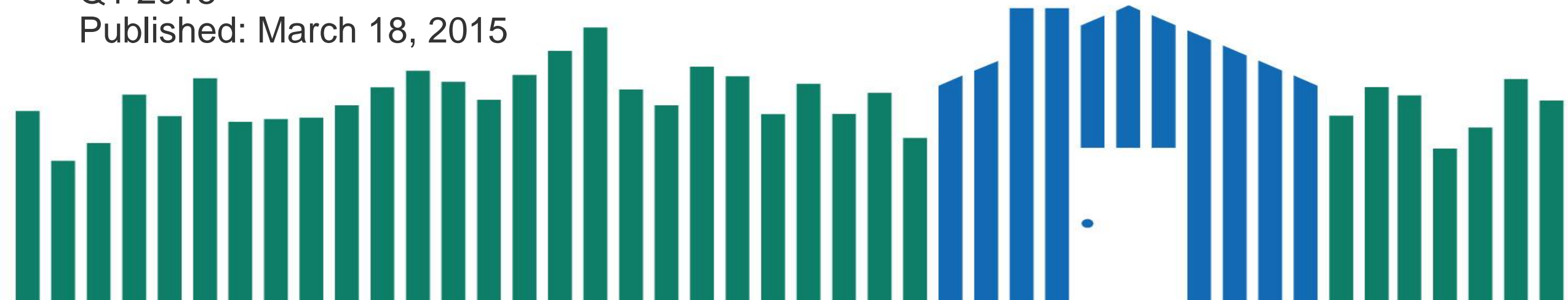


# Mortgage Lender Sentiment Survey™

Providing Insights Into Current Lending Activities  
and Market Expectations

Q1 2015

Published: March 18, 2015



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## Disclaimer

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## Summary of Key Findings

### Housing Sentiment

Compared with the general population of 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

After gradually trending down throughout 2014, lenders' purchase mortgage demand expectations across all loan types (GSE eligible, non-GSE eligible, and government loans) increased this quarter across all institution sizes and types, although we recognize that there might be seasonal influences.

### Credit Standards

This quarter, across all loan types, the share of lenders reporting credit easing is higher than the share of lenders reporting credit tightening. Mortgage banks continue to be more likely than depository institutions to report credit easing.

### Mortgage Execution

Most institutions reported that they expect to maintain their strategy in relation to secondary market outlets over the next year. Among larger institutions and mortgage banks, more lenders reported expectations to decrease rather than to increase the share sold to GSEs.

### Mortgage Servicing Rights (MSR)

The majority of institutions reported that they expect to maintain their current Mortgage Servicing Rights (MSR) execution strategies over the next year. Among mortgage banks, more lenders reported plans to retain rather than to sell their MSRs.

### Profit Margin Outlook

Lenders' profit margin outlook has significantly improved from last year, in particular, among larger lenders, with the share of lenders expecting profit margin to go up over the next three months increasing significantly this quarter. "Consumer demand" and "operational efficiency" are the most cited reasons for increased profit margin expectations over the next three months.

## 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, designed 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

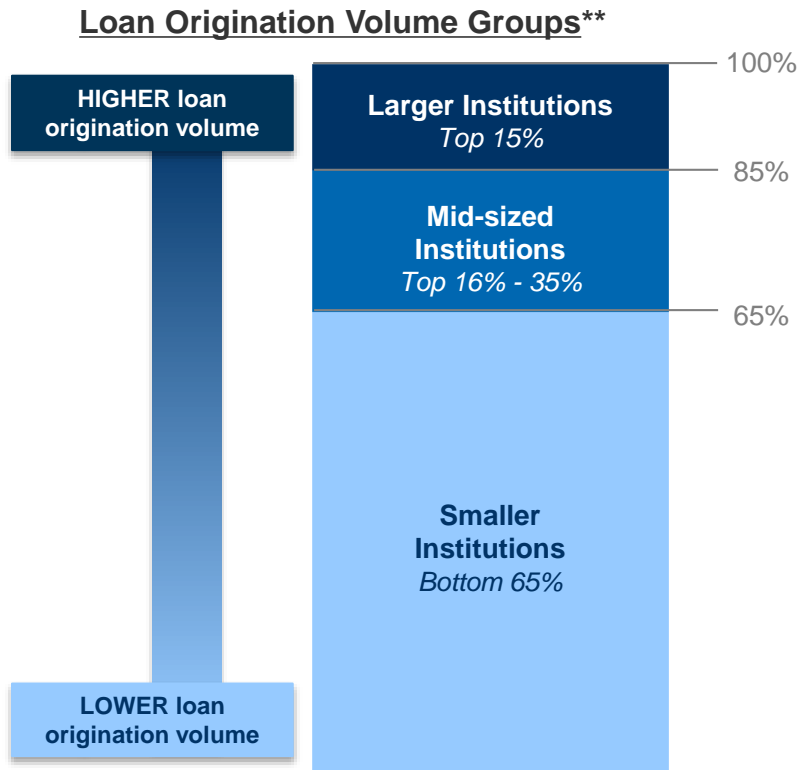
- FHA's Mortgage Insurance Premium Reduction by 0.5%
- 97% LTV Product
- Homeownership Education/Counseling

## Methodology

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

# Q1 2015 Respondent Sample and Groups

For Q1 2015, a total of 208 senior executives completed the survey from February 4 - 16, representing 197 lending institutions.\*



Sample Q1-2015		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.		197
<b>Loan Origination Volume Groups</b>	<b>Larger Institutions</b> Fannie Mae's customers whose 2013 total industry loan origination volume was in the top 15% (above \$965 million)	58
	<b>Mid-sized Institutions</b> Fannie Mae's customers whose 2013 total industry loan origination volume was in the next 20% (16%- 35%) (between \$269 million to \$965 million)	50
	<b>Smaller Institutions</b> Fannie Mae's customers whose 2013 total industry loan origination volume was in the bottom 65% (less than \$269 million)	89
<b>Institution Type***</b>	<b>Mortgage Banks (non-depository)</b>	53
	<b>Depository Institutions</b>	95
	<b>Credit Unions</b>	40

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

\*\* The 2013 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, and Marketrac. The most recent loan volume data available when the survey was conducted was 2013.

\*\*\* Lenders that are not classified into mortgage banks or depository institutions or credit unions are mostly housing finance agencies.

## 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 typically 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 are significantly more optimistic about the overall economy and consumers' ability to get a mortgage this quarter compared with this time last year.
- Compared with the general population of consumers, senior mortgage executives continue to be more optimistic about the economy and more pessimistic about consumers' ability to get a mortgage today.



## U.S. Economy Overall

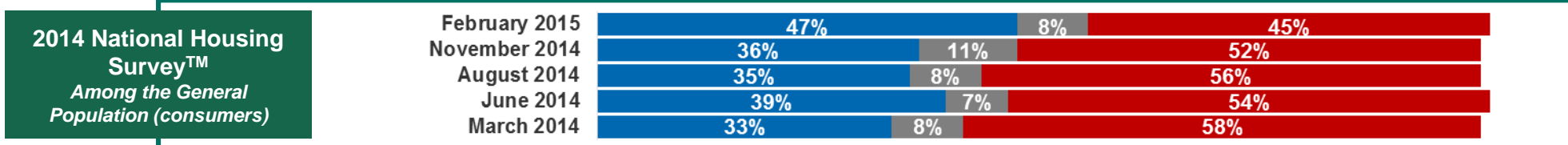
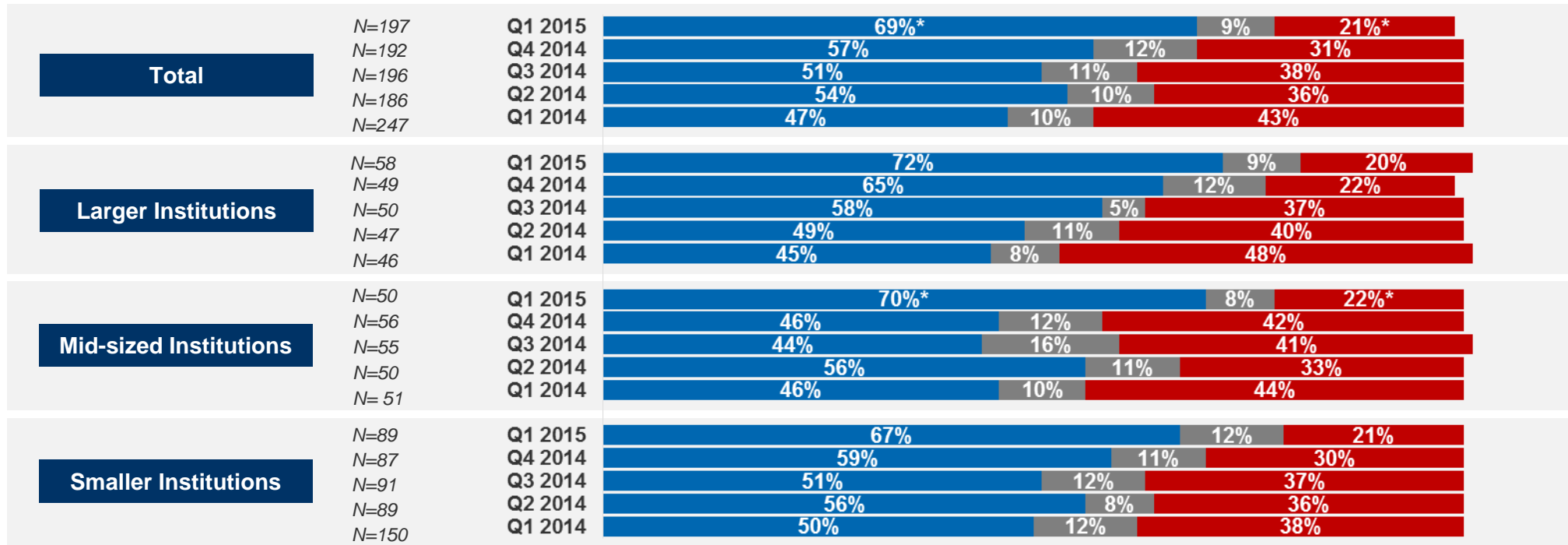
Senior mortgage executives are significantly more optimistic about the overall economy this quarter compared with last year, and continue to be more optimistic than the general population of consumers about the economy.

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

Right Track

Don't know

Wrong Track



\* Denotes a statistically significant change since Q4 2014; Rows may not sum up to 100% because of rounding and "don't know" responses.  
National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

## Home Prices – Next 12 Months

Senior mortgage executives are becoming more optimistic than the general population of consumers about future home prices.

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?

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?

			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?			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?				
			Go Up	Stay the Same	Go Down	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
<b>Total</b>	N=197	Q1 2015	62%*	33%*	3%	3.2%	2.6%	1.9%	1.7%	2.4%
	N=192	Q4 2014	47%	50%	2%					
	N=196	Q3 2014	48%	49%	2%					
	N=186	Q2 2014	58%	37%	4%					
	N=247	Q1 2014	60%	36%	2%					
<b>Larger Institutions</b>	N=58	Q1 2015	62%*	36%*	0%	3.0%	3.3%	1.6%	1.1%	2.5%
	N=49	Q4 2014	38%	58%	4%					
	N=50	Q3 2014	47%	51%	2%					
	N=47	Q2 2014	75%	23%	2%					
	N=46	Q1 2014	62%	38%	0%					
<b>Mid-sized Institutions</b>	N=50	Q1 2015	66%	30%	4%	3.2%	1.8%	1.8%	2.0%	2.3%
	N=56	Q4 2014	50%	48%	0%					
	N=55	Q3 2014	47%	47%	2%					
	N=50	Q2 2014	47%	43%	9%					
	N= 51	Q1 2014	61%	31%	4%					
<b>Smaller Institutions</b>	N=89	Q1 2015	59%	33%	5%	3.4%	2.7%	2.3%	2.1%	2.6%
	N=87	Q4 2014	55%	43%	2%					
	N=91	Q3 2014	48%	51%	1%					
	N=89	Q2 2014	52%	46%	2%					
	N=150	Q1 2014	56%	38%	3%					
<b>2014 National Housing Survey™ Among the General Population (consumers)</b>	February 2015	46%	41%	6%	2.7%	2.4%	2.1%	2.6%	2.5%	
	November 2014	44%	44%	6%						
	August 2014	42%	45%	9%						
	June 2014	46%	41%	10%						
	March 2014	48%	42%	5%						

\* Denotes a statistically significant change since Q4 2014; Rows may not sum up to 100% because of rounding and "don't know" responses.  
National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

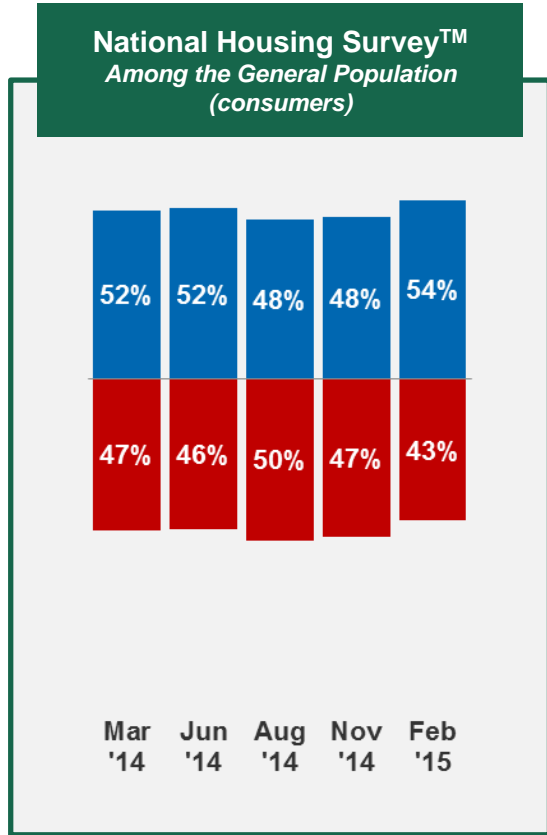
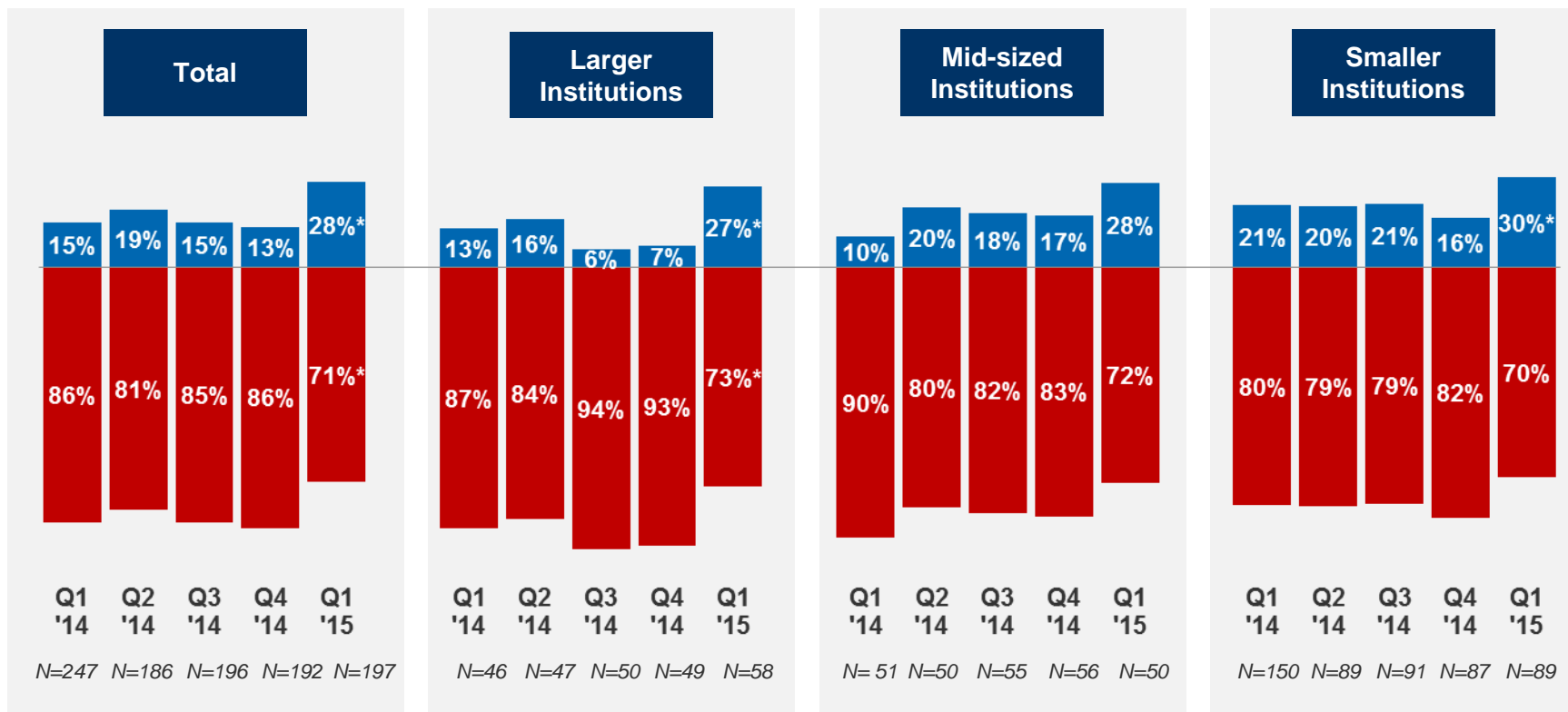
## Difficulty of Getting a Mortgage

Senior mortgage executives are significantly more optimistic when it comes to the ease of getting a mortgage today this quarter compared with last year, but they are still less optimistic than the general population of consumers about the ease of getting a mortgage.

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

Easy

Difficult



\* Denotes a statistically significant change since Q4 2014  
 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)

- After gradually trending down throughout 2014, lenders' purchase mortgage demand expectations for all types of loans increased this quarter, with the share of lenders expecting demand to go up over the next three months increasing significantly across all institution sizes and types. Although the mortgage demand questions in the survey ask survey respondents to account for seasonal variation, we believe that some seasonal influence remains and contributed to the forecasted demand increase.
- Lenders also reported significant upward demand expectations for refinance mortgages (please see the Appendix).

## Purchase Mortgage Demand: GSE Eligible

Lenders' purchase mortgage demand expectations for GSE eligible loans increased this quarter, across all institution sizes, after gradually declining in 2014.

