

# Mortgage Lender Sentiment Survey

**Providing Insights into Current Lending Activities and Market Expectations**

Q3 2014  
September 17, 2014

A decorative background graphic consisting of a series of vertical bars of varying heights and colors, ranging from light teal to light blue. The bars are arranged in a pattern that suggests a bar chart, with some bars being taller than others, and a few bars in the center-right area being a different shade of blue.

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## Summary of Key Findings

### Housing Sentiment

Compared to general consumers, senior mortgage executives continue to be more optimistic about the overall economy and more pessimistic about consumers' ability to get a mortgage today.

### Consumer Demand

On average, consumer demand reported for single-family purchase mortgages over the prior three months remained unchanged from Q2 to Q3, but **the share of lenders expecting demand growth for the next three months declined significantly from Q2 to Q3 by 26 to 33 percentage points depending on loan type.**

### Credit Standards

Most lenders reported no major changes in their credit standards for the prior three months and expected no major changes for the next three months. However, **larger lenders** continue to be more likely than smaller lenders to say their credit standards **eased** over the prior three months and that they expect standards to **ease** during the next three months, **in particular for non-GSE eligible and government loans.**

### Mortgage Execution

As in Q1 and Q2, most institutions in Q3 reported that they expect to maintain their post origination execution strategies for the next three months.

### Mortgage Servicing Rights (MSR)

The majority of lenders in Q3 continued to report that they expect to maintain their current Mortgage Servicing Rights (MSR) disposition shares over the next three months.

### Profit Margin Outlook

Lenders' profit margin outlook appears to have **worsened** from Q2 to Q3. The net percentage of larger and mid-sized lenders reporting decreased profit margin expectations increased from Q2 to Q3.

## Research Objectives

- Previously, there was no broad-based industry survey to track lenders' expectations for the mortgage industry.
- The *Mortgage Lender Sentiment Survey*, which debuted in March 2014, is a quarterly online survey among senior executives in the mortgage industry to:

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

### Quarterly Regular Questions

- Consumer Mortgage Demand
- Credit Standards
- Mortgage Execution
- Mortgage Servicing Rights (MSR) Execution
- Profit Margin Outlook
- 30-Year Fixed Mortgage Interest Rate

### Featured Specific-Topic Questions

- Business Strategies and Practices
- Industry Challenges, Opportunities, and Emerging Topics

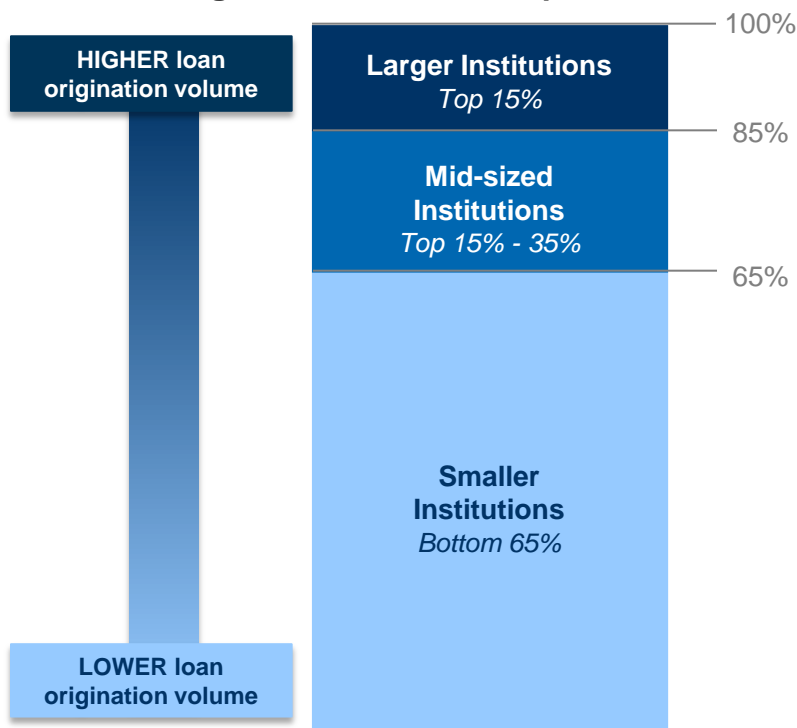
## Methodology

- A quarterly 10-15 minute online survey of senior executives, such as CEOs and CFOs, of Fannie Mae's lending institution customers.
- 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.

## Q3 2014 Respondent Sample and Groups

For Q3 2014, a total of 214 senior executives completed the survey during August 6 – August 23, representing 196 lending institutions.\*

### Loan Origination Volume Groups\*\*



Sample Q3-2014		Sample Size
<b>Total Lending Institutions</b> The "Total" data throughout this report is an average of the means of the three loan origination volume groups listed below.		196
<b>Loan Origination Volume Groups</b>	<b>Larger Institutions</b> Fannie Mae's customers whose 2012 total industry loan origination volume was in the top 15% (above \$1.14 billion)	50
	<b>Mid-sized Institutions</b> Fannie Mae's customers whose 2012 total industry loan origination volume was in the next 20% (16% - 35%) (between \$325 million to \$1.14 billion)	55
	<b>Smaller Institutions</b> Fannie Mae's customers whose 2012 total industry loan origination volume was in the bottom 65% (less than \$325 million)	91
<b>Institution Type</b>	<b>Mortgage Banks</b>	57
	<b>Depository Institutions</b>	128

\*The results of the Mortgage Lender Sentiment Survey are reported at the lending institutional level. If more than one individual from the same institution completes the survey, their responses are averaged to represent their institution.

\*\* The 2012 total loan volume per lender used here includes the best available annual origination information from sources such as Home Mortgage Disclosure Act (HMDA), Fannie Mae, Freddie Mac, or Marketrac. The most recent loan volume data available is 2012.

## Loan Type Definition

Questions about consumer mortgage demand and credit standards are asked across three loan types: GSE eligible, Non-GSE eligible, and Government loans.

Loan Type Definition Used in the Survey	
Loan Type	Definition
<b>GSE Eligible Loans</b>	GSE Eligible Mortgages are defined as mortgages meeting the underwriting guidelines, including loan limit amounts, of the Government-Sponsored Enterprises (GSEs) (Fannie Mae and Freddie Mac). Government loans are excluded from this category.
<b>Non-GSE Eligible Loans</b>	Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and carry higher interest rates than GSE loans. Government loans are excluded from this category.
<b>Government Loans</b>	Government Mortgages primarily include Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) insured loans but also includes other programs such as Rural Housing Guaranteed and Direct loans.

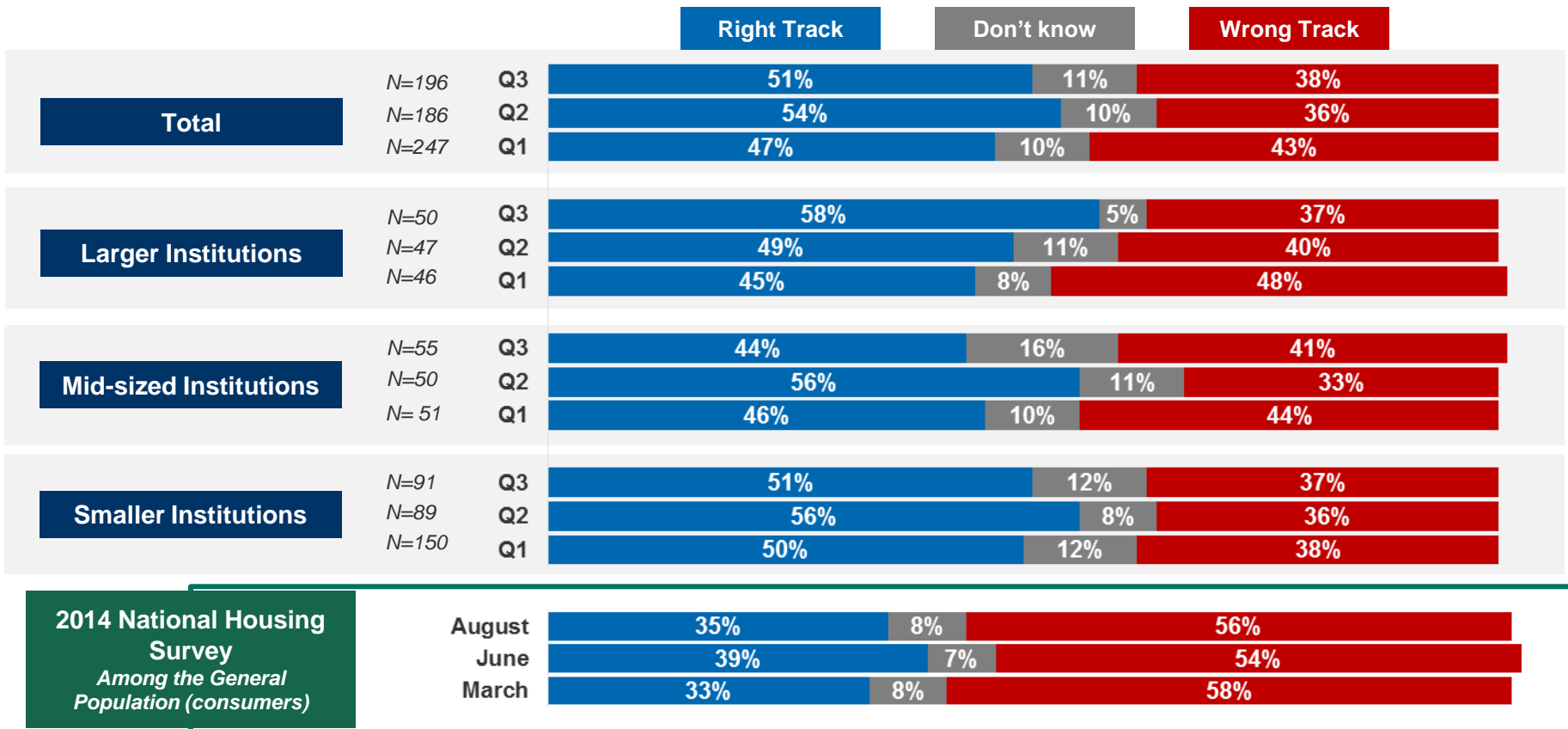
# ECONOMIC AND HOUSING SENTIMENT

- Senior mortgage executives continue to be more optimistic about the overall economy than general consumers.
- However, senior mortgage executives continue to be more pessimistic than general consumers when it comes to the ease of getting a mortgage today.

## US Economy Overall

Senior mortgage executives continue to be more optimistic about the overall economy than general consumers.

In general, do you, as a senior mortgage executive, think the U.S. economy overall is on the right track or the wrong track?



\* Denotes a statistically significant change since Q2

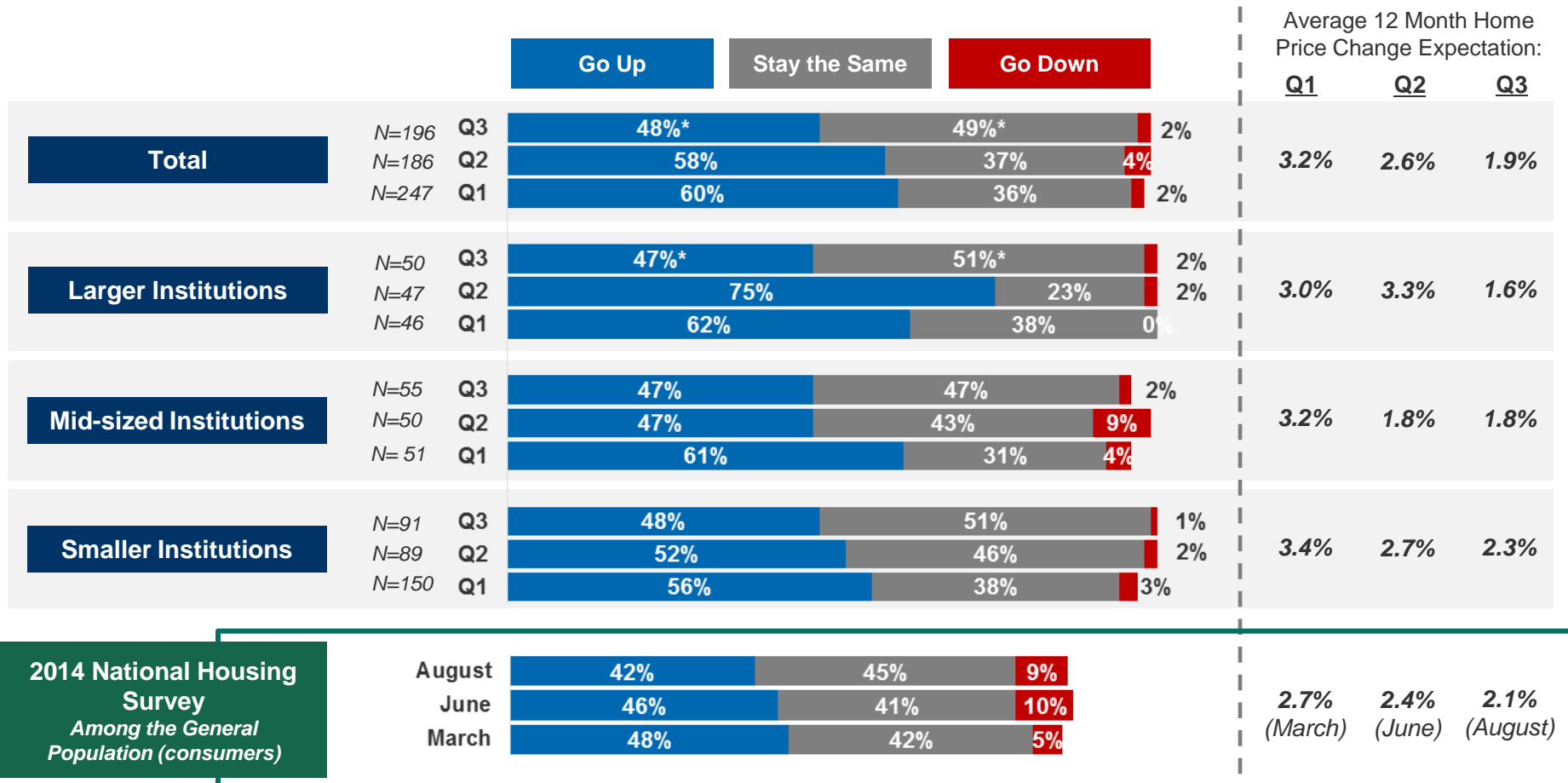
Rows may not sum up to 100% because of rounding.

National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>



## Home Prices – Next 12 Months

Senior mortgage executives' views about future home prices are generally aligned with consumers'.



\* Denotes a statistically significant change since Q2

Rows may not sum up to 100% because of rounding and "don't know" responses that are not included in the chart.

Q: Nationally, during the next 12 months, do you, as a senior mortgage executive, think home prices in general will go up, go down, or stay the same as where they are now?

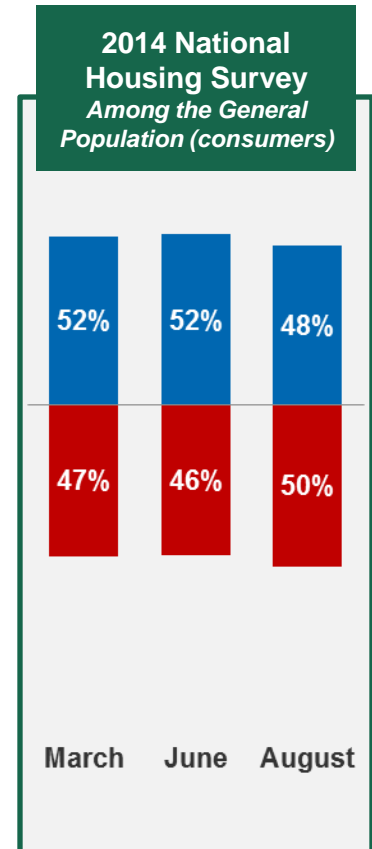
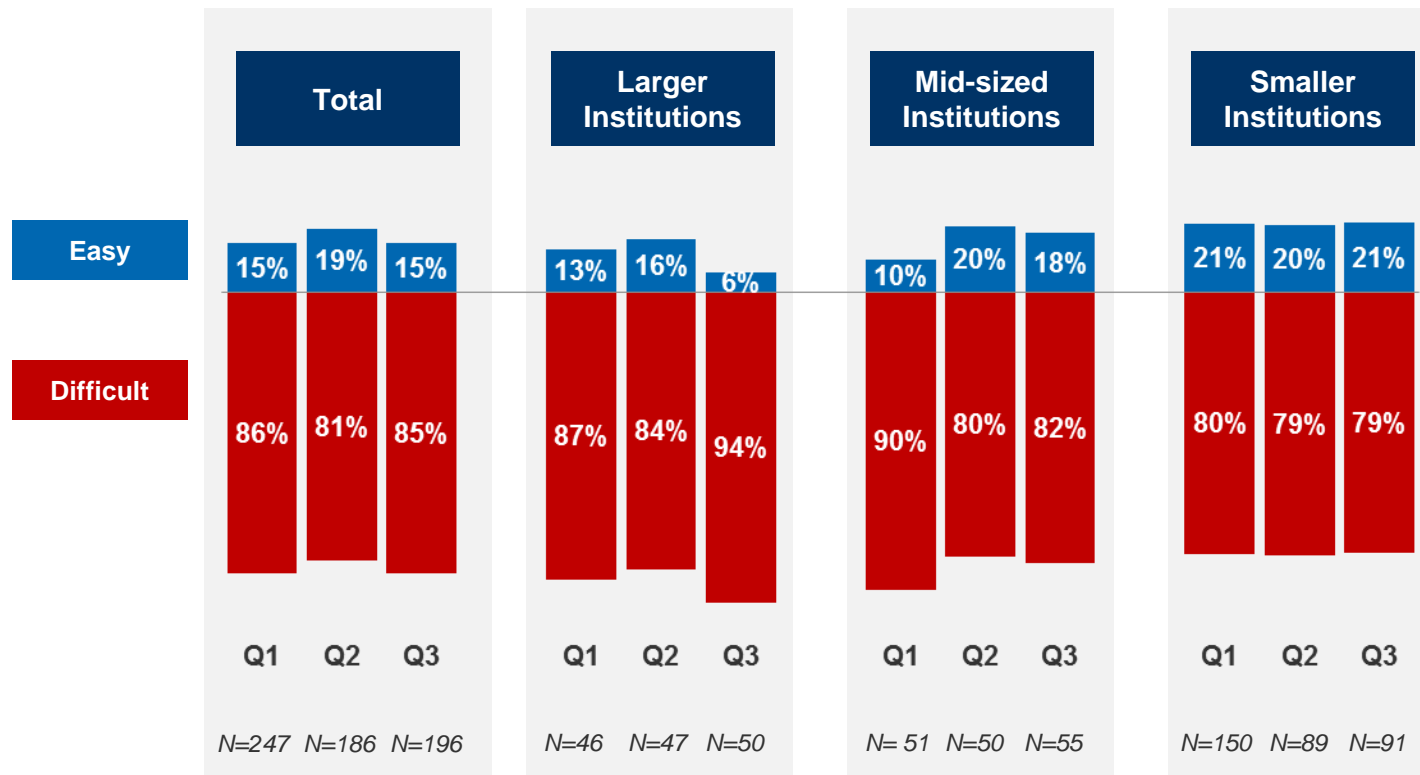
Q: By about what percent do you, as a senior mortgage executive, think home prices nationally will go up/down on average over the next 12 months?

