FANNIE MAE MORTGAGE LENDER SENTIMENT SURVEY QUESTIONNAIRE

2014 QUARTERLY TRACKER – Q3

/* DISPLAY */ Welcome to the *Mortgage Lender Sentiment Survey*, a quarterly survey conducted by Fannie Mae among senior mortgage executives like you. We need your help to gather your views and experience with the mortgage market. Your participation is critical to ensure that results portray a representative view of key mortgage industry indicators. We hope this research will provide intelligence to help you manage your business practices.

The information you provide in this survey will be kept confidential. All results will be reported in the aggregate, and responses will not be linked to any individual person or company.

Thank you for taking part in this survey, your participation is greatly appreciated.

NHS QUESTIONS

/* DISPLAY */ This first series of questions asks about the overall economy and mortgage lending industry, nationwide. We're specifically interested in your opinion as a senior mortgage executive.

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

    1) Right track
    2) Wrong track
    3) Don't know

/* Q1A */ Do you think it is very difficult, somewhat difficult, somewhat easy, or very easy for consumers to get a home mortgage today?

    1) Very difficult
    2) Somewhat difficult
    3) Somewhat easy
    4) Very easy
    5) Don't know

2. 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?

    1) Go up
    2) Go down
    3) Stay the same
    4) Don't know

/* Q4a */ ## IF Q2=C1 ## 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? **/* OPEN END NUMERIC (0 TO 100) */**

/* Q5a */ ## IF Q2=C2 ## 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? **/* OPEN END NUMERIC (0 TO 100) */**

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/* DISPLAY */ Now we're going to ask you a few questions about your firm.

/* 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? (Optional) **/* OPEN END NUMERIC */ ## 9 single numeric digit boxes to fill in: $☐☐☐,☐☐☐,☐☐☐,000 ## ## ANSWER NOT REQUIRED ##**

/* 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) **/* OPEN END NUMERIC */ ## 9 single numeric digit boxes to fill in: $☐☐☐,☐☐☐,☐☐☐,000 ## ## ANSWER NOT REQUIRED ##**

/* QR13 */ Approximately how many total full-time employees does your firm currently have? (Optional) **/* OPEN END NUMERIC */ ## ANSWER NOT REQUIRED ##**

Consumer Demand

/* DISPLAY */ This section is about consumer demand for single-family mortgages. We will be asking you these questions across three market categories, GSE-Eligible, Non-GSE-Eligible, and Government. We will also be asking these questions separately by purchase market and refinance market.

/* DISPLAY */ Now, let's focus on the consumer demand for single-family purchase mortgages your firm has experienced over the past three months.

/* METRIC A */ 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?
Hover over the terms "GSE Eligible," "Non-GSE Eligible," and "Government" in the table below to see the definitions.

Consumer Demand for Purchase Mortgages for the Past 3 Months

1) Went up
2) Stayed the same
3) Went down
4) Not applicable

/* REPEAT CODES */

/* Q6a */ Purchase - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q6b */ Purchase - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q6c */ Purchase - **[* Government *] [- 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. -]**

/* END SERIES */

7. **## IF (Q6a=c1, c3) OR (Q6b=c1, c3) OR (Q6c=c1, c3) ##** 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) **/* OPEN END 1 BOXES 0 REQ */**

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IF Q6a=3, Q6b=3 OR Q6c=3 ## /* METRIC A */ 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?

1) Less than 5%
2) 5% to 9.9%
3) 10% to 24.9%
4) 25% to 49.9%
5) 50% or more
6) Not sure/Prefer not to answer/Not applicable

/* REPEAT CODES */

/* Q8a */ ## IF Q6a=3 ## Purchase - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q8b */ ## IF Q6b=3 ## Purchase - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q8c */ ## IF Q6c=3 ## Purchase - **[* Government *] [- 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. -]**

/* END SERIES */

IF Q6a=1, Q6b=1 OR Q6c=1 ## /* METRIC A */ 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?

1) Less than 5%
2) 5% to 9.9%
3) 10% to 24.9%
4) 25% to 49.9%
5) 50% or more
6) Not sure/Prefer not to answer/Not applicable

/* REPEAT CODES */

/* Q9a */ ## IF Q6a=1 ## Purchase - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q9b */ ## IF Q6b=1 ## Purchase - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q9c */ ## IF Q6c=1 ## Purchase - **[* Government *] [- 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. -]**

/* END SERIES */

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/* DISPLAY */ Now, let's focus on the consumer demand for single-family <u>refinance</u> mortgages your firm has experienced over the <u>past three months</u>.