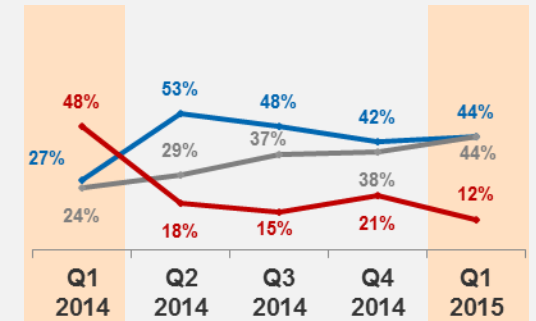
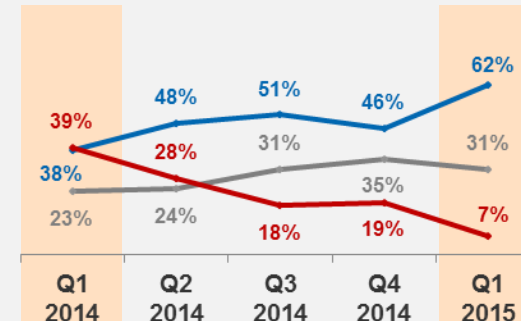
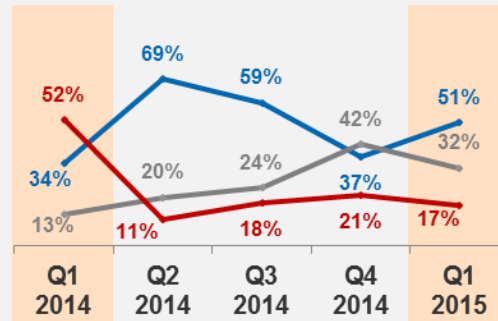
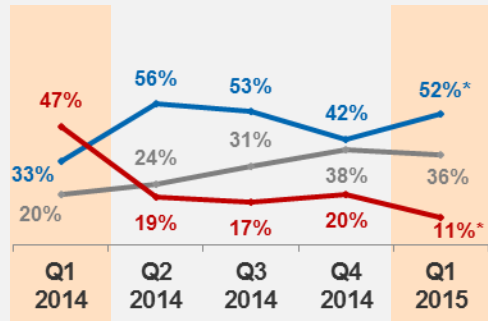
**Total**

**Larger Institutions**

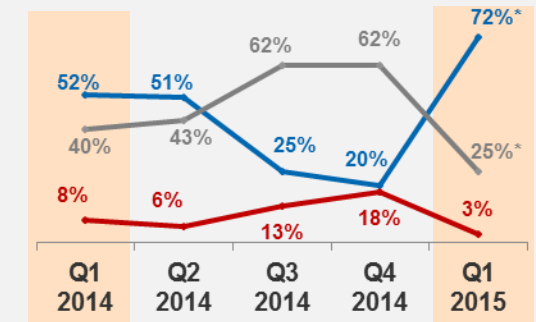
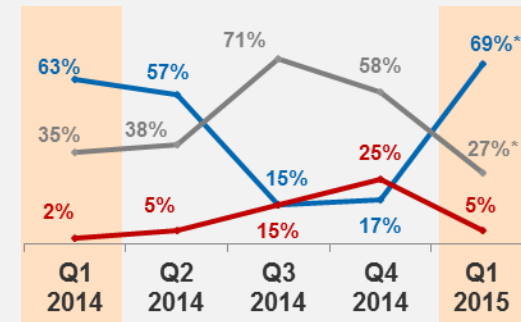
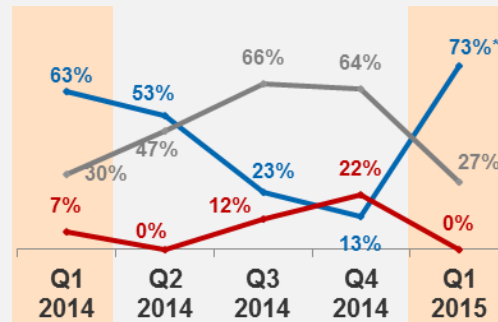
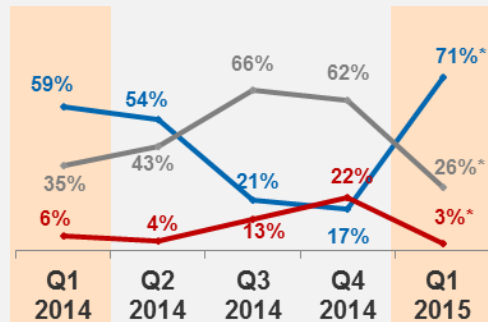
**Mid-sized Institutions**

**Smaller Institutions**

**Past 3 Months**



**Next 3 Months**



— Up  
— The same  
— Down

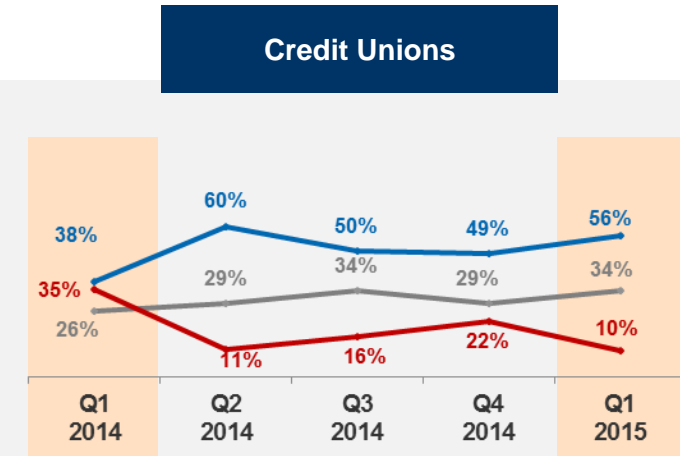
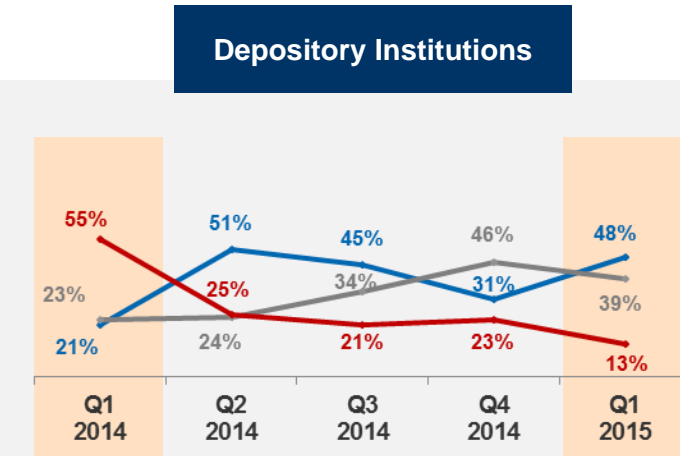
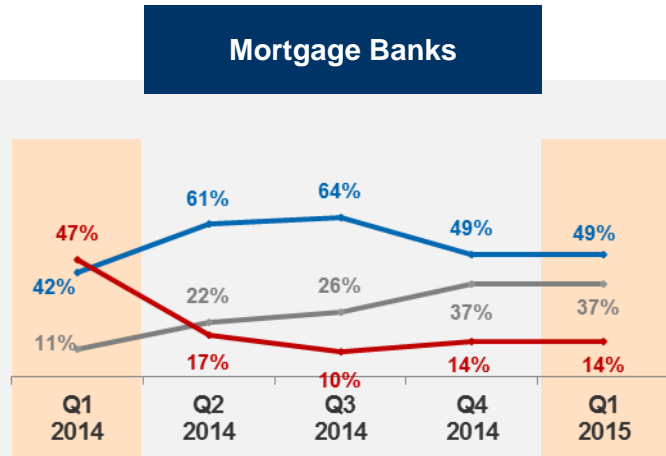
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat  
 Q: Over the next three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

\* Denotes a statistically significant change since Q4 2014

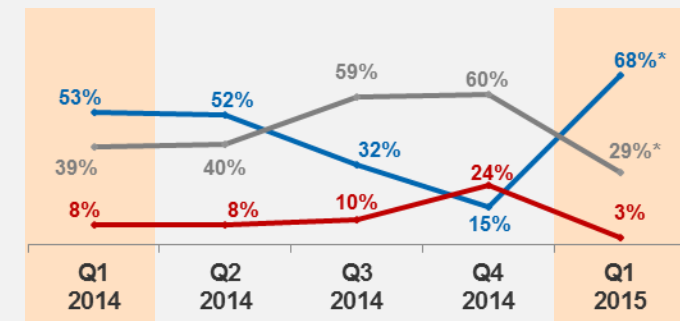
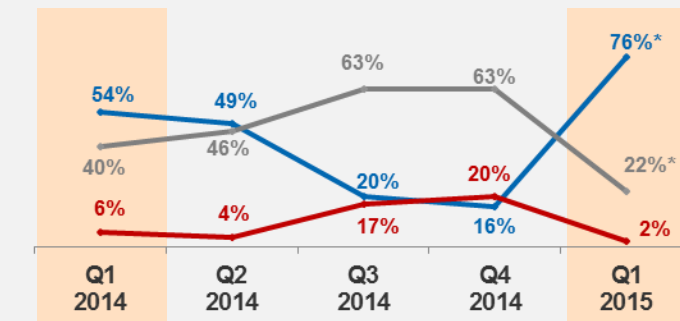
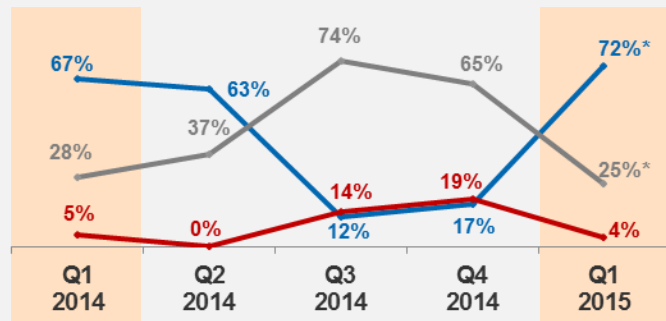
## Purchase Mortgage Demand: GSE Eligible (by institution type)

Lenders' purchase mortgage demand expectations for GSE eligible loans are higher now than a year ago, across all institution types.

Past  
3 Months



Next  
3 Months



- Up
- The same
- Down

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? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat  
 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? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

\* Denotes a statistically significant change since Q4 2014

## Purchase Mortgage Demand: Non-GSE Eligible

Lenders' purchase mortgage demand expectations for Non-GSE eligible loans increased this quarter across all institution sizes. Expectations are now more in line with expectations in Q1 2014.

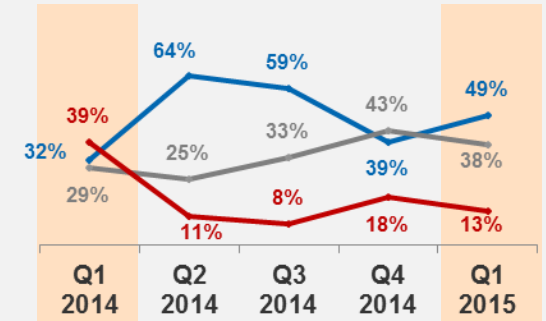
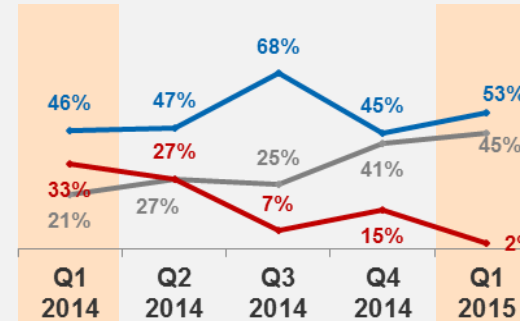
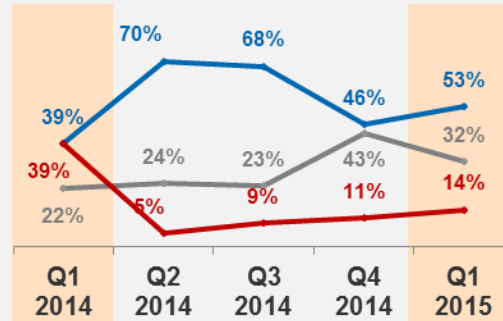
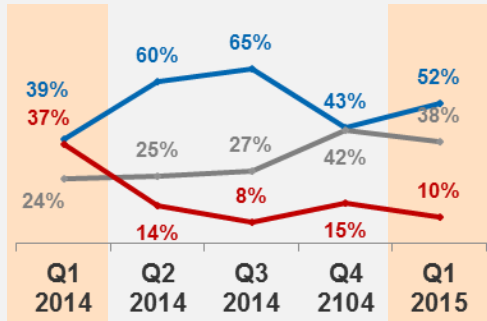
**Total**

**Larger Institutions**

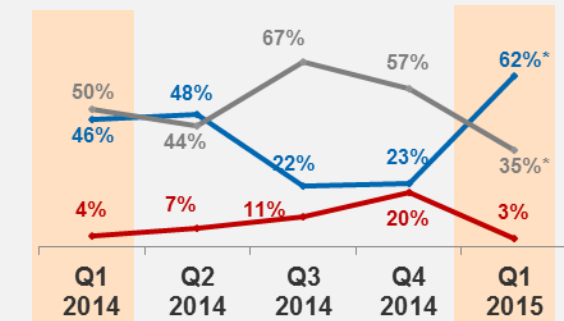
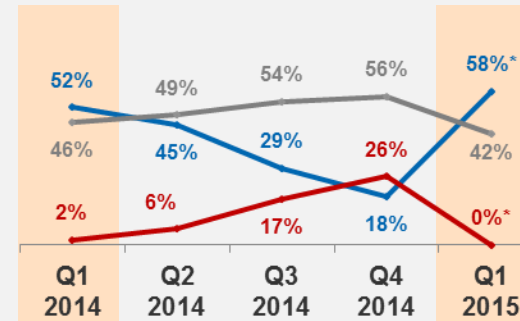
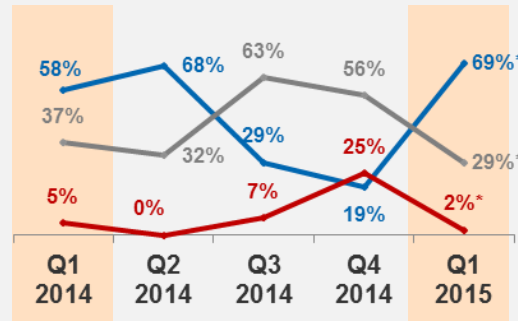
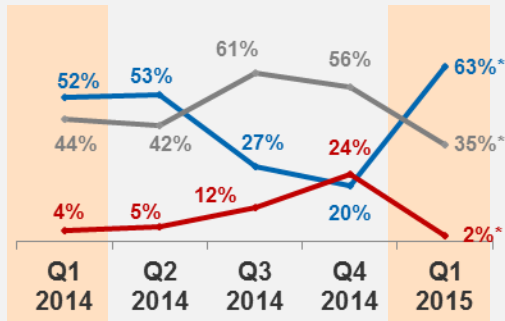
**Mid-sized Institutions**

**Smaller Institutions**

**Past 3 Months**



**Next 3 Months**



— Up  
— The same  
— Down

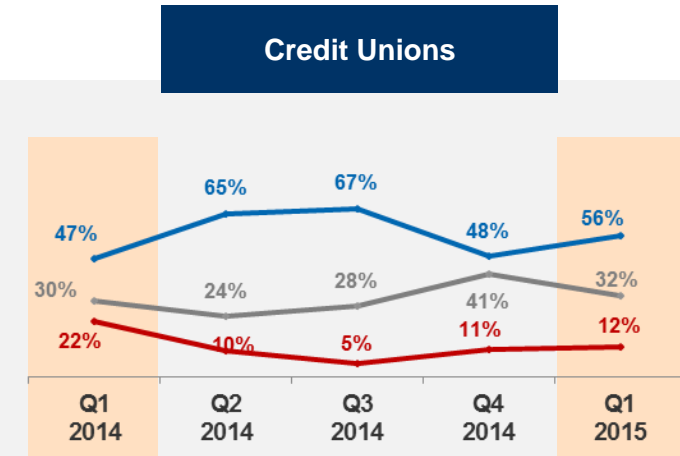
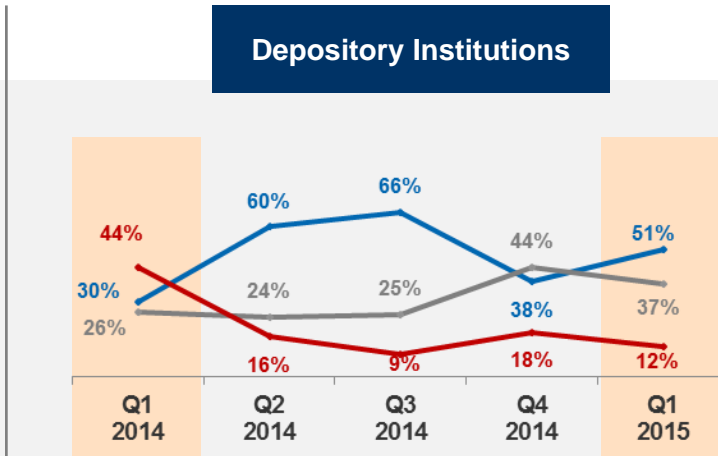
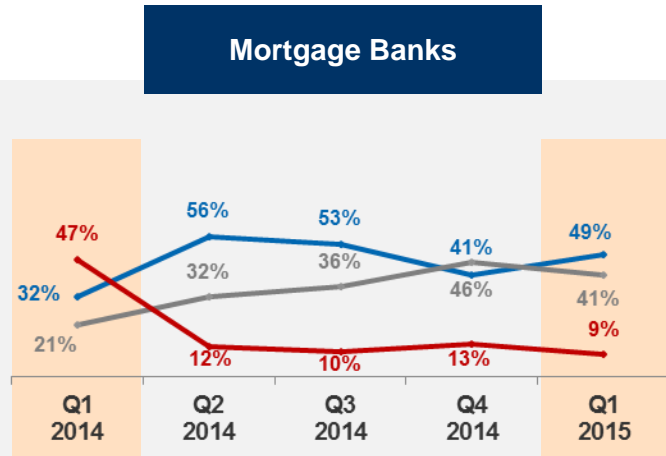
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat  
 Q: Over the next three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

\* Denotes a statistically significant change since Q4 2014

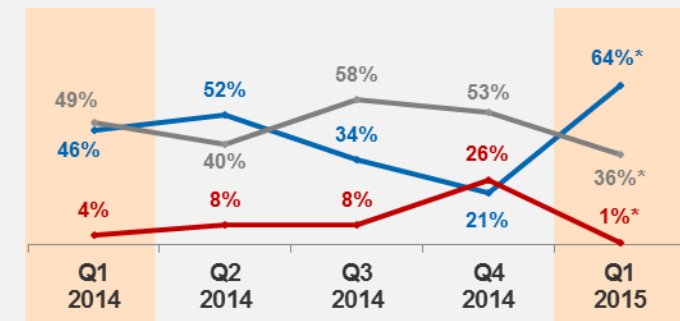
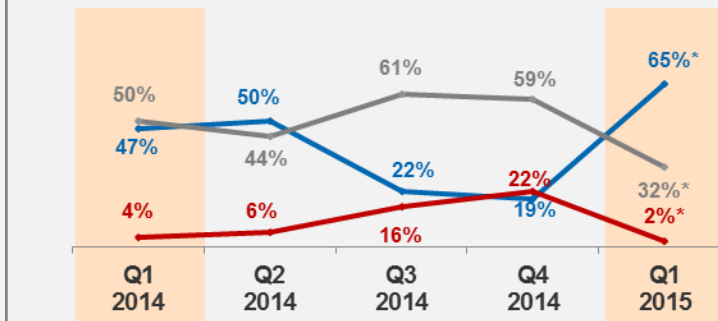
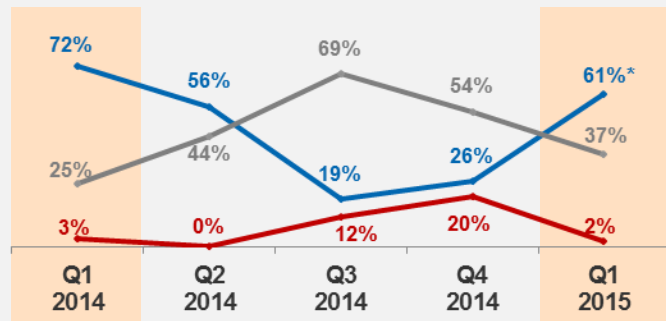
## Purchase Mortgage Demand: Non-GSE Eligible (by institution type)

Lenders' purchase mortgage demand expectations for Non-GSE eligible loans increased this quarter for all institution types.