National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

## Difficulty of Getting a Mortgage

Senior mortgage executives continue to be more pessimistic than general consumers when it comes to the ease of getting a mortgage today.

Do you think it is very difficult, somewhat difficult, somewhat easy, or very easy for consumers to get a home mortgage today?



\* Denotes a statistically significant change since Q2  
 Rows may not sum up to 100% because of rounding and "don't know" responses that are not included in the chart.  
 "Easy" = Very easy + Somewhat easy  
 "Difficult" = Very difficult + Somewhat difficult  
 National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

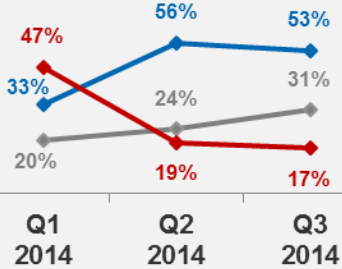
# CONSUMER DEMAND (PURCHASE MORTGAGES)

- On average, consumer demand reported for single-family purchase mortgages over the prior three months remains unchanged from Q2 to Q3, but **the share of lenders expecting demand growth for the next three months declined significantly from Q2 to Q3 by 26 to 33 percentage points depending on loan type.**

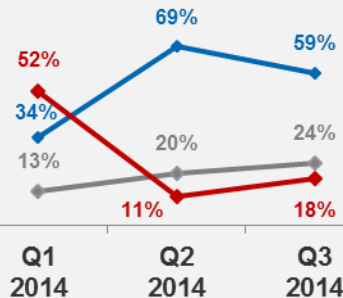
## Purchase Mortgage Demand: GSE Eligible

The share of lenders expecting demand growth for GSE eligible loans over the next three months declined significantly by 33 percentage points from Q2 to Q3 (from 54% to 21%).

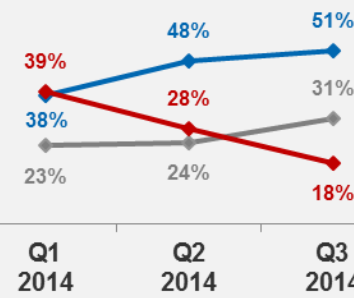
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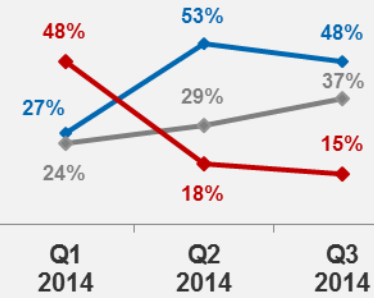
**Larger Institutions**



**Mid-sized Institutions**

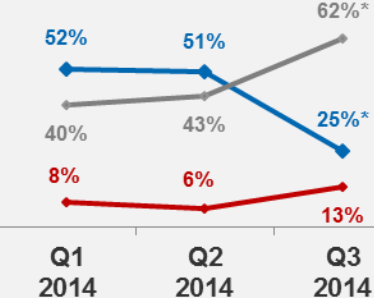
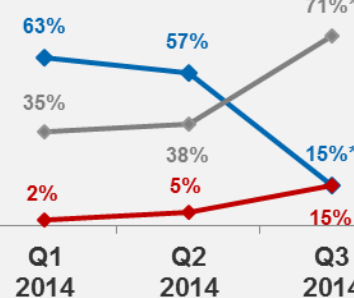
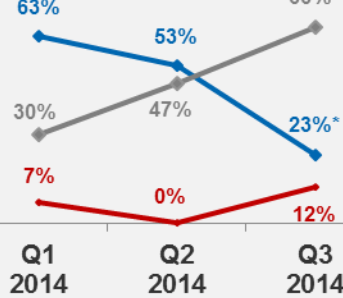
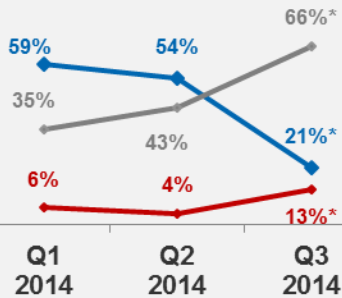


**Smaller Institutions**



**Past 3 Months**

**Next 3 Months**



- Up
- The same
- Down

\* Denotes a statistically significant change since Q2

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? A: "Went up," "Stayed the same," or "Went Down"

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? A: "Go up," "Stay the same," or "Go Down"

## Purchase Mortgage Demand: Non-GSE Eligible

The percentage of lenders reporting net increase of non-GSE purchase mortgage demand for the prior three months increased modestly, but the share of lenders expecting demand growth for non-GSE loans over the next three months declined significantly by 26 percentage points from Q2 to Q3 (from 53% to 27%).

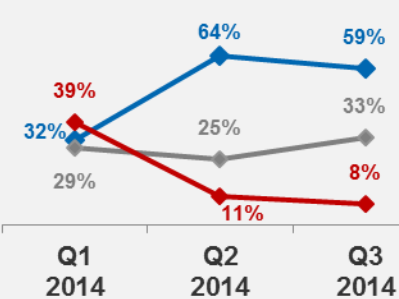
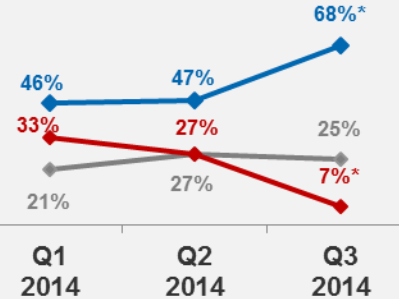
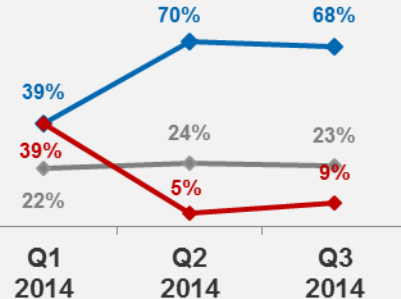
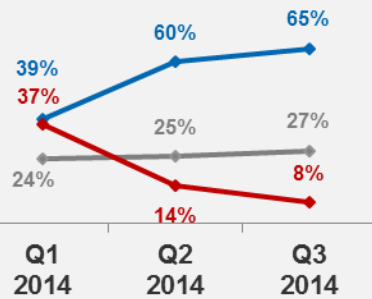
**Total**

**Larger Institutions**

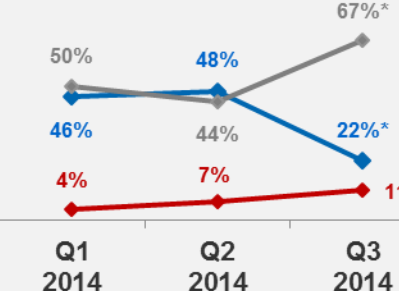
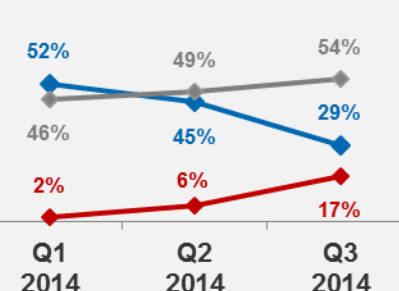
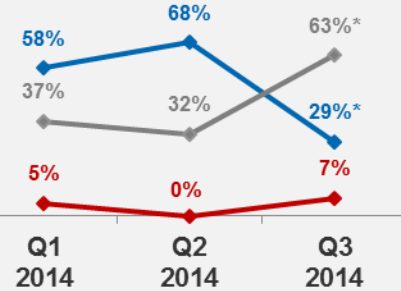
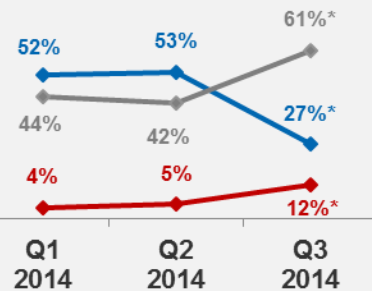
**Mid-sized Institutions**

**Smaller Institutions**

### Past 3 Months



### Next 3 Months



— Up  
— The same  
— Down

\* Denotes a statistically significant change since Q2

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? A: "Went up," "Stayed the same," or "Went Down"

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? A: "Go up," "Stay the same," or "Go Down"

## Purchase Mortgage Demand: Government

Overall, consumer demand trends reported for government loans over the prior three months have remained relatively little changed, but the share of lenders expecting demand growth for government loans over the next three months declined significantly by 26 percentage points from Q2 to Q3 (from 42% to 16%).

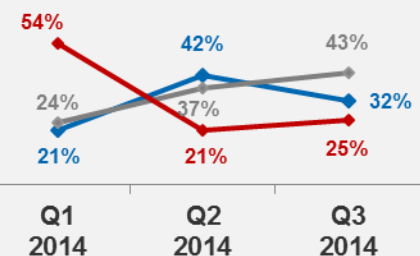
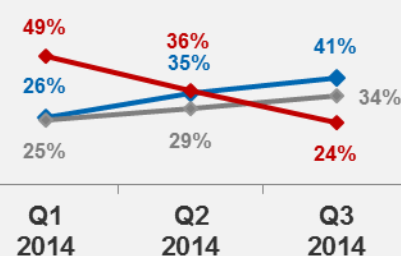
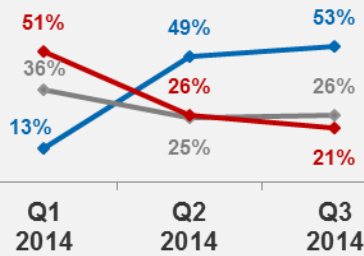
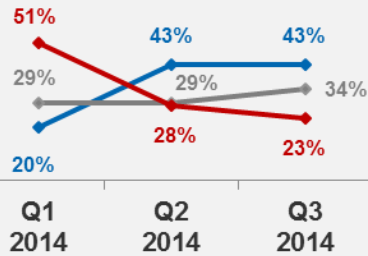
**Total**

**Larger Institutions**

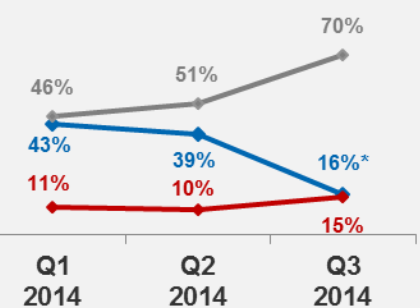
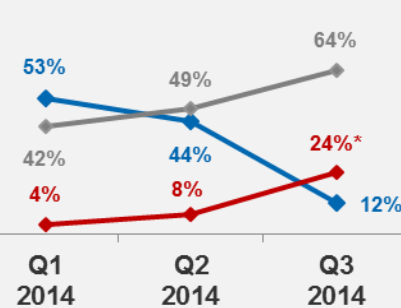
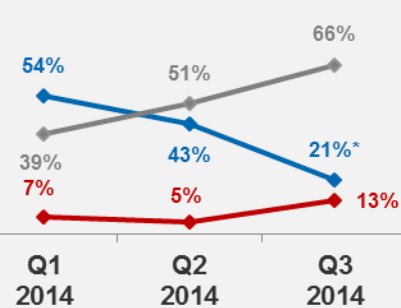
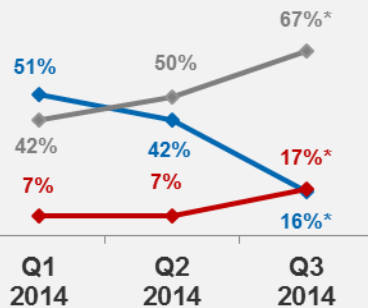
**Mid-sized Institutions**

**Smaller Institutions**

### Past 3 Months



### Next 3 Months



- Up
- The same
- Down

\* Denotes a statistically significant change since Q2

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? A: "Went up," "Stayed the same," or "Went Down"

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? A: "Go up," "Stay the same," or "Go Down"

# CREDIT STANDARDS

- Overall, most lenders reported no major changes in their underwriting credit standards for the prior three months and expected no major changes for the next three months. However,
  - **Credit tightening for GSE eligible loans** observed in Q1 seems to **have gradually trended down** in Q2 and Q3.
  - **Larger lenders** continue to be more likely than smaller lenders to say their credit standards **eased** over the prior three months and that they expect standards to **ease** during the next three months, **in particular for non-GSE eligible and government loans**.

## Credit Standards: GSE Eligible

Credit tightening for GSE eligible loans observed in Q1 seems to have gradually trended down in Q2 and in Q3.

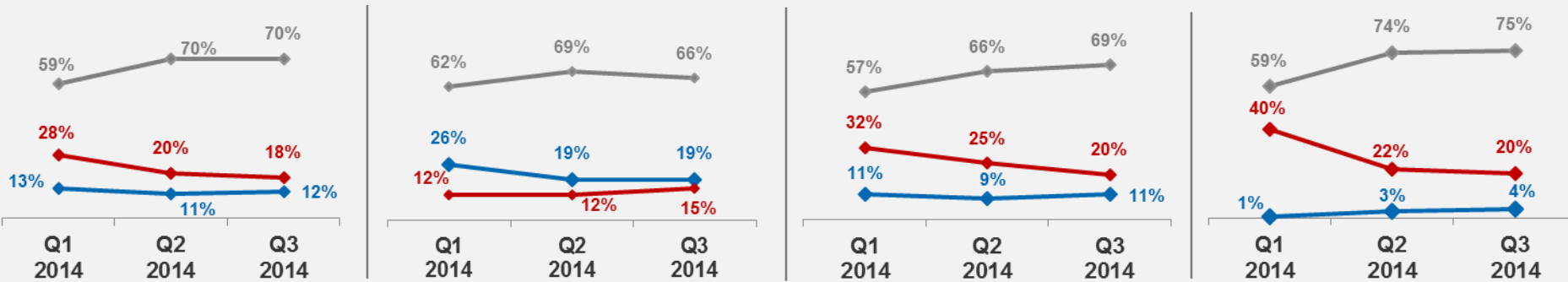
### Total

### Larger Institutions

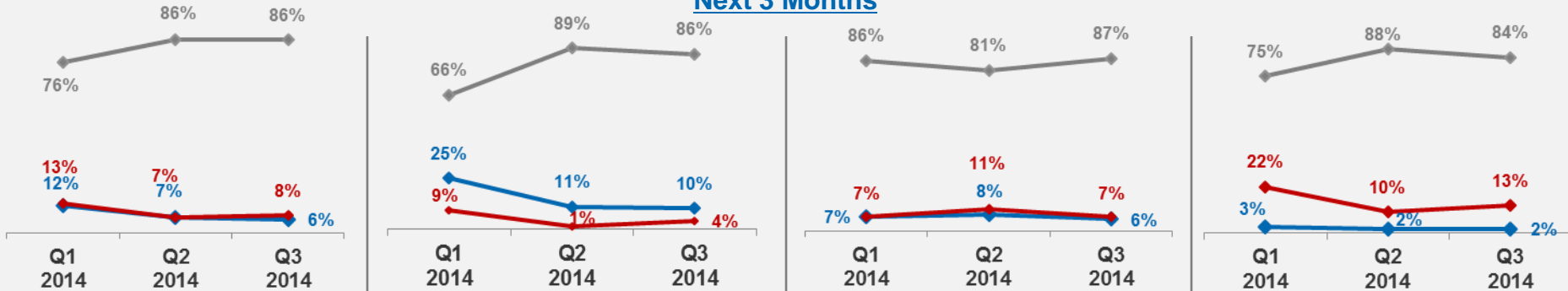
### Mid-sized Institutions

### Smaller Institutions

#### Past 3 Months



#### Next 3 Months



\* Denotes a statistically significant change since Q2

Q: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? "Ease" = Eased considerably + Eased somewhat, "Tighten" = Tightened somewhat + Tightened considerably

Q: Over the next three months, how do you expect your firm's credit standards for approving applications from individuals for mortgage loans to change (across purchase mortgages and refinance mortgages)? "Ease" = Ease considerably + Ease somewhat, "Tighten" = Tighten somewhat + Tighten considerably



## Credit Standards: Non-GSE Eligible

Larger lenders appear to be more likely to report credit standards easing on non-GSE eligible loans than on GSE eligible loans.

