

Mortgage Lender Sentiment Survey

Q2 2014 Data Summary

The *Mortgage Lender Sentiment Survey* conducted by Fannie Mae polls senior executives, such as CEOs and CFOs, at Fannie Mae's lending institution partners to track insights into lending activities and market expectations.

Survey Highlights

Differences in Economic and Housing Sentiment Between Senior Executives and General Consumers

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

Improved Consumer Purchase Mortgage Demand Over the Prior Three Months

- Consumer demand reported for single-family purchase mortgages over the prior three months went up on net from Q1 to Q2 2014.

Steady and Positive Consumer Purchase Mortgage Demand Outlook for the Next Three Months

- Senior mortgage executives expect consumer demand for single-family purchase mortgages for the next three months to go up on net.

Divergence in Credit Standards Between Larger Lenders and Others

- Smaller and mid-size lenders are more likely than larger lenders to say their credit standards tightened over the prior three months and are more likely to expect them to tighten during the next three months. Larger lenders, on the other hand, are more likely to say their credit standards eased over the prior three months and they expect standards to ease during the next three months.

Stable Mortgage Execution Outlook

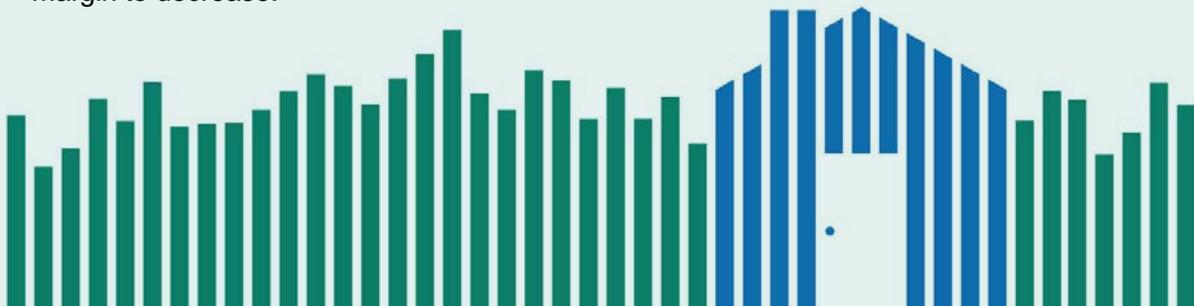
- As in Q1, most lending institutions surveyed in Q2 2014 reported that they expect to maintain their post mortgage origination execution strategies for the next three months.

Stable Mortgage Servicing Rights (MSR) Execution Outlook

- As in Q1, the majority of lenders survey in Q2 2014 reported that they expect to maintain their Mortgage Servicing Rights (MSR) strategies for the next three months.

Improved Profit Margin Expectations for the Next Three Months

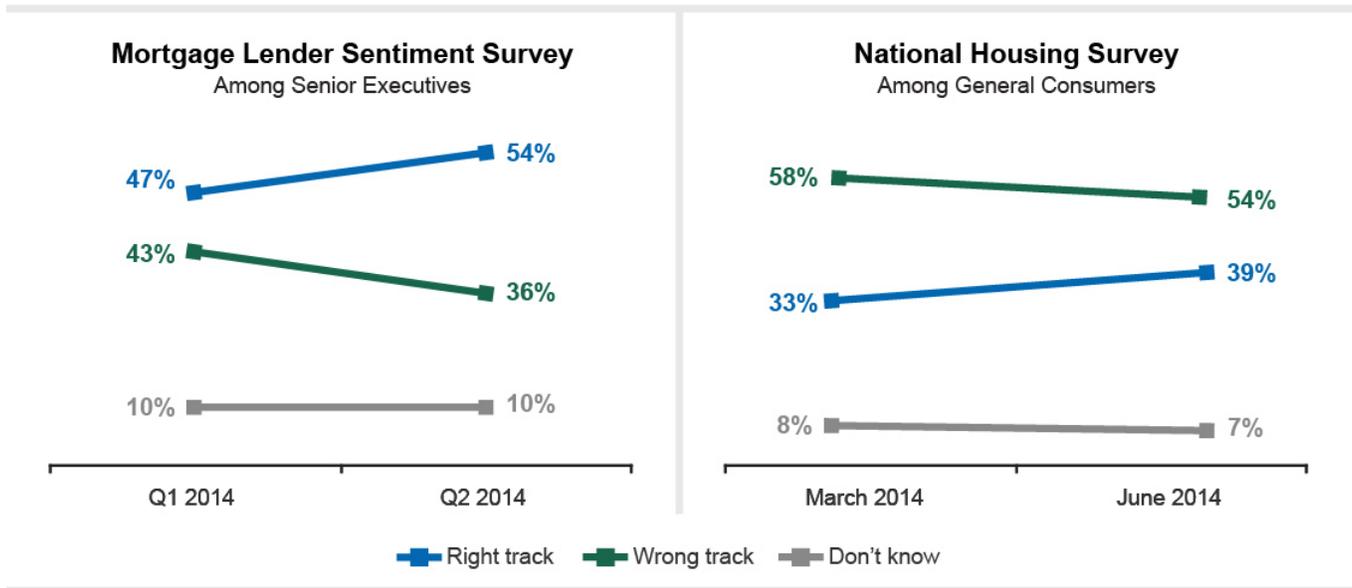
- Lenders' profit margin outlook has improved from Q1 to Q2 2014, as more lenders expect their profit margin over the next three months to stay the same and fewer lenders expect their profit margin to decrease.