Past 3 Months



Next 3 Months



- Up
- The same
- Down

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? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat  
 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? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

\* Denotes a statistically significant change since Q4 2014



## Purchase Mortgage Demand: Government

Lenders' purchase mortgage demand expectations for government loans increased this quarter, across all institution sizes, after gradually declining in 2014.



— Up  
— The same  
— Down

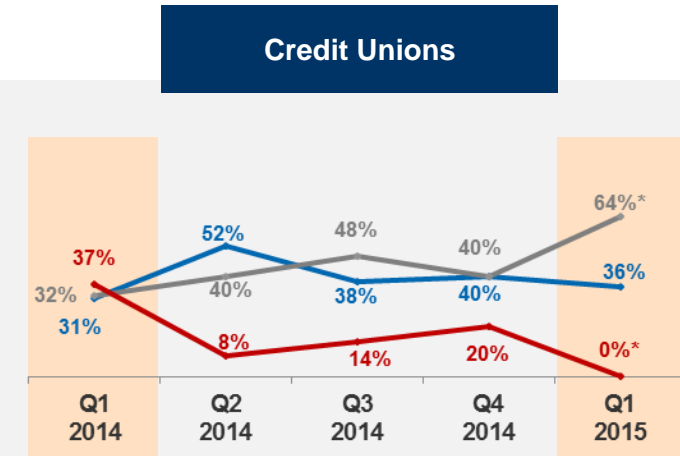
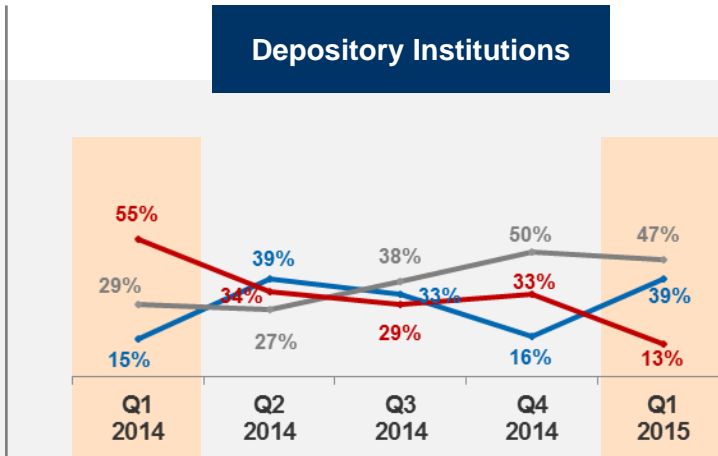
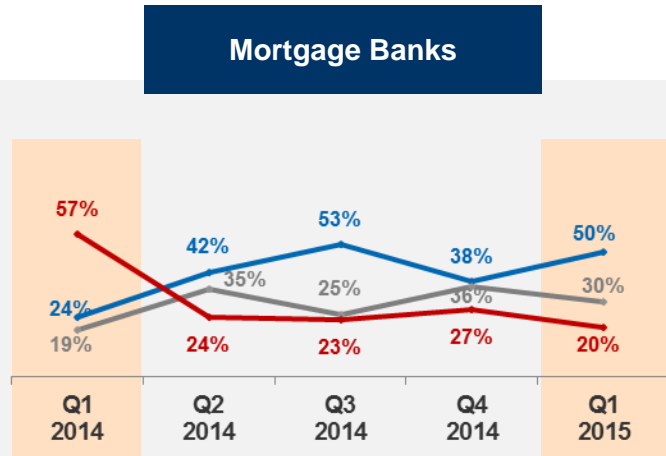
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat  
 Q: Over the next three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

\* Denotes a statistically significant change since Q4 2014

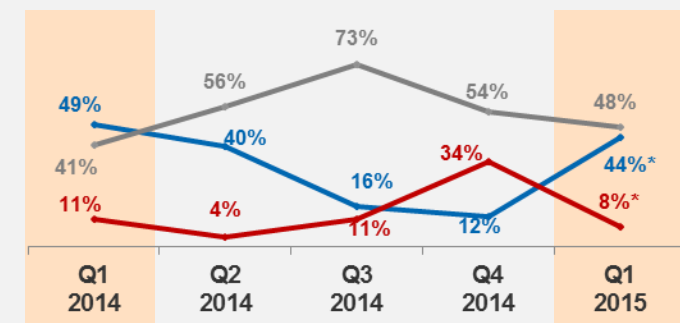
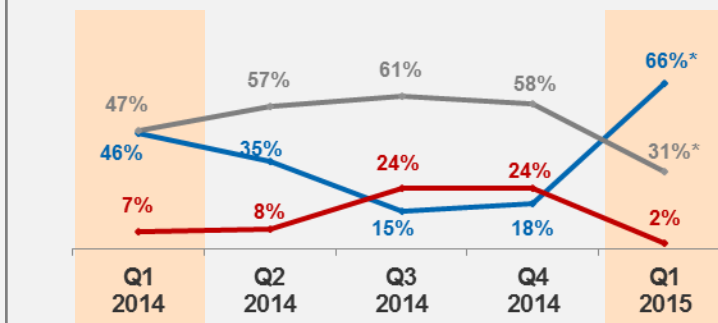
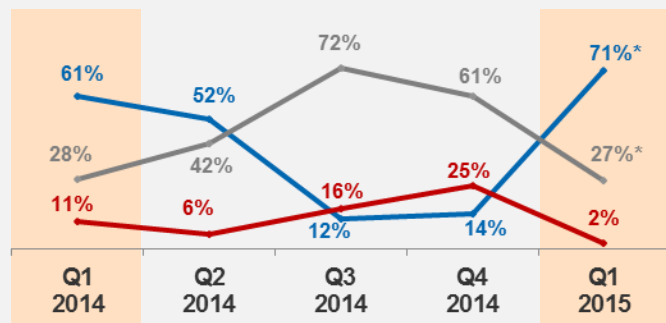
## Purchase Mortgage Demand: Government (by institution type)

After gradually trending down throughout 2014, lenders' purchase mortgage demand expectations for government loans increased this quarter across all institution types.

Past  
3 Months



Next  
3 Months



- Up
- The same
- Down

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? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat  
 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? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

\* Denotes a statistically significant change since Q4 2014

# CREDIT STANDARDS

- Credit tightening observed last year has continued to gradually trend down into 2015, with fewer lenders reporting credit tightening over the prior three months. In particular, this quarter, across all loan types (GSE eligible, non-GSE eligible, and government loans), the share of lenders reporting credit easing is higher than the share of lenders reporting credit tightening.
- Among larger institutions, more lenders continue to report credit easing than tightening across all loan types.
- Mortgage banks continue to be more likely than depository institutions to report credit easing.

## Credit Standards: GSE Eligible

Credit tightening reported for GSE eligible loans over the prior three months has gradually trended down across all lender sizes.

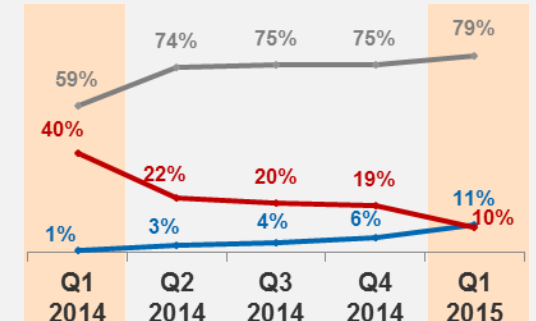
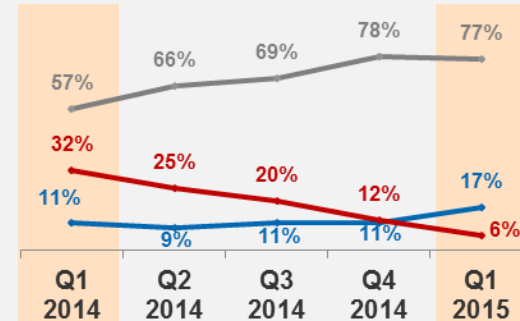
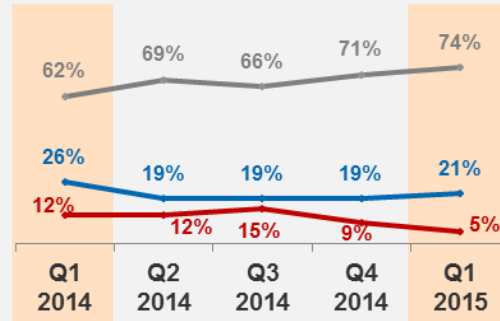
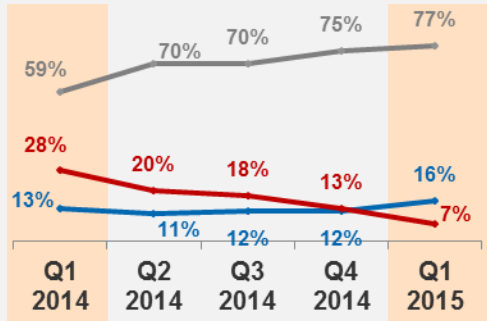
**Total**

**Larger Institutions**

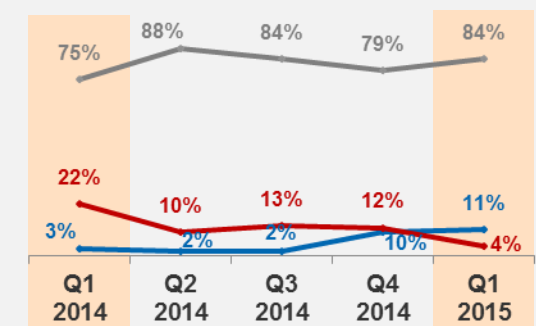
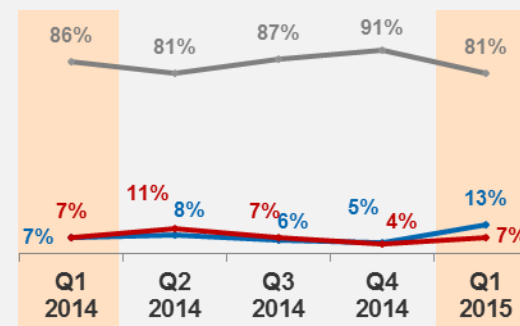
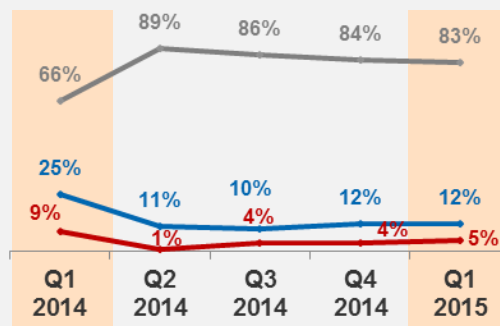
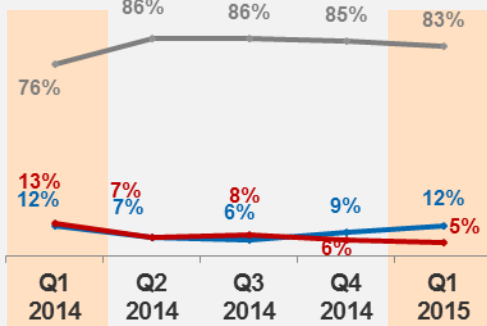
**Mid-sized Institutions**

**Smaller Institutions**

**Past 3 Months**



**Next 3 Months**



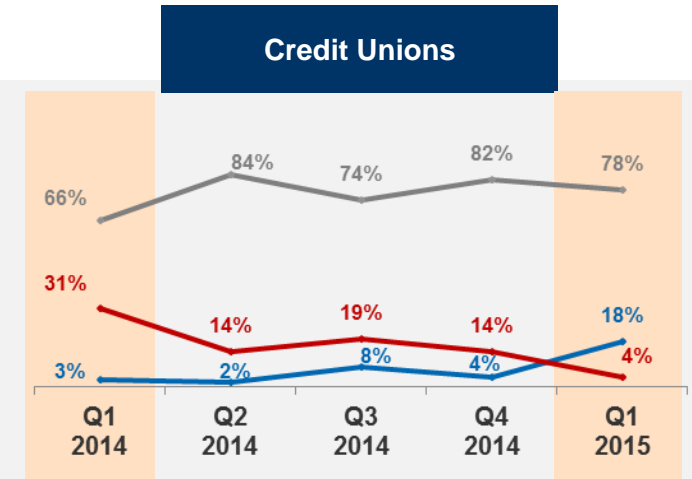
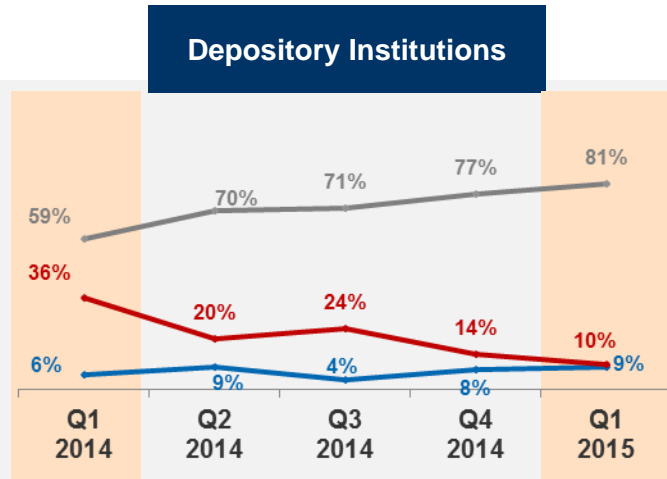
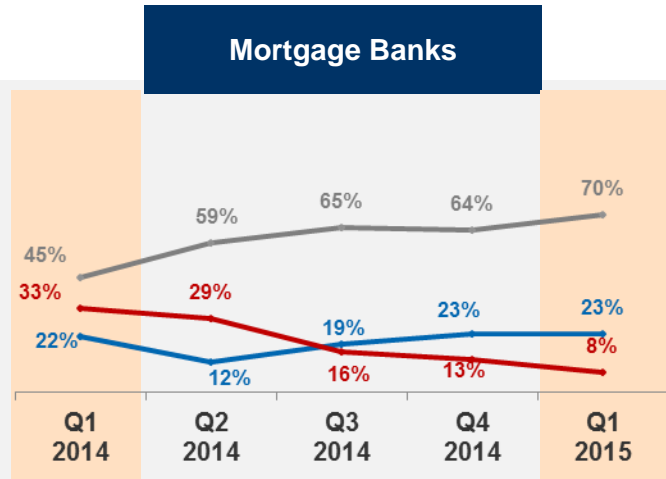
— Ease  
— Remain Unchanged  
— Tighten

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

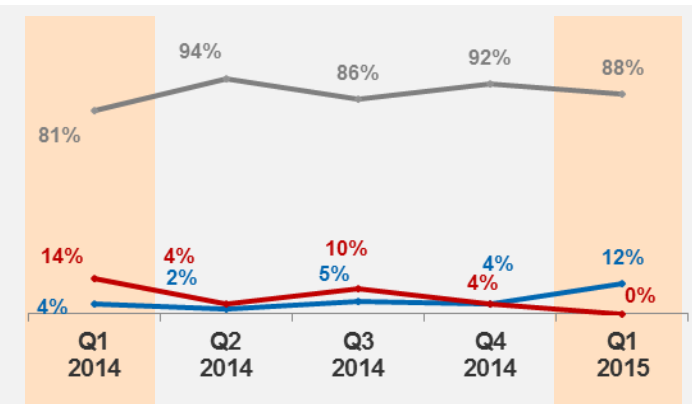
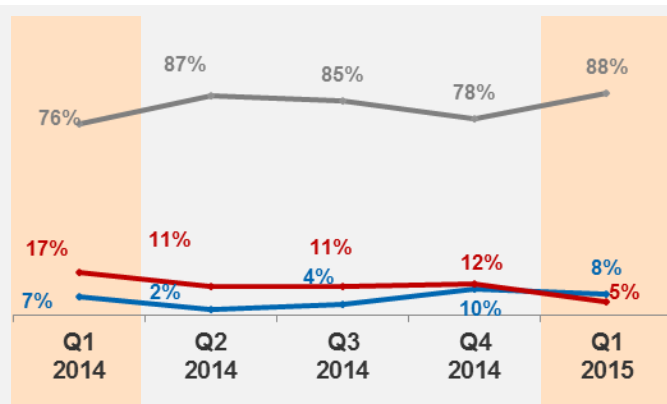
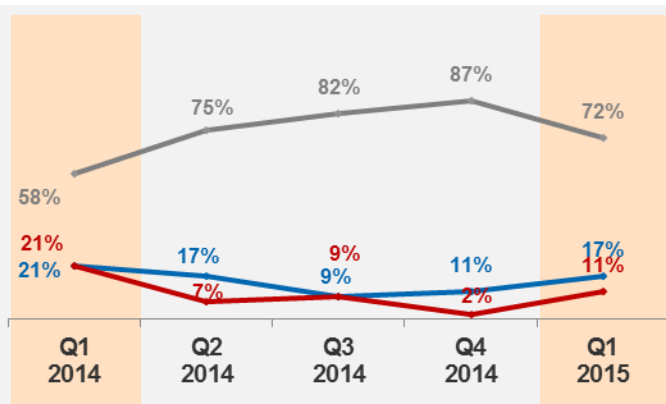
## Credit Standards: GSE Eligible (by institution type)

Credit tightening reported for GSE eligible loans over the prior three months has gradually trended down. Mortgage banks continue to be more likely than depository institutions to report credit easing.