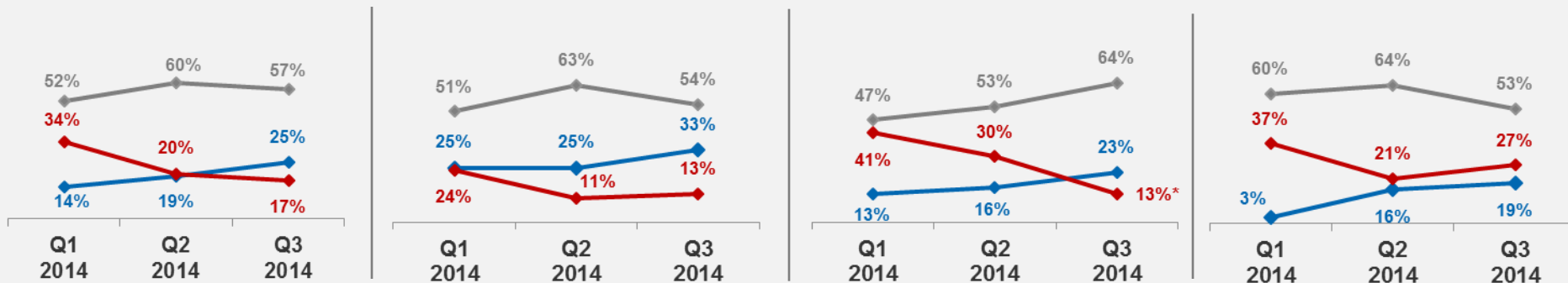
**Total**

**Larger Institutions**

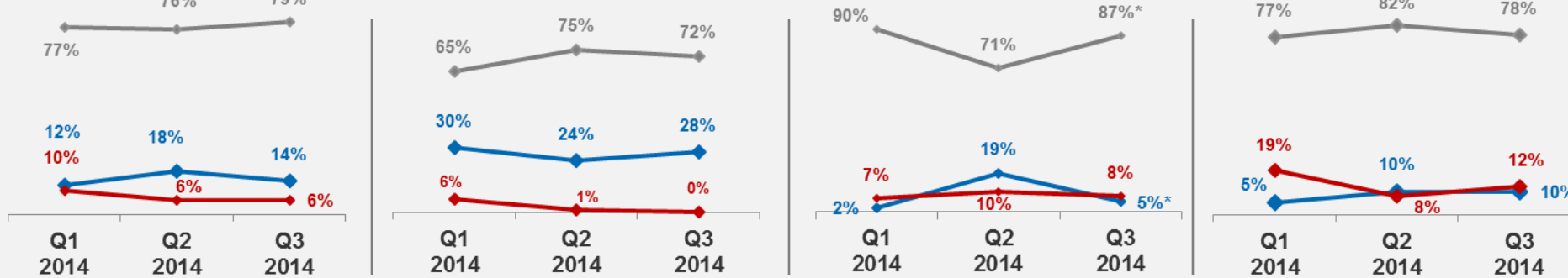
**Mid-sized Institutions**

**Smaller Institutions**

### Past 3 Months



### Next 3 Months



\* Denotes a statistically significant change since Q2

Q: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? "Ease" = Eased considerably + Eased somewhat, "Tighten" = Tightened somewhat + Tightened considerably

Q: Over the next three months, how do you expect your firm's credit standards for approving applications from individuals for mortgage loans to change (across purchase mortgages and refinance mortgages)? "Ease" = Ease considerably + Ease somewhat, "Tighten" = Tighten somewhat + Tighten considerably

## Credit Standards: Government

Larger lenders appear to be more likely to report credit standards easing on government loans than on GSE eligible loans.

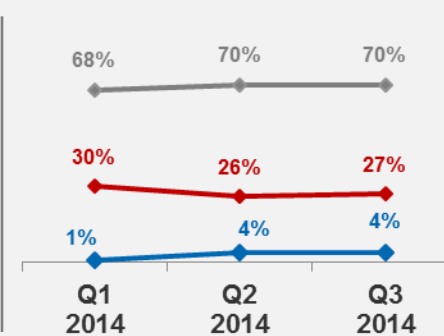
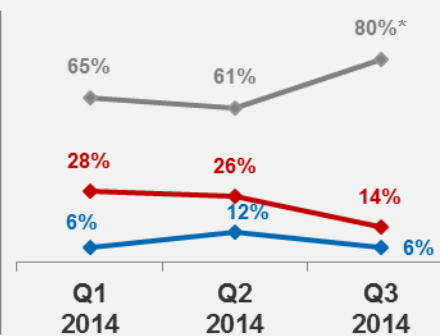
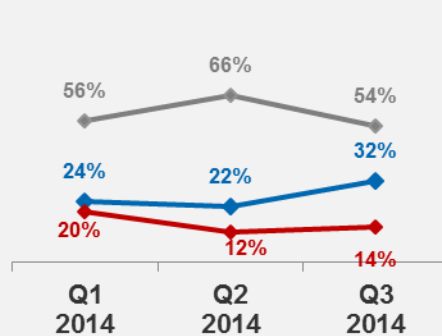
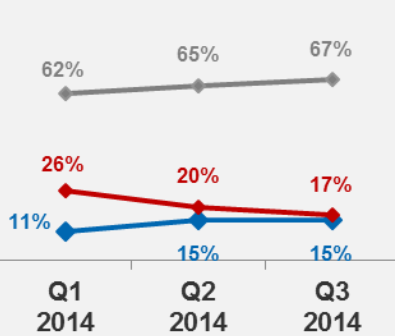
Total

Larger Institutions

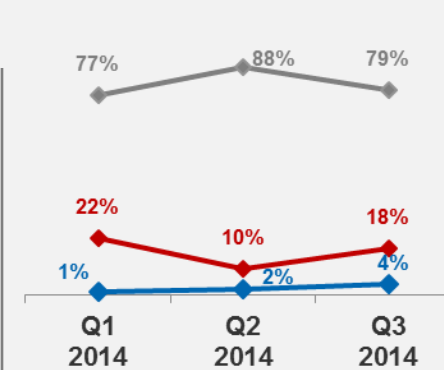
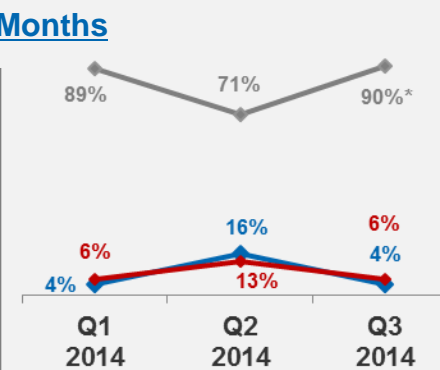
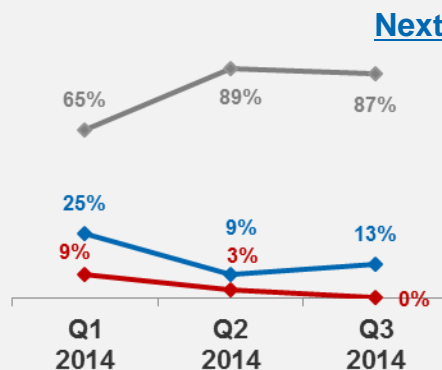
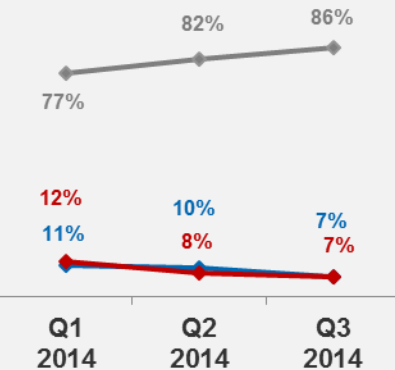
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



\* Denotes a statistically significant change since Q2

Q: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? "Ease" = Eased considerably + Eased somewhat, "Tighten" = Tightened somewhat + Tightened considerably

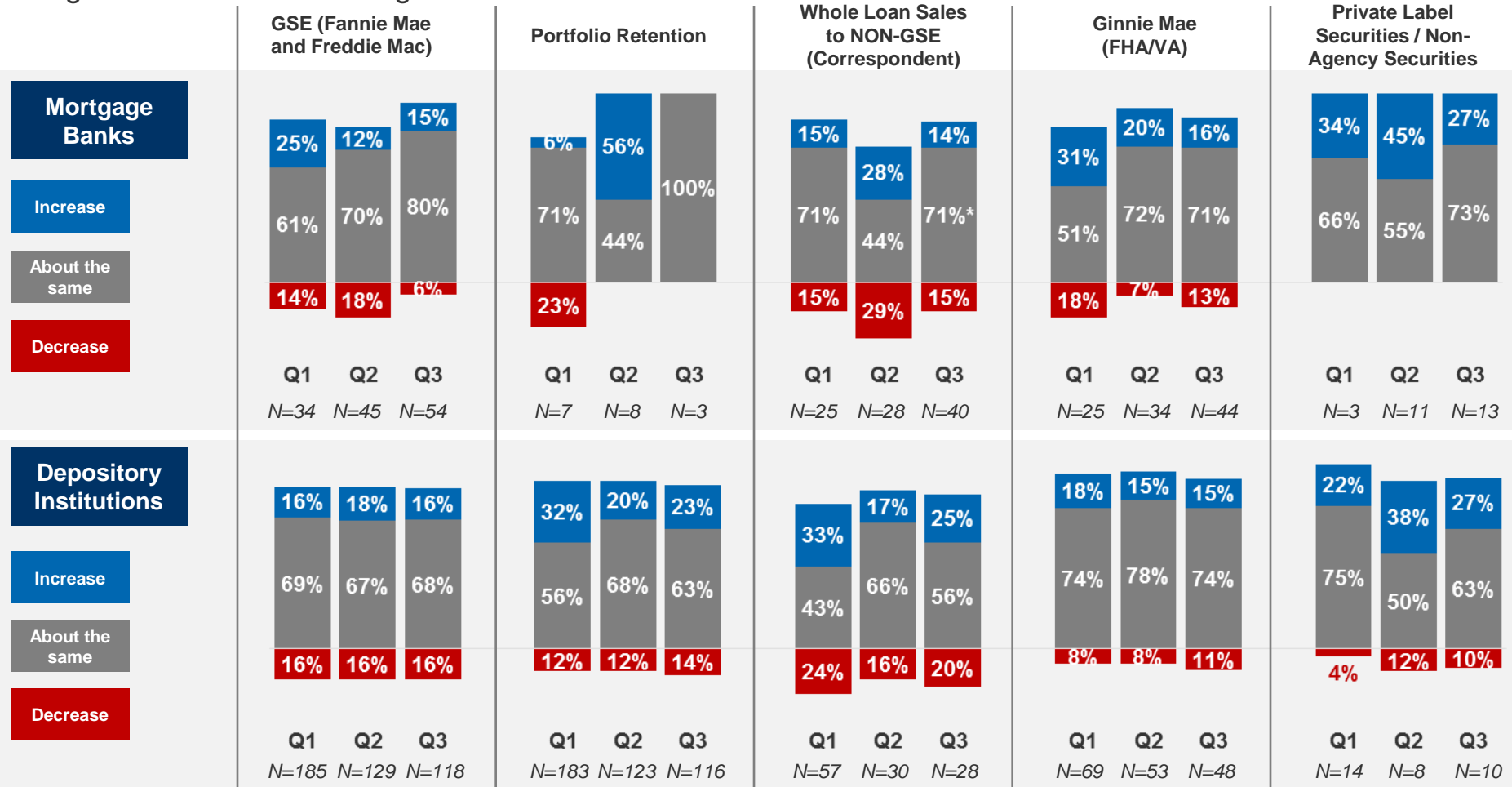
Q: Over the next three months, how do you expect your firm's credit standards for approving applications from individuals for mortgage loans to change (across purchase mortgages and refinance mortgages)? "Ease" = Ease considerably + Ease somewhat, "Tighten" = Tighten somewhat + Tighten considerably

# Mortgage Execution Expectations

- As in Q1 and Q2, most mortgage banks and depository institutions in Q3 reported that they expect to maintain their post origination execution strategies for the next three months.

## Mortgage Execution Share – Next 3 Months

Most mortgage banks and depository institutions reported that they expect to maintain their post mortgage origination execution strategies for the next three months.



\* Denotes a statistically significant change since Q2

Q: How much do you expect the share for each of the execution categories to change over the next three months?

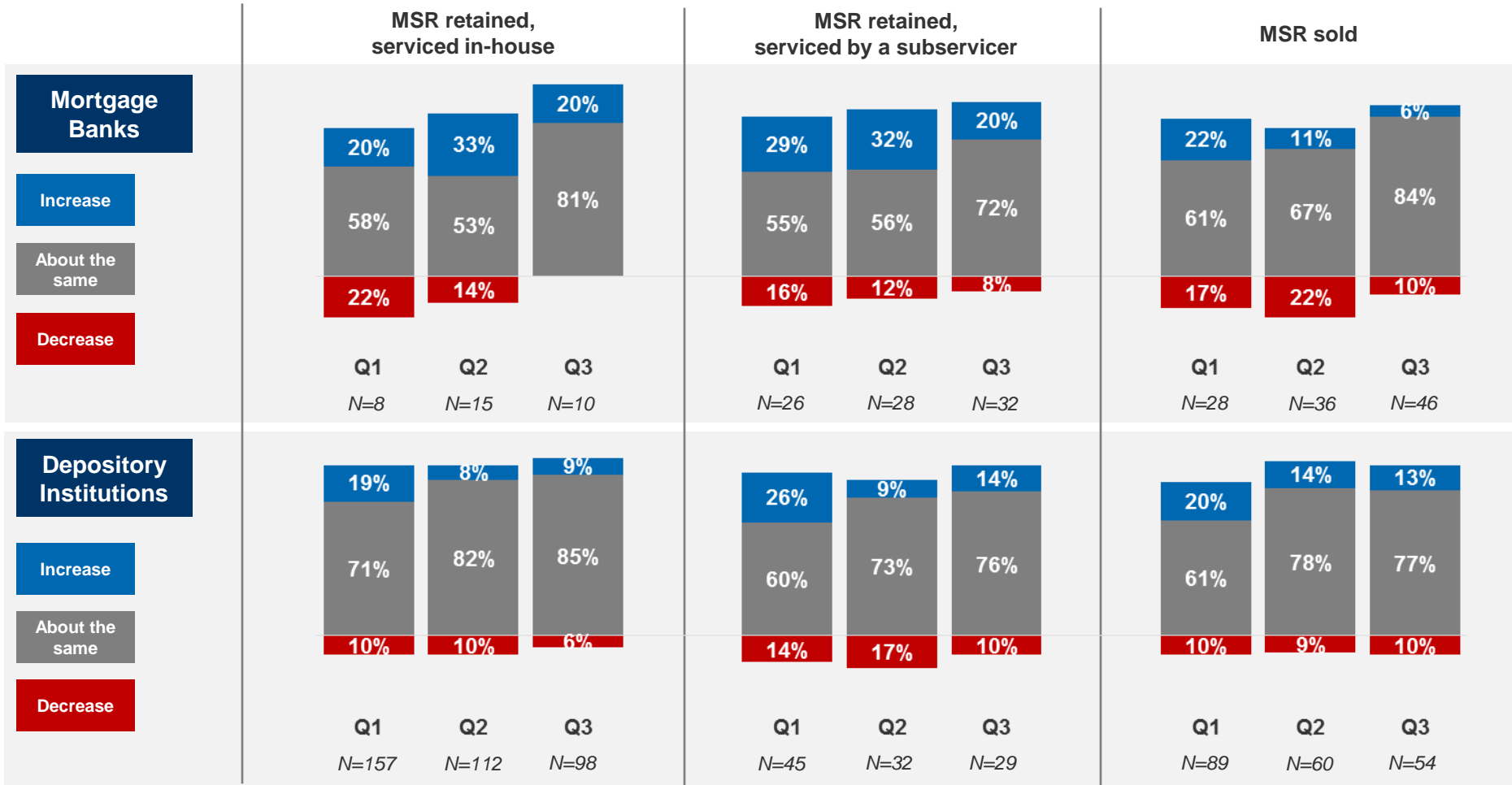
"Increase" = Increase significantly + Increase somewhat "Decrease" = Decrease significantly + Decrease somewhat

# Mortgage Servicing Rights (MSR) Execution Expectations

- The majority of lenders in Q3 continue to report that they expect to maintain their current Mortgage Servicing Rights (MSR) disposition shares over the next three months.

## Mortgage Servicing Rights – Next 3 Months

The majority of lenders in Q3 continue to report that they expect their current Mortgage Servicing Rights (MSR) disposition shares to stay about the same over the next three months.



\* Denotes a statistically significant change since Q2

Q: How much do you expect your firm's mortgage servicing rights (MSR) disposition shares for each of the applicable categories to change over the next three months? "Increase" = Increase significantly + Increase somewhat "Decrease" = Decrease significantly + Decrease somewhat

# PROFIT MARGIN OUTLOOK

- Lenders' profit margin outlook appears to have worsened from Q2 to Q3. The net percentage of larger and mid-sized lenders reporting decreased profit margin expectations increased from Q2 to Q3.
- “Government regulatory compliance” and “competition from other lenders” are the most popular reasons given in driving the decrease in profit margin over the next three months.