/* METRIC A */ Over the <u>past three months</u>, apart from normal seasonal variation, did your firm's consumer demand for single-family <u>refinance</u> mortgages go up, go down, or stay the same?

<u>**Consumer Demand for Refinance Mortgages for the Past 3 Months**</u>

1) Went up
2) Stayed the same
3) Went down
4) Not applicable

/* REPEAT CODES */

/* Q10a */ Refinance - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q10b */ Refinance - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q10c */ Refinance - **[* Government *] [- 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. -]**

/* END SERIES */

IF Q10a=3, Q10b=3, Q10c=3 ## /* METRIC A */ 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 <u>refinance</u> mortgages gone down over the <u>past three months</u>?

1) Less than 5%
2) 5% to 9.9%
3) 10% to 24.9%
4) 25% to 49.9%
5) 50% or more
6) Not sure/Prefer not to answer/Not applicable

/* REPEAT CODES */

/* Q12a */ **## IF Q10a=3 ##** Refinance - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q12b */ **## IF Q10b=3 ##** Refinance - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q12c */ **## IF Q10c=3 ##** Refinance - **[* Government *] [- 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. -]**

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/* END SERIES */

IF Q10a=1, Q10b=1, Q10c=1 ## /* METRIC A */ 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?

1) Less than 5%
2) 5% to 9.9%
3) 10% to 24.9%
4) 25% to 49.9%
5) 50% or more
6) Not sure/Prefer not to answer/Not applicable

/* REPEAT CODES */

/* Q13a */ **## IF Q10a=1 ##** Refinance - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q13b */ **## IF Q10b=1 ##** Refinance - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q13c */ **## IF Q10c=1 ##** Refinance - **[* Government *] [- 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. -]**

/* END SERIES */

/* DISPLAY */ Now you'll see some questions about your firm's consumer demand for single-family mortgages over the next three months. We will be asking you these questions across three market categories, GSE-Eligible, Non-GSE-Eligible, and Government.

/* METRIC A */ Now, let's focus on the purchase mortgages over the next three months.

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?

Consumer Demand for Purchase Mortgages for the Next 3 Months

1) Go up
2) Stay the same
3) Go down
4) Not applicable

/* REPEAT CODES */

/* Q14a */ Purchase - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q14b */ Purchase - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**

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/* Q14c */ Purchase - **[* Government *] [- 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. -]**

/* END SERIES */

15. **## IF (Q14a = 1, 3) OR (Q14b = 1, 3) OR (Q14c = 1, 3) ##** 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) **/* OPEN END 1 BOXES 0 REQ */**

/* METRIC A */ 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 <u>purchase</u> mortgages to go down over the <u>next three months</u>?

1) Less than 5%
2) 5% to 9.9%
3) 10% to 24.9%
4) 25% to 49.9%
5) 50% or more
6) Not sure/Prefer not to answer/Not applicable

/* REPEAT CODES */

/* Q16a */ **## IF Q14a= 3 ##** Purchase - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q16b */ **## IF Q14b = 3 ##** Purchase - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q16c */ **## IF Q14c = 3 ##** Purchase - **[* Government *] [- 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. -]**

/* END SERIES */

/* METRIC A */ 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 <u>purchase</u> mortgages to go up over the <u>next three months</u>?

1) Less than 5%
2) 5% to 9.9%
3) 10% to 24.9%
4) 25% to 49.9%
5) 50% or more
6) Not sure/Prefer not to answer/Not applicable

/* REPEAT CODES */

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/* Q17a */ **## IF Q14a = 1 ##** Purchase - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q17b */ **## IF Q14b = 1 ##** Purchase - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q17c */ **## IF Q14c = 1 ##** Purchase - **[* Government *] [- 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. -]**

/* END SERIES */

/* DISPLAY */ Now, let's focus on the refinance mortgages over the next three months.

/* METRIC A */ 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?

Consumer Demand for Refinance Mortgages for the Next 3 Months

1) Go up
2) Stay the same
3) Go down
4) Not applicable

/* REPEAT CODES */

/* Q18a */ Refinance - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q18a */ Refinance - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q18c */ Refinance - **[* Government *] [- 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. -]**

/* END SERIES */

/* METRIC A */ 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?