**Past 3 Months**



**Next 3 Months**

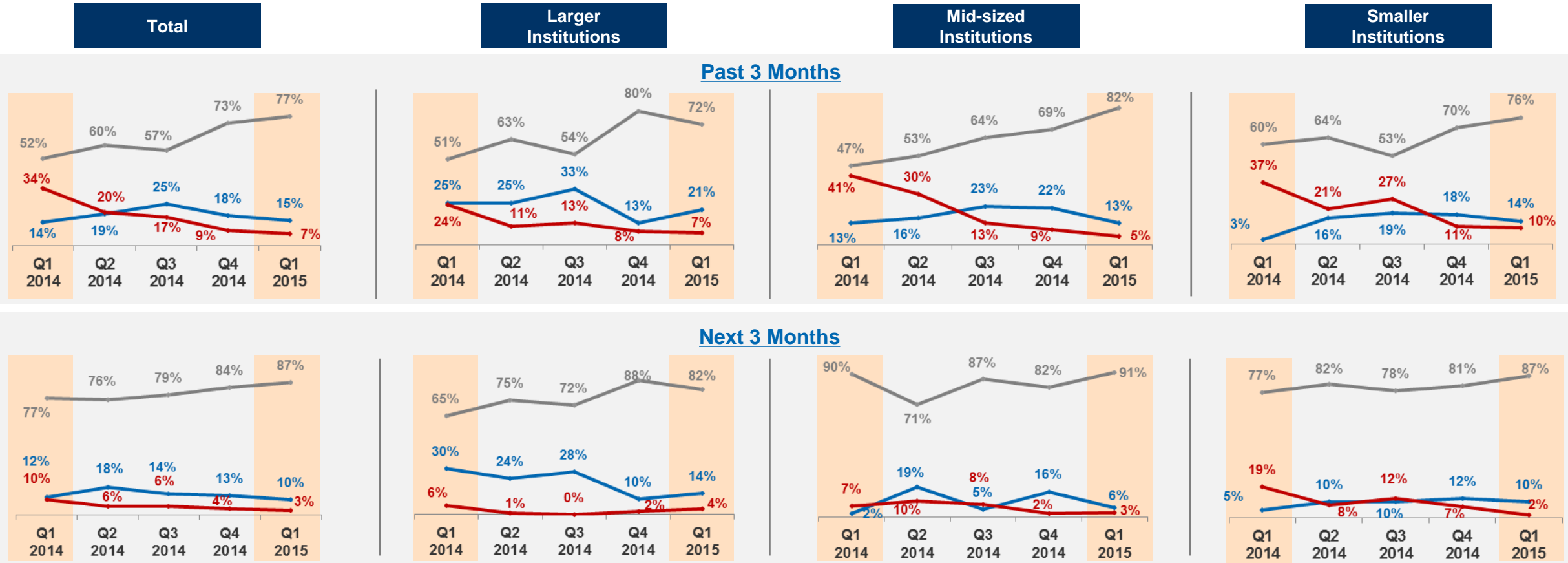


- Ease
- Remain Unchanged
- Tighten

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

Reported credit tightening for non-GSE eligible loans over the prior three months has gradually trended down while more lenders among mid-sized and smaller institutions say credit standards have remained unchanged.



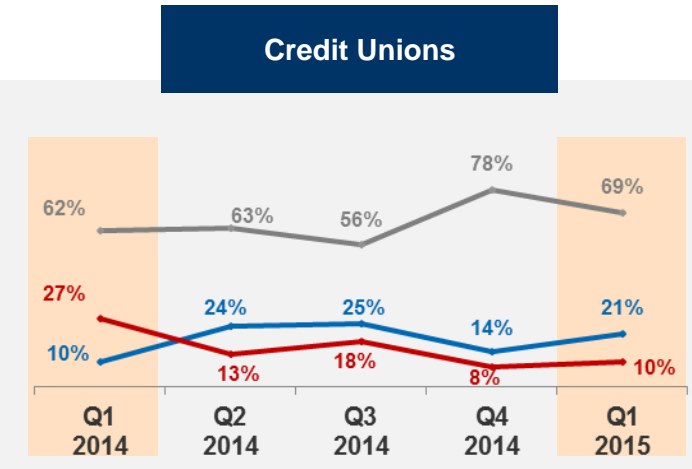
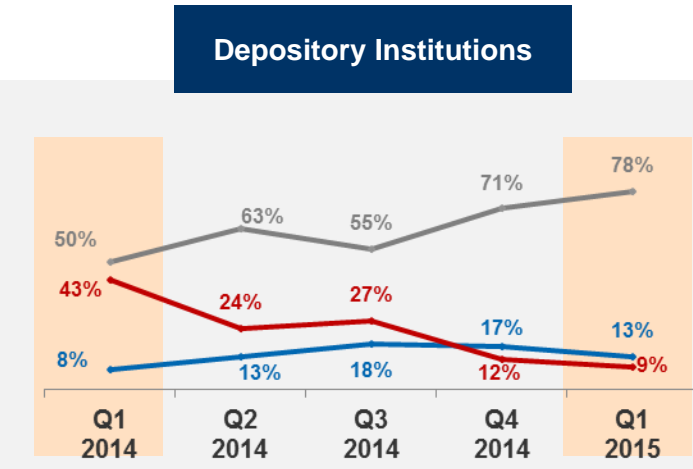
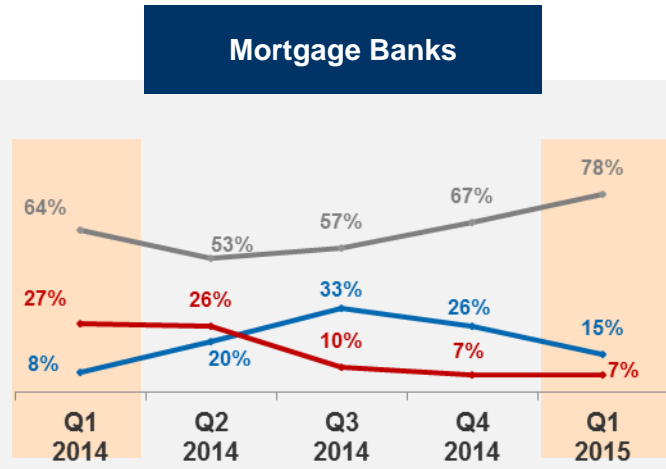
Q: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? "Ease" = Eased considerably + Eased somewhat, "Tighten" = Tightened somewhat + Tightened considerably

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

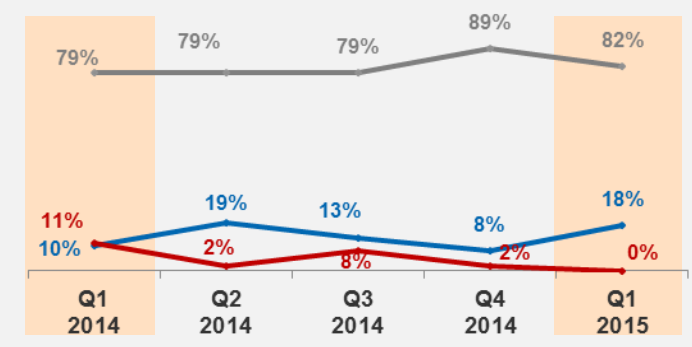
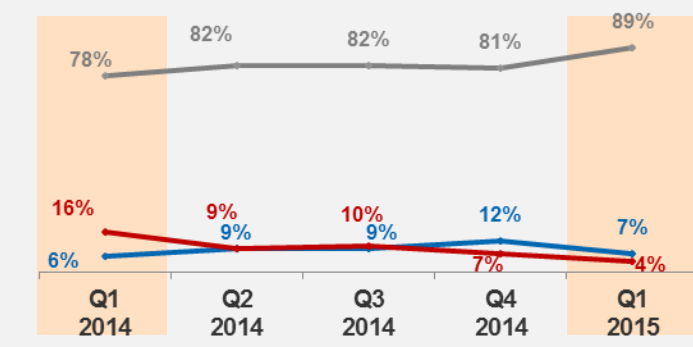
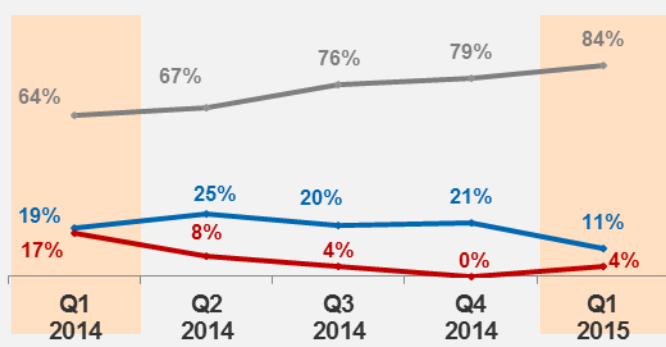
## Credit Standards: Non-GSE Eligible (by institution type)

Reported credit tightening for non-GSE eligible loans over the prior three months has gradually trended down while more lenders across mortgage banks and depository institutions say their credit standards have remained unchanged.

Past 3 Months



Next 3 Months



- Ease
- Remain Unchanged
- Tighten

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

Reported credit tightening for government loans over the prior three months has gradually trended down. Among larger institutions, more lenders continue to report credit easing than tightening.

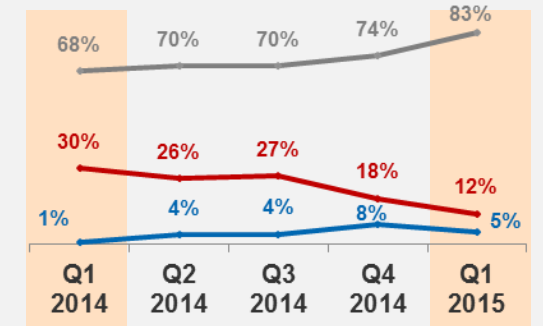
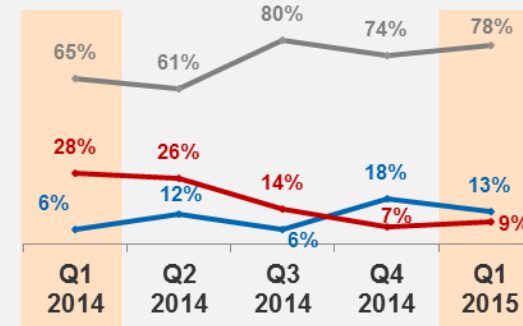
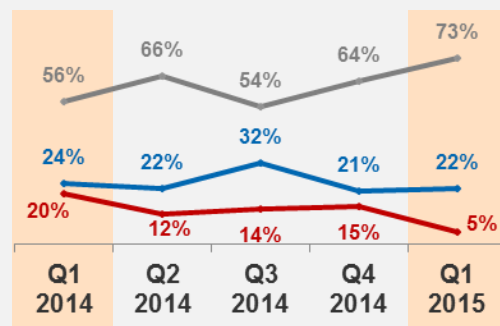
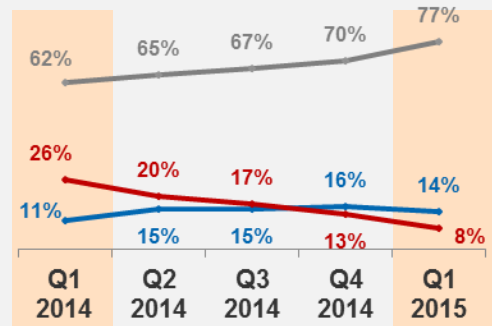
**Total**

**Larger Institutions**

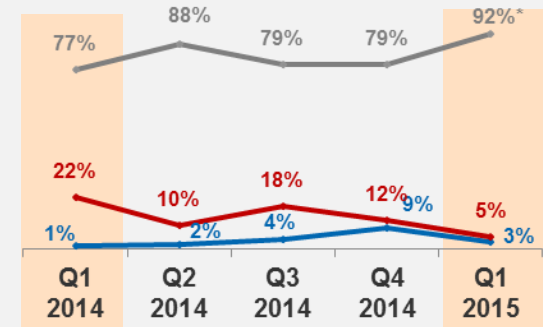
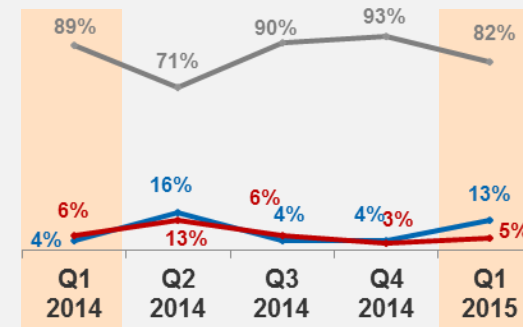
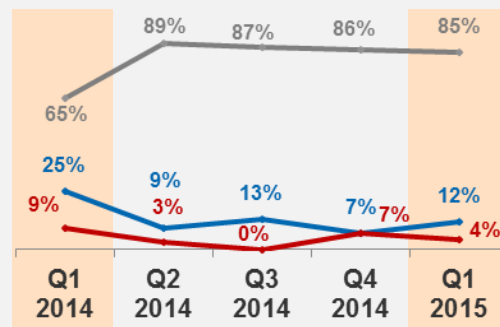
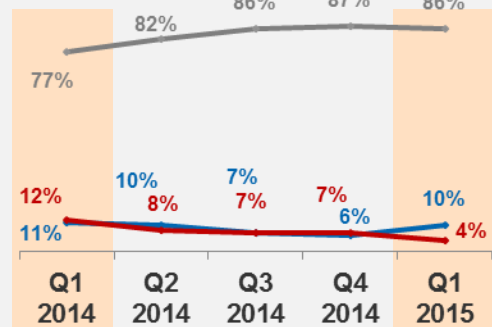
**Mid-sized Institutions**

**Smaller Institutions**

**Past 3 Months**



**Next 3 Months**



— Ease  
— Remain Unchanged  
— Tighten

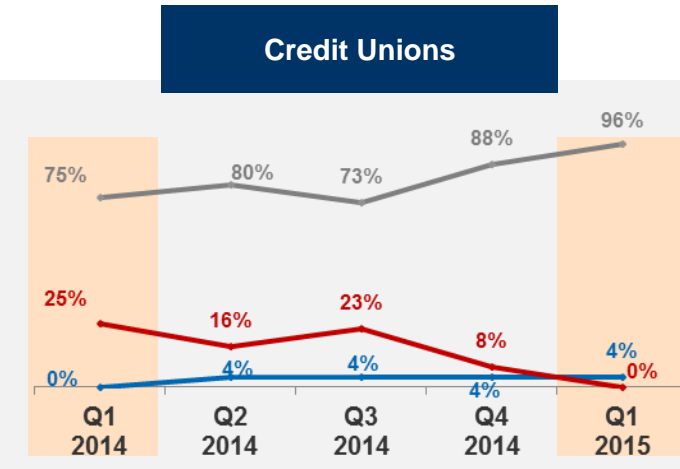
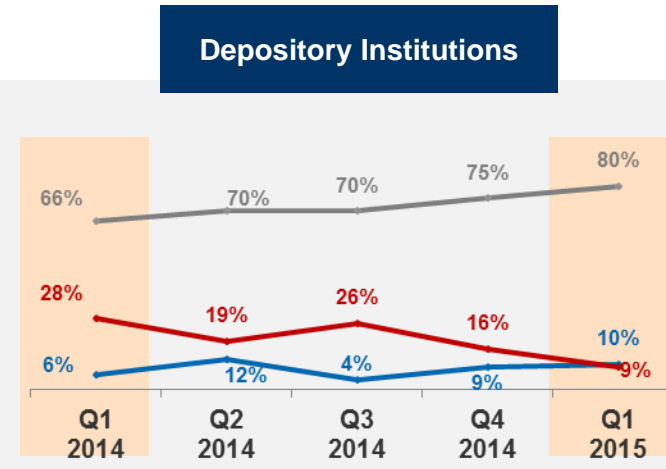
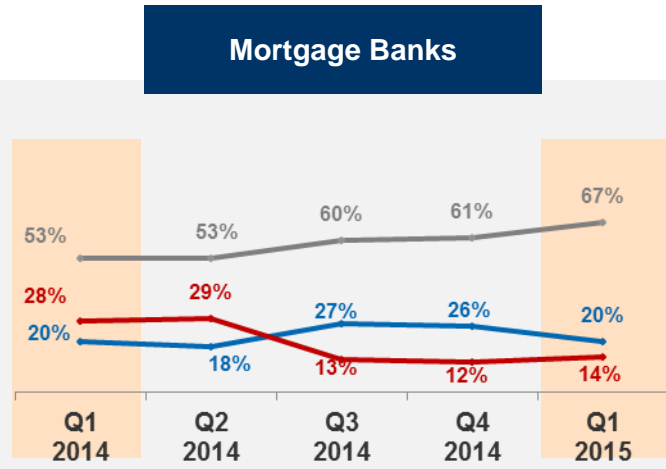
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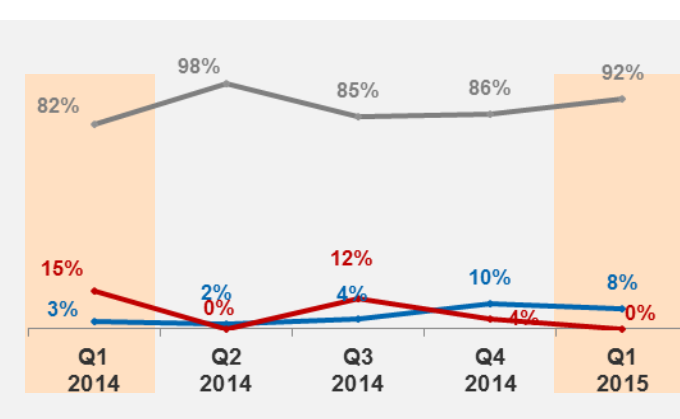
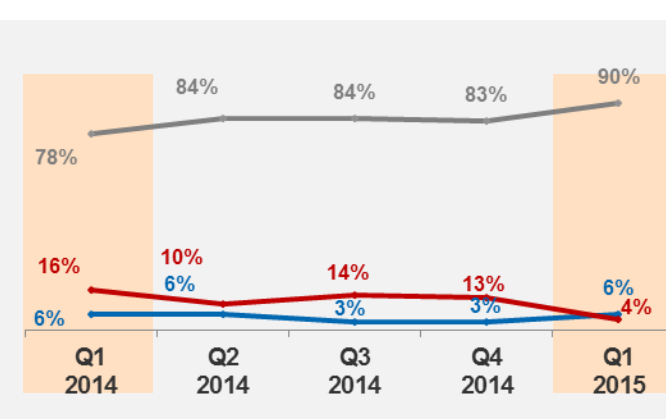
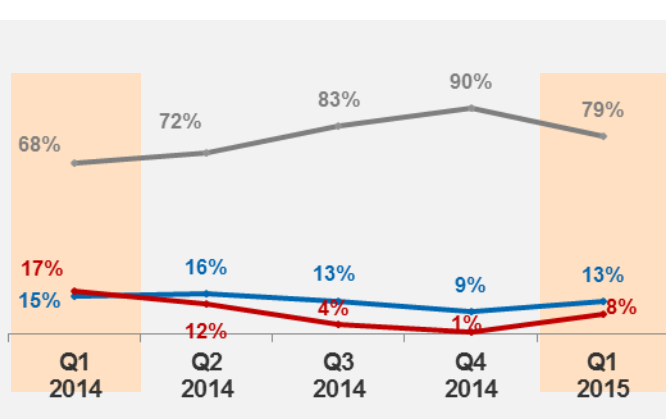
## Credit Standards: Government (by institution type)

Reported credit tightening for government loans over the prior three months has gradually trended down while mortgage banks are more likely than deposit institutions to report credit easing.