Economic and Housing Sentiment Comparison between Executives and Consumers

Senior mortgage executives are more optimistic about the overall economy than general consumers reported by the Fannie Mae National Housing Survey[†].

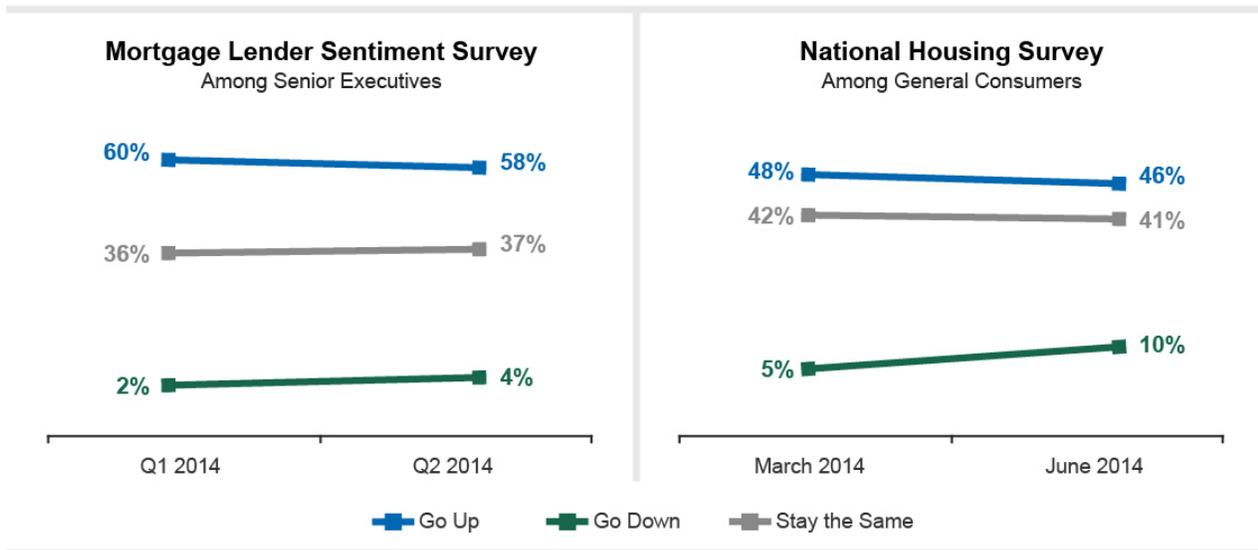
Share of insitutions who think the economy is on the right track or the wrong track....



* For details about the National Housing Survey, please see the [National Housing Survey page](#) on [fanniemae.com](#).

