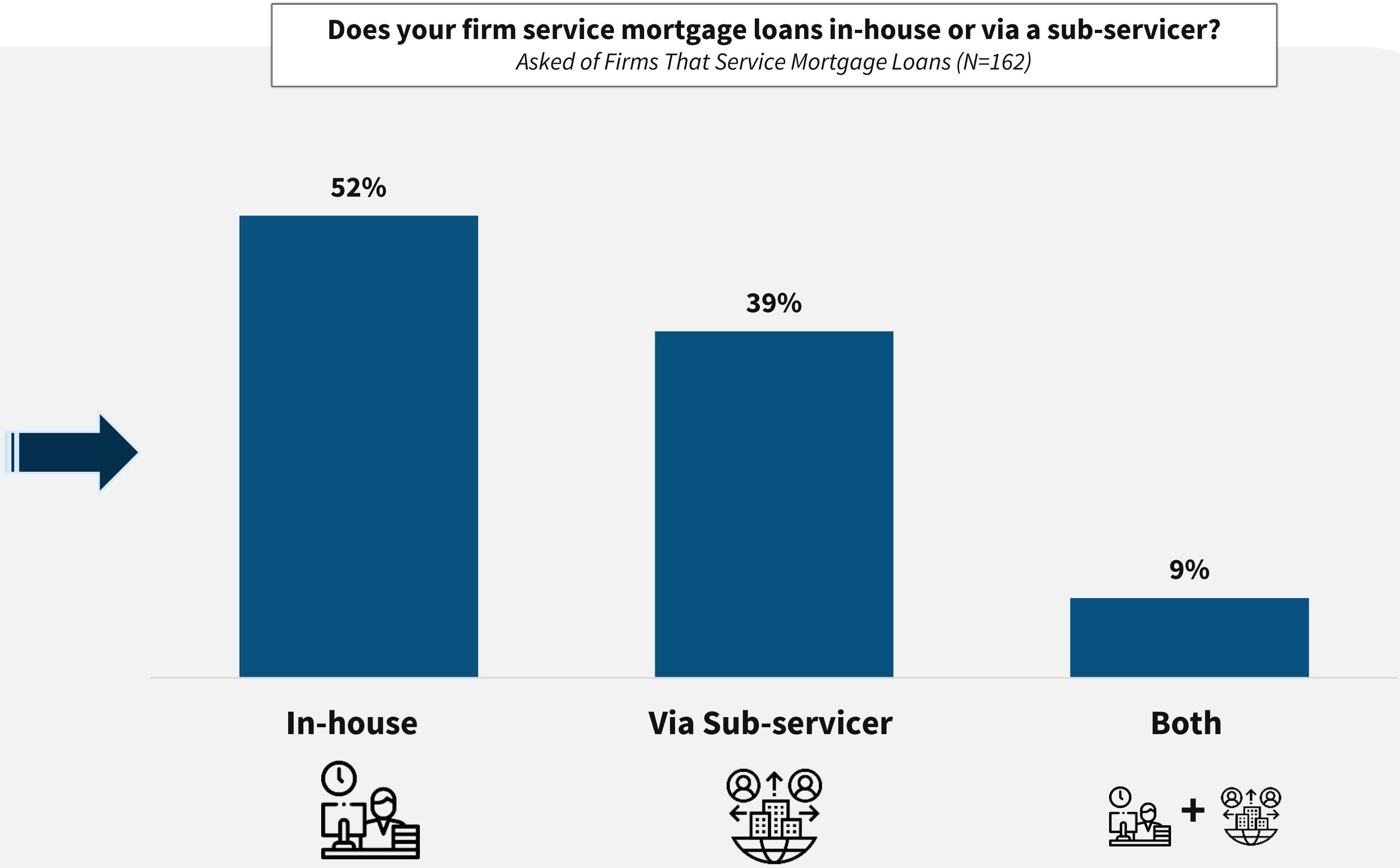
Mortgage Servicing Rights

Sample Base for Mortgage Servicing Strategies

Survey results regarding mortgage servicing strategies are based on organizations who say they retain mortgage servicing rights and service loans in house or via a sub-servicer or both.





Q: *Does your firm retain MSRs (Mortgage Servicing Rights), servicing loans either in-house or via a sub-servicer?*
Q: IF YES *Does your firm service mortgage loans in-house or via a sub-servicer?*

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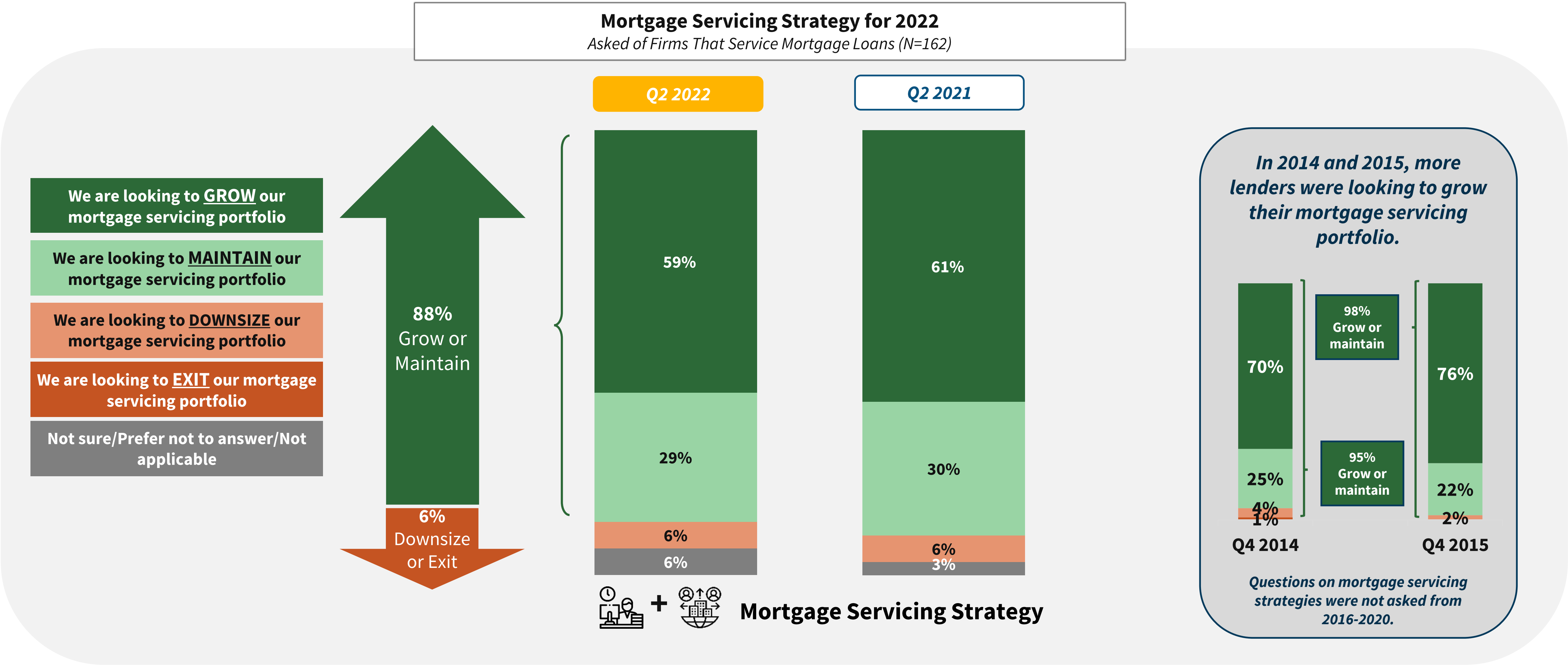
Mortgage Servicing Strategy for 2022

Most organizations that service mortgage loans said they would like to grow (59%) or maintain (29%) their current portfolio. Very few firms said they would like to downsize.