## Profit Margin Outlook – Next 3 Months

Increase
About the same
Decrease

Lenders' profit margin outlook appears to have worsened from Q2 to Q3. The net percentage of larger and mid-sized lenders reporting decreased profit margin expectations increased from Q2 to Q3.



**Top 2 Reasons for Expected Increase:**

1. Consumer demand
2. Operational efficiency

**Top 2 Reasons for Expected Increase:**

1. Operational efficiency
2. Non-GSE pricing and policies

**Top 2 Reasons for Expected Increase:**

1. Consumer demand
2. Market trend changes

**Top 2 Reasons for Expected Increase:**

1. Consumer demand
2. Operational efficiency

**Top 2 Reasons for Expected Decrease:**

1. Government regulatory compliance
2. Competition from other lenders

**Top 2 Reasons for Expected Decrease:**

1. Competition from other lenders
2. Government regulatory compliance

**Top 2 Reasons for Expected Decrease:**

1. Government regulatory compliance
2. Staffing (personnel costs)

**Top 2 Reasons for Expected Decrease:**

1. Government regulatory compliance
2. Consumer demand

\* Denotes a statistically significant change since Q1

Q: Over the next three months, how much do you expect your firm's profit margin to change for its single-family mortgage production? [Showing: (Substantially Increase (25+ basis points) + Moderately Increase (5 - 25 basis points)), About the same (0 - 5 basis points), (Moderately Decrease (5 - 25 basis points) + Substantially Decrease (25+ basis points))]

Q: What do you think will drive the increase (decrease) in your firm's profit margin over the next three months? Please select up to three of the most important reasons.



# APPENDIX

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Appendix

# Survey Methodology Details

# Mortgage Lender Sentiment Survey

## Background

- The Fannie Mae Mortgage Lender Sentiment Survey is a quarterly online survey of senior executives of Fannie Mae's lending institution partners to provides insights and benchmarks that help mortgage industry professionals understand industry and market trends and assess their own business practices.

## Survey Methodology

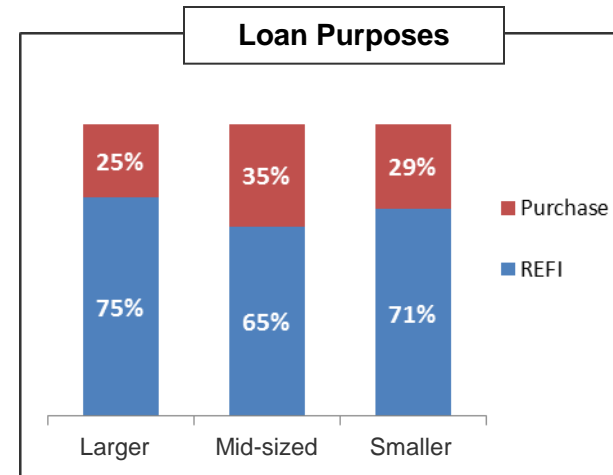
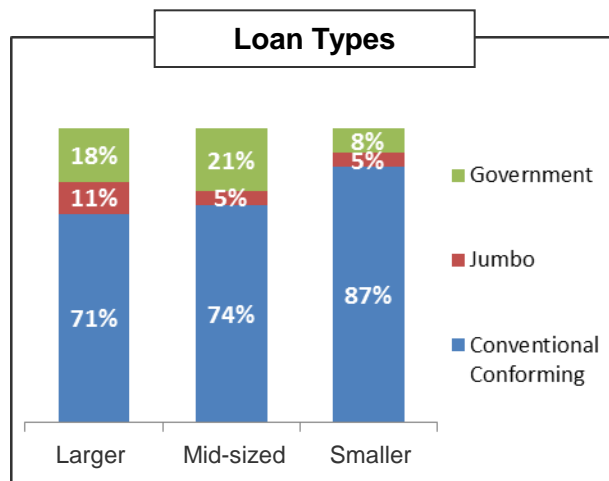
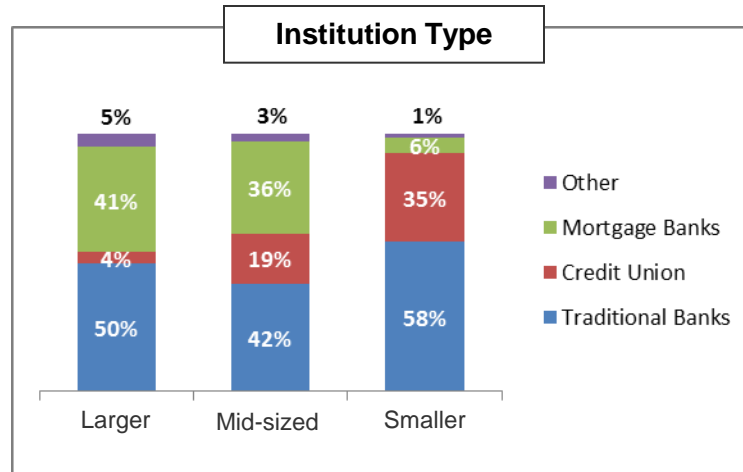
- To ensure that the survey results represent the behavior and output of organizations rather than individuals, the Fannie Mae Mortgage Lender Sentiment Survey is structured and conducted as an establishment survey. The results are reported at the lending institutional level. If more than one individual from the same institution complete the survey, their responses are averaged to represent their institution.
- Each respondent is asked 40-75 questions.

## Sample Design

- Each quarter a random selection of approximately 2000 senior executives among Fannie Mae's approved lenders are invited to participate in the study.

## Lending Institution Characteristics

Fannie Mae's customers that are invited to participate in the Mortgage Lender Sentiment Survey represent a broad base of different lending institutions that conducted business with Fannie Mae in 2012. Institutions were divided into three groups based on their 2012 total industry loan volume - Larger (top 15%), Mid-sized (top 16%-35%), and Smaller (bottom 65%). The data below further describes the compositions and loan characteristics of the three groups of institutions.



## 2014 Sample Sizes

		Q1		Q2		Q3	
		Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error
<b>Total Lending Institutions</b>		<b>247</b>	<b>±5.65%</b>	<b>186</b>	<b>±6.69%</b>	<b>196</b>	<b>±6.48%</b>
<b>Loan Origination Volume Groups</b>	Larger Institutions	46	±12.77%	47	±12.60%	50	±12.10%
	Mid-sized Institutions	51	±12.41%	50	±12.56%	55	±11.84%
	Smaller Institutions	150	±7.31%	89	±9.86%	91	±9.74%
<b>Institution Type</b>	Mortgage Banks	38	±14.61%	47	±12.84%	57	±11.34%
	Depository Institutions	200	±6.28%	134	±7.94%	128	±8.15%

Q1 was fielded between March 4, 2014 and March 18, 2014  
 Q2 was fielded between May 28, 2014 and June 8, 2014  
 Q3 was fielded between August 6, 2014 and August 23, 2014

## 2014 Q3 Sample Sizes: Consumer Demand

Purchase Mortgages:

	Past 3 Months			Next 3 Months		
	GSE Eligible	Non-GSE Eligible	Government	GSE Eligible	Non-GSE Eligible	Government
<b>Total Lending Institutions</b>	<b>194</b>	<b>167</b>	<b>153</b>	<b>193</b>	<b>167</b>	<b>151</b>
Larger Institutions	50	43	45	50	44	45
Mid-sized Institutions	55	50	48	54	50	48
Smaller Institutions	89	74	60	89	73	58

Refinance Mortgages:

	Past 3 Months			Next 3 Months		
	GSE Eligible	Non-GSE Eligible	Government	GSE Eligible	Non-GSE Eligible	Government
<b>Total Lending Institutions</b>	<b>188</b>	<b>159</b>	<b>136</b>	<b>188</b>	<b>161</b>	<b>139</b>
Larger Institutions	49	42	42	49	43	44
Mid-sized Institutions	52	48	46	52	48	70
Smaller Institutions	87	69	48	87	70	50

## 2014 Q3 Sample Sizes: Credit Standards

	Past 3 Months			Next 3 Months		
	GSE Eligible	Non-GSE Eligible	Government	GSE Eligible	Non-GSE Eligible	Government
<b>Total Lending Institutions</b>	<b>193</b>	<b>169</b>	<b>149</b>	<b>192</b>	<b>169</b>	<b>148</b>
Larger Institutions	50	46	45	49	46	44
Mid-sized Institutions	54	50	48	54	50	48
Smaller Institutions	89	73	56	89	73	56

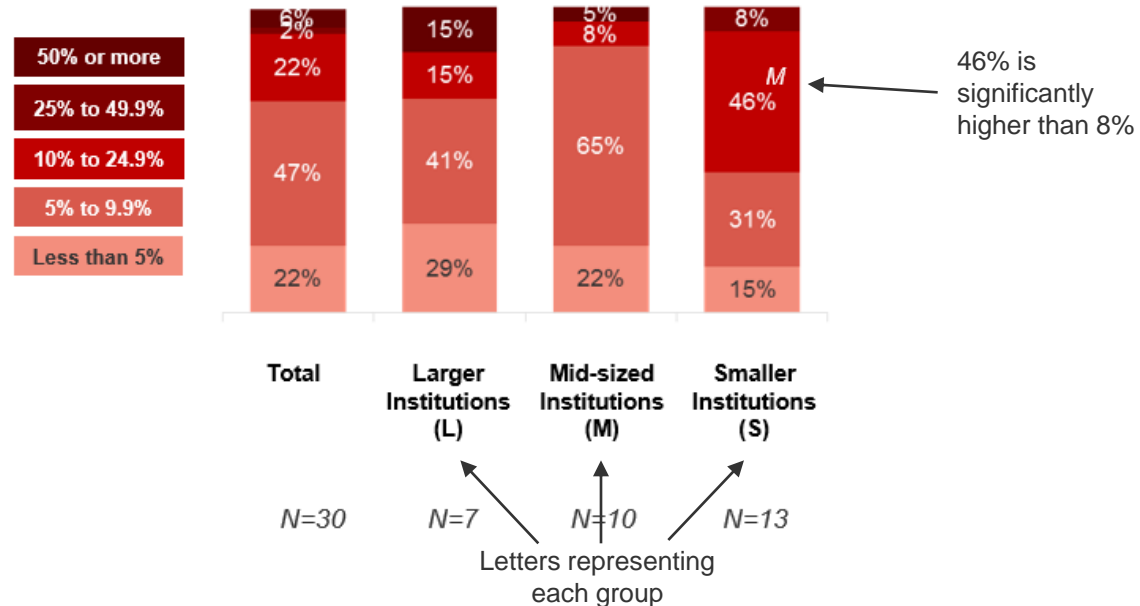
## How to Read Significance Testing

On slides where significant differences between the 3 annual loan origination volume groups are shown:

- Each group is assigned a letter (L/M/S)
- 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:

You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone down over the past three months?

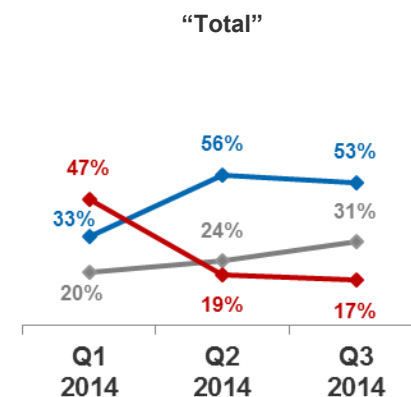




## Calculation of the “Total”

The “**Total**” data presented in this report is an average of the means of the three loan origination volume groups (Table below illustrates the Total calculation). 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.

Over the <u>next three months</u> , apart from normal seasonal variation, do you expect your firm’s consumer demand for single-family <u>purchase</u> mortgages to go up, go down, or stay the same? GSE Eligible (Q3)	Larger Institutions	Mid-sized Institutions	Smaller Institutions	Q3 “Total”
Went up	59%	51%	48%	<b>53%</b> [(59% + 51% + 48%)/3]
Stayed the same	24%	31%	37%	<b>31%</b>
Went down	18%	18%	15%	<b>17%</b>



Appendix

# **CONSUMER DEMAND (PURCHASE MORTGAGES)**

## Purchase Mortgage Demand: Drivers of Change

Drivers of Demand Up

Drivers of Demand Down

### Past 3 Months

N=142

- Low Interest Rates
- Improving Economy and Employment Rate
- Local Inventory

Q: What do you think drove the change in your firm's consumer demand for single-family purchase mortgages over the **past three months**? Please be as specific as possible. (Optional)

"Job growth in our area and interest rates." – *Smaller Institution*

"Rates remaining low and confidence in the market." – *Mid-sized Institution*

"Interest rates staying low, prices beginning to rise, and lower inventory." – *Larger Institution*

"Credit overlays, lack of quality inventory." – *Larger Institution*

"Slowing housing market." – *Mid-sized Institution*

"Uncertainty about the economy and lack of inventory of homes for sale." – *Smaller Institution*

### Next 3 Months

N=72

- Interest Rates
- Improving Economy and Consumer Confidence
- Local Inventory
- Better Firm Strategy/Increased Marketing Efforts

Q: What do you think will drive the change in your firm's consumer demand for single-family purchase mortgages over the **next three months**? Please be as specific as possible. (Optional)

"Low interest rate environment, expected future increase in home prices, availability of mortgage products." – *Larger Institution*

"Prices and interest rates remain low and building is picking up for new housing." – *Mid-sized Institution*

"Our expanded product offering, our marketing of the firm and our expansion of sales experts." – *Larger Institution*

"Increasing rate." – *Larger Institution*

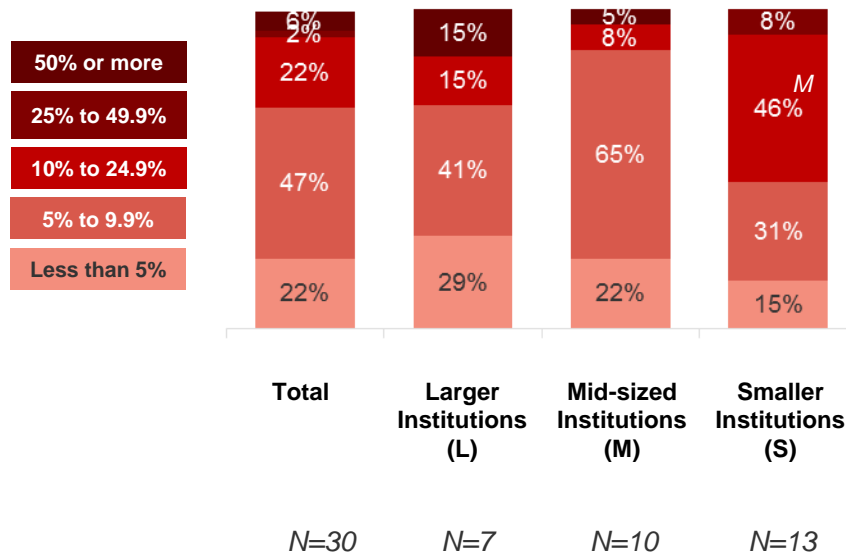
"Concerns over the economy, lack of inventory of homes for sale, and seasonal timing." – *Smaller Institution*

"Govt. regulation is slowing the business down." – *Mid-sized Institution*

## GSE Eligible Purchase Mortgages: Past 3 Months

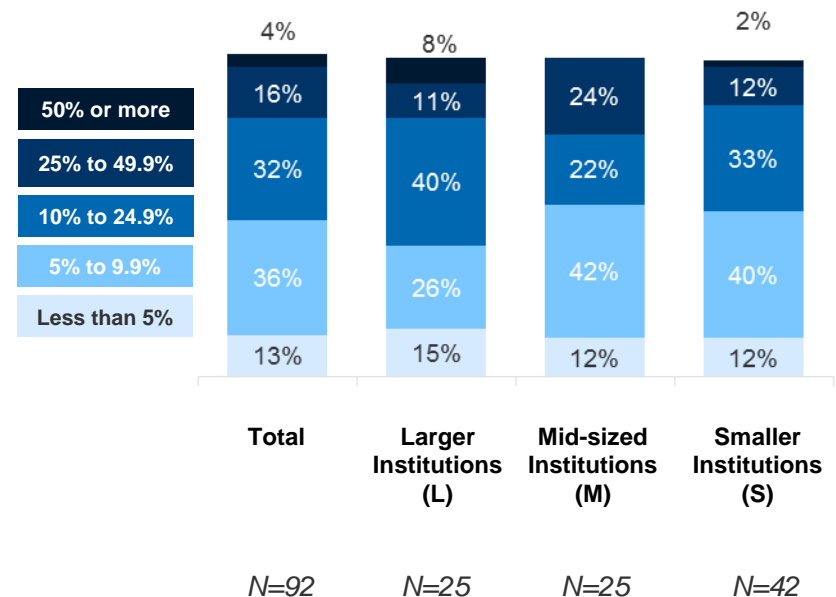
### Went Down

You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone down over the past three months?



### Went Up

You said that your firm has seen the demand **go up** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone up over the past three months?