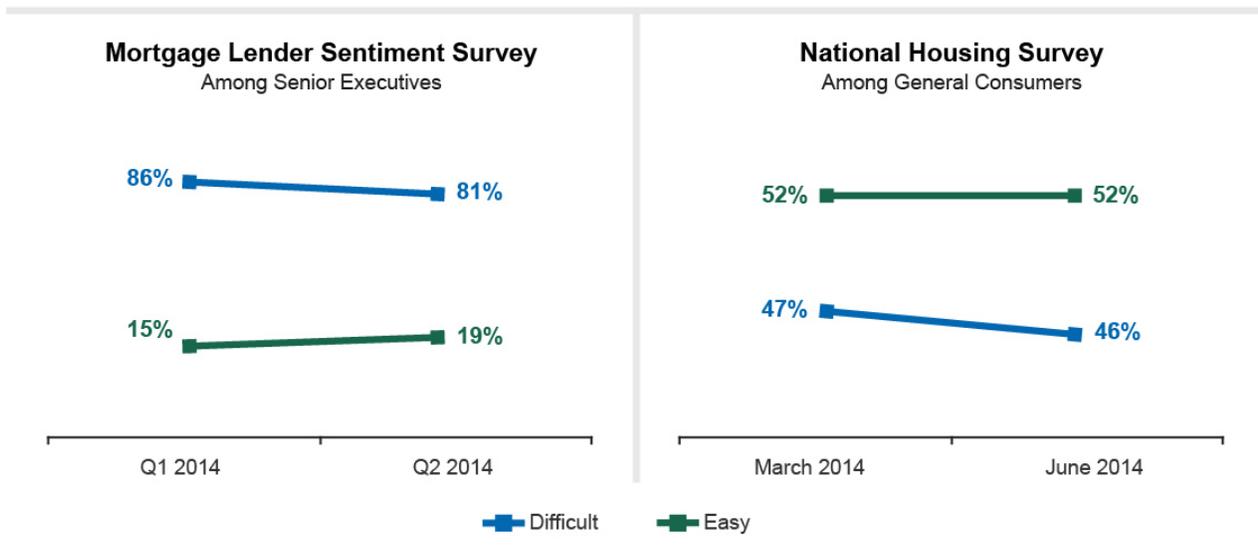
Senior Mortgage executives' views about future home prices are generally aligned with consumers'.

Share of institutions who say home prices will... in the next 12 months



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

Share of institutions who think it would be... to get a home mortgage today

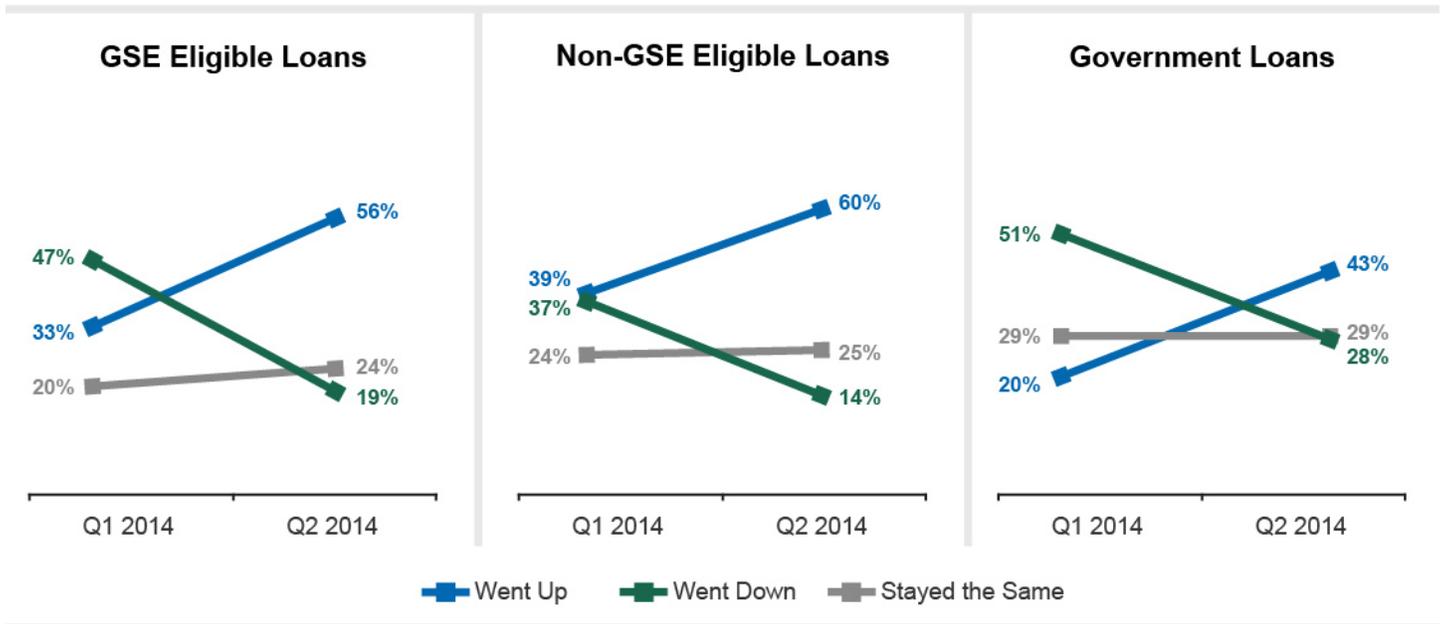


* For details about the National Housing Survey, please see the [National Housing Survey page](#) on [fanniemae.com](#).