Q: IF YES *Which of the following statements best describes your firm's mortgage servicing strategy for 2022?*

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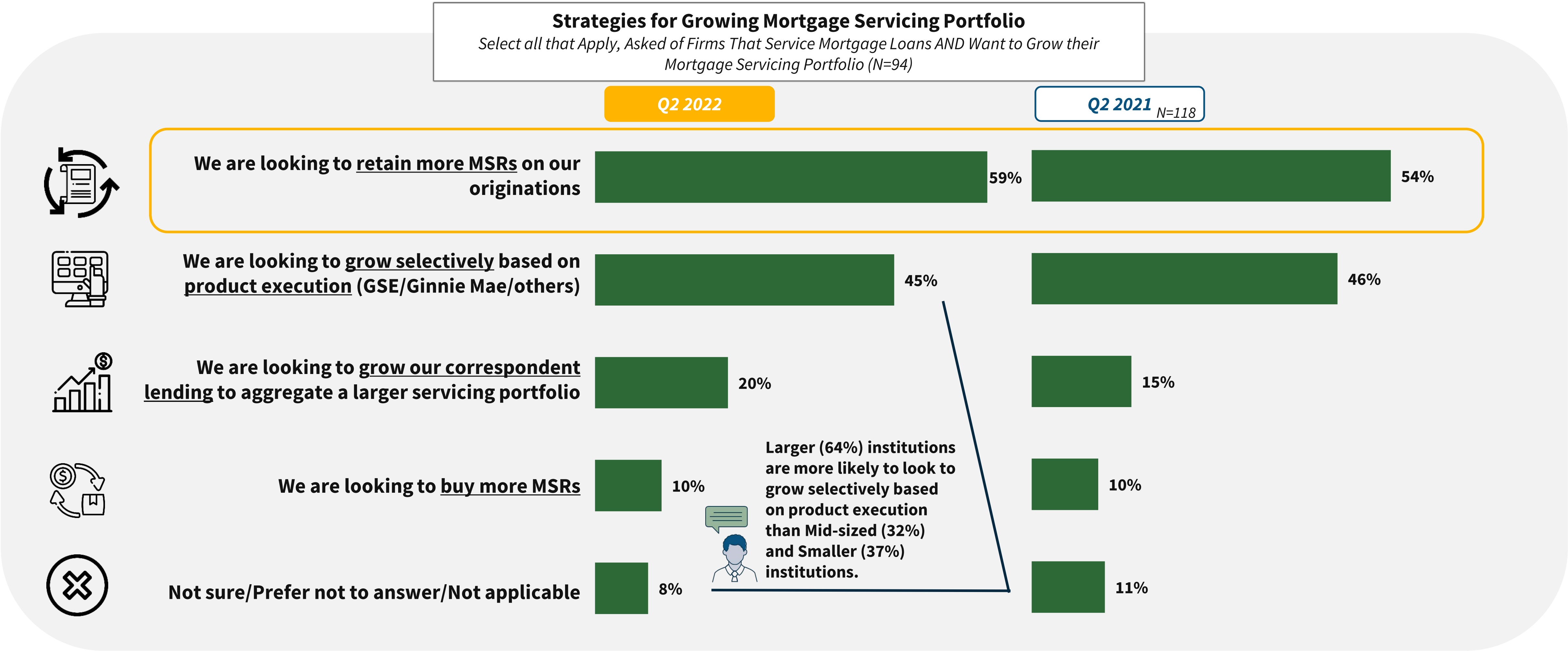
Strategies for Growing Mortgage Servicing Portfolio

Looking to retain more MSRs on originations and growing selectively based on product execution continue to be the top two strategies cited by servicers to grow their mortgage servicing portfolio.



Q: IF GROW *Which of the following strategies do you think your firm will likely implement in growing your firm's mortgage servicing portfolio? Please select all that apply.*

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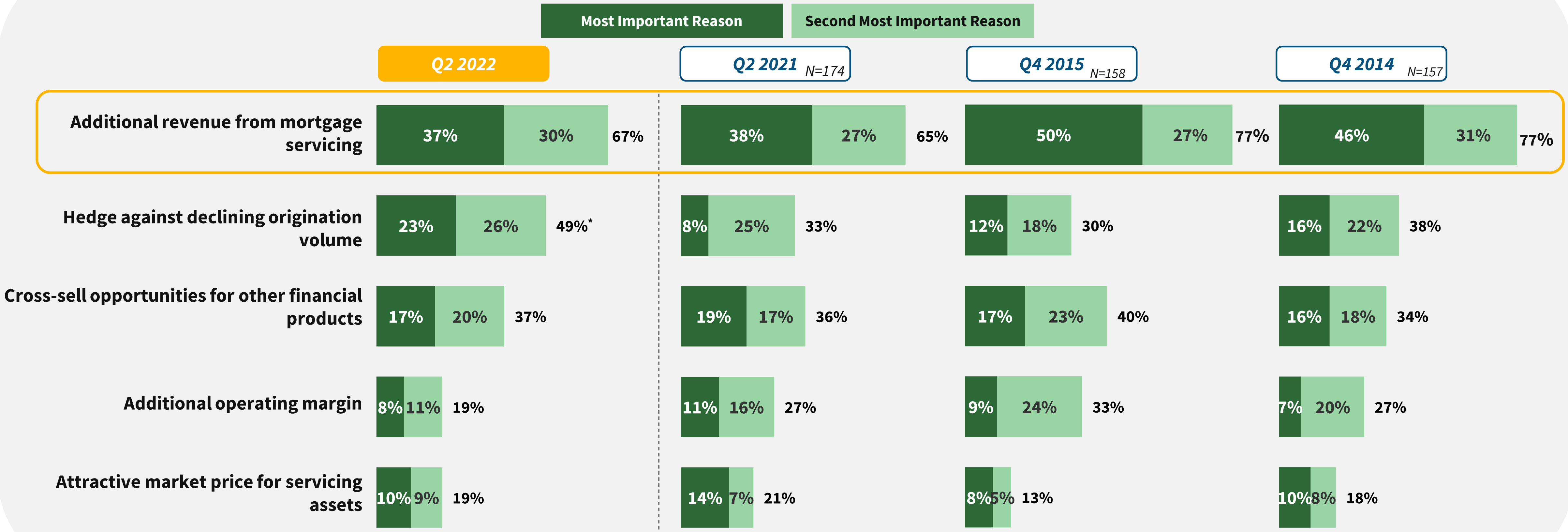
Reasons to Grow or Maintain Mortgage Servicing Portfolio

Additional revenue from mortgage servicing remained the top reason to grow or maintain servicing portfolio, but less so than in Q4 2015 and Q4 2014. Hedge against declining origination volume increased significantly to be the second most important reason in 2022.

Reasons to Grow or Maintain Portfolio

Asked of Firms That Service Mortgage Loans and Want to Grow or Maintain their Mortgage Servicing Portfolio (N=144)



** Indicates a significant difference in total between 2022 and 2021 at the 95% Confidence Interval*

One respondent (less than 1%) chose no answer for the second most important 10% (n=10) of respondents said “Other”. Responses include: “Customer Loyalty in communities”, “Borrower Experience”, “member retention”,” Cash flow planning”, “Customer Satisfaction”, etc.

Questions on mortgage servicing strategies were not asked from 2016-2020.