1) Less than 5%
2) 5% to 9.9%
3) 10% to 24.9%
4) 25% to 49.9%
5) 50% or more
6) Not sure/Prefer not to answer/Not applicable

/* REPEAT CODES */

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/* Q20a */ **## IF Q18a=3 ##** Refinance - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**

/* Q20b */ **## IF Q18b=3 ##** Refinance - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**

/* Q20c */ **## IF Q18c=3 ##** Refinance - **[* Government *] [- 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. -]**

/* END SERIES */

/* METRIC A */ 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?

1) Less than 5%
2) 5% to 9.9%
3) 10% to 24.9%
4) 25% to 49.9%
5) 50% or more
6) Not sure/Prefer not to answer/Not applicable

/* REPEAT CODES */

/* Q21a */ **## IF Q18a=1 ##** Refinance - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**

/* Q21b */ **## IF Q18b=1 ##** Refinance - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**

/* Q21c */ **## IF Q18c=1 ##** Refinance - **[* Government *] [- 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. -]**

/* END SERIES */

Profit Margin

22. Over the next three months, how much do you expect your firm's profit margin to change for its single-family mortgage production?

    1) Increase significantly (25+ basis points)
    2) Increase somewhat (5 - 25 basis points)
    3) Remain about the same (0 - 5 basis points)
    4) Decrease somewhat (5 - 25 basis points)
    5) Decrease significantly (25+ basis points)
    6) Not sure/Prefer not to answer/Not applicable

/* METRIC A */ ## IF Q22=4,5 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Loan officer staffing adjustments
2) Back-office staffing adjustments
3) Operational efficiency (i.e. technology) investments
4) New or re-allocation of origination channels (i.e. retail or online or third-party channels)
5) New or re-allocation of mortgage product offerings
6) Underwriting standard changes
7) New borrower segments
8) Business acquisition/merger/divestment
9) Marketing outreach expansion/contraction
10) Price adjustments
11) MSR (Mortgage Servicing Rights) sales
12) Investor outlet expansion/contraction
13) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q23a */ 1 - Most important
/* Q23b */ 2 **-** Second most important
/* Q23c */ 3 **-** Third most important

/* END SERIES */

/* METRIC A */ ## IF Q22=4,5 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Consumer demand
2) Competition from other lenders
3) Government monetary or fiscal policy
4) Government regulatory compliance
5) GSE pricing and policies
6) Non-GSE (other investors) pricing and policies
7) Operational efficiency (i.e. technology)
8) Staffing (personnel costs)
9) Marketing expenses
10) Servicing costs
11) Market trend changes (i.e. shift from refinance to purchase)
12) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q24a */ 1 - Most important
/* Q24b */ 2 **-** Second most important
/* Q24c */ 3 **-** Third most important

/* END SERIES */

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/* METRIC A */ ## IF Q22=1,2 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Loan officer staffing adjustments
2) Back-office staffing adjustments
3) Operational efficiency (i.e. technology) investments
4) New or reallocation of origination channels (i.e. retail or online or third-party channels)
5) New or reallocation of mortgage product offerings
6) Underwriting standard changes
7) New borrower segments
8) Business acquisition/merger/divestment
9) Marketing outreach expansion/contraction
10) Price adjustments
11) MSR (Mortgage Servicing Rights) sales
12) Investor outlet expansion/contraction
13) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q25a */ 1 - Most important
/* Q25b */ 2 **-** Second most important
/* Q25c */ 3 **-** Third most important

/* END SERIES */

/* METRIC A */ ## IF Q22=1,2 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Consumer demand
2) Less competition from other lenders
3) Government monetary or fiscal policy
4) Government regulatory compliance
5) GSE pricing and policies
6) Non-GSE (other investors) pricing and policies
7) Operational efficiency (i.e., technology)
8) Staffing (personnel costs) reduction
9) Marketing expense reduction
10) Servicing cost reduction
11) Market trend changes (i.e. shift from refinance to purchase)
12) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q26a */ 1 - Most important
/* Q26b */ 2 **-** Second most important
/* Q26c */ 3 **-** Third most important

/* END SERIES */

Credit Standards

/* DISPLAY */ This section is about your firm's credit standards for approving applications from individuals for mortgage loans.

/* METRIC B */ Now, let's focus on the past three months.

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.