Consumer Purchase Mortgage Demand: Past Three Months

Consumer demand reported by senior mortgage executives for single-family purchase mortgages over the prior three months went up on net from Q1 to Q2 2014, across the three mortgage loan type markets (GSE eligible, non-GSE eligible, and government loans).

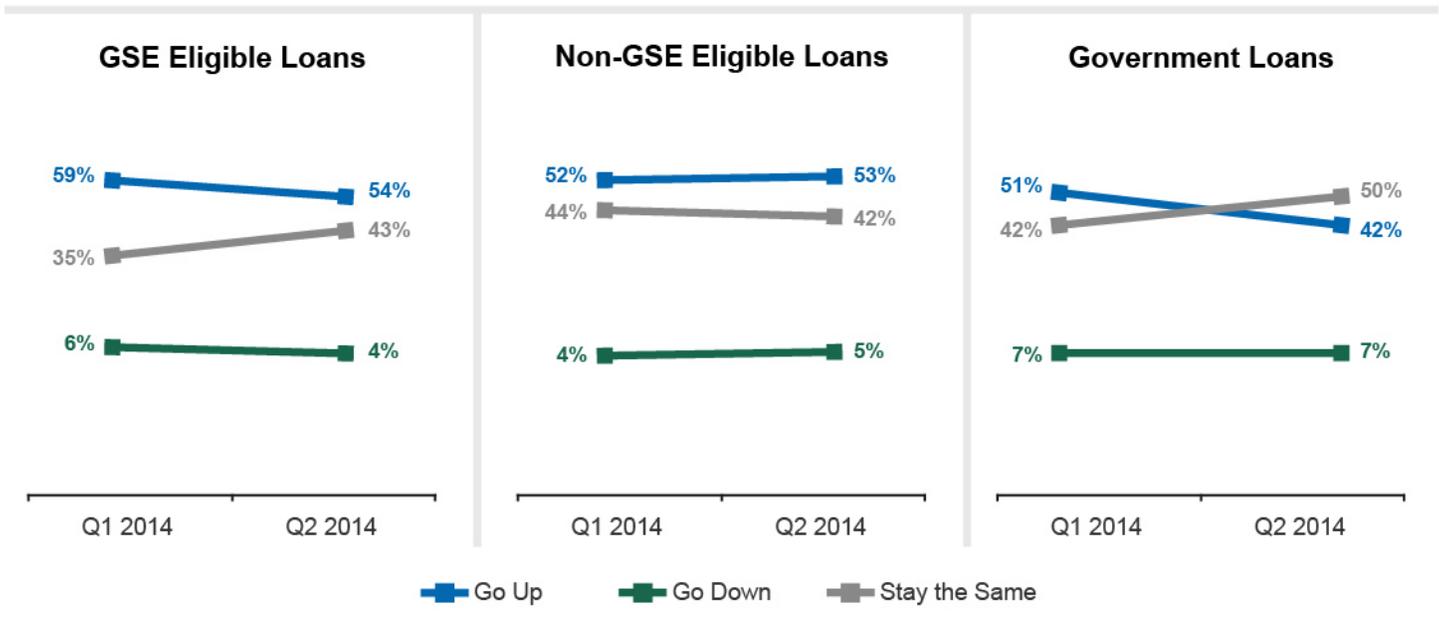
Share of institutions who say purchase mortgage consumer demand over the past 3 months....



Consumer Purchase Mortgage Demand Outlook: Next Three Months

Senior mortgage executives expect consumer demand for single-family purchase mortgages over the next three months to go up on net, across the three mortgage loan type markets (GSE eligible, non-GSE eligible, and government loans).