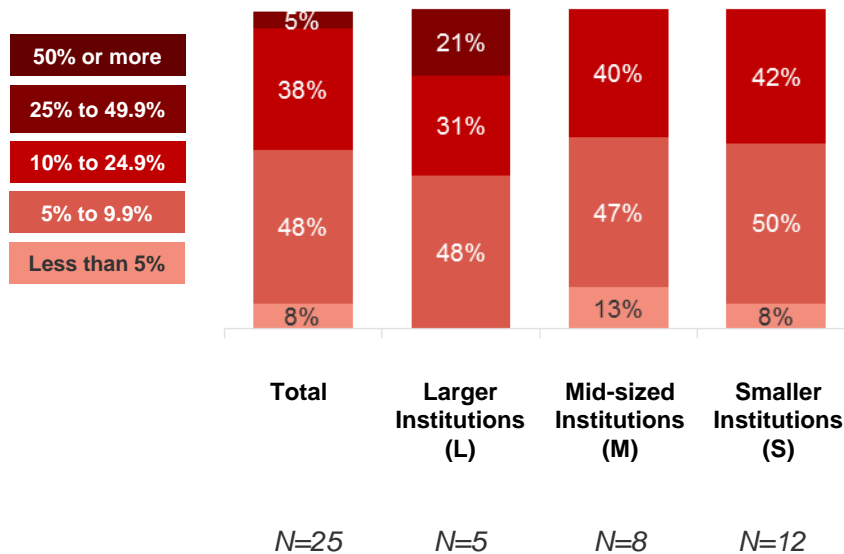
L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

These questions were optional - respondents were not required to answer

## GSE Eligible Purchase Mortgages: Next 3 Months

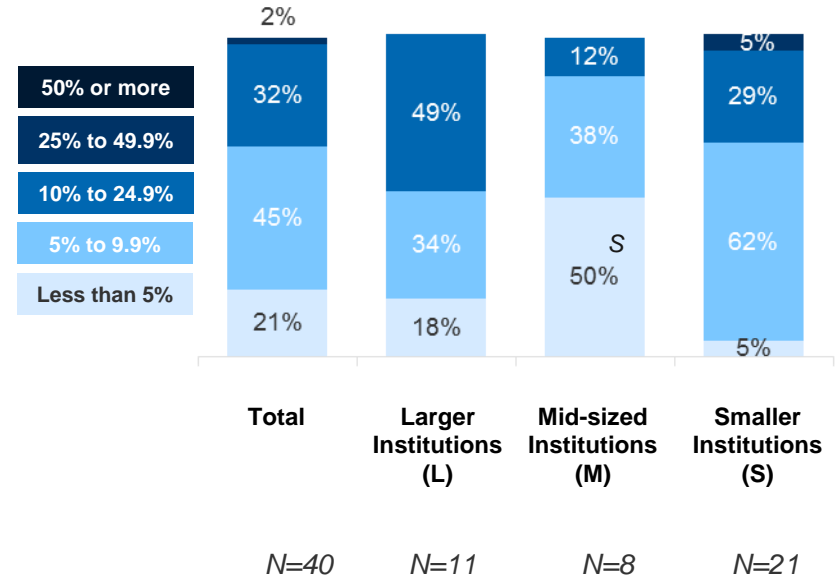
### Go Down

You indicated that you expect your firm's demand to **go down** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family purchase mortgages to go down over the next three months?



### Go Up

You said that you expect your firm's demand to **go up** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family purchase mortgages to go up over the next three months?



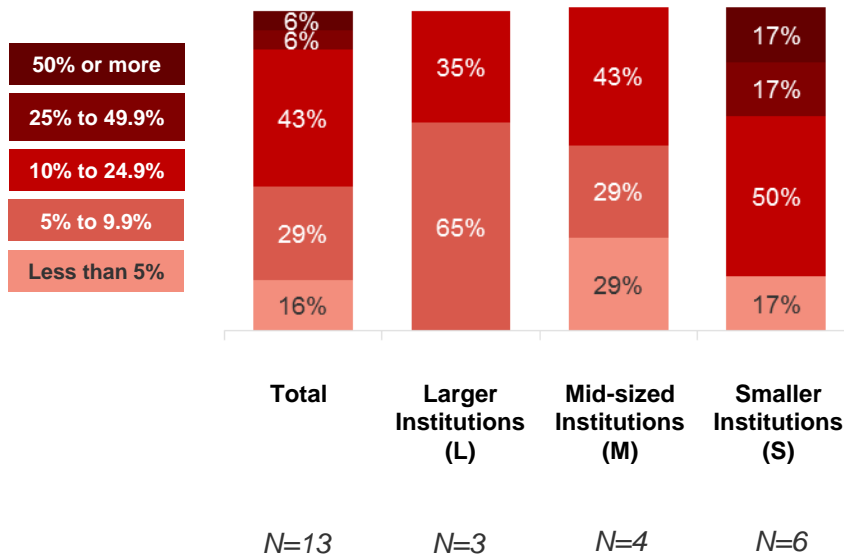
L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

These questions were optional - respondents were not required to answer

## Non-GSE Eligible Purchase Mortgages: Past 3 Months

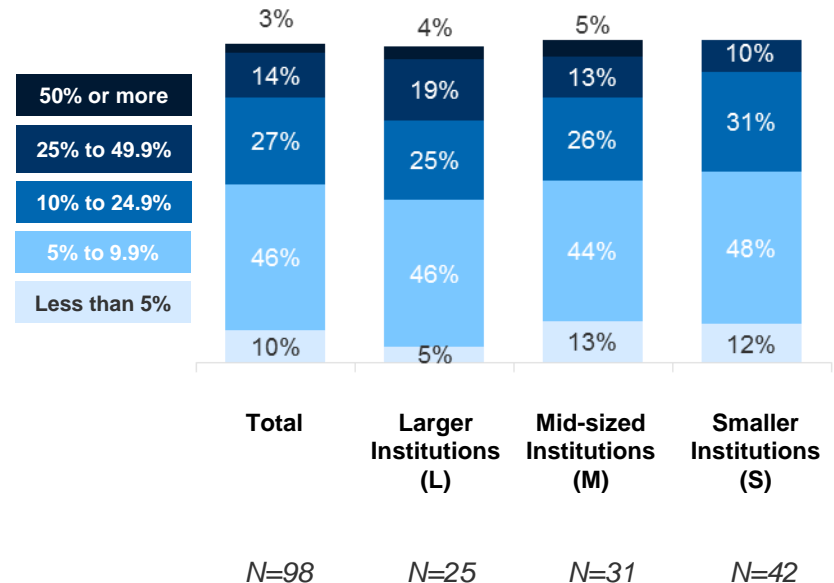
### Went Down

You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone down over the past three months?



### Went Up

You said that your firm has seen the demand **go up** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone up over the past three months?



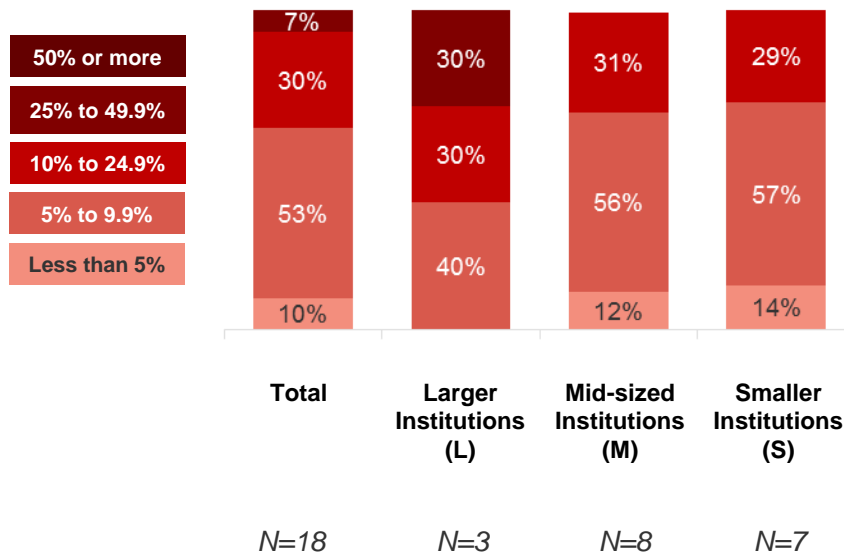
L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

These questions were optional - respondents were not required to answer

## Non-GSE Eligible Purchase Mortgages: Next 3 Months

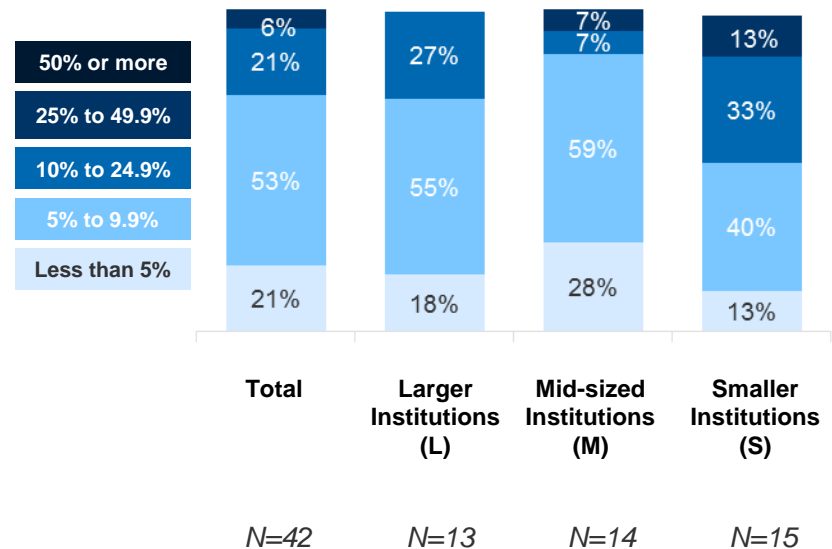
### Go Down

You indicated that you expect your firm's demand to **go down** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family purchase mortgages to go down over the next three months?



### Go Up

You said that you expect your firm's demand to **go up** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family purchase mortgages to go up over the next three months?



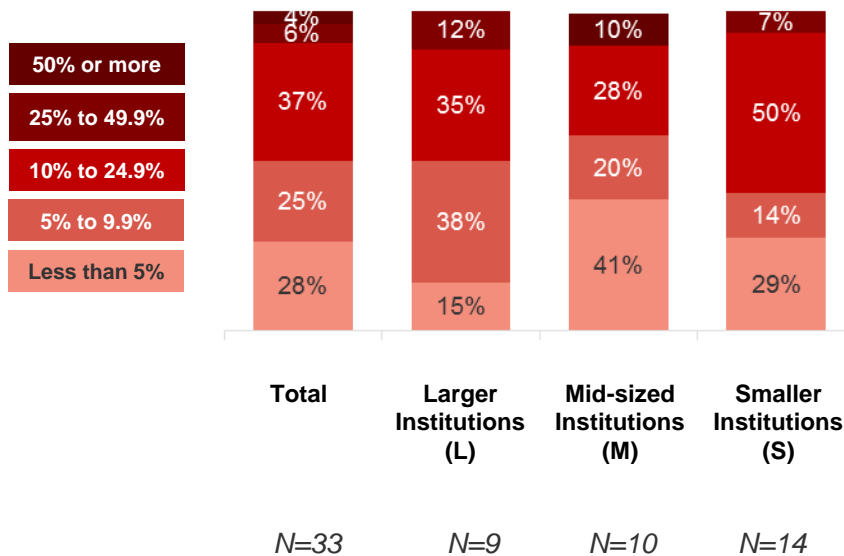
L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

These questions were optional - respondents were not required to answer

## Government Purchase Mortgages: Past 3 Months

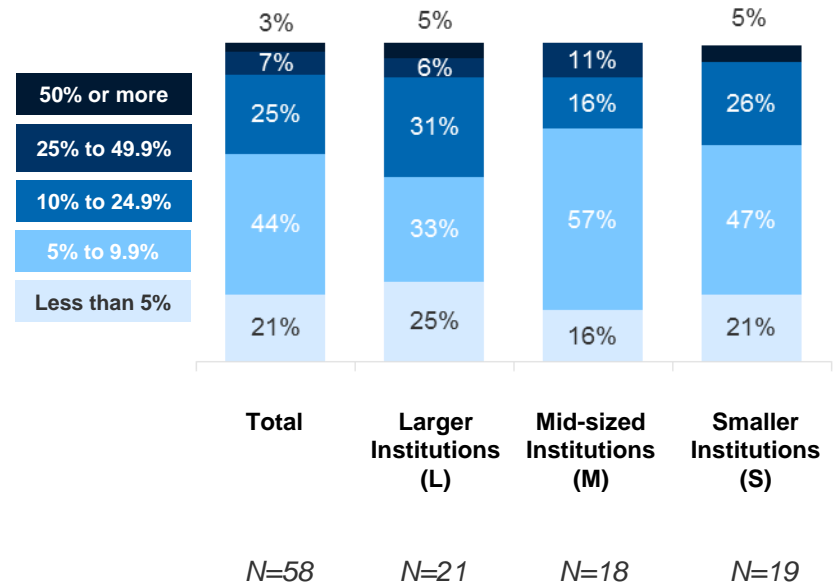
### Went Down

You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone down over the past three months?



### Went Up

You said that your firm has seen the demand **go up** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone up over the past three months?



L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

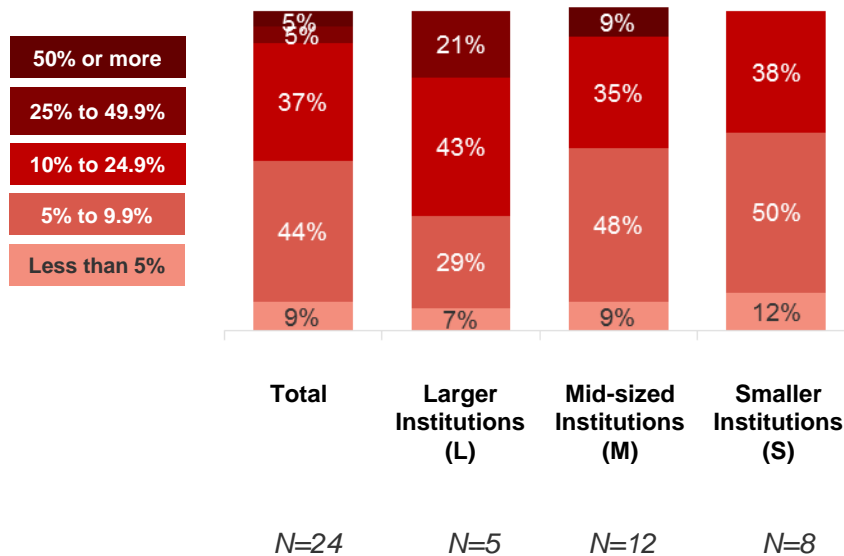
These questions were optional - respondents were not required to answer



## Government Purchase Mortgages: Next 3 Months

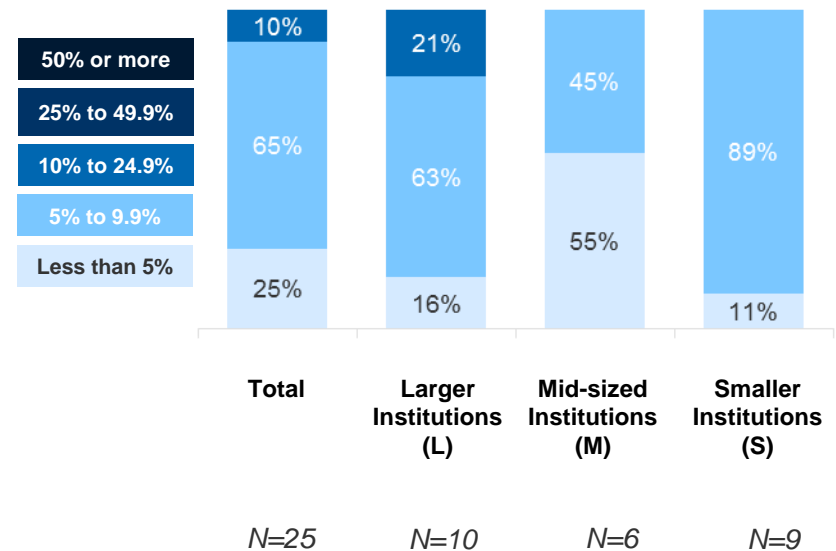
### Go Down

You indicated that you expect your firm's demand to **go down** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family purchase mortgages to go down over the next three months?



### Go Up

You said that you expect your firm's demand to **go up** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family purchase mortgages to go up over the next three months?