Credit Standards over the Past 3 Months

1) Eased considerably
2) Eased somewhat
3) Remained basically unchanged
4) Tightened somewhat
5) Tightened considerably
6) Not applicable

/* REPEAT CODES */

/* Q27a */ [* GSE Eligible *] [- 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). Exclude Government loans from this category. -]

/* Q27b */ [* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]

/* Q27c */ [* Government *] [- 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. -]

/* END SERIES */

28. **## IF ANY (Q27a, Q27b, Q27c) = c1,c2,c4,c5 ##** 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) **/* OPEN END 1 BOXES 0 REQ */**

/* DISPLAY */ Now let's focus on the next three months.

/* METRIC A */ 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)?

Credit Standards over the Next 3 Months

1) Ease considerably
2) Ease somewhat
3) Remain basically unchanged
4) Tighten somewhat
5) Tighten considerably

6) Not applicable

/* REPEAT CODES */

/* Q31a */ [* GSE Eligible *] [- 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). Exclude Government loans from this category. -]
/* Q31b */ [* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]
/* Q31c */ [* Government *] [- 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. -]

/* END SERIES */

32. **## IF ANY (Q31a, Q31b, Q31c) = c1,c2,c4,c5 ##** 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) **/* OPEN END 1 BOXES 0 REQ */**

Mortgage Execution Share

/* DISPLAY */ The next series of questions is about your firm's post mortgage-origination execution strategy.

/* METRIC A */ 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%. **/* OPEN END NUMERIC (0 TO 100) */**

/* REPEAT CODES */

/* Q35a */ Portfolio Retention
/* Q35b */ GSE (Fannie Mae and Freddie Mac)
/* Q35c */ Ginne Mae (FHA/VA)
/* Q35d */ Private Label Securities / Non-Agency Securities
/* Q35e */ Whole Loan Sales to NON-GSE (Correspondent)
/* Q35f */ Other

/* END SERIES */

/* q35fother */ ## IF Q35f > 0 ## On the previous page you indicated "other." Please specify your firm's other post mortgage-origination execution category. **/* OPEN END 1 BOXES 1 REQ */ ## QUESTION IS REQUIRED ##**

/* DISPLAY */ You have indicated the following execution shares:

/* METRIC A */ How much do you expect the share for each of the execution categories to change over the <u>next three months</u>? Please keep in mind that if the share increases in some categories, it must decease in others.

1) Increase significantly
2) Increase somewhat
3) Remain about the same
4) Decrease somewhat

5) Decrease significantly
6) Not applicable

/* REPEAT CODES */

/* Q36a */ **## IF Q35a > 0 ##** Portfolio Retention
/* Q36b */ **## IF Q35b > 0 ##** GSE (Fannie Mae and Freddie Mac)
/* Q36c */ **## IF Q35c > 0 ##** Ginnie Mae (FHA/VA)
/* Q36d */ **## IF Q35d > 0 ##** Private Label Securities / Non-Agency Securities
/* Q36e */ **## IF Q35e > 0 ##** Whole Loan Sales to NON-GSE (Correspondent)
/* Q36f */ **## IF Q35f > 0 ## ## INSERT RESPONSE FROM q35fother ##**

/* END SERIES */

MORTGAGE SERVICING RIGHTS

/* DISPLAY */ Now, we will be asking you about your firm's mortgage servicing rights (MSR) strategy.

/* METRIC B */ 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%. **/* OPEN END NUMERIC (0 TO 100) */**

/* REPEAT CODES */

/* Q38a */ MSR retained, serviced in-house
/* Q38b */ MSR retained, serviced by a subservicer
/* Q38c */ MSR sold

/* END SERIES */

/* DISPLAY */ Your firm's current mortgage servicing rights (MSR):

/* METRIC A */ 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>? Please keep in mind that if the share increases in some categories, it must decease in others.

1) Increase significantly
2) Increase somewhat
3) Remain about the same
4) Decrease somewhat
5) Decrease significantly
6) Not applicable

/* REPEAT CODES */

/* Q40a */ **## IF Q38a > 0 ##** MSR retained, serviced in-house
/* Q40b */ **## IF Q38b > 0 ##** MSR retained, serviced by a subservicer
/* Q40c */ **## IF Q38c > 0 ##** MSR sold

/* END SERIES */

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30-YEAR FIXED-RATE MORTGAGE INTEREST RATE OUTLOOK

/* DISPLAY */ The next questions are about the 30-year fixed-rate mortgage interest rate outlook.

/* DISPLAY */ 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?

As of August XX, the average interest rate on a 30-year fixed-rate mortgage rate is XX%, according to Freddie Mac data.