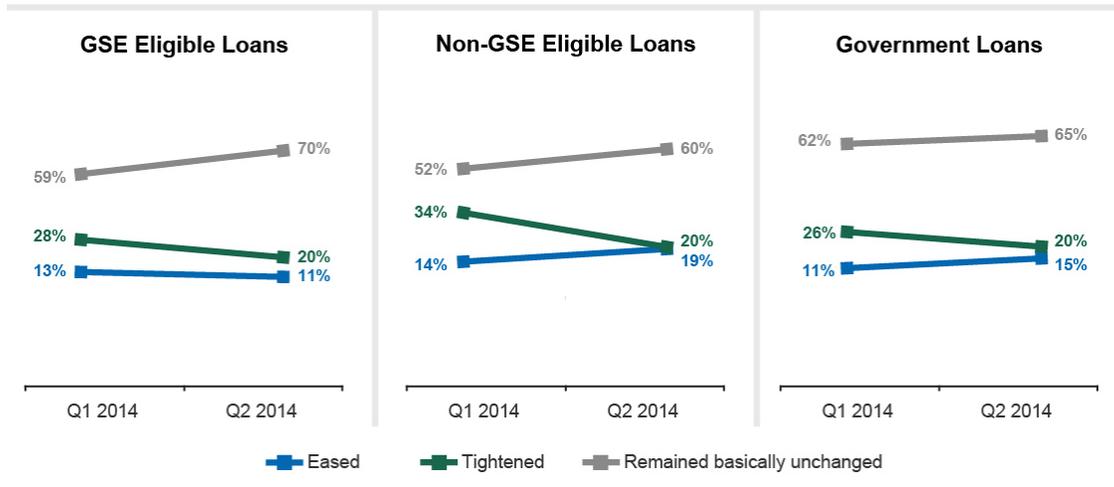
Share of institutions who say purchase mortgage consumer demand over the next 3 months will...



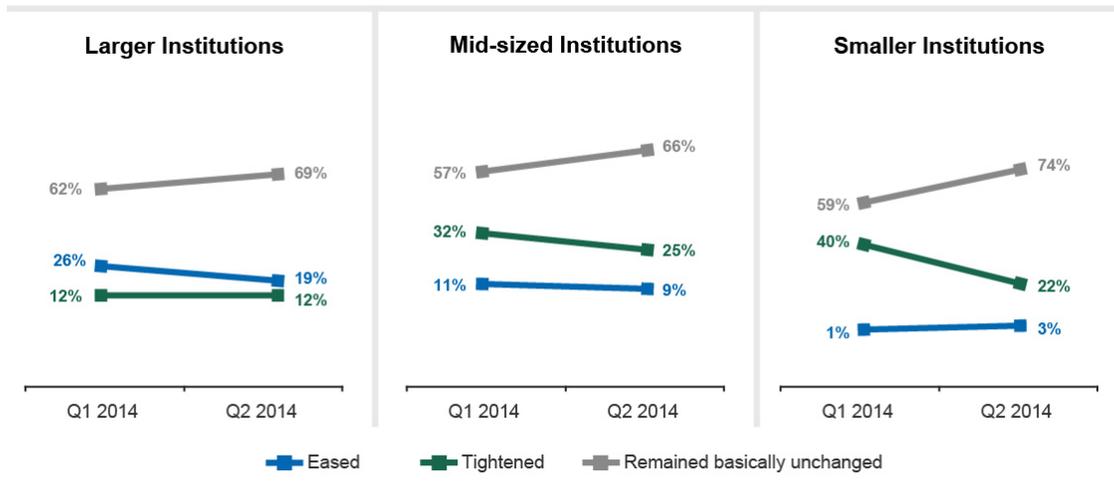
Credit Standards: Past Three Months

Smaller and mid-sized lenders are more likely than larger lenders to say their mortgage credit standards tightened over the prior three months.

Share of institutions who say their credit standards over the past 3 months...



For GSE eligible loans⁺, share of institutions by loan volume group who say their credit standards over the past 3 months...

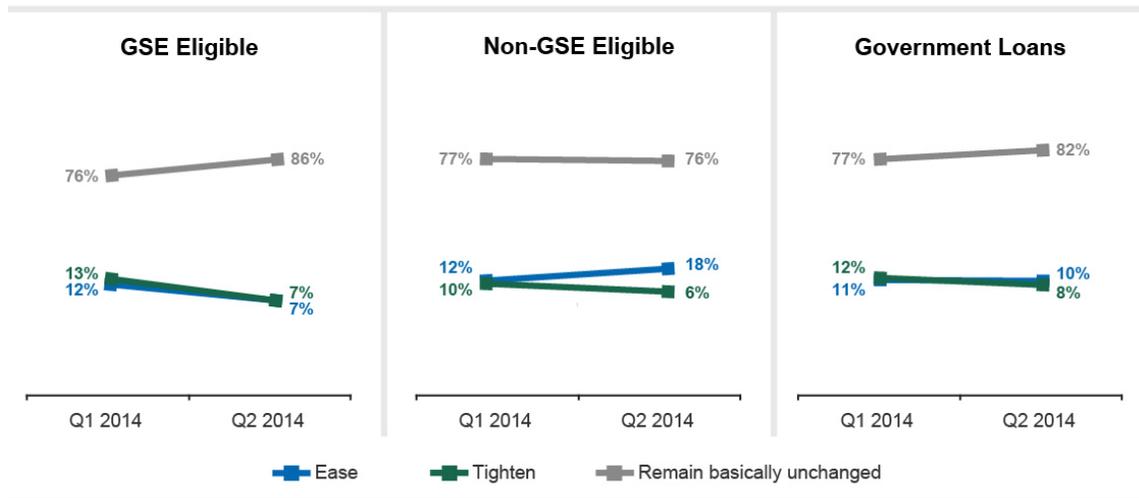


⁺ Similar results are found for the other two loan type markets. Data for the GSE eligible loan type market is shown here, as an example. Please click [here](#) for detailed findings about the other mortgage loan type markets.