Q: IF GROW OR MAINTAIN *Listed below are some possible reasons for firms to [INSERT] their mortgage servicing portfolio. Please select up to two of the most important reasons that best describe your firm’s decision to [INSERT] its mortgage servicing portfolio and rank them in order of importance.*

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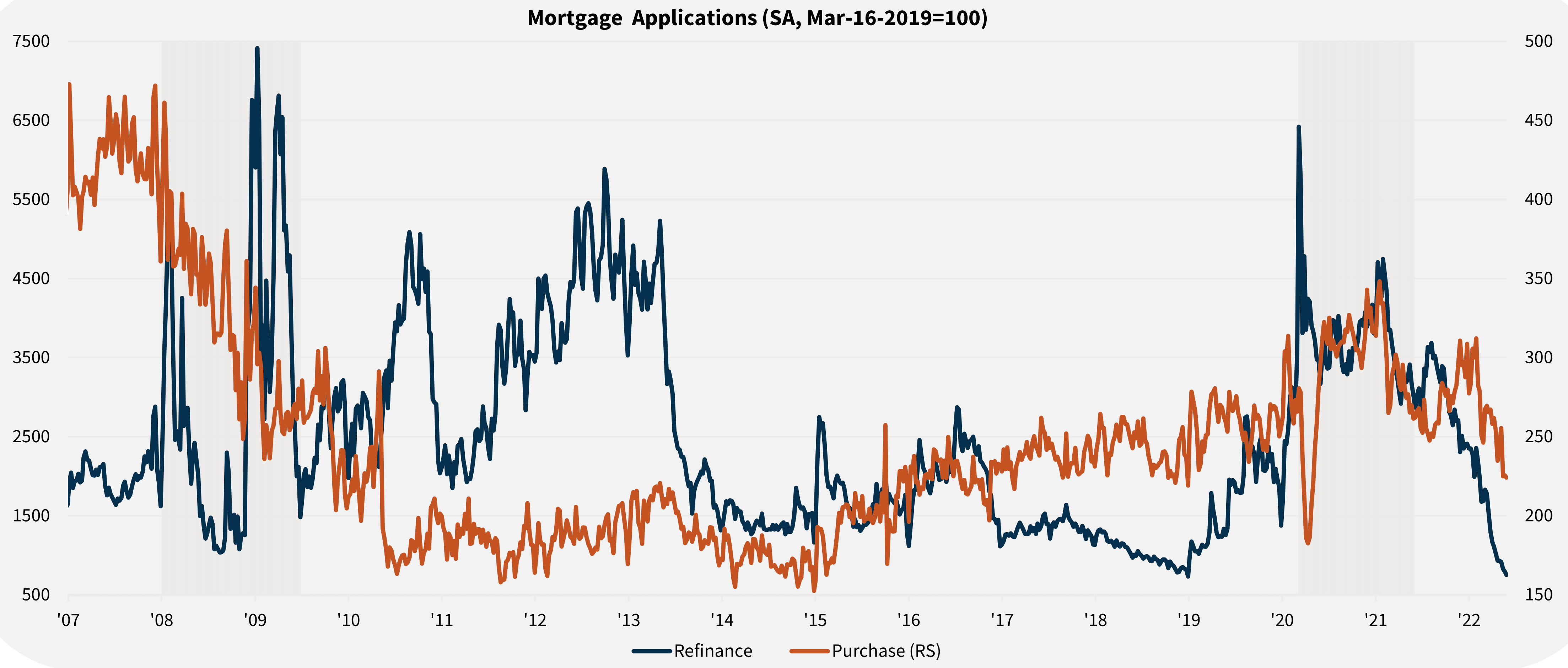
Appendix

Appendix

Mortgage Applications as of May 27, 2022

Increasing mortgage rates in early 2021, a lack of available homes for sale, and affordability issues have limited mortgage application demand compared to the highs in late 2020 and at the start of 2021, with the rapid climb in mortgage rates weighing heavily on refinance applications as well as purchase applications.



Source: Mortgage Bankers Association

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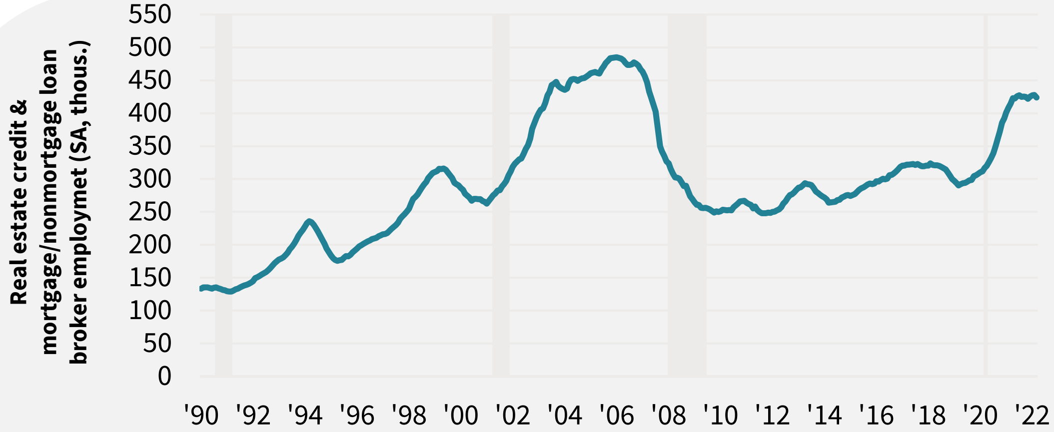
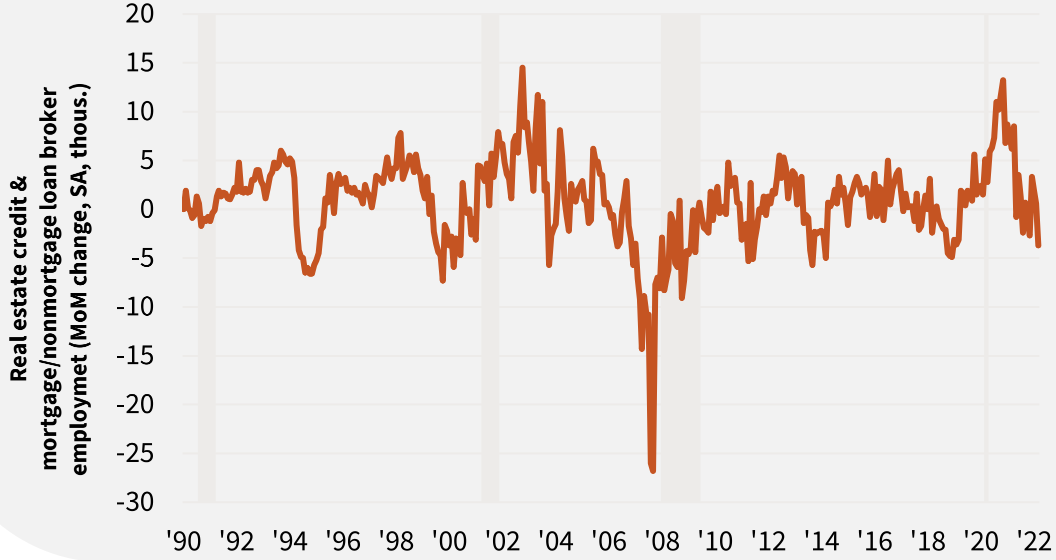
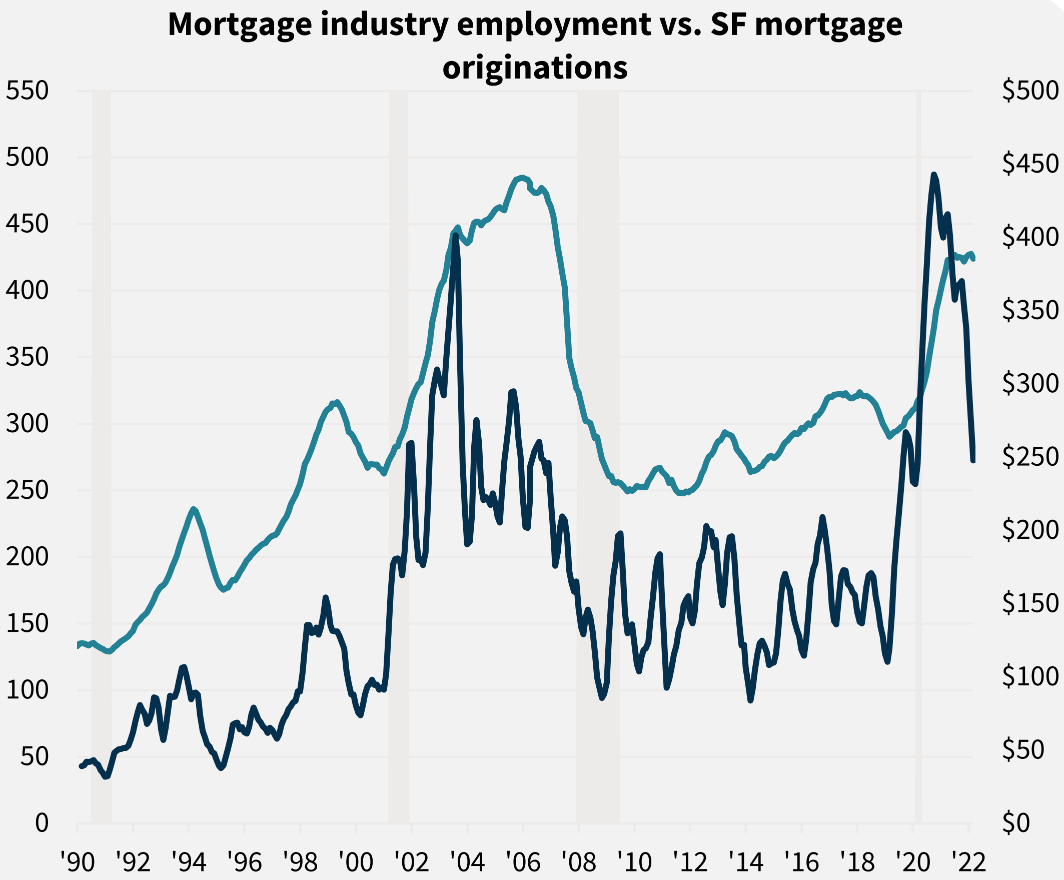
Mortgage Industry Employment Overview