**Past 3 Months**



**Next 3 Months**



- Ease
- Remain Unchanged
- Tighten

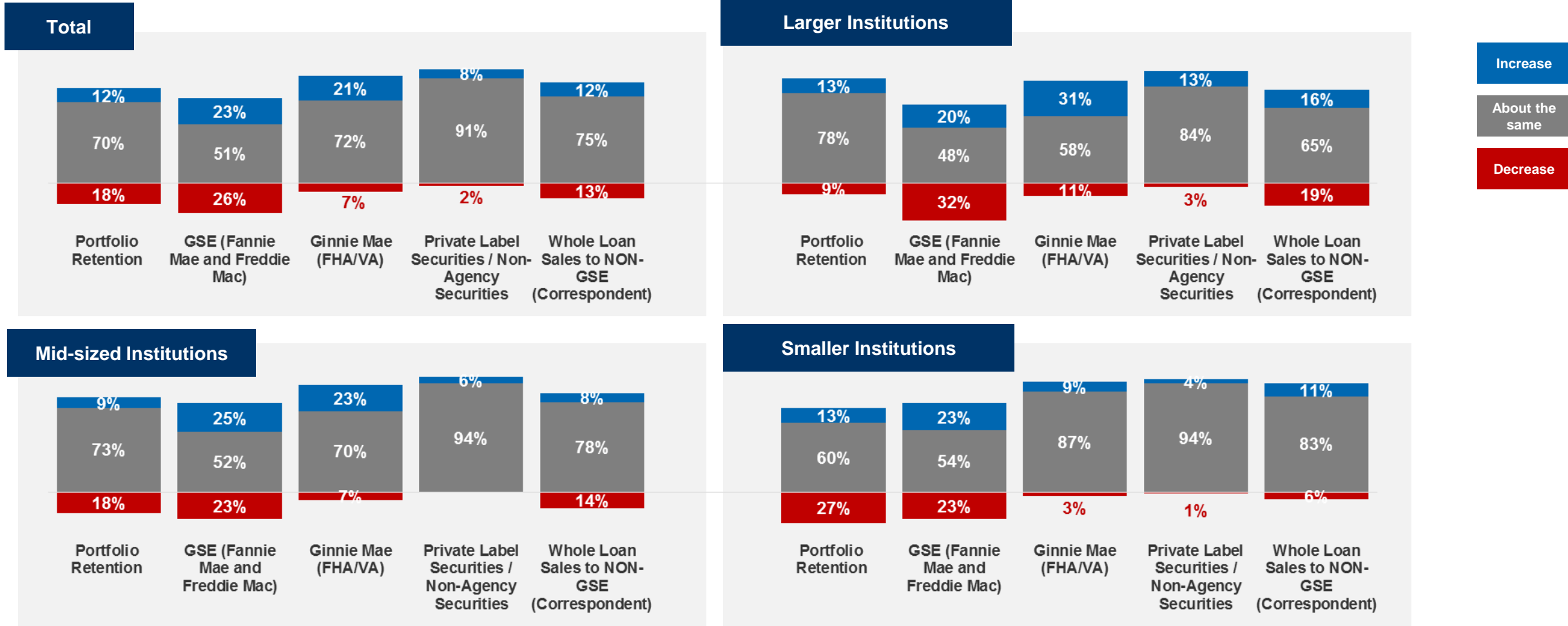
Q: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? "Ease" = Eased considerably + Eased somewhat, "Tighten" = Tightened somewhat + Tightened considerably  
 Q: Over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

- Most institutions reported that they expect to maintain their strategy in relation to secondary market outlets over the next year. Moreover,
  - Among larger institutions, more lenders reported expectations to decrease rather than to increase the share sold to GSEs.
  - Among credit unions, more lenders reported expectations to decrease rather than to increase portfolio-retention shares.
  - Among mortgage banks, more lenders reported expectations to decrease rather than to increase the share sold to GSEs and correspondents (whole-loan sales to non-GSEs).

# Mortgage Execution Outlook – Next Year

Most institutions reported that they expect to maintain their strategy in relation to secondary market outlets over the next year. Among larger institutions, more lenders reported expectations to decrease rather than to increase the share sold to GSEs.



Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:  
 Q: Approximately, what percent of your firm's total mortgage originations goes to each of the following categories?  
 Q: Looking forward, what percent of your firm's total mortgage originations over the next year will go to each of the following categories?

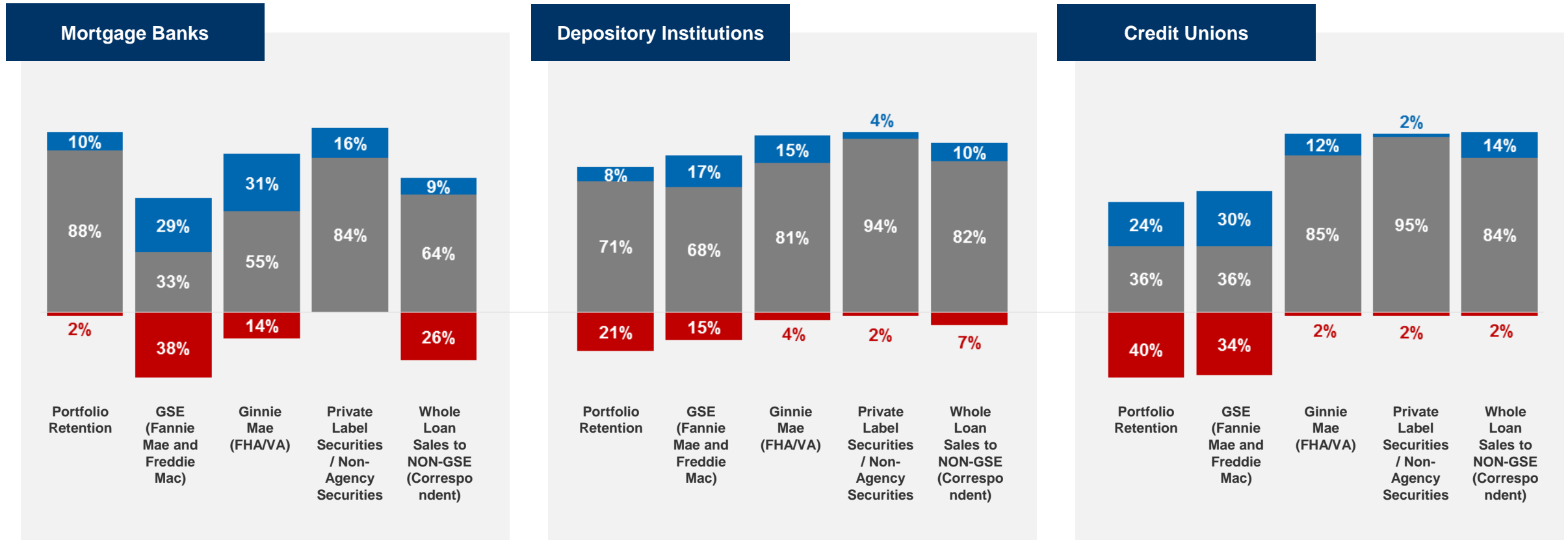
## Mortgage Execution Outlook – Next Year (by institution type)

Most institutions reported that they expect to maintain their strategy in relation to secondary market outlets over the next year. Among credit unions, more lenders reported expectations to decrease rather than to increase portfolio-retention shares. Among mortgage banks, more lenders reported expectations to decrease rather than to increase the share sold to GSEs and correspondents (whole loan sales to non-GSEs).

Increase

About the same

Decrease



Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:  
 Q: Approximately, what percent of your firm's total mortgage originations goes to each of the following categories?  
 Q: Looking forward, what percent of your firm's total mortgage originations over the next year will go to each of the following categories?

# MORTGAGE SERVICING RIGHTS (MSR) EXECUTION OUTLOOK

- The majority of institutions reported that they expect their current MSR execution strategies to stay about the same over the next year. Moreover,
  - Among mortgage banks, more lenders reported plans to retain rather than to sell their MSRs.
  - Among credit unions, more lenders reported plans to sell rather than to retain their MSRs.

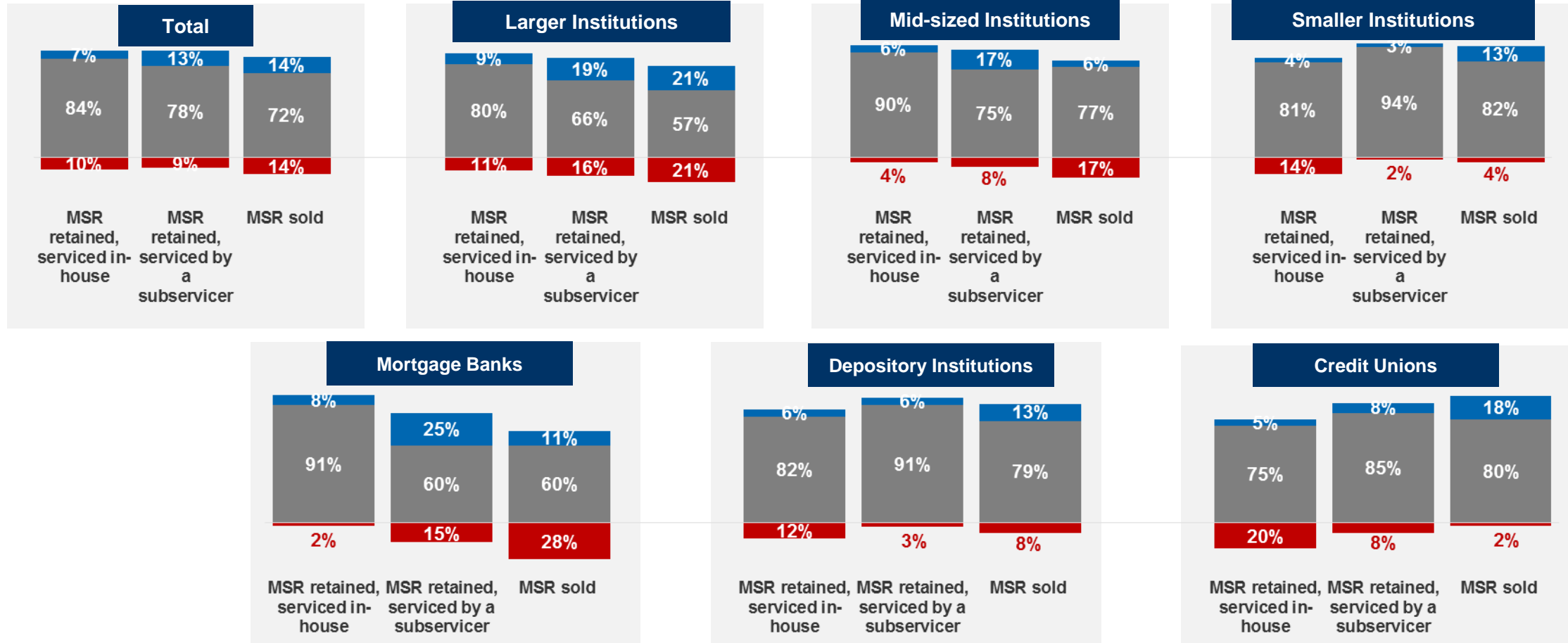
## Mortgage Servicing Rights Execution Outlook

The majority of institutions reported that they expect to maintain their current MSR execution strategies over the next year. Among mortgage banks, more lenders reported plans to retain rather than to sell their MSRs. Among credit unions, more lenders reported plans to sell rather than to retain their MSRs.

Increase

About the same

Decrease



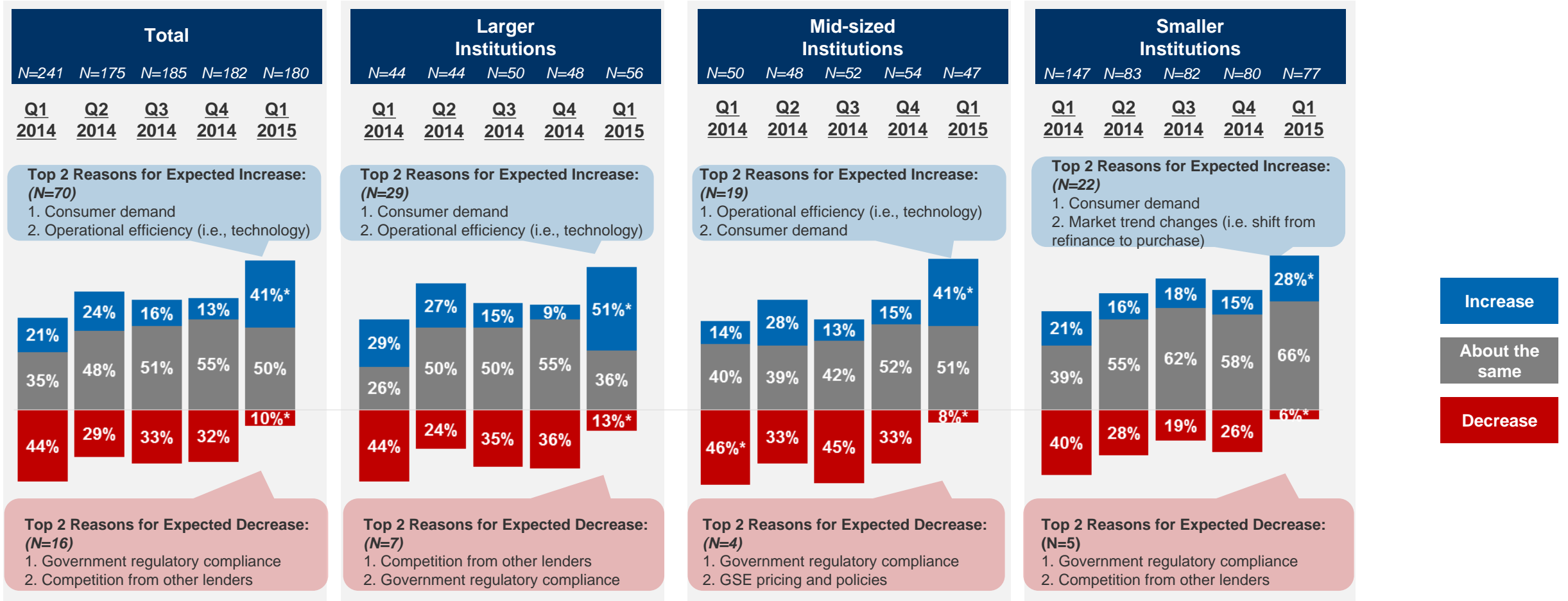
Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:  
 Q: Approximately, what percent of your mortgage servicing rights (MSR) goes to each of the following categories?  
 Q: Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next year will go to each of the following categories?

# PROFIT MARGIN OUTLOOK

- The share of lenders reporting increased profit margin outlook over the next three months has increased significantly this quarter, in particular among larger lenders.
- “Consumer demand” and “operational efficiency” are the most cited reasons for increased profit margin expectations over the next three months.
- “Government regulatory compliance” and “competition from other lenders” are the most popular reasons given in driving the expectation of a decrease in profit margin over the next three months.

## Profit Margin Outlook – Next 3 Months

The share of lenders reporting increased profit margin outlook over the next three months has increased significantly this quarter, in particular among larger lenders.



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 two of the most important reasons.

\* Denotes a statistically significant change since Q4 2014



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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 provide insights and benchmarks that help mortgage industry professionals understand industry and market trends and assess their own business practices.