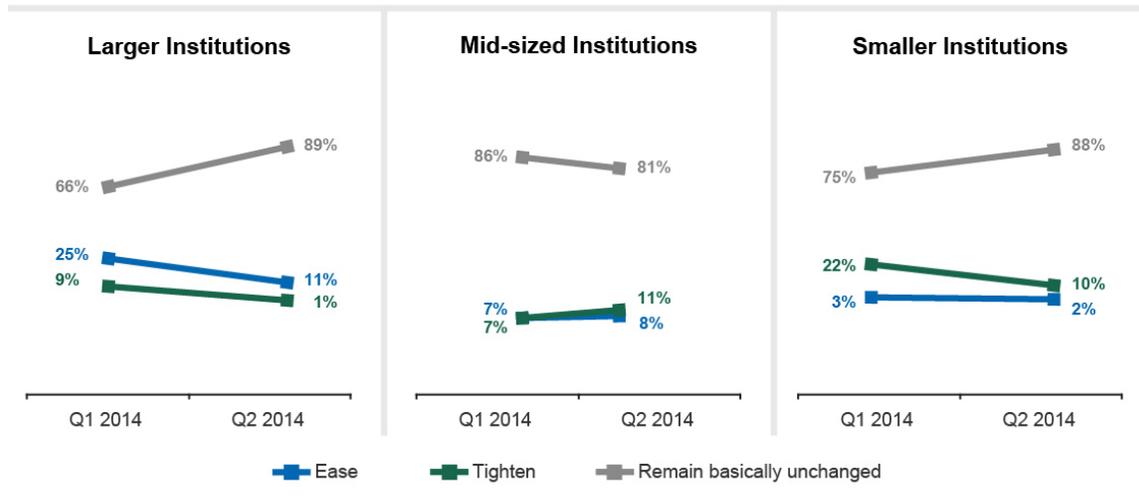
Credit Standard Expectations: Next Three Months

Smaller and mid-sized lenders are more likely than larger lenders to report that they expect their credit standards to tighten during the next three months.

Share of institutions who say their credit standards over the next 3 months will...



For GSE eligible loans+, share of institutions by loan volume group who say their credit standards over the next 3 months will...