The mortgage industry's most recent trough in employment occurred in March 2019, but employment rates have risen strongly since, despite the COVID-19 pandemic. Origination volumes tend to highly correlate with employment and lead employment by a few months; 2020 recorded the highest origination volumes on record, though originations have fallen sharply since then.







Source: Bureau of Labor Statistics, Fannie Mae analysis

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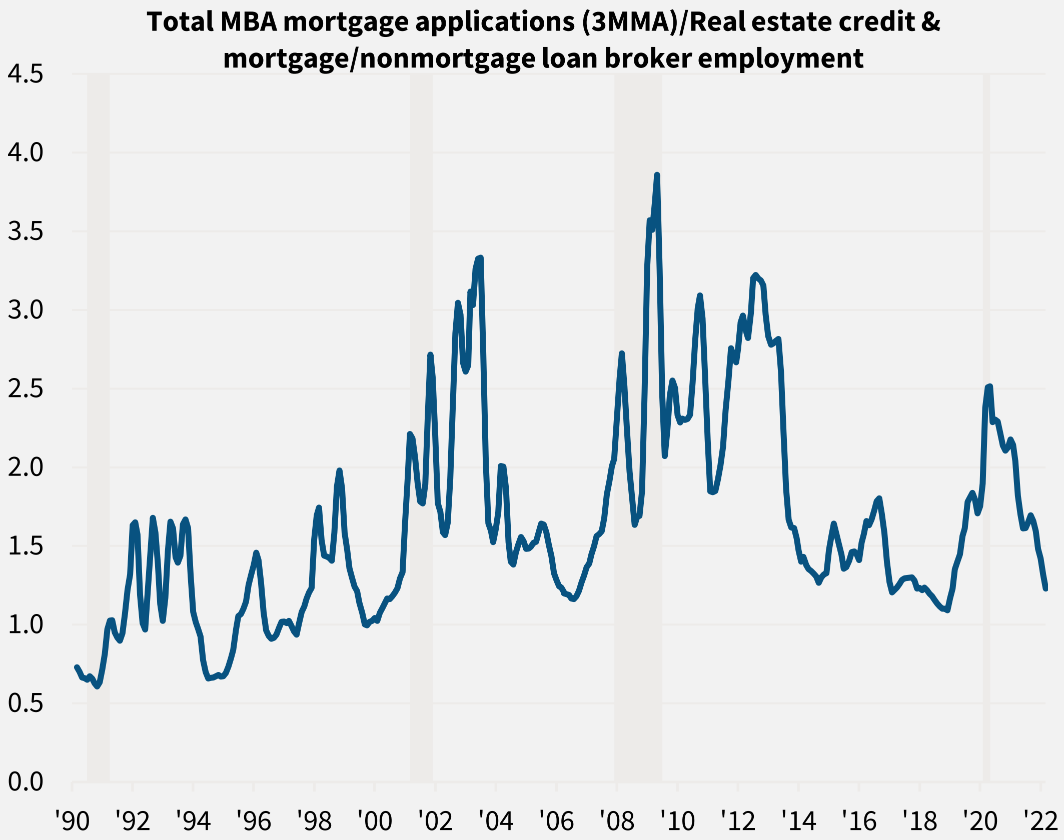
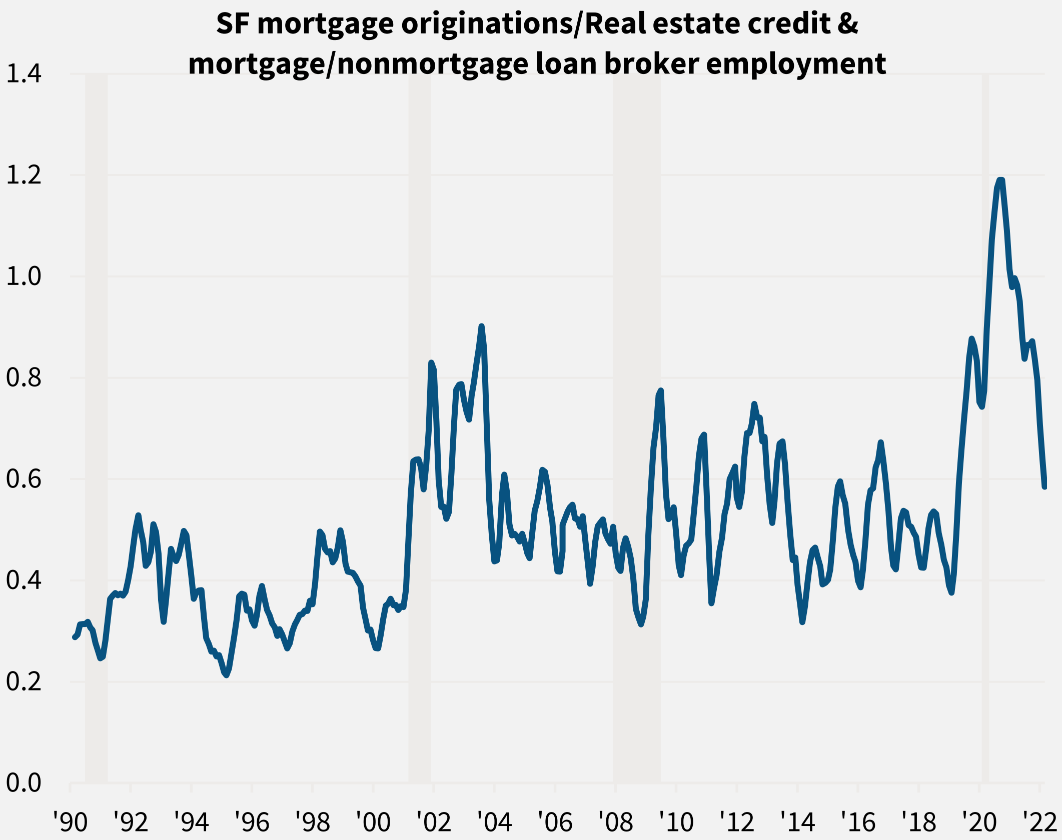
Productivity

Despite the increase in mortgage industry employment, the average amount of origination volume per employee* spiked at the end of 2020 before retreating throughout 2021 and 2022 as mortgage rates increased and volumes declined. Loan applications per employee* have followed a similar pattern.