/* METRIC A */ 3-months ahead **/* OPEN END NUMERIC (0 TO 100) WITH UP TO 3 DECIMAL PLACES */**
/* METRIC B */ 1-year ahead **/* OPEN END NUMERIC (0 TO 100) WITH UP TO 3 DECIMAL PLACES */**

/* REPEAT CODES */

/* Q42a */ Please enter your mortgage interest rate forecast in each box.

/* END SERIES */

ROTATING QUESTIONS

/* 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.

/* QR14 */ To what extent do these regulations impact your business?

1) 1 – Minimal impact
2) 2
3) 3 – Some impact
4) 4
5) 5 – Significant impact
6) Not sure/Prefer not to answer/Not Applicable

/* DISPLAY */ Now, we would like to ask you a few questions about your compliance staffing.

/* 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.)?

1) 0
2) 1-2
3) 3-5
4) 6-8
5) 9-10
6) 11-15
7) 16-20
8) More than 20

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9) Not sure/Prefer not to answer/Not Applicable

/* 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?

1) Yes
2) No
3) Not sure/Prefer not to answer/Not Applicable

/* 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) **/* OPEN END NUMERIC */ ## 6 single numeric digit boxes to fill in: $☐☐☐,☐☐☐,000 ## ## ANSWER NOT REQUIRED ##**

/* 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) **/* OPEN END NUMERIC */ ## 6 single numeric digit boxes to fill in: $☐☐☐,☐☐☐,000 ## ## ANSWER NOT REQUIRED ##**

/* QR19 */ What business functions have you decided to outsource, partially or fully, due to increased regulations and associated costs? (Check all that apply) **/* RANDOM ROTATE CHOICES */ /* MULTIPLE RESPONSES PERMITTED */**

1) Secondary Marketing/Capital Markets
2) Origination (third-party originators such as mortgage brokers or correspondents)
3) Processing (including fee-based individual contractors)
4) Underwriting (including fee-based individual contractors)
5) Post-closing QC (Quality Control) review
6) Servicing
7) Compliance/Legal
8) Accounting
9) Marketing
10) Training
11) Other (please specify ________________________) **/* SPECIFY */ /* DO NOT ROTATE */**
12) None (We don't outsource any of the functions) **/* DO NOT ROTATE */ /* EXCLUSIVE */**
13) Not sure/Prefer not to answer/Not applicable **/* DO NOT ROTATE */ /* EXCLUSIVE */**

/* DISPLAY */ The next couple of questions are about loan officers' compensation structure used at your firm.

/* 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. **/* GENERATOR ID=22633 */**

/* 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. **/* GENERATOR ID=22635 */**

/* METRIC A */ 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."

Hover over the terms below to see the explanation for each item.

1) Most Important Focus **/* EXCLUSIVE */**
2) 2nd Most Important Focus **/* EXCLUSIVE */**
3) 3rd Most Important Focus **/* EXCLUSIVE */**

/* QR22 */ [*Credit Risk *] [- Credit Risk rises as loan quality deteriorates, affecting both the ability to sell originated loans and the market value and profitability of the servicing portfolio. -]
/* QR23 */ [*Volume Decrease Risk*] [- Volume Decrease Risk rises when consumer demand for new mortgages (purchasing and refinancing) declines. Factors could include interest rate, job prospect, living expense changes, economy, demographic trends, etc. -]
/* QR24 */ [*Interest Rate Risk*] [- Interest Rate Risk: When rates rise, lenders could face extension risk (i.e., they risk being "stuck" with a portfolio of super low rates in a rising rate environment), but their servicing income and the value of their Mortgage Servicing Assets (MSA) portfolio may increase. When rates fall, they face prepayment risk (i.e., that borrowers will refinance their loans causing a decline in the institutions' revenue and income) and a decline in MSA values. -]
/* QR25 */ [*Pipeline Risk - Borrower Fallout*] [- Borrower Fallout is the risk that a loan that has been issued a rate lock does not close. -]
/* QR26 */ [*Pipeline Risk - Product/Liquidity Risk*] [- Product/Liquidity Risk is the potential that a loan product will have no liquidity once it is ready for sale (e.g., from failure to underwrite or service loans according to investor and insurer requirements). -]
/* QR27 */ [*Pipeline Risk - Investor Fallout*] [- Investor Fallout Risk is the risk that an investor fails to meet the terms of its commitment to purchase a mortgage loan(s). -]
/* QR28 */ [*Investor Risk*] [- Investor Risk is the risk that an investor fully or partially exits the business of acquiring mortgage loans or severs its relationship with a lender. -]
/* QR29 */ [*Repurchase Risk*] [- Repurchase Risk is a risk that a loan purchased from a lender/seller violates the terms of the seller agreement, requiring the seller to repurchase the loan from the investor. -]
/* QR30 */ [*Fraud Risk*] [- Fraud Risk is the risk that a borrower or participant in the mortgage process misrepresents or omits material information associated with a loan. -]
/* QR31 */ [*Operational Risk*] [- Operational Risk reflects the strain on operating systems as supported by internal controls, information systems, employee capability and integrity and operating processes, including oversight of third-party providers. -]
/* QR32 */ [*Compliance Risk*] [- Compliance Risk is rooted in standards established by the extensive array of consumer protection laws, with special emphasis on the quality of information given to consumers, deterrence of steering consumers to particular mortgage products, and procedures for promoting fair lending. -]