## Survey Methodology

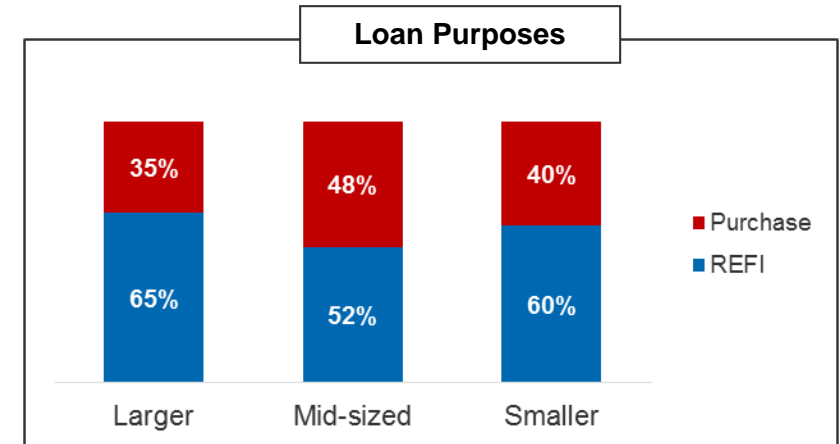
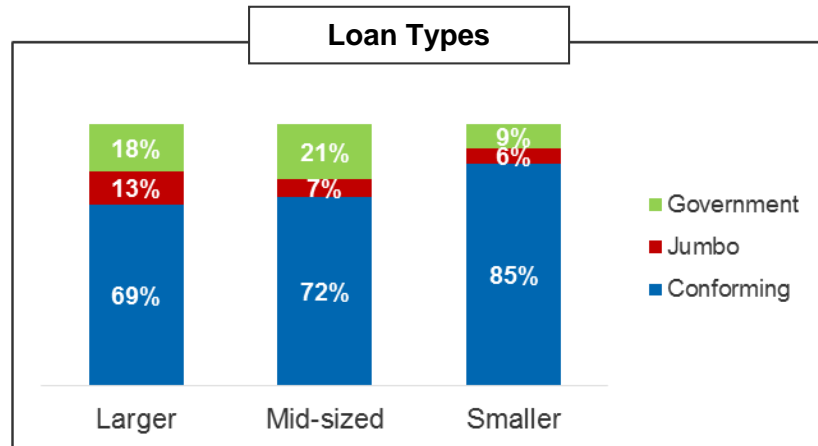
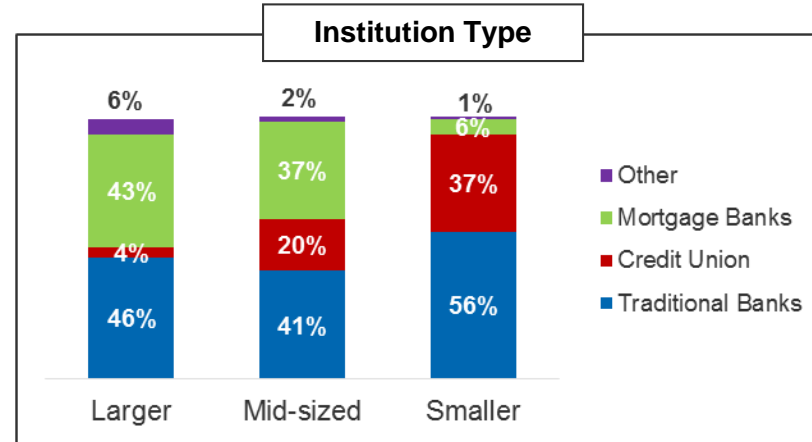
- To ensure that the survey results represent the behavior and output of organizations rather than individuals, the Fannie Mae Mortgage Lender Sentiment Survey is structured and conducted as an establishment survey. The results are reported at the lending institutional level. If more than one individual from the same institution completes 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 2,000 senior executives among Fannie Mae's approved lenders are invited to participate in the study.

# 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 2013. Institutions were divided into three groups based on their 2013 total industry loan volume - Larger (top 15%), Mid-sized (top 16%-35%), and Smaller (bottom 65%). The data below further describe the compositions and loan characteristics of the three groups of institutions.



## Sample Sizes

		Q1 2014		Q2 2014		Q3 2014		Q4 2014		Q1 2015	
		Sample Size	Margin of Error	Sample Size	Margin of Error	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>192</b>	<b>±6.56%</b>	<b>197</b>	<b>±6.51%</b>
<b>Loan Origination Volume Groups</b>	Larger Institutions	46	±12.77%	47	±12.60%	50	±12.10%	49	±12.11%	58	±11.11%
	Mid-sized Institutions	51	±12.41%	50	±12.56%	55	±11.84%	56	±11.70%	50	±12.68%
	Smaller Institutions	150	±7.31%	89	±9.86%	91	±9.74%	87	±9.98%	89	±9.91
<b>Institution Type</b>	Mortgage Banks	38	±14.61%	47	±12.84%	57	±11.34%	48	±12.66%	53	±12.07%
	Depository Institutions	121	±8.14%	84	±10.07%	75	±10.73%	83	±10.13%	95	±9.43%
	Credit Unions	72	±10.39%	50	±12.91%	52	±12.62%	49	±13.07%	40	±14.77%

### 2014

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

Q4 was fielded between November 5, 2014 and November 24, 2014

### 2015

Q1 was fielded between February 4, 2015 and February 16, 2015

## 2015 Q1 Cross-Subgroup Sample Sizes

	Total	Larger Lenders	Mid-Sized Lenders	Smaller Lenders
<b>Total</b>	<b>197</b>	<b>58</b>	<b>50</b>	<b>89</b>
<b>Mortgage Banks</b> (non-depository)	53	22	24	7
<b>Depository Institutions</b>	95	29	15	51
<b>Credit Unions</b>	40	1	9	30

## 2015 Q1 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>197</b>	<b>183</b>	<b>166</b>	<b>196</b>	<b>182</b>	<b>166</b>
Larger Institutions	58	52	57	58	53	57
Mid-sized Institutions	50	48	48	49	46	47
Smaller Institutions	89	83	61	89	83	62

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>196</b>	<b>180</b>	<b>154</b>	<b>196</b>	<b>182</b>	<b>157</b>
Larger Institutions	58	52	56	58	52	56
Mid-sized Institutions	49	46	45	49	46	45
Smaller Institutions	89	82	53	89	83	56

## 2015 Q1 Sample Sizes: Credit Standards

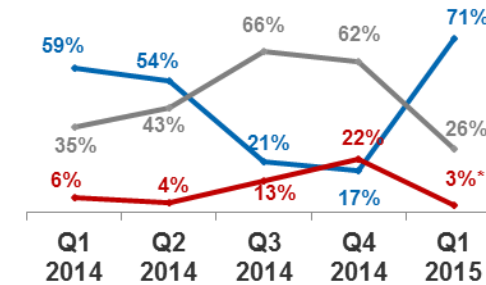
	Past 3 Months			Next 3 Months		
	GSE Eligible	Non-GSE Eligible	Government	GSE Eligible	Non-GSE Eligible	Government
<b>Total Lending Institutions</b>	<b>197</b>	<b>184</b>	<b>163</b>	<b>197</b>	<b>184</b>	<b>164</b>
Larger Institutions	58	52	57	58	52	57
Mid-sized Institutions	50	48	48	50	48	48
Smaller Institutions	89	85	58	89	84	59



## Calculation of the “Total”

The “**Total**” data presented in this report are 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 next three months, 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 (Q1 2015)	Larger Institutions	Mid-sized Institutions	Smaller Institutions	Q1 “Total”
Go up	73%	69%	72%	<b>71% [(73% + 69% + 72%)/3]</b>
Stayed the same	27%	27%	25%	<b>26%</b>
Go down	0%	5%	3%	<b>3%</b>



Appendix

# Consumer Demand (Purchase Mortgages)

## Purchase Mortgage Demand: Drivers of Change (selected verbatim)

### Past 3 Months

N=120

- Low Interest Rates
- Improving Economy
- FHA Premium Reductions
- Pent Up Demand

Drivers of Demand Up

Drivers of Demand Down

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)

“Mortgage rates, improved consumer confidence, increased rental rates.” – *Larger Institution*

“Mainly increased consumer sentiment. Positive media attention around expansion of FNMA-FHLMC guidelines (97 LTV) and FHA MIP reductions have also contributed..” – *Mid-sized Institution*

“Lower fuel prices allowed more confidence in the economy which in turn made the decision easier.” – *Smaller Institution*

“Increased competition who are reducing credit standards.” – *Larger Institution*

“Uncertainty in employment outlook.” – *Mid-sized Institution*

“Mortgage reform, increased underwriting requirements implemented by the CFPB, job loss, FICO scores .” – *Smaller Institution*

## Purchase Mortgage Demand: Drivers of Change (GSE Eligible)

You mentioned that you expect your firm's consumer demand for GSE eligible loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select up to two of the most important reasons and rank them in order of importance. (Showing % rank 1)	Total	Larger Institutions	Mid-sized Institutions	Smaller Institutions	National Housing Survey Among the General Population (consumers)*
N=	140	42	34	64	
Mortgage rates are favorable	48%	58%	42%	43%	40%
Economic conditions (e.g., employment) overall are favorable	41%	39%	45%	41%	12%
Home prices are low	3%	0%	6%	5%	18%
There are many homes available on the market	2%	0%	0%	5%	15%
It is easy to qualify for a mortgage	0%	1%	0%	0%	4%
You mentioned that you expect your firm's consumer demand for GSE eligible loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select up to two of the most important reasons and rank them in order of importance. (Showing % rank 1)	Total	Larger Institutions	Mid-sized Institutions	Smaller Institutions	National Housing Survey Among the General Population (consumers)**
N=	5	0	2	3	
It is difficult to qualify for a mortgage	22%	0%	14%	33%	16%
Economic conditions (e.g., employment) overall are not favorable	14%	0%	0%	33%	37%
Home prices are high	14%	0%	0%	33%	19%
Mortgage rates are not favorable	0%	0%	0%	0%	12%
There are not many homes available on the market	0%	0%	0%	0%	3%

\*Q: Please tell me the primary reason why you think this is a good time to buy a house.

\*\*Q: Please tell me the primary reason why you think this is a bad time to buy a house.

## Purchase Mortgage Demand: Drivers of Change (Non-GSE Eligible)

You mentioned that you expect your firm's consumer demand for Non-GSE eligible loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select up to two of the most important reasons and rank them in order of importance. (Showing % rank 1)	Total	Larger Institutions	Mid-sized Institutions	Smaller Institutions	National Housing Survey Among the General Population (consumers)*
N=	115	37	27	52	
Mortgage rates are favorable	43%	54%	38%	37%	40%
Economic conditions (e.g., employment) overall are favorable	34%	29%	38%	37%	12%
Home prices are low	6%	3%	11%	6%	18%
There are many homes available on the market	2%	0%	4%	2%	15%
It is easy to qualify for a mortgage	4%	3%	4%	6%	4%

You mentioned that you expect your firm's consumer demand for Non-GSE eligible loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select up to two of the most important reasons and rank them in order of importance. (Showing % rank 1)	Total	Larger Institutions	Mid-sized Institutions	Smaller Institutions	National Housing Survey Among the General Population (consumers)**
N=	4	1	0	3	
It is difficult to qualify for a mortgage	0%	0%	0%	0%	16%
Economic conditions (e.g., employment) overall are not favorable	0%	0%	0%	0%	37%
Home prices are high	75%	100%	0%	60%	19%
Mortgage rates are not favorable	0%	0%	0%	0%	12%
There are not many homes available on the market	0%	0%	0%	0%	3%

\*Q: Please tell me the primary reason why you think this is a good time to buy a house.

\*\*Q: Please tell me the primary reason why you think this is a bad time to buy a house.

## Purchase Mortgage Demand: Drivers of Change (Government)

You mentioned that you expect your firm's consumer demand for government loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select up to two of the most important reasons and rank them in order of importance. (Showing % rank 1)	Total	Larger Institutions	Mid-sized Institutions	Smaller Institutions	National Housing Survey Among the General Population (consumers)*
N=	107	41	30	36	
Mortgage rates are favorable	49%	60%	43%	38%	40%
Economic conditions (e.g., employment) overall are favorable	33%	24%	33%	46%	12%
Home prices are low	1%	0%	0%	4%	18%
There are many homes available on the market	1%	0%	0%	3%	15%
It is easy to qualify for a mortgage	8%	7%	10%	6%	4%

You mentioned that you expect your firm's consumer demand for government loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select up to two of the most important reasons and rank them in order of importance. (Showing % rank 1)	Total	Larger Institutions	Mid-sized Institutions	Smaller Institutions	National Housing Survey Among the General Population (consumers)**
N=	5	1	2	2	
It is difficult to qualify for a mortgage	39%	0%	50%	50%	16%
Economic conditions (e.g., employment) overall are not favorable	25%	0%	50%	0%	37%
Home prices are high	0%	0%	0%	0%	19%
Mortgage rates are not favorable	14%	0%	0%	50%	12%
There are not many homes available on the market	21%	100%	0%	0%	3%

\*Q: Please tell me the primary reason why you think this is a good time to buy a house.

\*\*Q: Please tell me the primary reason why you think this is a bad time to buy a house.

Appendix

# Consumer Demand (Refinance Mortgages)

## Refinance Mortgage Demand: GSE Eligible

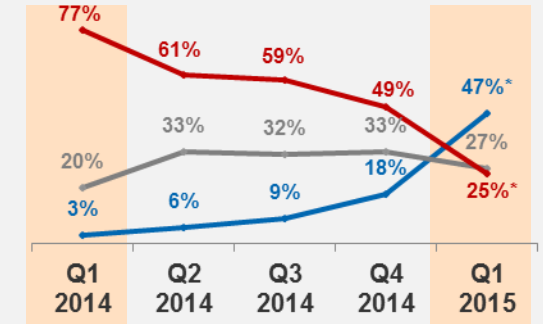
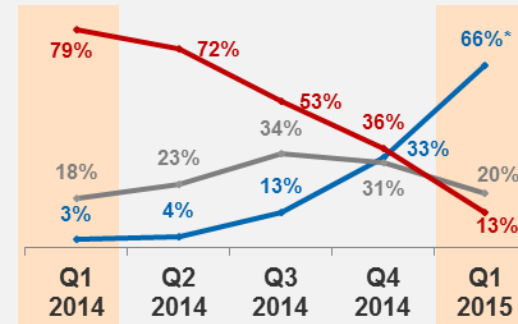
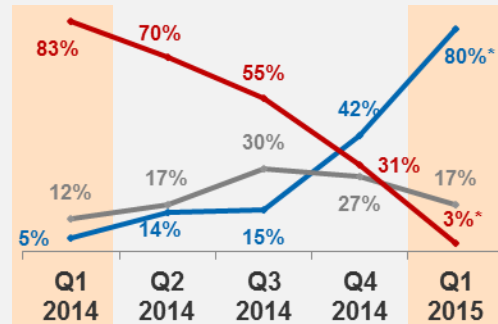
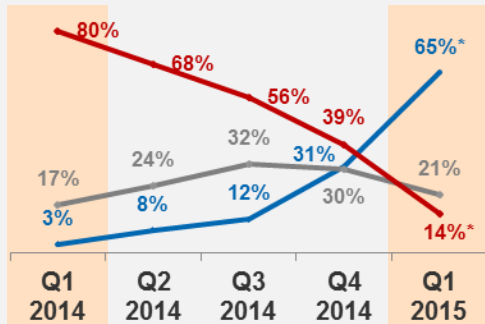
**Total**

**Larger Institutions**

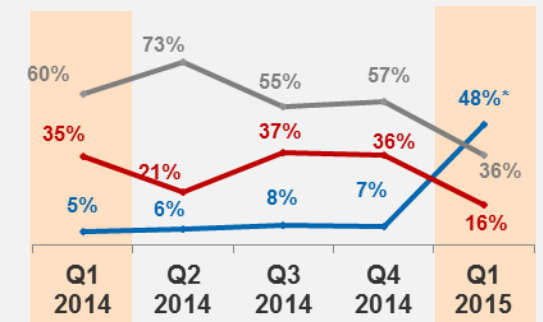
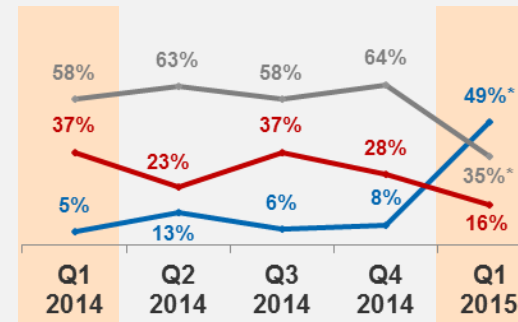
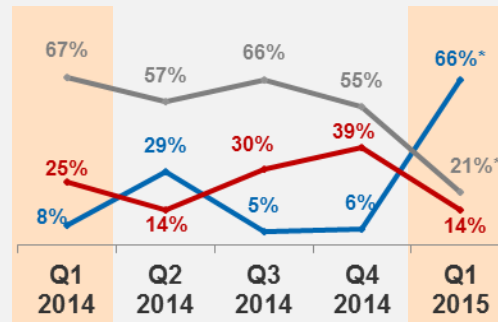
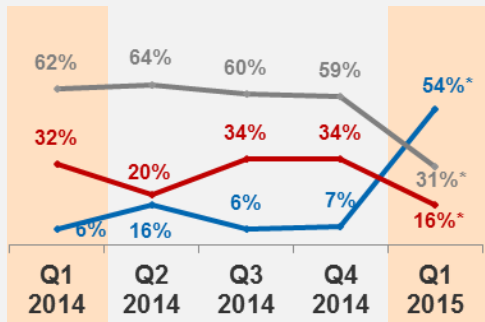
**Mid-sized Institutions**

**Smaller Institutions**

**Past 3 Months**



**Next 3 Months**



— Up  
— The same  
— Down

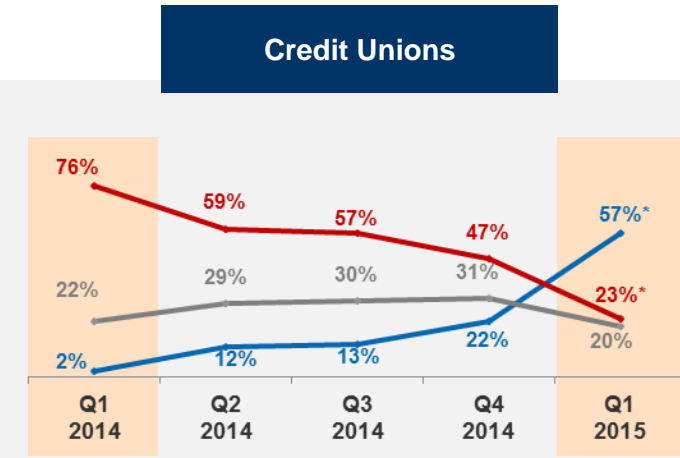
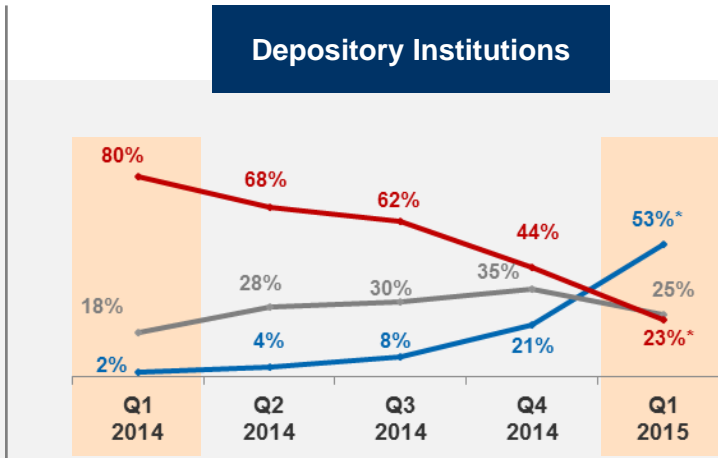
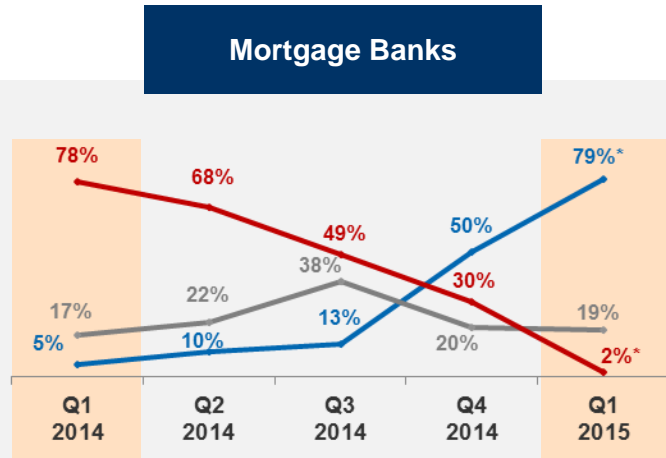
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same?  
 A: "Went up," "Stayed the same," or "Went Down"  
 Q: Over the next three months, apart from normal seasonal variation, do you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