* Based on total mortgage industry employment, not specific to specific roles
Source: Mortgage Bankers Association, Bureau of Labor Statistics, Fannie Mae analysis

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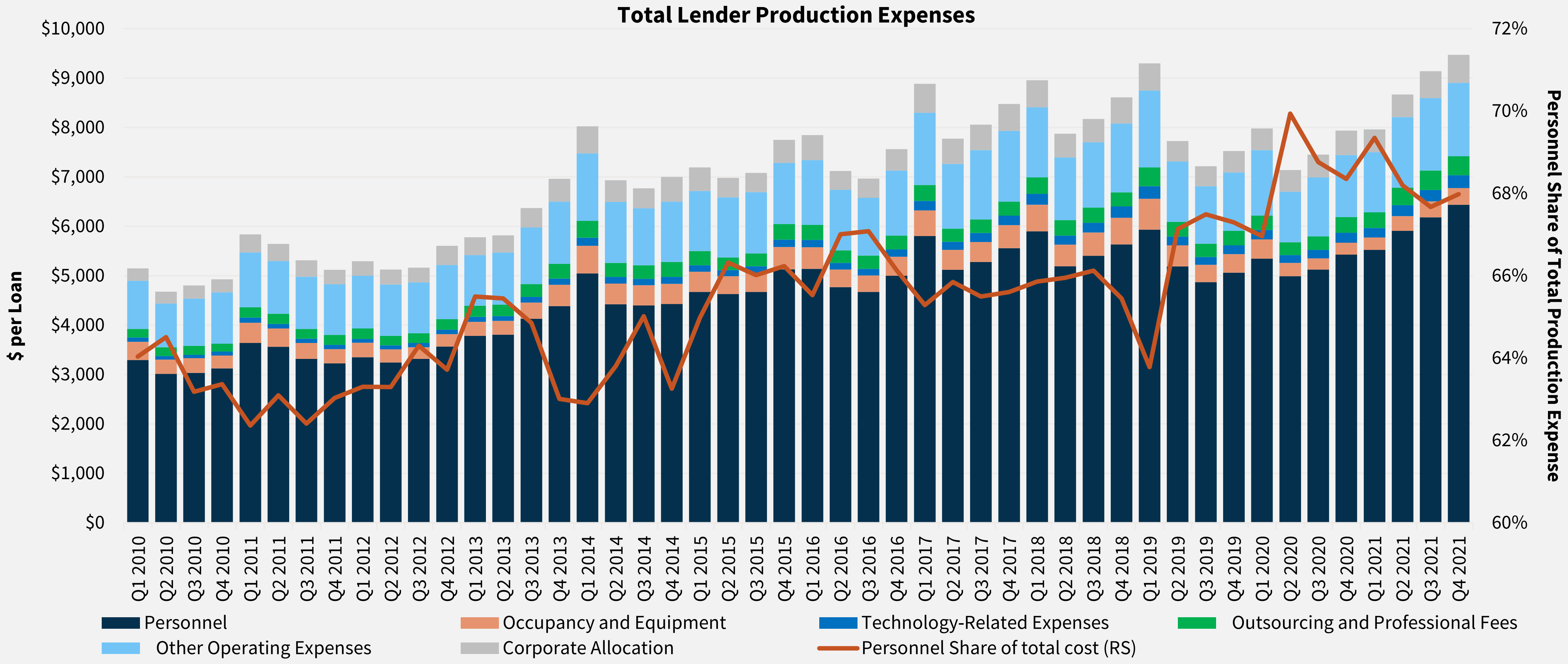
Loan Origination Cost

The average origination cost per loan has steadily increased since Q2 2020. The majority of lender expense is for personnel, and the share of personnel cost to total expenses has also increased over time, from about 64% in Q1 2010 to a peak of 70% in Q2 2020.



Source: Mortgage Bankers Association, Mortgage Bankers Performance Reports - Quarterly and Annual

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Reasons for "New Products/Services" as a Business Priority in 2022

New products or services is cited by lenders as a priority to stay competitive and help make housing affordable.

What Are They Hoping To Achieve?
Asked of Those Who Listed Each as a Top Priority

NEW PRODUCTS OR SERVICES

*"**Products for lower income**. Pricing improvements for the lower income housing. LLPA's. Make it more affordable for our borrower." – Smaller Institution*

*"**We need more products geared to the higher rate environment.** We see more hybrid ARM products at very low rates compared to what Fannie is providing." – Smaller Institution*

*"We have a lot of room to grow in our portfolio products. In addition, we do have some growth in **expansion in government and agency and jumbo**." –Mid-sized Institution*

*"With housing prices high and interest rates higher than they have been in a decade, affordability index is not good. Will need to consider new product designs to **make home ownership affordable**." – Mid-sized Institution*

*"On the new product front I think programs designed to **make housing more affordable is key**. I think looking at **longer duration loans** would be helpful to clients if interest rates continue on this path." – Larger Institution*

*"**Increasing market share** will be a common goal of mortgage firms in 2022. We believe having **the right combination of product offerings** to serve the needs of the current market demands will be critical to positioning for success. This includes products designed to **bring more inventory to market** such as construction perm lending, renovation, etc."*
– Smaller Institution

*"We need **additional ARM Products** to counter fixed rate increases & **stay competitive**. And we **need more JUMBO Products** as our new construction market is increasing in cost/price." – Smaller Institution*

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

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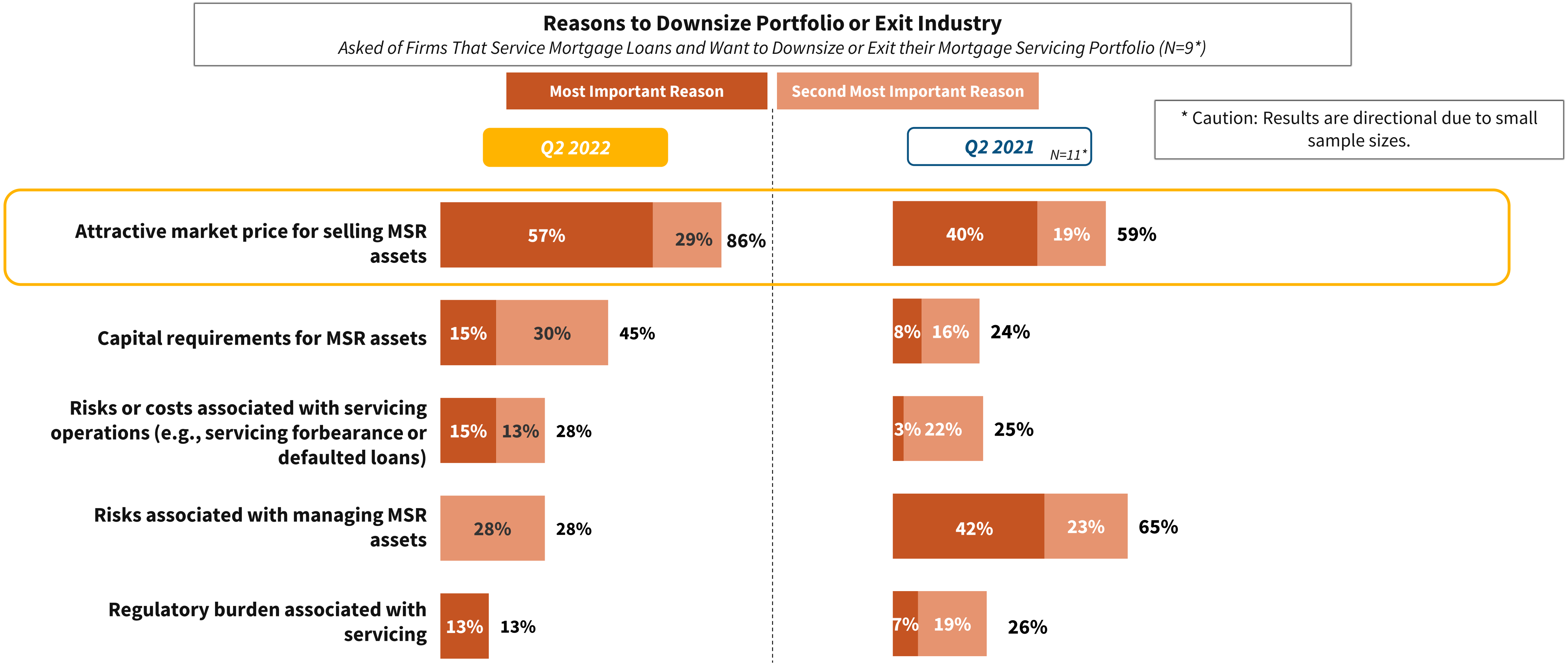
Reasons to Change Mortgage Servicing Portfolio in 2022