L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

These questions were optional - respondents were not required to answer

Appendix

# CONSUMER DEMAND (REFINANCE MORTGAGES)

## Refinance Mortgage Demand: GSE Eligible

Total

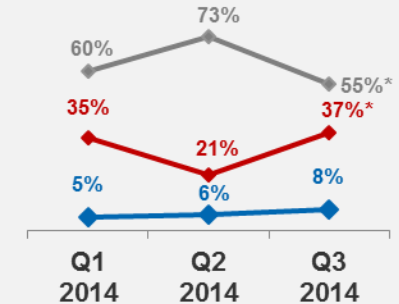
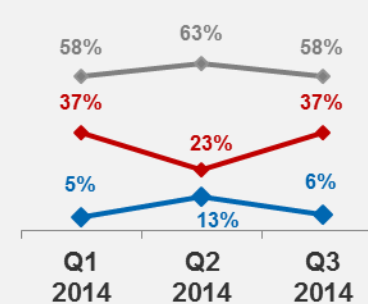
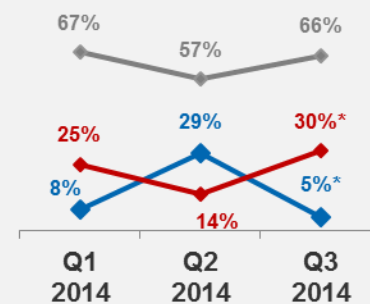
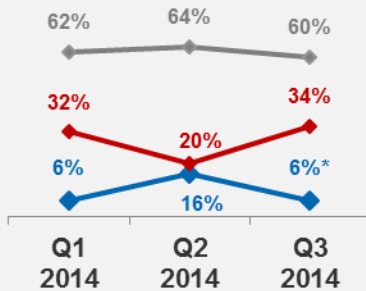
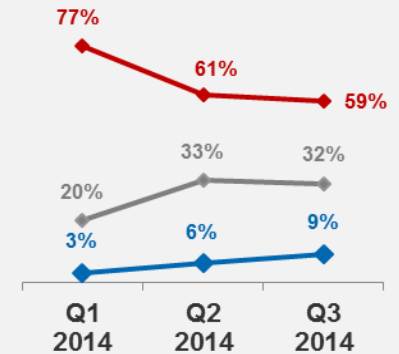
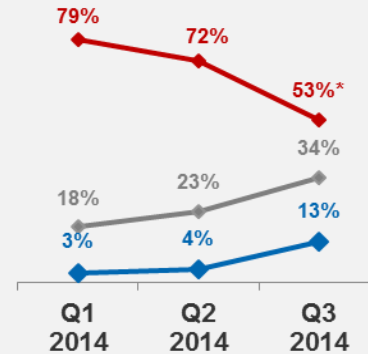
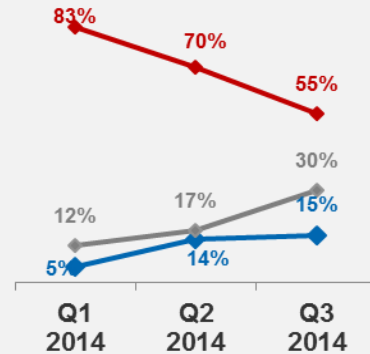
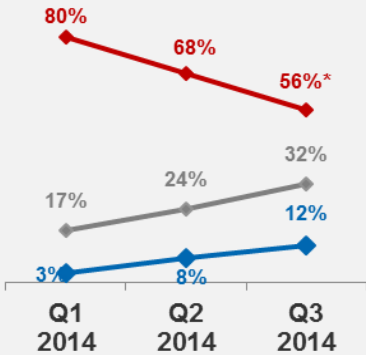
Larger Institutions

Mid-sized Institutions

Smaller Institutions

Past 3 Months

Next 3 Months



— Up  
— The same  
— Down

\* Denotes a statistically significant change since Q2

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? A: "Went up," "Stayed the same," or "Went Down"

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? A: "Go up," "Stay the same," or "Go Down"

## Refinance Mortgage Demand: Non-GSE Eligible

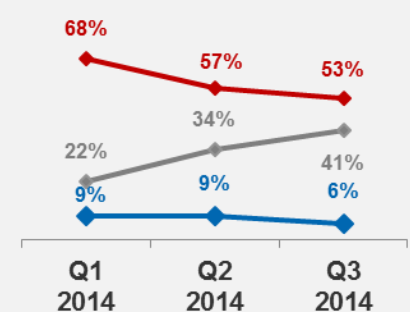
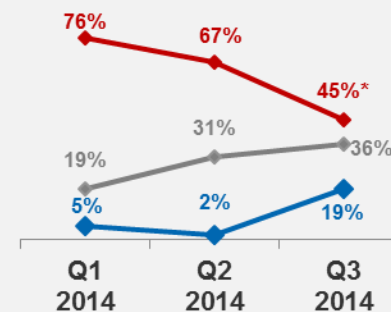
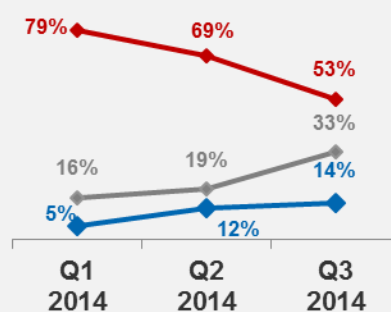
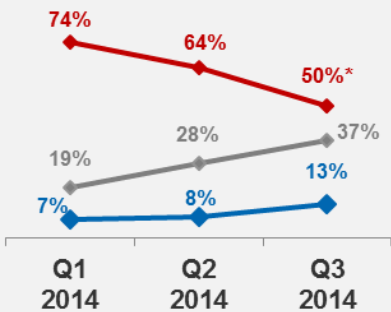
Total

Larger Institutions

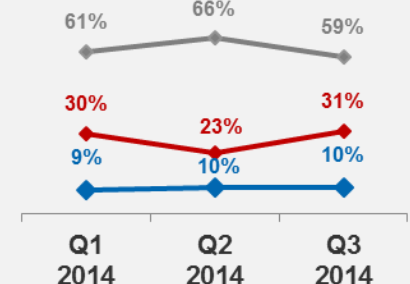
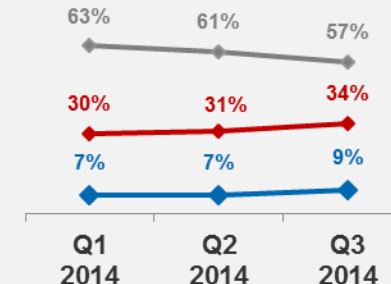
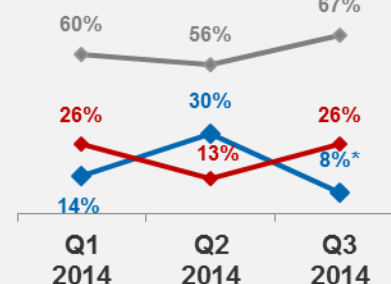
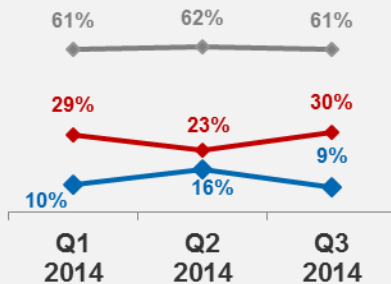
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



— Up  
— The same  
— Down

\* Denotes a statistically significant change since Q2

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? A: "Went up," "Stayed the same," or "Went Down"

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? A: "Go up," "Stay the same," or "Go Down"

## Refinance Mortgage Demand: Government

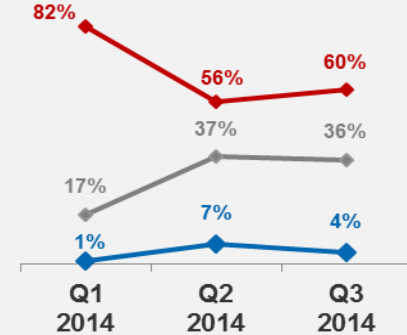
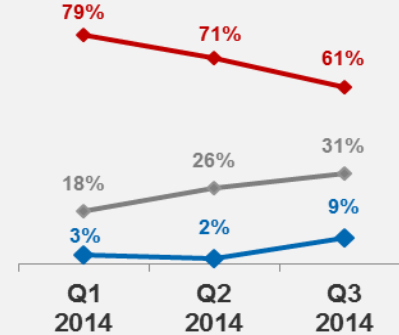
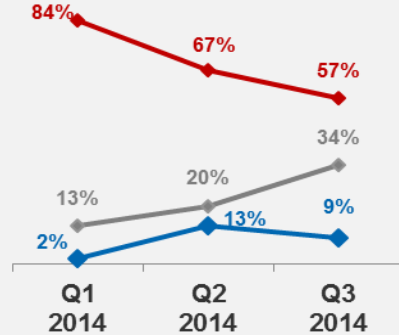
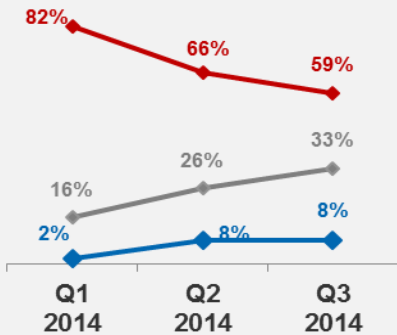
Total

Larger Institutions

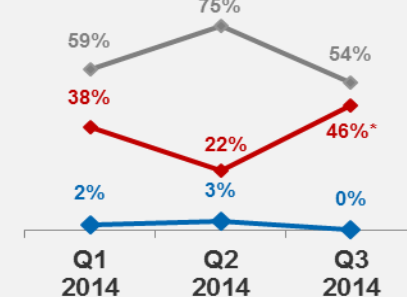
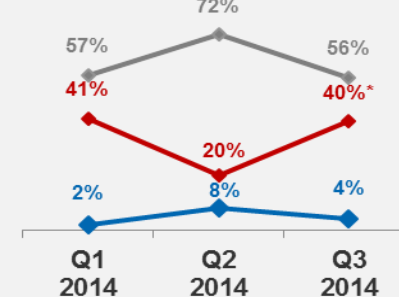
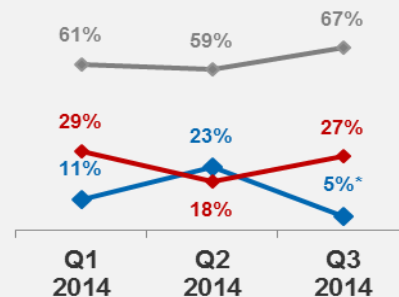
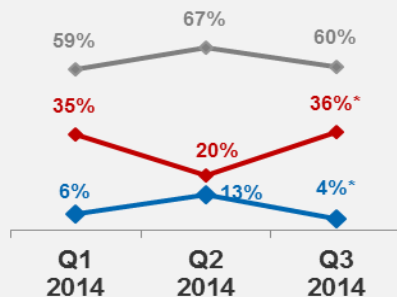
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



— Up  
— The same  
— Down

\* Denotes a statistically significant change since Q2

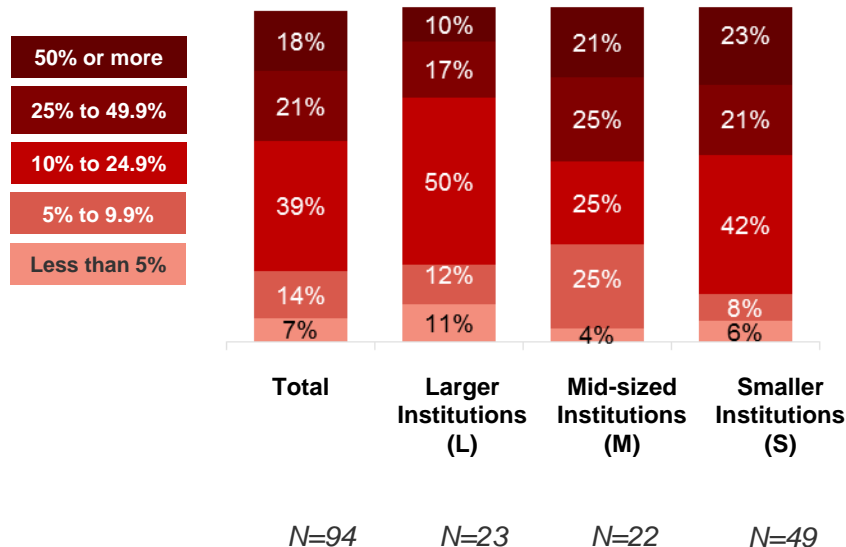
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? A: "Went up," "Stayed the same," or "Went Down"

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? A: "Go up," "Stay the same," or "Go Down"

## GSE Eligible Refinance Mortgages: Past 3 Months

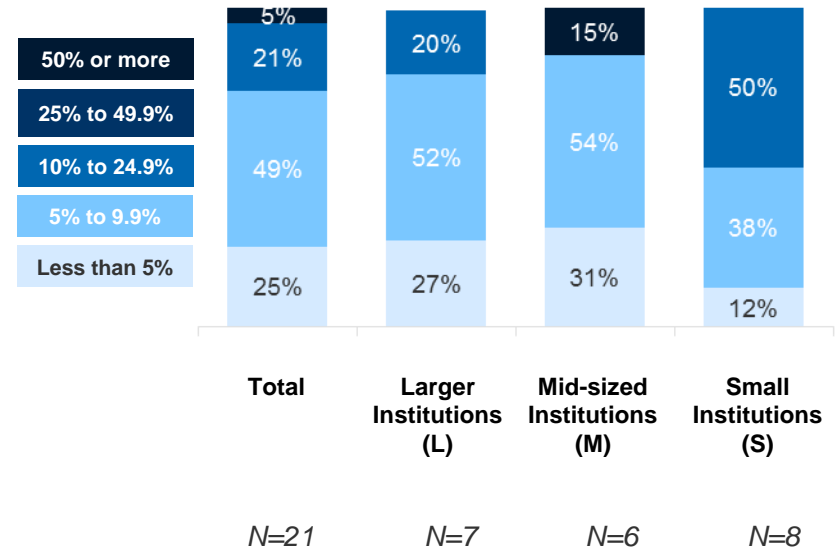
### Went Down

You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family refinance mortgages gone down over the past three months?



### Went Up

You said that your firm has seen the demand **go up** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family refinance mortgages gone up over the past three months?



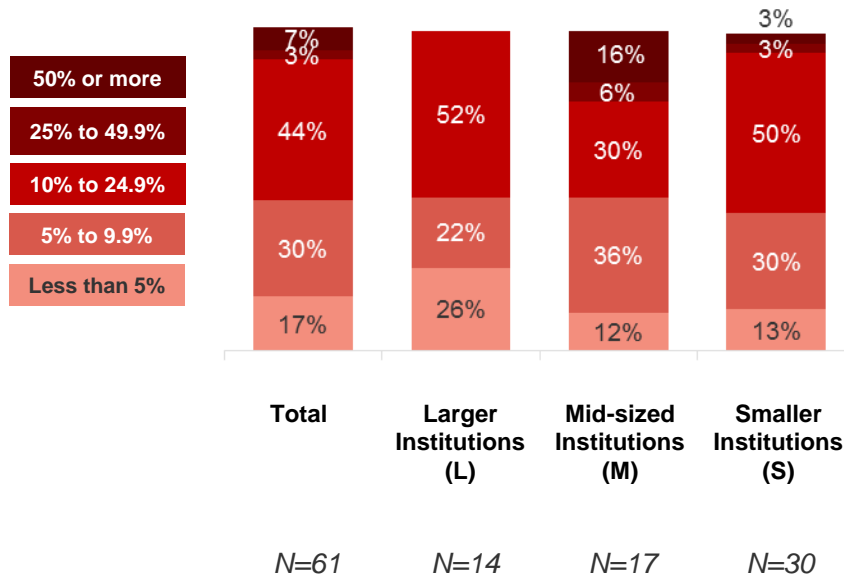
L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

These questions were optional - respondents were not required to answer

## GSE Eligible Refinance Mortgages: Next 3 Months

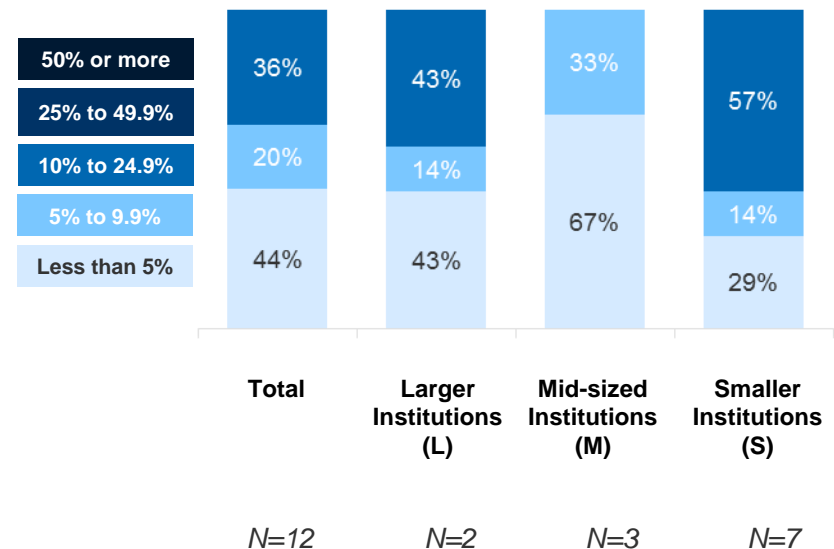
### Go Down

You indicated that you expect your firm's demand to **go down** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family refinance mortgages to go down over the next three months?



### Go Up

You said that you expect your firm's demand to **go up** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family refinance mortgages to go up over the next three months?