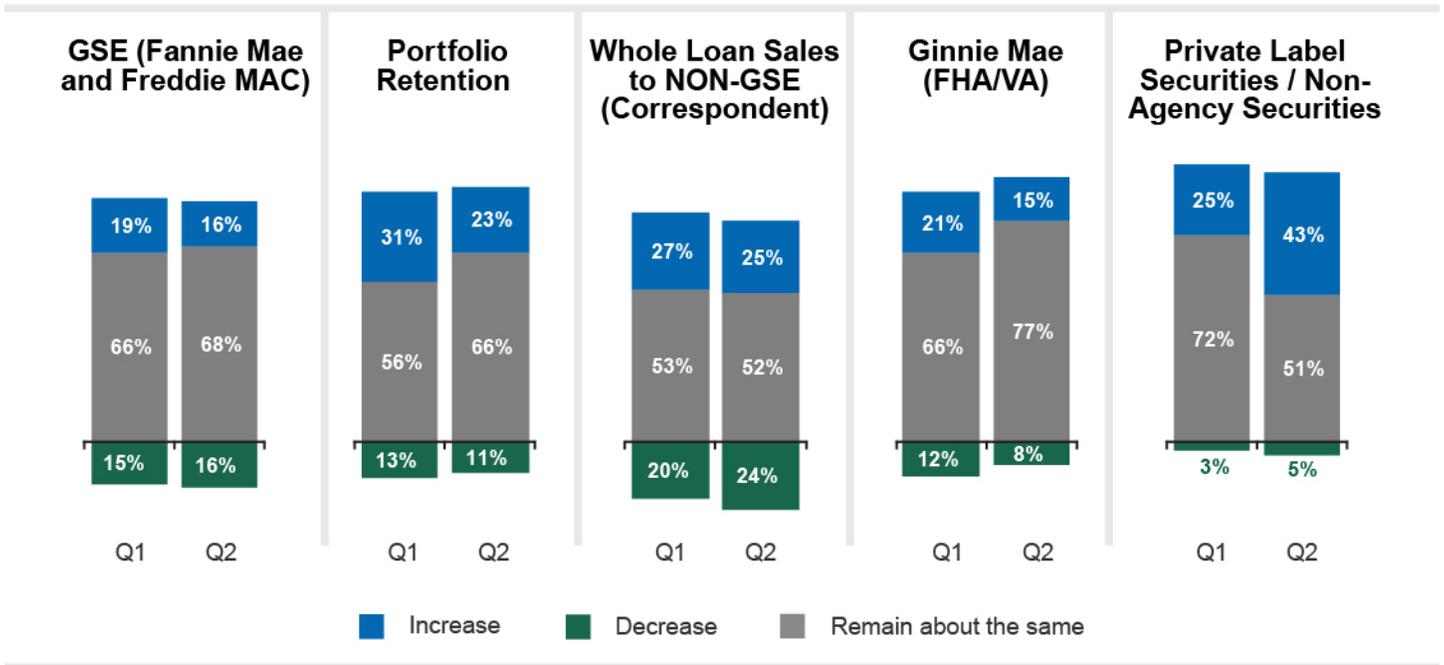


+Similar results are found for the other two loan type markets. Data for the GSE eligible loan type market is shown here, as an example. Please click [here](#) for detailed findings about the other mortgage loan type markets.

Mortgage Execution Outlook

As in Q1, most lending institutions surveyed in Q2 2014 reported that they expect to maintain their post mortgage origination execution strategies for the next three months..

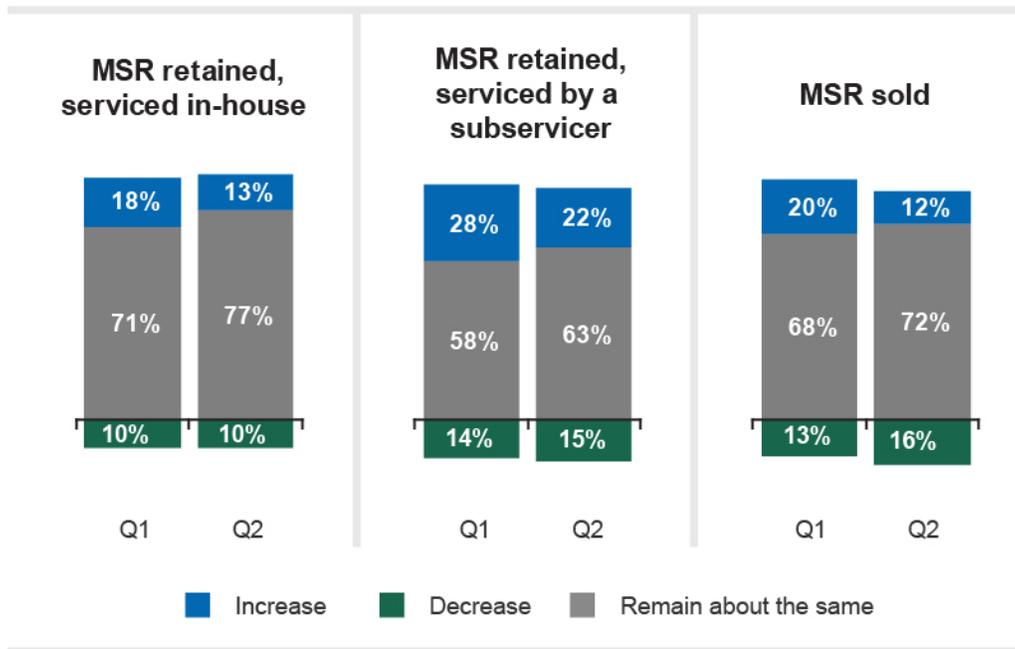
Share of institutions who say the share of each of the following mortgage execution channels for the next 3 months will....



Mortgage Servicing Rights (MSR) Execution Outlook

As in Q1, the majority of lenders surveyed in Q2 2014 reported that they expect to maintain their current Mortgage Servicing Rights (MSR) strategies over the next three months.