Attractive market price for selling MSR assets was the top reason firms cited to downsize their portfolio or exit the industry in 2022.



In 2021 and 2022, 0% (N=0) chose no answer for the second most important.
0% of respondents said "Other".

Q: IF DOWNSIZE OR EXIT *Listed below are some possible reasons for firms to [INSERT]. Please select up to two of the most important reasons that best describe your firm's decision [INSERT] and rank them in order of importance.*

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Appendix

Objectives of Mortgage Lender Sentiment Survey®

The Mortgage Lender Sentiment Survey® (MLSS), which debuted in March 2014, is an online survey among senior executives, such as CEOs and CFOs, of Fannie Mae's lending institution customers.

Each study focuses on a key topic to best highlight the specific opportunities and challenges facing the mortgage industry.

Examples of Past Studies

- **Appraisal Modernization**
- **Blockchain**
- **Closing Homeownership Gaps**
- **COVID-19 & Remote Working**
- **CONDO Mortgage Lending Opportunities**
- **COVID-19 Challenges and Lender Business Priorities**

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.

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Methodology of Mortgage Lender Sentiment Survey®

Survey Methodology

- A 5-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 about ~10 questions.

Sample Design

- 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.

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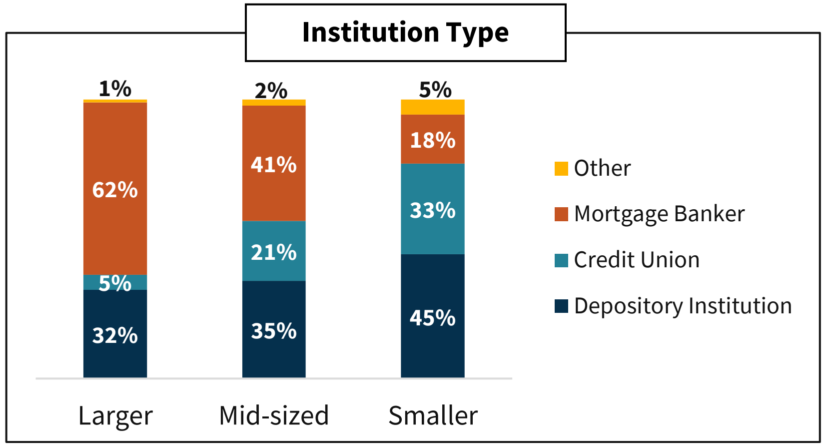
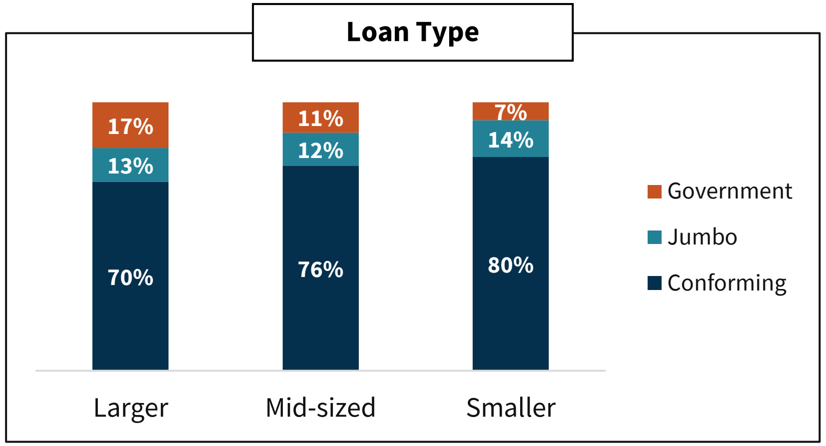
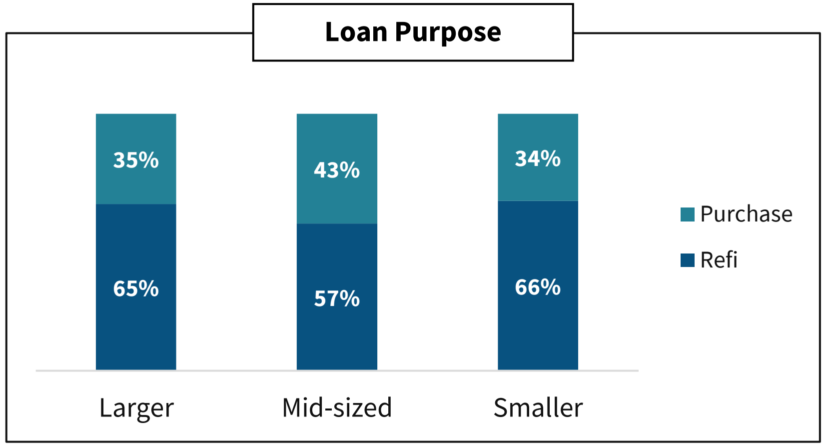
Lending Institution Characteristics

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 2021. Institutions were divided into three groups based on their 2021 total industry loan volume – Larger (top 15%), Mid-sized (top 16%-35%), and Smaller (bottom 65%). The data below further describe the composition and loan characteristics of the three groups of institutions.







Note: Government loans include FHA loans, VA loans and other non-conventional loans from Marketrac.

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Cross-Subgroup Sample Sizes

	Total	Larger Lenders	Mid-Sized Lenders	Smaller Lenders
Total	189	50	43	96
Mortgage Banks (non-depository)	75	16	12	49
Depository Institutions	77	31	22	22
Credit Unions	32	2	9	21

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Appendix

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:

Which of the following strategies do you think your firm will likely implement in growing your firm's mortgage servicing portfolio? Please select all that apply.
Asked of firms that service mortgage loans & who plan to grow their mortgage servicing portfolio

	Total	LOAN VOLUME			INSTITUTION TYPE			SERVICING METHOD	
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)	In-house (I)	Via a Sub-servicer (S)
N=	94	26	18	50	35	34	25	59	27
We are looking to retain more MSRs on our originations	59%	58%	73%	47%	61%	52%	54%	52%	67%
We are looking to grow our correspondent lending to aggregate a larger servicing portfolio	20%	26%	24%	11%	26%	9%	16%	19%	17%
We are looking to buy more MSRs	10%	15%	0%	12%	17%	6%	8%	13%	9%
We are looking to grow selectively based on product execution (GSE/Ginnie Mae/others)	45%	64%[M,S]	32%	37%	48%	45%	38%	41%	51%
Not sure/Prefer not to answer/Not applicable	8%	4%	5%	14%	3%	9%	20%[M]	12%	4%

64% is significantly higher than 32% (mid-sized institutions) and 37% (smaller institutions)

20% is significantly higher than 3% (mortgage banks)

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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 below may add not sum to 100% due to rounding.