\* Denotes a statistically significant change since Q4 2014

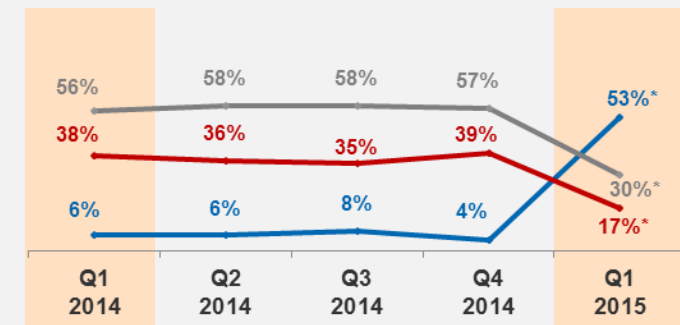
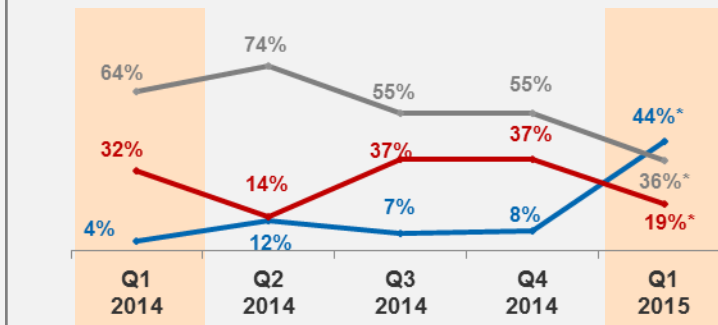
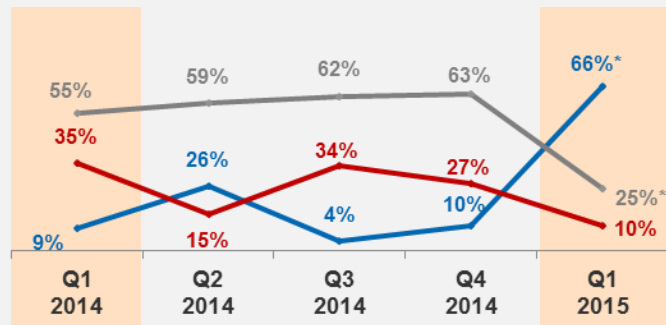


## Refinance Mortgage Demand: GSE Eligible (by institution type)

Past 3 Months



Next 3 Months



- Up
- The same
- Down

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"

\* Denotes a statistically significant change since Q4 2014

## Refinance Mortgage Demand: Non-GSE Eligible

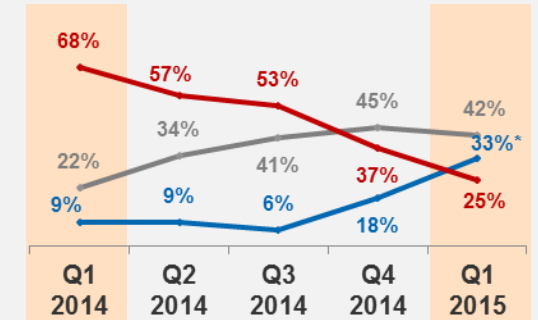
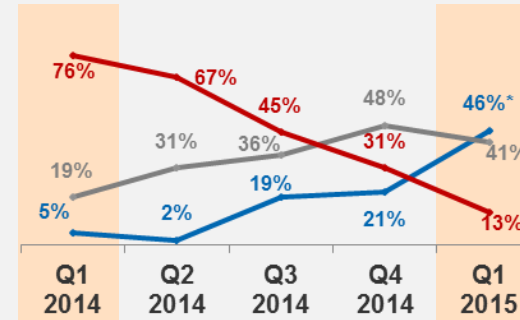
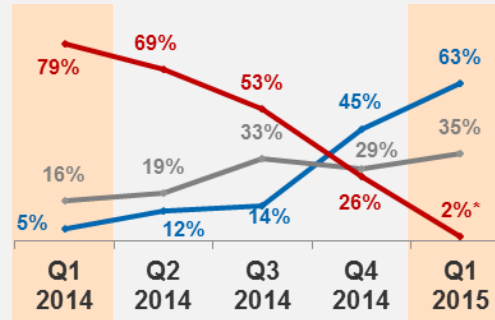
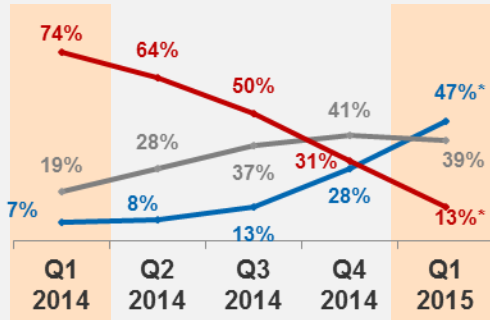
**Total**

**Larger Institutions**

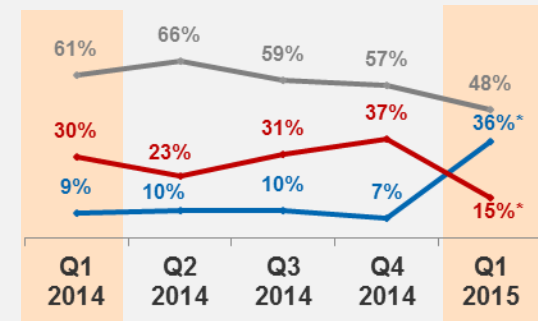
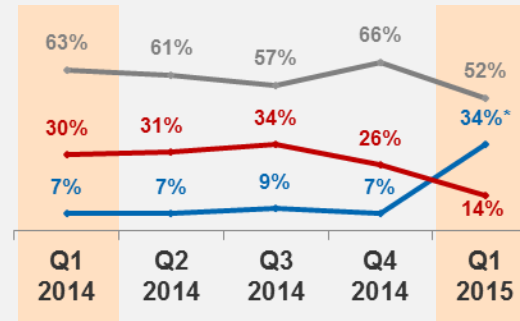
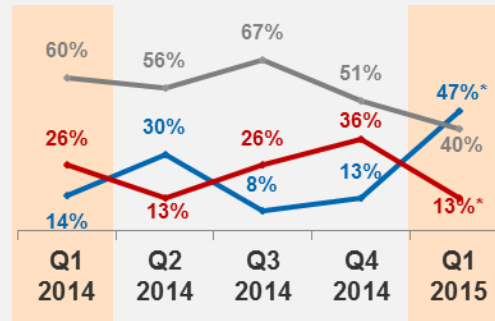
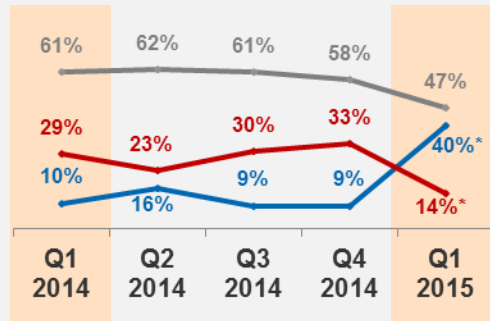
**Mid-sized Institutions**

**Smaller Institutions**

**Past 3 Months**



**Next 3 Months**



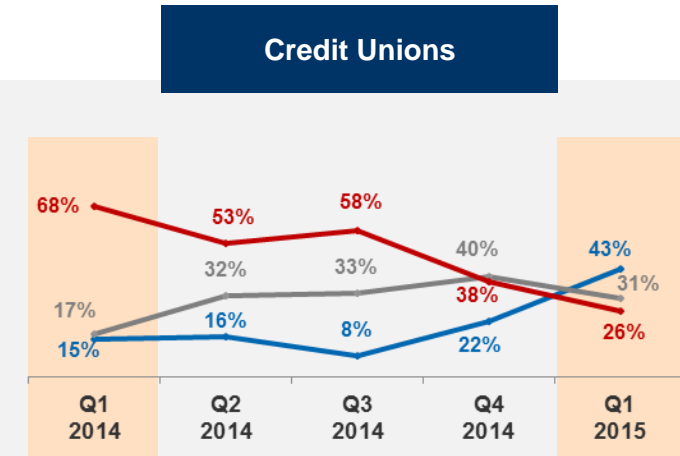
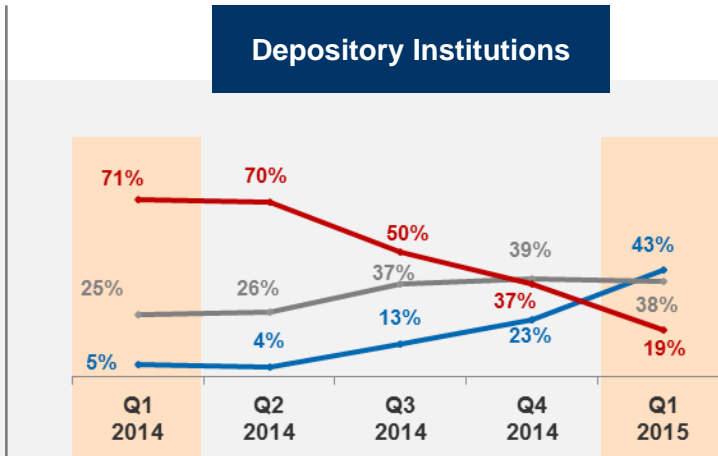
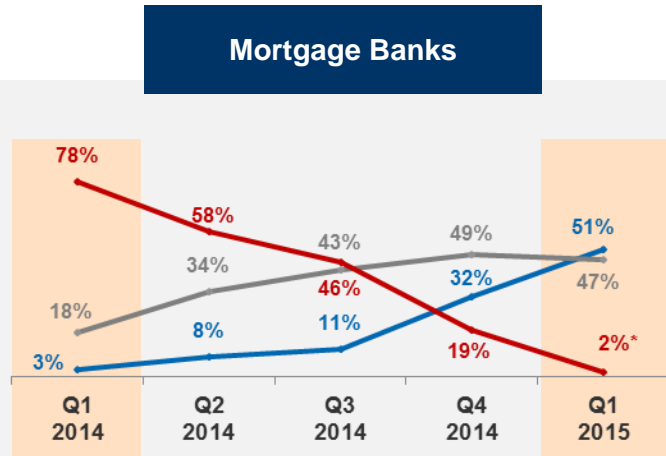
- Up
- The same
- Down

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"

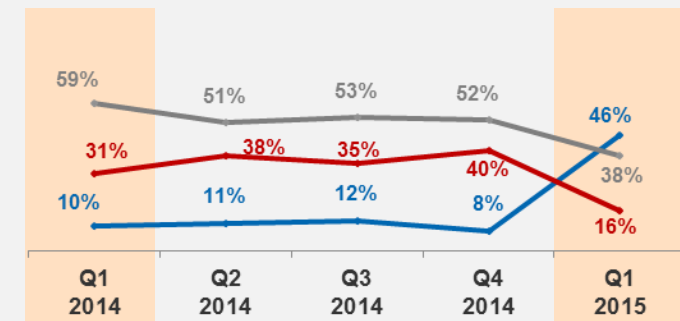
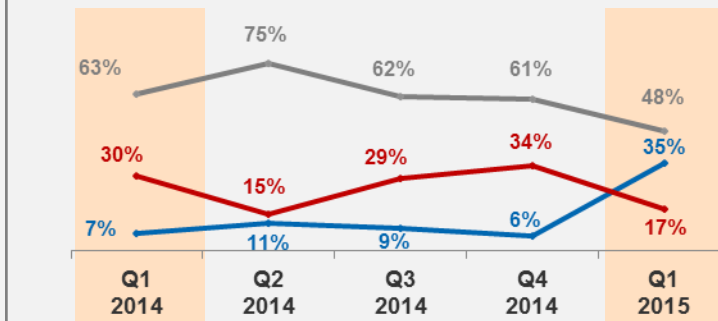
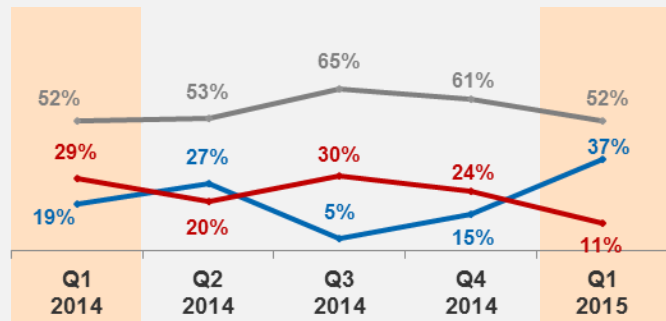
\* Denotes a statistically significant change since Q4 2014

## Refinance Mortgage Demand: Non-GSE Eligible (by institution type)

Past 3 Months



Next 3 Months



- Up
- The same
- Down

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"

\* Denotes a statistically significant change since Q4 2014

## Refinance Mortgage Demand: Government

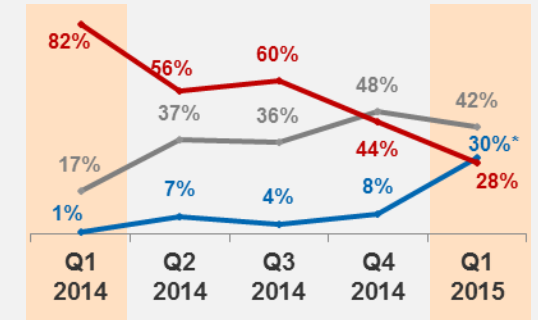
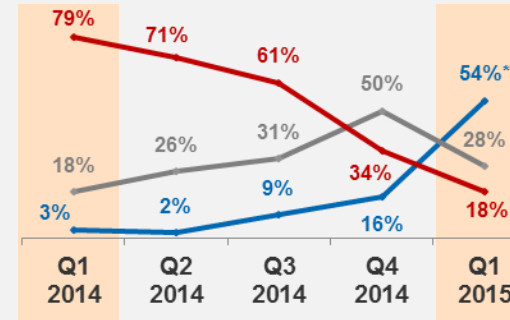
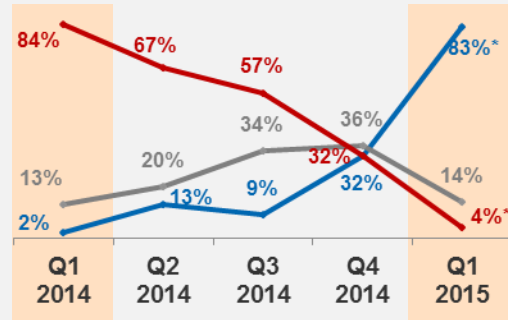
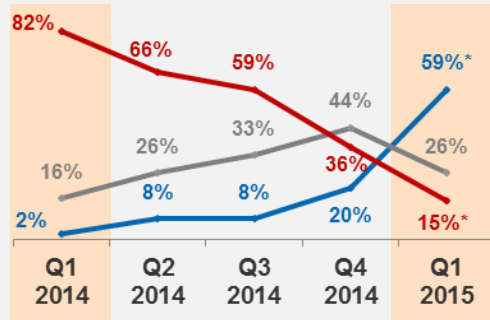
**Total**

**Larger Institutions**

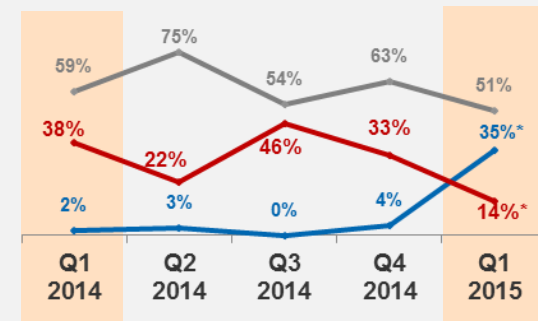
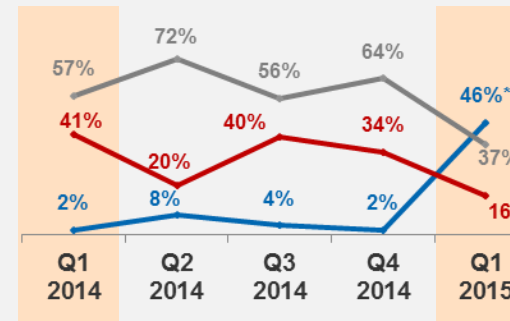
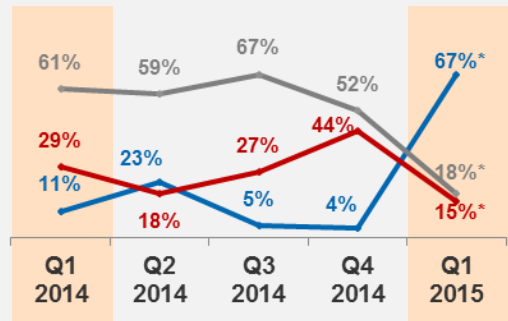
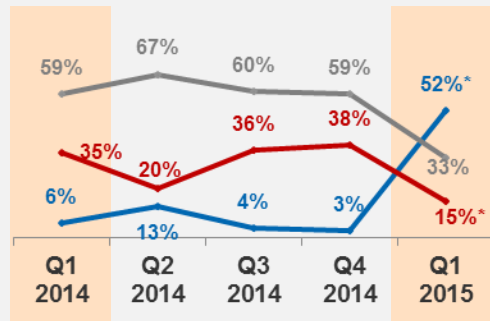
**Mid-sized Institutions**