/* METRIC A */ 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."

1) Concern that increased the most **/* EXCLUSIVE */**
2) Concern that increased the second most **/* EXCLUSIVE */**
3) Concern that increased the third most **/* EXCLUSIVE */**

/* QR33 */ [*Credit Risk *] [- Credit Risk rises as loan quality deteriorates, affecting both the ability to sell originated loans and the market value and profitability of the servicing portfolio. -]
/* QR34 */ [*Volume Decrease Risk*] [- Volume Decrease Risk rises when consumer demand for new mortgages (purchasing and refinancing) declines. Factors could include interest rate, job prospect, living expense changes, economy, demographic trends, etc. -]

/* QR35 */ [*Interest Rate Risk*] [- Interest Rate Risk: When rates rise, lenders could face extension risk (i.e., they risk being "stuck" with a portfolio of super low rates in a rising rate environment), but their servicing income and the value of their Mortgage Servicing Assets (MSA) portfolio may increase. When rates fall, they face prepayment risk (i.e., that borrowers will refinance their loans causing a decline in the institutions' revenue and income) and a decline in MSA values. -]
/* QR36 */ [*Pipeline Risk - Borrower Fallout*] [- Borrower Fallout is the risk that a loan that has been issued a rate lock does not close. -]
/* QR37 */ [*Pipeline Risk - Product/Liquidity Risk*] [- Product/Liquidity Risk is the potential that a loan product will have no liquidity once it is ready for sale (e.g., from failure to underwrite or service loans according to investor and insurer requirements). -]
/* QR38 */ [*Pipeline Risk - Investor Fallout*] [- Investor Fallout Risk is the risk that an investor fails to meet the terms of its commitment to purchase a mortgage loan(s). -]
/* QR39 */ [*Investor Risk*] [- Investor Risk is the risk that an investor fully or partially exits the business of acquiring mortgage loans or severs its relationship with a lender. -]
/* QR40 */ [*Repurchase Risk*] [- Repurchase Risk is a risk that a loan purchased from a lender/seller violates the terms of the seller agreement, requiring the seller to repurchase the loan from the investor. -]
/* QR41 */ [*Fraud Risk*] [- Fraud Risk is the risk that a borrower or participant in the mortgage process misrepresents or omits material information associated with a loan. -]
/* QR42 */ [*Operational Risk*] [- Operational Risk reflects the strain on operating systems as supported by internal controls, information systems, employee capability and integrity and operating processes, including oversight of third-party providers. -]
/* QR43 */ [*Compliance Risk*] [- Compliance Risk is rooted in standards established by the extensive array of consumer protection laws, with special emphasis on the quality of information given to consumers, deterrence of steering consumers to particular mortgage products, and procedures for promoting fair lending. -]

43. This is the last question. Are there other topics that you think would be interesting or useful to be included in the future quarterly survey among senior mortgage executives like yourself? (Optional) **/* OPEN END 1 BOXES 0 REQ */**

/* DISPLAY */ This now completes the survey. We really appreciate you taking the time to contribute to this important industry research.

Fannie Mae has released the first two quarters' results. You can access the full report on the Mortgage Lender Sentiment Survey page on FannieMae.com.

Please note that responses to the survey questions will be aggregated and analyzed solely to identify important topics, trends, and issues surrounding the mortgage industry. Fannie Mae will not publish respondent names or affiliated institutions.

You may now close the browser window.

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