Example:

Which of the following strategies do you think your firm will likely implement in growing your firm's mortgage servicing portfolio? Please select all that apply.
Asked of firms that service mortgage loans & who plan to grow their mortgage servicing portfolio

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	189	50	43	96	75	77	32
Yes	84%	86%	77%	89%	77%	92%^{M}	97%^{M}
No	16%	14%	23%	11%	23%^{D,C}	8%	3%

"Total" of 84% is
(86% + 77% + 89%) / 3

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Top Business Priorities in 2022

To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2022? Please select up to two most important priorities and rank them in order of importance.
Showing Most important priority + Second most important priority

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	189	50	43	96	75	77	32
Cost cutting	39%	47%	38%	31%	55%D,C	29%	18%
Talent management and leadership	37%	36%	39%	34%	34%	41%	31%
Business process streamlining	34%	41%	29%	32%	31%	34%	36%
New products or services	25%	24%	23%	26%	25%	23%	28%
Consumer-facing technology	16%	15%	18%	15%	11%	21%	17%
Marketing	15%	5%	17%	24%L	15%	14%	25%
Back-end process technology	12%	11%	14%	10%	9%	10%	18%
Data analytics and business intelligence	10%	8%	12%	11%	7%	10%	15%
Regulation and compliance	10%	10%	6%	12%	7%	15%	6%
Other	1%	1%	0%	2%	2%	0%	3%
No answer	2%	2%	2%	1%	3%	1%	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

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Top Business Priorities from 2017 to 2022

To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2022? Please select up to two most important priorities and rank them in order of importance.
Showing Most important priority + Second most important priority

	Q2 2022	Q2 2021	Q2 2020	Q2 2019	Q2 2018	Q2 2017
N=	189	225	229	211	170	184
Cost cutting	39%*	12%	15%	21%	30%	11%
Talent management and leadership	37%	33%	30%	26%	23%	31%
Business process streamlining	34%	41%	39%	29%	30%	35%
New products or services	25%	19%	6%	18%	19%	22%
Consumer-facing technology	16%*	31%	33%	41%	36%	31%
Marketing	15%	14%	11%	19%	12%	18%
Back-end process technology	12%*	22%	24%	20%	20%	22%
Data analytics and business intelligence	10%	11%	21%	16%	13%	10%
Regulation and compliance	10%	11%	14%	8%	12%	20%
Other	1%	1%	2%	2%	2%	2%
No answer	2%	2%	1%	0%	0%	0%

** Indicates a significant difference in total between 2022 and 2021 at the 95% Confidence Interval*

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Top Areas for Cost Cutting (if cost cutting is selected as a top priority)

You mentioned that cost cutting would be a top priority for your organization to maintain or improve competitiveness. In which areas do you expect to cut costs? Please select up to two areas.
Asked of Firms that say Cost Cutting is Top Priority
Showing Top area to cut cost + Second area to cut cost

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	70	24	16	30	42	22	6
Back-office staff	71%	68%	82%	62%	70%	67%	67%
General and administrative (G&A) expenses such as facilities and equipment	66%	54%	88%[L,S]	56%	69%	53%	50%
Loan officers	19%	24%[M]	0%	35%[M]	19%	22%	50%
Back-end processing technology	9%	8%	12%	3%	7%	9%	0%
Marketing outreach	8%	8%	6%	10%	7%	8%	17%
Consumer-facing technology	6%	4%	6%	6%	5%	8%	0%
Data analytics and business intelligence	4%	4%	6%	4%	2%	9%	0%
Talent development/training	3%	0%	0%	10%	2%	9%	0%
Compliance/legal	3%	4%	0%	3%	2%	4%	0%
Corporate IT	2%	4%	0%	0%	2%	0%	0%
Other	6%	11%	0%	7%	6%	9%	0%
No answer	5%	11%	0%	4%	7%	0%	17%

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

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Interacting Directly with Consumers

Does your firm directly interact with borrowers/consumers on mortgage inquiry, loan application, or underwriting?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	189	50	43	96	75	77	32
Yes	97%	94%	100%	97%	96%	99%	100%
No	3%	6%	0%	3%	4%	1%	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

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Biggest Competitors Over the Next Five Years

Listed below are some key players in the technology or financial services industry. Among those listed below, who do you think will be your biggest competitors over the next five years? Please select up to two.
Asked of Firms That Directly Interact with Consumers
Showing biggest competitor + Second biggest competitor

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	184	47	43	94	72	76	32
Online direct-to-consumer lenders	54%	50%	60%	51%	67%[D,C]	45%	37%
Traditional banks	44%	52%	44%	35%	39%	46%	36%
Mortgage brokers	41%	43%	42%	37%	39%	43%	35%
Large and mature technology companies (e.g., Apple, Google, and Amazon)	20%	16%	21%	20%	16%	18%	31%
Online real estate services (e.g., Zillow and Redfin)	18%	26%[M]	7%	21%[M]	17%	19%	27%[M]
Emerging online or mobile banking companies (e.g., Chime, Dave, and Upgrade)	16%	7%	18%	22%[S]	11%	20%	26%
Money transfer or payment processing companies (e.g., PayPal, Venmo, and Square)	4%	1%	5%	6%	3%	5%	6%
Other	3%	2%	2%	5%	5%	3%	0%
No answer	2%	2%	2%	2%	4%	1%	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

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Top Strategy for Shifting to Heavier Purchase-Mortgage Market

What changes, if any, is your firm making to prepare for the shift towards a heavier purchase-mortgage market? Please select up to two and rank them in order of importance.
Showing most important strategy + Second most important strategy

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	189	50	43	96	75	77	32
Improve mortgage origination process and customer experience	42%	45%	45%	37%	40%	39%	43%
Expand footprint (e.g., retail branches or loan officers)	27%	29%	32%	20%	33%[C]	25%	9%
Partner with builders or real estate agents	25%	18%	25%	31%	21%	26%	38%
Expand marketing outreach	19%	15%	19%	23%	18%	15%	35%[C]
Offer new mortgage products	15%	18%	11%	16%	15%	15%	22%
Start or expand direct-to-consumer online lending capabilities	14%	21%	10%	11%	12%	18%[C]	3%
Adjust pricing/profit margin	12%	6%	16%	14%	11%	14%	15%
Cut costs or headcounts	11%	20%[M,S]	5%	9%	12%	13%	3%
Increase the number of brokers from which you source loans	9%	7%	9%	10%	8%	8%	12%
Mergers and acquisitions	8%	9%	9%	5%	12%[D]	2%	6%
Invest in predictive analytics to identify prospective homebuyers	7%	4%	4%	12%	6%	11%	9%
Increase the number of correspondent lenders from which you buy loans	5%	5%	5%	5%	5%	4%	3%
We are not making changes and maintaining business as usual	2%	0%	4%	4%	2%	4%	0%
White labeling – originating loans on behalf of a different company, under their own brand	1%	2%	2%	0%	3%	0%	0%
Other	0%	0%	0%	1%	0%	1%	0%
No answer	2%	1%	2%	2%	1%	4%	0%

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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

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Firm Status on Retaining Mortgage Servicing Rights