**Smaller Institutions**

**Past 3 Months**



**Next 3 Months**



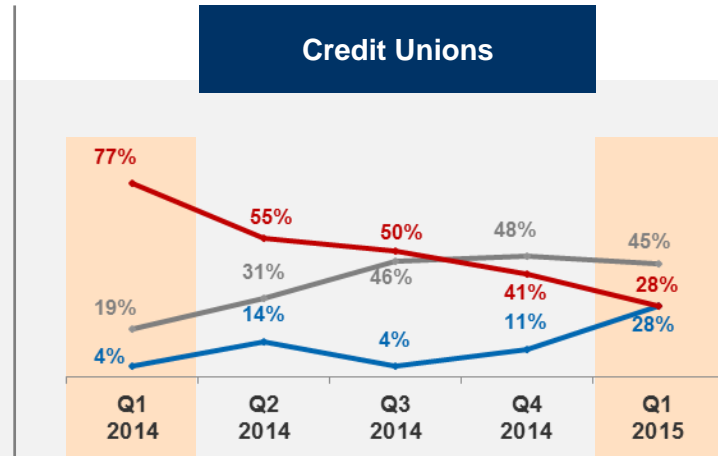
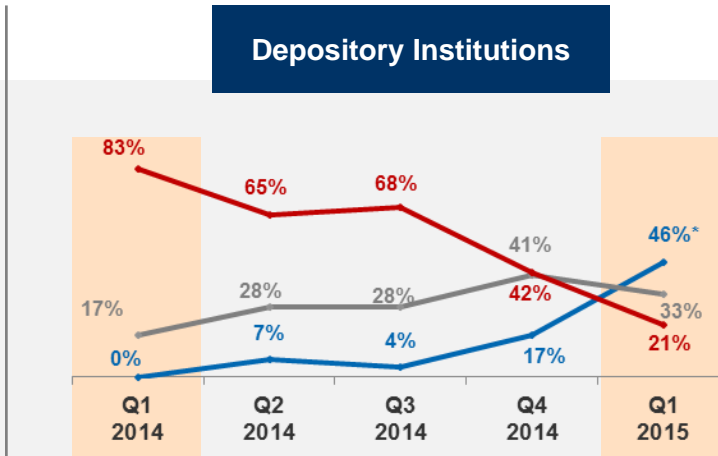
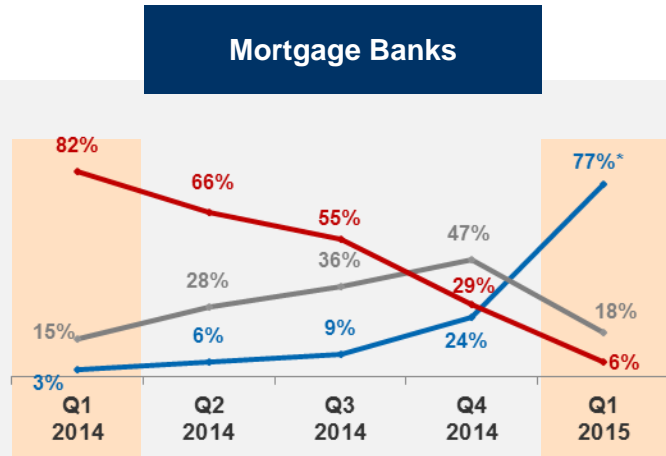
— Up  
— The same  
— Down

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"

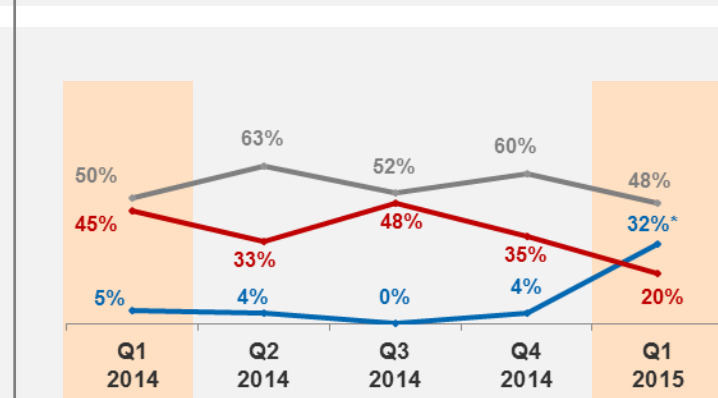
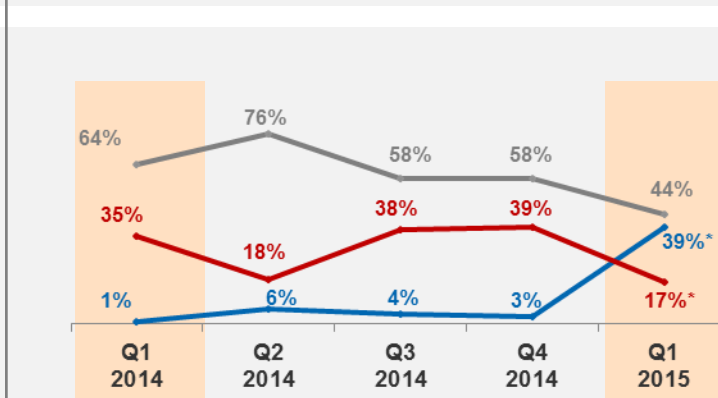
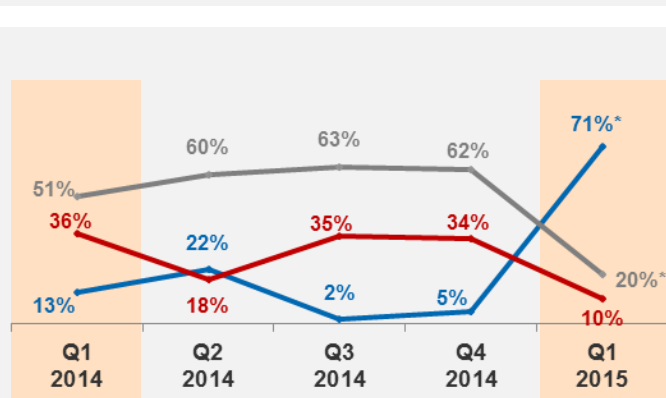
\* Denotes a statistically significant change since Q4 2014

## Refinance Mortgage Demand: Government (by institution type)

Past 3 Months



Next 3 Months



- Up
- The same
- Down

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"

\* Denotes a statistically significant change since Q4 2014

Appendix

# Credit Standards

# Credit Standards: Drivers of Change (selected verbatim)

Drivers of Loosening Change

Drivers of Tightening Change

## Past 3 Months

N=49

- Regulations
- Rollback of Overlays
- New 97% LTV

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)

"Simple - higher compliance standards." – *Larger Institution*

"Investor overlays." – *Mid-sized Institution*

"We have always underwritten loans to Fannie Mae guidelines... We have always tried to be more conservative than those guidelines and have been rewarded.." – *Smaller Institution*

"Better clarity from Fannie Mae has allowed aggregators to reduce overlays and allows us to follow suit." – *Larger Institution*

"We relaxed our overlay to be more consistent with Fannie Mae." – *Mid-sized Institution*

"Easier qualifications." – *Smaller Institution*

## Next 3 Months

N=25

- Regulations
- Rollback of Overlays
- New 97% LTV

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)

"DU Collateral Underwriter will impact appraisal standards." – *Larger Institution*

"Compliance, compliance, compliance." – *Larger Institution*

"Government regulations." – *Smaller Institution*

"Reduced aggregator overlays and improved guidance from Fannie Mae.." – *Larger Institution*

"Allowing lower FICO scores on FHA and VA Loans." – *Mid-sized Institution*

"New lending management, better understanding of compliance concerns." – *Smaller Institution*

Appendix

# Mortgage Execution



## Mortgage Execution Share – Current

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>	Total					Larger Institutions					Mid-sized Institutions					Smaller Institutions				
	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
N=	247	186	196	192	197	46	47	50	49	58	51	50	55	56	50	150	89	91	87	89
GSE (Fannie Mae and Freddie Mac)	49%	49%	51%	49%	47%	51%	48%	52%	50%	48%	47%	51%	47%	47%	42%	49%	48%	53%	49%	51%
Portfolio Retention	24%	22%	20%	23%	21%	19%	13%	8%	14%	13%	21%	18%	18%	19%	16%	32%	37%	34%	36%	34%
Whole Loan Sales to NON-GSE (Correspondent)	13%	13%	12%	12%	17%	12%	16%	18%	15%	17%	19%	14%	14%	13%	25%	9%	8%	5%	8%	8%
Ginnie Mae (FHA/VA)	11%	14%	14%	13%	12%	15%	20%	19%	19%	20%	11%	16%	15%	16%	13%	6%	5%	7%	5%	5%
Private Label Securities / Non-Agency Securities	1%	1%	2%	1%	1%	3%	2%	2%	1%	2%	1%	1%	4%	1%	1%	1%	0%	0%	0%	1%
Other	1%	1%	1%	1%	2%	0%	2%	0%	0%	0%	1%	1%	2%	3%	2%	2%	2%	1%	1%	2%

## Mortgage Execution Share – Next Year

Looking forward, what percent of your firm’s mortgage servicing rights (MSR) over the next year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. <b>Showing Mean %</b>	<b>Total</b>	<b>Larger Institutions</b>	<b>Mid-sized Institutions</b>	<b>Smaller Institutions</b>
<i>N=</i>	197	58	50	89
GSE (Fannie Mae and Freddie Mac)	47%	47%	43%	50%
Portfolio Retention	21%	13%	15%	33%
Whole Loan Sales to NON-GSE (Correspondent)	16%	16%	24%	8%
Ginnie Mae (FHA/VA)	13%	21%	14%	5%
Private Label Securities / Non-Agency Securities	2%	3%	2%	1%

## Mortgage Execution Share – Current (by institution type)

<p>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 %</p>	Mortgage Banks					Depository Institutions					Credit Unions				
	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
N=	38	47	57	48	53	121	84	75	83	95	72	50	52	49	40
GSE (Fannie Mae and Freddie Mac)	43%	48%	50%	46%	40%	49%	50%	52%	49%	54%	52%	46%	50%	53%	47%
Portfolio Retention	3%	1%	0%	1%	4%	29%	29%	28%	32%	25%	42%	44%	45%	42%	46%
Whole Loan Sales to NON-GSE (Correspondent)	30%	23%	21%	26%	30%	11%	10%	10%	9%	11%	3%	4%	1%	1%	2%
Ginnie Mae (FHA/VA)	22%	22%	25%	24%	22%	7%	9%	8%	8%	8%	2%	4%	2%	3%	3%
Private Label Securities / Non-Agency Securities	2%	2%	2%	1%	2%	2%	1%	2%	0%	1%	1%	0%	1%	0%	1%
Other	1%	3%	2%	1%	2%	3%	1%	1%	2%	1%	1%	1%	1%	1%	1%

## Mortgage Execution Share – Next Year (by institution type)

Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. <b>Showing Mean %</b>	<b>Mortgage Banks</b>	<b>Depository Institutions</b>	<b>Credit Unions</b>
<i>N=</i>	53	95	40
GSE (Fannie Mae and Freddie Mac)	39%	54%	47%
Portfolio Retention	6%	24%	44%
Whole Loan Sales to NON-GSE (Correspondent)	26%	11%	3%
Ginnie Mae (FHA/VA)	24%	8%	4%
Private Label Securities / Non-Agency Securities	4%	1%	1%
Other	24%	18%	8%

Appendix

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

## Mortgage Servicing Rights (MSR) Execution Share – Current

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 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
N=	247	186	196	192	197	46	47	50	49	58	51	50	55	56	50	150	89	91	87	89
MSR retained, serviced in-house	54%	51%	46%	54%	48%	47%	40%	30%	42%	39%	48%	42%	40%	45%	35%	67%	72%	69%	75%	71%
MSR retained, serviced by a subservicer	23%	21%	22%	18%	17%	24%	23%	29%	28%	21%	30%	25%	23%	21%	22%	15%	13%	14%	7%	10%
MSR sold	23%	28%	32%	27%	34%	29%	37%	41%	30%	40%	21%	33%	37%	34%	44%	18%	15%	17%	18%	19%

## Mortgage Servicing Rights (MSR) Execution Share – Next Year

Looking forward, what percent of your firm’s mortgage servicing rights (MSR) over the next year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. <b>Showing Mean %</b>	<b>Total</b>	<b>Larger Institutions</b>	<b>Mid-sized Institutions</b>	<b>Smaller Institutions</b>
<i>N=</i>	197	58	50	89
MSR retained, serviced in-house	48%	40%	35%	70%
MSR retained, serviced by a subservicer	17%	19%	21%	10%
MSR sold	35%	41%	44%	20%

## Mortgage Servicing Rights (MSR) Execution Share – Current (by institution type)

<p>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></p>	Mortgage Banks					Depository Institutions					Credit Unions				
	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
N=	38	47	57	48	53	121	84	75	83	95	72	50	52	49	40
MSR retained, serviced in-house	18%	17%	15%	18%	12%	64%	65%	63%	70%	65%	74%	80%	77%	85%	80%
MSR retained, serviced by a subservicer	43%	33%	30%	27%	29%	12%	15%	16%	11%	9%	20%	15%	18%	10%	14%
MSR sold	39%	50%	55%	55%	59%	24%	21%	21%	18%	27%	6%	6%	5%	5%	6%



## Mortgage Servicing Rights (MSR) Execution Share – Next Year (by institution type)

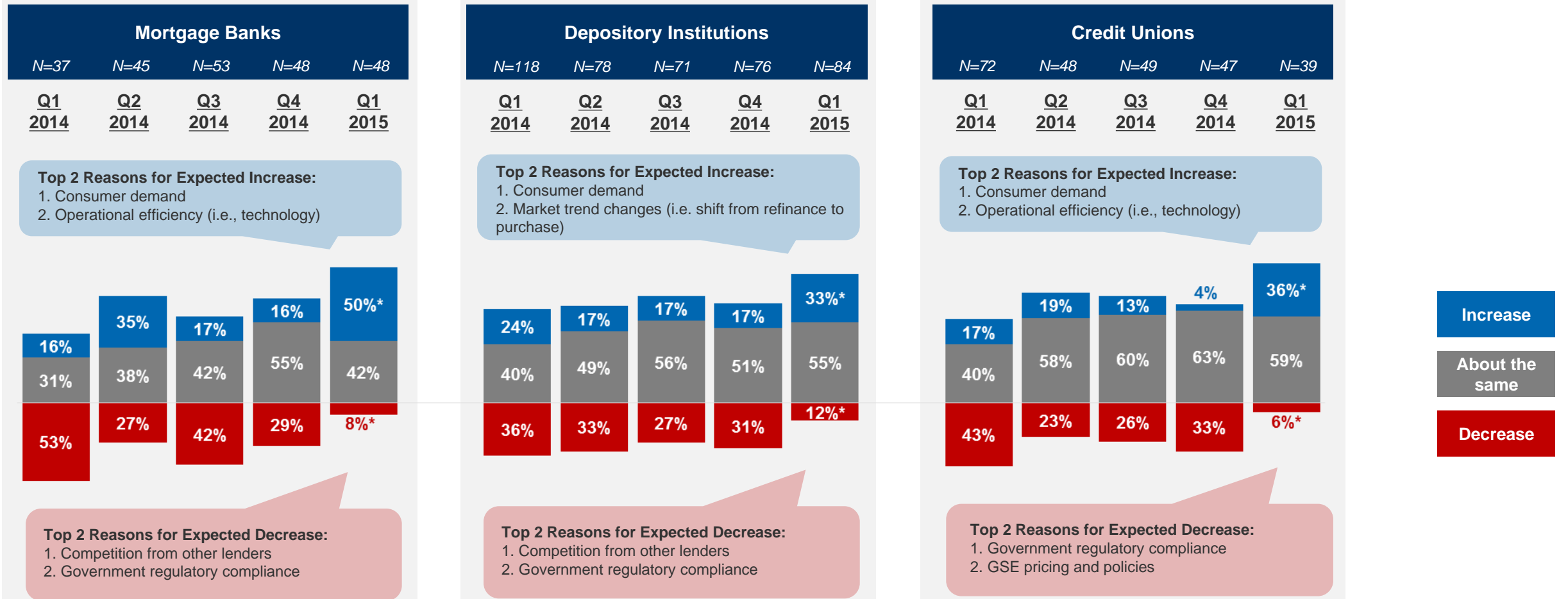
Looking forward, what percent of your firm’s mortgage servicing rights (MSR) over the next year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. <b>Showing Mean %</b>	<b>Larger Institutions</b>	<b>Mid-sized Institutions</b>	<b>Smaller Institutions</b>
<i>N=</i>	53	95	40
MSR retained, serviced in-house	14%	64%	79%
MSR retained, serviced by a subservicer	28%	9%	13%
MSR sold	59%	27%	8%

Appendix

# Profit Margin Outlook

## Profit Margin Outlook – Next 3 Months (by institution type)

The share of lenders reporting increased profit margin outlook over the next three months has increased significantly this quarter, in particular among mortgage banks.



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 two of the most important reasons.

\* Denotes a statistically significant change since Q4 2014

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

q6. 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.

q7. 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)

q14. 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.

q46. You mentioned that you expect your firm's consumer demand for GSE eligible loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select **up to two** of the most important reasons and rank them in order of importance.

q47. You mentioned that you expect your firm's consumer demand for GSE eligible loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select **up to two** of the most important reasons and rank them in order of importance.

q49. You mentioned that you expect your firm's consumer demand for Non-GSE eligible loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select **up to two** of the most important reasons and rank them in order of importance.

q50. You mentioned that you expect your firm's consumer demand for Non-GSE eligible loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select **up to two** of the most important reasons and rank them in order of importance.

q51. You mentioned that you expect your firm's consumer demand for government loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select **up to two** of the most important reasons and rank them in order of importance.

q52. You mentioned that you expect your firm's consumer demand for government loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select **up to two** of the most important reasons and rank them in order of importance.

## Question Text Continued

- q10. 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.
- q18. 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.
- q20. 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?
- q21. 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?
- q23. What primary strategies, if any, is your firm planning to use to address your decreased profit margin? Please select the two most important strategies and rank them in order of importance.
- q24. What do you think will drive the decrease in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance.
- q25. What primary strategies, if any, is your firm planning to use to achieve your increased profit margin? Please select the two most important strategies and rank them in order of importance.
- q26. What do you think will drive the increase in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance.

### Credit Standards

- q27. 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)? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.
- q28. What do you think drove the change in your firm's credit standards for approving consumer applications for purchase and refinance mortgage loans over the last three months? Please be as specific as possible. (Optional)
- q31. 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)? 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 and refinance mortgage loans over the next three months? Please be as specific as possible. (Optional)

## Question Text Continued

### Mortgage Execution Share

- q35. Approximately, what percent of your firm's total mortgage originations 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%.
- q44. Looking forward, what percent of your firm's total mortgage originations over the next year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%.

### Mortgage Servicing Rights

- q38. 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%.
- q45. Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%.