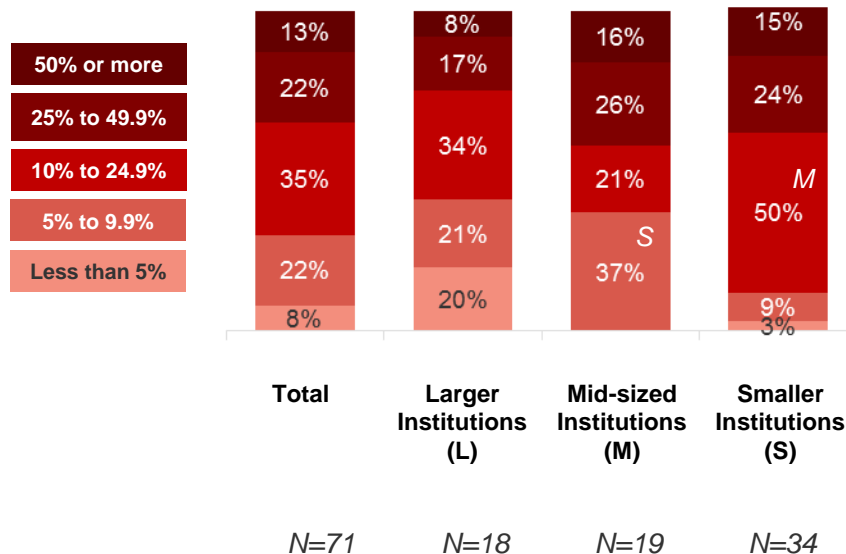
L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

These questions were optional - respondents were not required to answer

## Non-GSE Eligible Refinance Mortgages: Past 3 Months

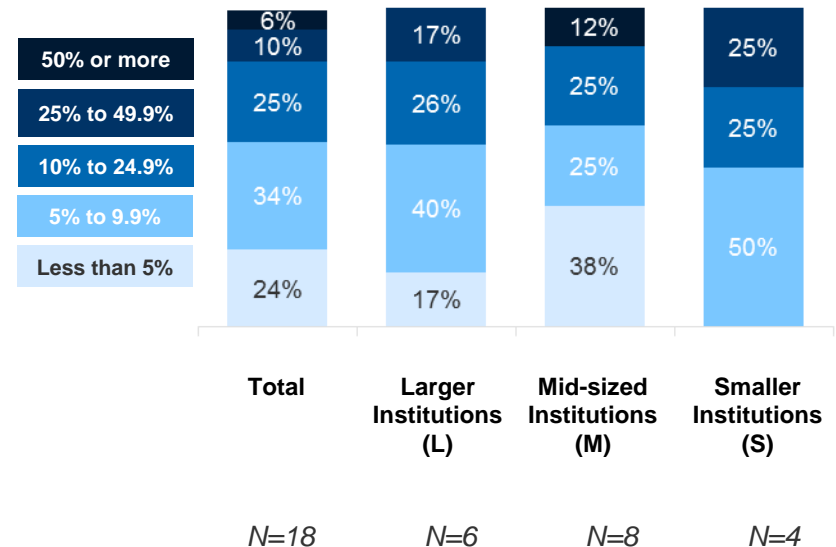
### Went Down

You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family refinance mortgages gone down over the past three months?



### Went Up

You said that your firm has seen the demand **go up** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family refinance mortgages gone up over the past three months?



L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

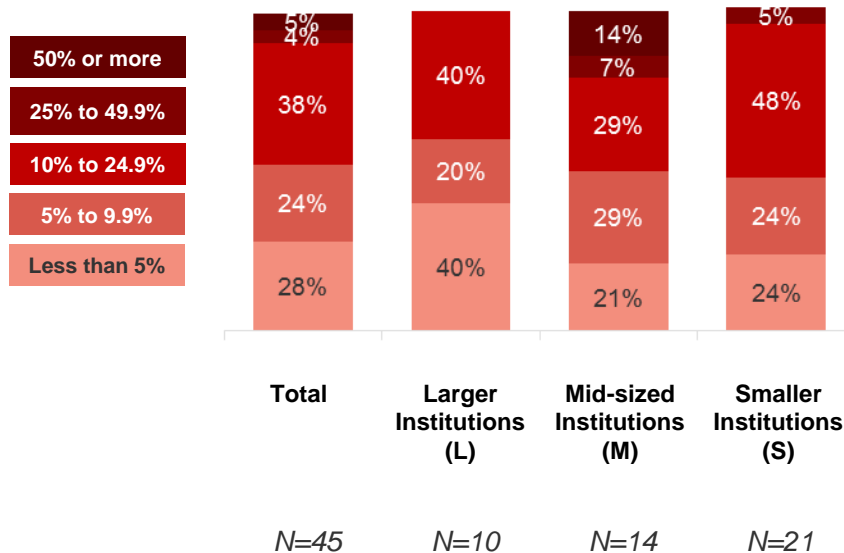
These questions were optional - respondents were not required to answer



## Non-GSE Eligible Refinance Mortgages: Next 3 Months

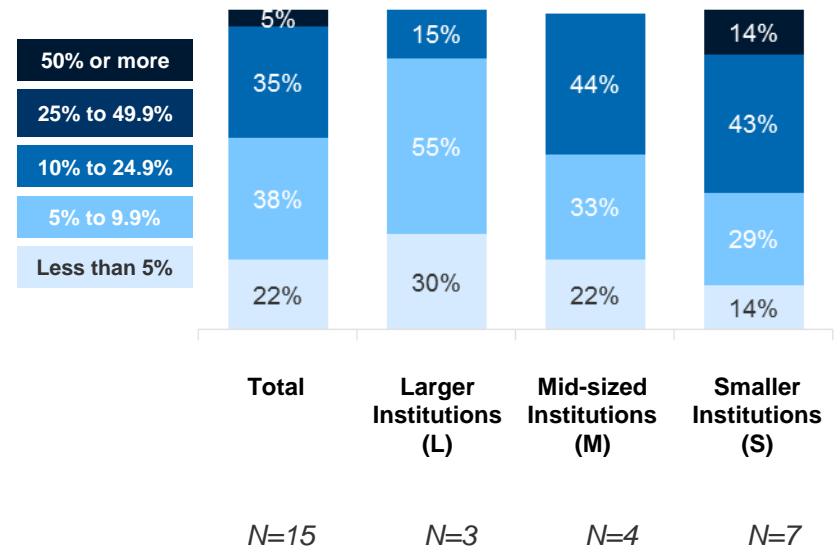
### Go Down

You indicated that you expect your firm's demand to **go down** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family refinance mortgages to go down over the next three months?



### Go Up

You said that you expect your firm's demand to **go up** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family refinance mortgages to go up over the next three months?



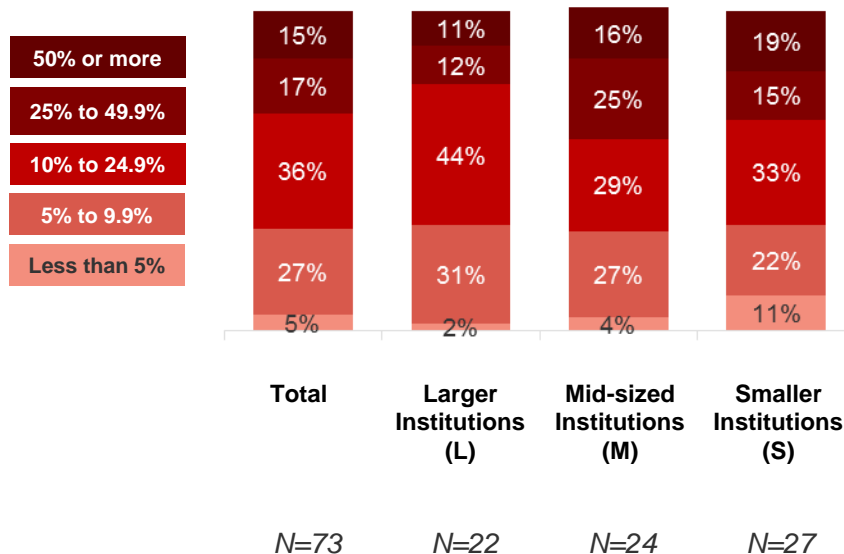
L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

These questions were optional - respondents were not required to answer

## Government Refinance Mortgages: Past 3 Months

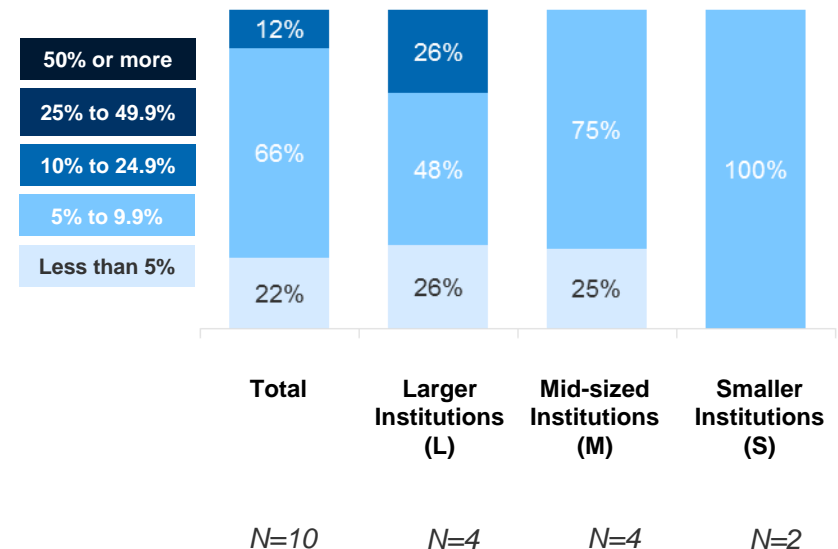
### Go Down

You indicated that you expect your firm's demand to **go down** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family refinance mortgages to go down over the past three months?



### Go Up

You said that you expect your firm's demand to **go up** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family refinance mortgages to go up over the past three months?



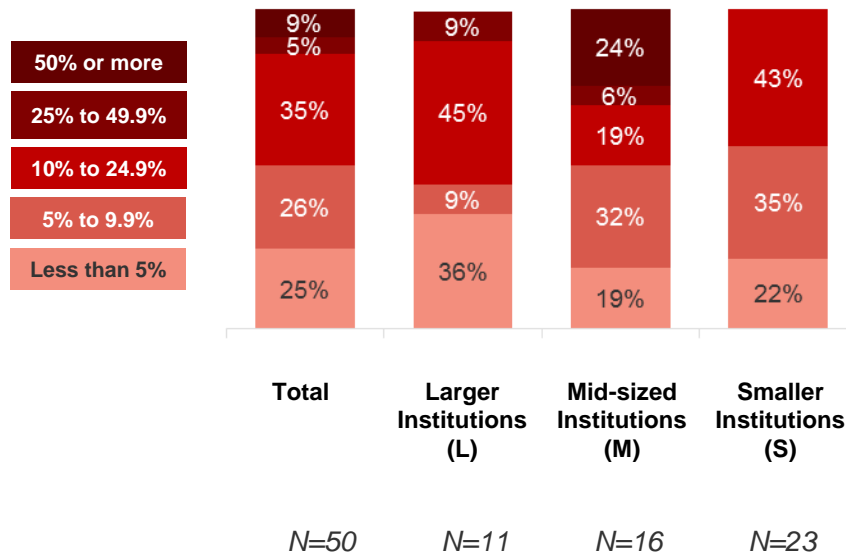
L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

These questions were optional - respondents were not required to answer

## Government Refinance Mortgages: Next 3 Months

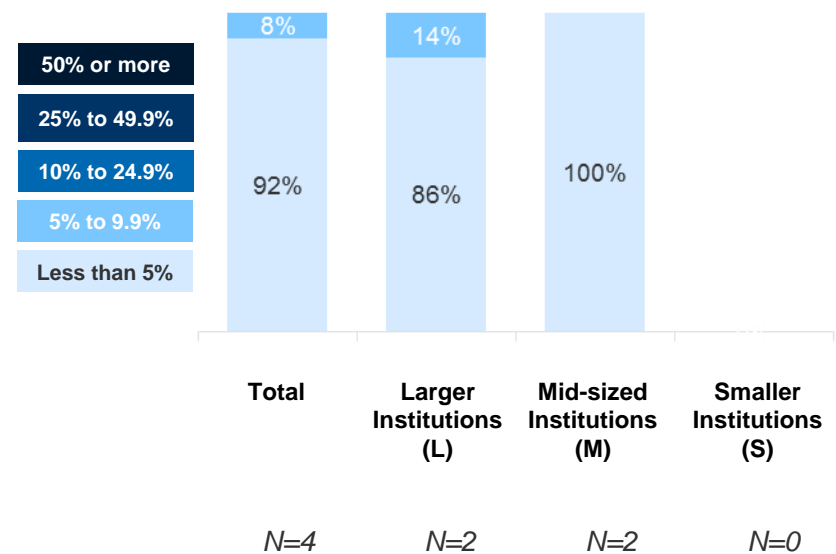
### Went Down

You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family refinance mortgages gone down over the next three months?



### Went Up

You said that your firm has seen the demand **go up** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family refinance mortgages gone up over the next three months?



L/M/S - Letters denote a % is significantly higher than another annual loan origination volume group at the 95% confidence level

These questions were optional - respondents were not required to answer

Appendix

# CREDIT STANDARDS

## Credit Standards: Drivers of Change

Drivers of Tightening Change

Drivers of Loosening Change

### Past 3 Months

N=79

- Regulation (Dodd-Frank, ATR)
- Secondary Market Issues
- Increased Competition

Q: What do you think drove the change in your firm's credit standards for approving consumer applications for purchase mortgage loans over the **last three months**? Please be as specific as possible. (Optional)

"The Dodd Frank Act's Ability to Repay and Qualified Mortgage requirements." – *Smaller Institution*

"Concern over secondary market issues and buybacks and also meeting current regulatory environment conditions that took effect in January." – *Larger Institution*

"Dodd Frank ATR." – *Larger Institution*

"The two main drivers of credit standard easing were competition and lower origination volume.." – *Larger Institution*

"GSE and government standards have not changed." – *Mid-sized Institution*

"Standards for non-GSE loans were reduced due to increased competition from other lenders." – *Mid-sized Institution*

### Next 3 Months

N=31

- Regulation
- Increased Competition

Q: What do you think will drive the change in your firm's credit standards for approving consumer applications for purchase mortgage loans over the **next three months**? Please be as specific as possible. (Optional)

"Regulations." – *Smaller Institution*

"GSE and FHA regulations and the GSE-FHA post purchase reviews. Will we be able to trust the GSE's?" – *Mid-sized Institution*

"GSE post purchase loan reviews and repurchase of loans for non material loan quality reasons." – *Larger Institution*

"Increased competition in the secondary market." – *Larger Institution*

"Investors continuing to relax their standards." – *Larger Institution*

"Recent changes by FNMA in their credit approval box will allow us to approve more applicants." – *Mid-sized Institution*

Appendix

# MORTGAGE EXECUTION

# Post Mortgage Origination Execution Share

(by institution type)

What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. <b>Showing Mean %</b>	Mortgage Banks			Depository Institutions		
	Q1	Q2	Q3	Q1	Q2	Q3
N=	38	47	57	200	134	128
GSE (Fannie Mae and Freddie Mac)	44%	48%	50%	50%	49%	51%
Portfolio Retention	3%	1%	0%	31%	35%	35%
Whole Loan Sales to NON-GSE (Correspondent)	29%	23%	21%	8%	8%	6%
Ginnie Mae (FHA/VA)	21%	23%	25%	7%	7%	6%
Private Label Securities / Non-Agency Securities	3%	2%	2%	1%	1%	1%
Other	0%	3%	2%	2%	1%	1%

\* Denotes a statistically significant change since Q2

## Post Mortgage Origination Execution Share (by loan volume group)

What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. Showing Mean %	Total			Larger Institutions			Mid-sized Institutions			Smaller Institutions		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
N=	247	186	196	46	47	50	51	50	55	150	89	91
GSE (Fannie Mae and Freddie Mac)	49%	49%	51%	51%	48%	52%	47%	51%	47%	49%	48%	53%
Portfolio Retention	24%	22%	20%	19%	13%	8%	21%	18%	18%	32%	37%	34%
Whole Loan Sales to NON-GSE (Correspondent)	13%	13%	12%	12%	16%	18%	19%	14%	14%	9%	8%	5%
Ginnie Mae (FHA/VA)	11%	14%	14%	15%	20%	19%	11%	16%	15%	6%	5%	7%
Private Label Securities / Non-Agency Securities	1%	1%	2%	3%	2%	2%	1%	1%	4%	1%	0%	0%
Other	1%	1%	1%	0%	2%	0%	1%	1%	2%	2%	2%	1%

\* Denotes a statistically significant change since Q2



# Mortgage Execution Expectations – Next 3 Months

How much do you expect your firm's post mortgage-origination execution share for each of the categories to change over the next three months?	Total			Larger Institutions			Mid-sized Institutions			Smaller Institutions		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
<b>GSE (Fannie Mae and Freddie Mac)</b>	<b>N=227</b>	<b>N=179</b>	<b>N=184</b>	<b>N=46</b>	<b>N=47</b>	<b>N=48</b>	<b>N=46</b>	<b>N=48</b>	<b>N=54</b>	<b>N=135</b>	<b>N=84</b>	<b>N=82</b>
Increase	19%	16%	14%	16%	20%	10%	25%	12%	21%	15%	14%	12%
About the same	66%	68%	73%	73%	61%	77%	62%	72%	67%	62%	71%	74%
Decrease	15%	16%	13%	11%	20%	12%	13%	16%	12%	22%	14%	13%
<b>Portfolio Retention</b>	<b>N=196</b>	<b>N=133</b>	<b>N=120</b>	<b>N=34</b>	<b>N=27</b>	<b>N=21</b>	<b>N=33</b>	<b>N=28</b>	<b>N=29</b>	<b>N=129</b>	<b>N=78</b>	<b>N=70</b>
Increase	31%	23%	22%	27%	29%	19%	32%	21%	20%	34%	20%	24%
About the same	56%	66%	65%	62%	64%	66%	46%	65%	71%	58%	68%	61%
Decrease	13%	11%	13%	12%	7%	15%	21%	14%	9%	7%	12%	14%
<b>Whole Loan Sales to NON-GSE (Correspondent)</b>	<b>N=85</b>	<b>N=59</b>	<b>N=71</b>	<b>N=25</b>	<b>N=25</b>	<b>N=31</b>	<b>N=21</b>	<b>N=18</b>	<b>N=24</b>	<b>N=39</b>	<b>N=16</b>	<b>N=16</b>
Increase	27%	25%	19%	26%	33%	20%	24%	17%	17%	33%	18%	18%
About the same	53%	52%	64%	46%	44%	57%	61%	56%	65%	56%	70%	81%
Decrease	20%	24%	18%	28%	24%	22%	15%	28%	18%	11%	12%	0%
<b>Ginnie Mae (FHA/VA)</b>	<b>N=102</b>	<b>N=93</b>	<b>N=100</b>	<b>N=34</b>	<b>N=40</b>	<b>N=37</b>	<b>N=27</b>	<b>N=27</b>	<b>N=32</b>	<b>N=41</b>	<b>N=26</b>	<b>N=31</b>
Increase	21%	15%	14%	13%	9%	17%	25%	23%	12%	35%	21%	13%
About the same	66%	77%	74%	68%	80%	67%	68%	70%	79%	59%	79%	81%
Decrease	12%	8%	12%	19%	11%	16%	8%	7%	9%	6%	0%	6%
<b>Private Label Securities / Non-Agency Securities</b>	<b>N=17</b>	<b>N=19</b>	<b>N=26</b>	<b>N=5</b>	<b>N=8</b>	<b>N=12</b>	<b>N=5</b>	<b>N=8</b>	<b>N=12</b>	<b>N=7</b>	<b>N=3</b>	<b>N=2</b>
Increase	25%	43%	24%	40%	62%	32%	0%	25%	12%	43%	33%	50%
About the same	72%	51%	73%	60%	38%	68%	100%	62%	80%	43%	67%	50%
Decrease	3%	5%	4%	0%	0%	0%	0%	12%	8%	14%	0%	0%