Does your firm retain MSRs (Mortgage Servicing Rights), servicing loans either in-house or via a sub-servicer?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	189	50	43	96	75	77	32
Yes	84%	86%	77%	89%	77%	92%[M]	97%[M]
No	16%	14%	23%	11%	23%[D,C]	8%	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

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Firm Status on Servicing Mortgage Loans In-House or Via Sub-Servicer

Does your firm service mortgage loans in-house or via a sub-servicer?
Asked of firms that service mortgage loans

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	162	43	33	86	58	70	31
In-house	52%	41%	45%	67% L,M	25%	79% M	61% M
Via a sub-servicer	39%	52% S	45% S	19%	63% D,C	11%	29% D
Both	9%	5%	9%	12%	10%	9%	10%
Don’t know/ not sure	1%	2%	0%	1%	2%	1%	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

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Mortgage Servicing Strategy for 2022

Which of the following statements best describes your firm's mortgage servicing strategy for 2022?
Asked of firms that service mortgage loans

	Total	LOAN VOLUME			INSTITUTION TYPE			SERVICING METHOD	
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)	In-house (I)	Via a Sub-servicer (S)
N=	162	43	33	86	58	70	31	90	54
We are looking to grow our mortgage servicing portfolio	59%	62%	56%	58%	60%	48%	81%[D]	66%	50%
We are looking to maintain our mortgage servicing portfolio	29%	20%	35%	34%	20%	43%[M,C]	19%	29%	31%
We are looking to downsize our mortgage servicing portfolio	6%	9%	5%	4%	9%	5%	0%	1%	13%[I]
We are looking to exit the mortgage servicing industry	0%	0%	0%	0%	0%	0%	0%	0%	0%
Not sure/Prefer not to answer/Not applicable	6%	9%	5%	4%	10%	4%	0%	4%	6%

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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level
I/S – Denote a % that is significantly higher than the servicing method group that the letter represents at the 95% confidence interval

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Strategies for Growing Mortgage Servicing Portfolio

Which of the following strategies do you think your firm will likely implement in growing your firm's mortgage servicing portfolio? Please select all that apply.
Asked of firms that service mortgage loans & who plan to grow their mortgage servicing portfolio

	Total	LOAN VOLUME			INSTITUTION TYPE			SERVICING METHOD	
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)	In-house (I)	Via a Sub-servicer (S)
N=	94	26	18	50	35	34	25	59	27
We are looking to retain more MSRs on our originations	59%	58%	73%	47%	61%	52%	54%	52%	67%
We are looking to grow our correspondent lending to aggregate a larger servicing portfolio	20%	26%	24%	11%	26%	9%	16%	19%	17%
We are looking to buy more MSRs	10%	15%	0%	12%	17%	6%	8%	13%	9%
We are looking to grow selectively based on product execution (GSE/Ginnie Mae/others)	45%	64%[M,S]	32%	37%	48%	45%	38%	41%	51%
Not sure/Prefer not to answer/Not applicable	8%	4%	5%	14%	3%	9%	20%[M]	12%	4%

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
I/S – Denote a % that is significantly higher than the servicing method group that the letter represents at the 95% confidence interval

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Reasons to Grow or Maintain Firm's Mortgage Servicing Portfolio

Listed below are some possible reasons for firms to [GROW/MAINTAIN] their mortgage servicing portfolio. Please select up to two of the most important reasons that best describe your firm's decision to [GROW/MAINTAIN] its mortgage servicing portfolio and rank them in order of importance.
Asked of firms that service mortgage loans & who plan to grow or maintain their mortgage servicing portfolio
Showing most important reason + Second most important reason

	Total	LOAN VOLUME			INSTITUTION TYPE			SERVICING METHOD	
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)	In-house (I)	Via a Sub-servicer (S)
N=	144	35	30	78	46	64	31	86	44
Additional revenue from mortgage servicing	67%	66%	67%	69%	77%[C]	66%	55%	67%	65%
Hedge against declining origination volume	49%	54%	57%[S]	36%	46%	50%[C]	27%	45%	42%
Cross-sell opportunities for other financial products	37%	29%	30%	51%[L,M]	15%	51%[M]	61%[M]	49%[S]	30%
Additional operating margin	19%	23%	7%	25%[S]	23%	15%	25%	15%	32%[I]
Attractive market price for servicing assets	19%	20%	26%[S]	9%	28%[D]	9%	13%	10%	25%[I]
Other	10%	9%	13%	10%	10%	8%	15%	13%	7%
No answer	0%	0%	0%	1%	0%	0%	3%	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
I/S – Denote a % that is significantly higher than the servicing method group that the letter represents at the 95% confidence interval

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Reasons to Downsize or Exit Firm's Mortgage Servicing Portfolio

Listed below are some possible reasons for firms to [DOWNSIZE THEIR MORTGAGE SERVICING PORTFOLIO/EXIT THE MORTGAGE SERVICING INDUSTRY] Please select up to two of the most important reasons that best describe your firm's decision to [DOWNSIZE THEIR MORTGAGE SERVICING PORTFOLIO/EXIT THE MORTGAGE SERVICING INDUSTRY] and rank them in order of importance.
Asked of firms that service mortgage loans & who plan to downsize or exit their mortgage servicing portfolio
Showing most important reason + Second most important reason

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	9	4	2	4	6	4	0
Attractive market price for selling MSR assets	86%	100%	67%	71%	91%	71%	0%
Capital requirements for MSR assets	45%	50%	67%	14%	36%	43%	0%
Risks or costs associated with servicing operations (e.g., servicing forbearance or defaulted loans)	28%	25%	33%	29%	37%	29%	0%
Risks associated with managing MSR assets	28%	0%	33%	86%	27%	57%	0%
Regulatory burden associated with servicing	13%	25%	0%	0%	18%	0%	0%
Other	0%	0%	0%	0%	0%	0%	0%
No answer	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

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Appendix

Question Text

QR440: To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2022? Please select up to two most important priorities and rank them in order of importance.

QR441: You mentioned [PRIORITY] is a top priority for your firm. Could you please share some details about why it is a top priority? What do you want to achieve? (Optional)

QR442: You mentioned that cost cutting would be a top priority for your organization to maintain or improve competitiveness. In which areas do you expect to cut costs? Please select up to two areas.

QR443: Does your firm directly interact with borrowers/consumers on mortgage inquiry, loan application, or underwriting?

QR444: Listed below are some key players in the technology or financial services industry. Among those listed below, who do you think will be your biggest competitors over the next five years? Please select up to two.

QR445: Why do you think that /* [INSERT FROM QR444A] */ will be your biggest competitor over the next five years? In your view, what are its competitive advantages? Please share your thoughts . (Optional)

QR446: What changes, if any, is your firm making to prepare for the shift towards a heavier purchase-mortgage market? Please select up to two and rank them in order of importance.

QR447: Does your firm retain MSRs (Mortgage Servicing Rights), servicing loans either in-house or via a sub-servicer?

QR448: Does your firm service mortgage loans in-house or via a sub-servicer?

QR449: Which of the following statements best describes your firm’s mortgage servicing strategy for 2022?

QR450: Which of the following strategies do you think your firm will likely implement in growing your firm’s mortgage servicing portfolio? Please select all that apply.

QR451: Listed below are some possible reasons for firms to [GROW/MAINTAIN] their mortgage servicing portfolio. Please select up to two of the most important reasons that best describe your firm’s decision to [GROW/MAINTAIN] its mortgage servicing portfolio and rank them in order of importance.

QR452: Listed below are some possible reasons for firms to [DOWNSIZE THEIR MORTGAGE SERVICING PORTFOLIO/EXIT THE MORTGAGE SERVICING INDUSTRY]. Please select up to two of the most important reasons that best describe your firm’s decision to [DOWNSIZE THEIR MORTGAGE SERVICING PORTFOLIO/EXIT THE MORTGAGE SERVICING INDUSTRY] and rank them in order of importance.

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