\* Denotes a statistically significant change since Q2

Appendix

# **MORTGAGE SERVICING RIGHTS (MSR) EXECUTION**

# Mortgage Servicing Rights (MSR) Execution Share

(by institution type)

Approximately what percent of your mortgage servicing rights (MSR) goes to each of the following categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. Showing Mean %	Mortgage Banks			Depository Institutions		
	Q1	Q2	Q3	Q1	Q2	Q3
N=	38	47	57	200	134	128
MSR retained, serviced in-house	13%	17%	15%	66%	70%	68%
MSR retained, serviced by a subservicer	50%	33%	30%	16%	15%	16%
MSR sold	37%	50%	55%	18%	15%	15%

\* Denotes a statistically significant change since Q2

# Mortgage Servicing Rights (MSR) Execution Share

(by loan volume group)

Approximately what percent of your mortgage servicing rights (MSR) goes to each of the following categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. <b>Showing Mean %</b>	Total			Larger Institutions			Mid-sized Institutions			Smaller Institutions		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
N=	247	186	196	46	47	50	51	50	55	150	89	91
MSR retained, serviced in-house	54%	51%	46%	47%	40%	30%	48%	42%	40%	67%	72%	69%
MSR retained, serviced by a subservicer	23%	21%	22%	24%	23%	29%	30%	25%	23%	15%	13%	14%
MSR sold	23%	28%	32%	29%	37%	41%	21%	33%	37%	18%	15%	17%

\* Denotes a statistically significant change since Q2

# Mortgage Servicing Rights (MSR) Execution Expected Changes – Next 3 Months

How much do you expect your firm's mortgage servicing rights (MSR) disposition shares for each of the applicable categories to change over the <u>next three months</u> ? <i>Showing %</i>	Total			Larger Institutions (L)			Mid-sized Institutions (M)			Smaller Institutions (S)		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
<b>MSR retained, serviced in-house</b>	<b>N=169</b>	<b>N=129</b>	<b>N=114</b>	<b>N=26</b>	<b>N=28</b>	<b>N=20</b>	<b>N=28</b>	<b>N=27</b>	<b>N=28</b>	<b>N=115</b>	<b>N=74</b>	<b>N=67</b>
Increase	18%	13%	10%	25%	15%	12%	16%	19%	11%	15%	6%	8%
About the same	71%	77%	84%	62%	77%	73%	73%	67%	89%	77%	84%	86%
Decrease	10%	10%	6%	13%	9%	15%	11%	15%	0%	8%	9%	6%
<b>MSR retained, serviced by a servicer</b>	<b>N=73</b>	<b>N=60</b>	<b>N=65</b>	<b>N=20</b>	<b>N=22</b>	<b>N=26</b>	<b>N=23</b>	<b>N=22</b>	<b>N=24</b>	<b>N=31</b>	<b>N=16</b>	<b>N=15</b>
Increase	28%	22%	18%	27%	31%	17%	31%	18%	21%	22%	6%	13%
About the same	58%	63%	73%	55%	53%	69%	56%	69%	75%	68%	77%	80%
Decrease	14%	15%	9%	17%	15%	14%	13%	13%	4%	10%	16%	7%
<b>MSR sold</b>	<b>N=120</b>	<b>N=100</b>	<b>N=107</b>	<b>N=31</b>	<b>N=34</b>	<b>N=40</b>	<b>N=24</b>	<b>N=32</b>	<b>N=33</b>	<b>N=65</b>	<b>N=34</b>	<b>N=34</b>
Increase	20%	12%	9%	16%	12%	15%	25%	9%	0%	20%	15%	12%
About the same	68%	72%	79%	63%	64%	70%	69%	75%	85%	74%	82%	88%
Decrease	13%	16%	12%	21%	23% <sup>S</sup>	15%	6%	15%	15%	7%	3%	0%

\* Denotes a statistically significant change since Q2

Appendix

# PROFIT MARGIN OUTLOOK

## Decreased Profit Margin - Drivers

What do you think will drive the decrease in your firm's profit margin over the next three months? Please select up to three of the most important reasons and rank them in order of importance.	Total		Larger Institutions		Mid-sized Institutions		Smaller Institutions	
	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3
N=	50	57	10	17	16	24	24	16
Government regulatory compliance	74%	66%	81%	60%	66%	59%	79%	94%
Competition from other lenders	60%	50%	81%	77%	53%	37%	51%	31%
Consumer demand	29%	41%	10%	42%*	34%	41%	40%	38%
GSE pricing and policies	38%	37%	21%	35%	47%	39%	43%	38%
Staffing (personnel costs)	20%	35%	29%	38%	19%	42%	13%	12%
Government monetary or fiscal policy	26%	21%	0%	14%	44%	28%	26%	19%
Market trend changes (i.e. shift from refinance to purchase)	33%	14%*	50%	6%*	25%	13%	28%	31%
Operational efficiency (i.e. technology)	4%	12%	0%	6%	6%	20%	4%	6%
Marketing expenses	4%	9%	10%	9%	0%	11%	4%	6%
Servicing costs	8%	7%	10%	6%	6%	2%	9%	19%
Non-GSE (other investors) pricing and policies	4%	3%	10%	3%	0%	4%	4%	0%

\* Denotes a statistically significant change since Q2

## Decreased Profit Margin - Strategies

What primary strategies, if any, is your firm planning to use to address your decreased profit margin? Please select <b>up to three</b> of the most important strategies and rank them in order of importance. <i>Showing %</i>	Total		Larger Institutions		Mid-sized Institutions		Smaller Institutions	
	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3
N=	50	57	10	17	16	24	24	16
Operational efficiency (i.e. technology) investments	54%	43%	67%	40%	47%	48%	53%	38%
Back-office staffing adjustments	37%	39%	50%	45%	41%	42%	21%	19%
Loan officer staffing adjustments	30%	36%	33%	35%	34%	34%	23%	44%
Price adjustments	28%	35%	40%	32%	19%	40%	30%	31%
Marketing outreach expansion/contraction	33%	33%	40%	31%	19%	28%	45%	50%
New or re-allocation of mortgage product offerings	25%	26%	10%	32%	31%	26%	30%	12%
New or re-allocation of origination channels (i.e. retail or online or third-party channels)	18%	17%	21%	13%	6%	17%	30%	25%
Business acquisition/merger/divestment	5%	16%	0%	14%	3%	13%	13%	25%
Investor outlet expansion/contraction	24%	15%	19%	23%	34%	9%	17%	12%
MSR (Mortgage Servicing Rights) sales	15%	11%	10%	17%	25%	9%	9%	6%
Underwriting standard changes	9%	10%	9%	0%	19%	19%	4%	6%
New borrower segments	18%	7%	10%	6%	22%	6%	21%	12%

\* Denotes a statistically significant change since Q2



## Increased Profit Margin - Drivers

What do you think will drive the increase in your firm's profit margin over the next three months? Please select up to three of the most important reasons and rank them in order of importance. Showing %	Total		Larger Institutions		Mid-sized Institutions		Smaller Institutions	
	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3
N=	40	30	12	8	14	7	14	15
Consumer demand	66%	59%	70%	41%	59%	71%	74%	67%
Operational efficiency (i.e., technology)	65%	52%	74%	74%	52%	43%	74%	40%
Market trend changes (i.e. shift from refinance to purchase)	40%	40%	26%	20%	48%	64%	48%	40%
Non-GSE (other investors) pricing and policies	23%	33%	43%	52%	7%	29%	19%	20%
Less competition from other lenders	26%	22%	22%	37%	33%	14%	19%	13%
Staffing (personnel costs) reduction	25%	19%	17%	7%	41%	14%	7%	33%
Marketing expense reduction	5%	16%	0%	13%	7%	7%	7%	27%
GSE pricing and policies	14%	14%	0%	7%	15%	7%	33%	27%
Government monetary or fiscal policy	8%	7%	9%	0%	7%	7%	7%	13%
Servicing cost reduction	0%	7%	0%	0%	0%	14%	0%	7%
Government regulatory compliance	7%	4%	9%	13%	7%	0%	4%	0%

\* Denotes a statistically significant change since Q2

## Increased Profit Margin - Strategies

What primary strategies, if any, is your firm planning to use to achieve your increased profit margin? Please select up to three of the most important strategies and rank them in order of importance. <i>Showing %</i>	Total		Larger Institutions		Mid-sized Institutions		Smaller Institutions	
	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3
<i>N=</i>	40	20	12	8	14	7	14	15
Operational efficiency (i.e. technology)	56%	48%	65%	67%	59%	43%	33%	33%
Marketing outreach expansion/contraction	29%	39%	17%	17%	22%	64%	59%	40%
New or reallocation of mortgage product offerings	14%	38%	9%	33%	7%	43%	33%	40%
New or reallocation of origination channels (i.e. retail or online or third-party channels)	33%	38%	35%	43%	33%	29%	30%	40%
Price adjustments	41%	37%	43%	39%	48%	21%	26%	47%
New borrower segments	17%	22%	17%	17%	15%	21%	22%	27%
Loan officer staffing adjustments	35%	19%	30%	4%	37%	43%	41%	13%
Back-office staffing adjustments	27%	18%	26%	7%	30%	29%	26%	20%
Business acquisition/merger/divestment	6%	16%	9%	26%	7%	7%	0%	13%
MSR (Mortgage Servicing Rights) sales	10%	14%	17%	26%	7%	0%	4%	13%
Investor outlet expansion/contraction	20%	0%	26%	20%	19%	0%	15%	7%
Underwriting standard changes	6%	2%	0%	0%	7%	0%	11%	7%

\* Denotes a statistically significant change since Q2

Appendix

# **30-YEAR FIXED MORTGAGE INTEREST RATE FORECAST**

# 30-Year Fixed-Rate Mortgage Interest Rate Outlook

What are your forecasts for the 30-year fixed-rate, conforming, conventional mortgage interest rate that retail consumers will get, assuming zero points and fees? **Showing Mean %**

		Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	FannieMae	2014 National Housing Survey Among the General Population (consumers)
3-Months Ahead	Q1	4.5% N=237	4.6% N=46	4.6% N=50	4.5% N=141	4.4% (March)	--
	Q2	4.3% N=185	4.3% N=47	4.3% N=50	4.3% N=88	4.2% (June)	--
	Q3	4.3% N=185	4.3% N=47	4.2% N=50	4.3% N=88	4.3% (August)	--
1-Year Ahead	Q1	5.0% N=237	5.0% N=46	5.1% N=50	5.0% N=141	4.7% (March)	5.0% (March)
	Q2	4.8% N=185	4.8% N=47	4.8% N=50	4.8% N=88	4.5% (June)	4.9% (June)
	Q3	4.8% N=185	4.8% N=47	4.7% N=50	4.8% N=88	4.6% (August)	4.9% (August)

\*Denotes a statistically significant change since Q2

Fannie Mae Source: <http://www.fanniemae.com/portal/research-and-analysis/emma-archive.html>

National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

Appendix

# **SURVEY QUESTION TEXT**

## Question Text

### Economic and Housing Sentiment

- q1. In general, do you, as a senior mortgage executive, think the U.S. economy overall is on the right track or the wrong track?
- q1A. Do you think it is very difficult, somewhat difficult, somewhat easy, or very easy for consumers to get a home mortgage today?
- q2. Nationally, during the next 12 months, do you, as a senior mortgage executive, think home prices in general will go up, go down, or stay the same as where they are now?
- q4a. By about what percent do you, as a senior mortgage executive, think home prices nationally will go up on average over the next 12 months?
- q5a. By about what percent do you, as a senior mortgage executive, think home prices nationally will go down on average over the next 12 months?

### Consumer Demand

- g6. Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.
- g7. What do you think drove the change in your firm's consumer demand for single family purchase mortgages over the past three months? Please be as specific as possible. (Optional)
- g8. You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone down over the past three months?
- g9. You said that your firm has seen the demand **go up** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone up over the past three months?
- g10. Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.
- g12. You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family refinance mortgages gone down over the past three months?
- g13. You said that your firm has seen the demand **go up** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family refinance mortgages gone up over the past three months?
- g14. Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.

## Question Text Cont.

- q15. What do you think will drive the change in your firm's consumer demand for single-family purchase mortgages over the next three months? Please be as specific as possible. (Optional)
- g16. You indicated that you expect your firm's demand to **go down** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family purchase mortgages to go down over the next three months?
- g17. You said that you expect your firm's demand to **go up** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family purchase mortgages to go up over the next three months?
- g18. Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.
- g20. You indicated that you expect your firm's demand to **go down** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family refinance mortgages to go down over the next three months?
- g21. You said that you expect your firm's demand to **go up** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family refinance mortgages to go up over the next three months?

## Profit Margin

- q22. Over the next three months, how much do you expect your firm's profit margin to change for its single-family mortgage production?
- g23. What primary strategies, if any, is your firm planning to use to address your decreased profit margin? Please select **up to three** of the most important strategies and rank them in order of importance.
- g24. What do you think will drive the decrease in your firm's profit margin over the next three months? Please select **up to three** of the most important reasons and rank them in order of importance.
- g25. What primary strategies, if any, is your firm planning to use to achieve your increased profit margin? Please select **up to three** of the most important strategies and rank them in order of importance..
- g26. What do you think will drive the increase in your firm's profit margin over the next three months? Please select **up to three** of the most important reasons and rank them in order of importance.

## Credit Standards

- g27. Over the past three months, how did your firm's credit standards for approving consumer applications for purchase mortgage loans change? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.
- g28. What do you think drove the change in your firm's credit standards for approving consumer applications for purchase mortgage loans over the last three months? Please be as specific as possible. (Optional)

## Question Text Cont.

- g31. Over the next three months, how do you expect your firm's credit standards for approving applications from individuals for purchase mortgage loans to change? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and government mortgages.
- q32. What do you think will drive the change in your firm's credit standards for approving consumer applications for purchase mortgage loans over the next three months? Please be as specific as possible. (Optional)

### Mortgage Execution Share

- g35. What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%.
- g36. How much do you expect your firm's post mortgage-origination execution share for each of the categories to change over the next three months?

### Mortgage Servicing Rights

- g38. Approximately what percent of your mortgage servicing rights (MSR) goes to each of the following categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%.
- g40. How much do you expect your firm's mortgage servicing rights (MSR) disposition shares for each of the applicable categories to change over the next three months?

### 30-year Fixed-rate Mortgage Forecast

- g42. What are your forecasts for the 30-year fixed-rate, conforming, conventional mortgage interest rate that retail consumers will get, assuming zero points and fees? Please enter a percent in each box below. [3-months ahead, 1-year ahead]



## Q3 Question Text (Rotating Questions)

- qR11. What was the approximate dollar volume of single-family mortgage loans originated by your firm from January 1st to June 30th this year (the first half of the year), including purchase and refinance mortgages?
- qR12. What was the approximate dollar volume of single-family mortgage loans originated by your firm over the entire last year (2013), including purchase and refinance mortgages? (Optional)
- qR13. Approximately how many total full-time employees does your firm currently have? (Optional)
- qR14. *[Display: Recently, regulations across the Office of the Comptroller of the Currency (e.g., “Mortgage Banking” booklet), Consumer Finance Protection Bureau (e.g., Qualified Mortgage rules), and the Federal Reserve/FDIC/OCC (e.g., Basel III capital rule) have been important topics for the mortgage industry. The next section aims to capture your views related to the impact of regulations on your business.]*  
To what extent do these regulations impact your business?
- qR15. Excluding legal resources needed for Quality-Control (Quality-Review) and Servicing, how many full-time, in-house compliance personnel does your firm currently have (including analysts, paralegals, lawyers, etc.)?
- qR16. Besides in-house staff, do you currently use third-party vendors (including subscriptions, compliance attorney review, outside counsel, etc.) to help fulfill your compliance requirements?
- qR17. Including full-time in-house personnel mentioned before and any third party vendors used, approximately how much does your firm expect to spend on Compliance this year (the whole year of 2014)? (Optional)
- qR18. Including full-time in-house personnel and any third-party vendors used, approximately how much did your firm spend on Compliance last year (the whole year of 2013)? (Optional)
- qR19. What business functions have you decided to outsource, partially or fully, due to increased regulations and associated costs? (Check all that apply)
- qR20. Please use the slider below to indicate the compensation structure your firm currently uses to pay loan officers. You can move the slider all the way to any end or place it somewhere in the middle.
- qR21. Please use the slider below to indicate the compensation structure your firm used last year (2013) to pay loan officers. You can move the slider all the way to any end or place it somewhere in the middle.
- gR22. 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.”
- gR33. 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.”

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