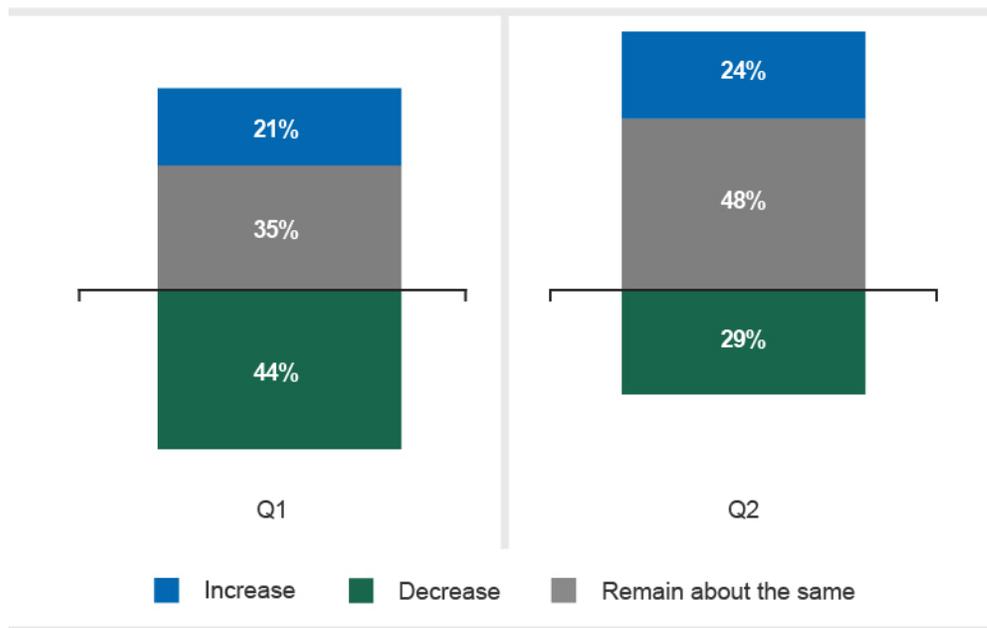
Share of institutions who say the share of their mortgage servicing rights execution channel will....



Profit Margin Outlook: Next Three Months

- Lenders' profit margin outlook has improved from Q1 to Q2 2014, as more lenders expect their profit margin over the next three months to stay the same and fewer lenders expect their profit margin to decrease.
- "Government regulatory compliance" and "competition from other lenders" are cited as the most popular reasons driving the decrease in profit margin over the next three months.+
- "Consumer demand" and "operation efficiency" are cited as the most popular reasons driving the increase in profit margin over the next three months.+

Share of institutions who say their profit margins over the next 3 months will...



+ Please click [here](#) for detailed findings.

Addendum

About the Survey

The *Mortgage Lender Sentiment Survey* conducted by Fannie Mae is a quarterly online attitudinal survey among senior executives, such as CEOs and CFOs, of Fannie Mae’s lending institution partners to track insights into lending activities and market expectations.

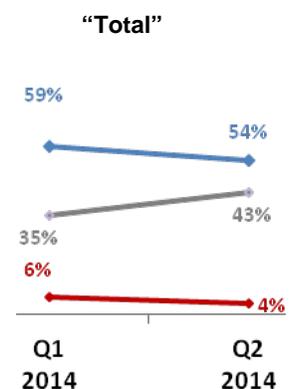
The results of the Mortgage Lender Sentiment Survey are reported at the lending institutional level. If more than one individual from the same institution completes the survey, their responses are averaged to represent their institution.

Results are analyzed at the aggregate level and reported out by loan origination volume group (larger, mid-size, and smaller) and institution type (mortgage banks and depository institutions). For further details on the methodology and findings, please see the [Fannie Mae Mortgage Lender Sentiment Survey page](#) on fannimae.com.

Definitions of groups are listed in the Table below. Loan volume grouping is based on the lending institution’s 2012 total industry loan volume that includes the best available annual industry origination information from sources such as Home Mortgage Disclosure Act (HMDA), Fannie Mae, Freddie Mac, or Marketrac. The most recent loan volume data available is 2012.

The data presented throughout this document is the “**Total**,” which is an average of the means of the three loan origination volume groups (Table below illustrates the Total calculation). Please note that percentages are based on the number of financial institutions that gave responses other than “Not Applicable.” Percentages may add to under or over 100% due to rounding.

Over the <u>next three months</u> , apart from normal seasonal variation, do you expect your firm’s consumer demand for single-family <u>purchase mortgages</u> to go up, go down, or stay the same? GSE Eligible (Q2)	Larger Institutions	Mid-sized Institutions	Smaller Institutions	Q2 “Total”
Went up	53%	57%	51%	54% [(53% + 57% + 51%)/3]
Stayed the same	47%	38%	43%	43%
Went down	0%	5%	6%	4%



The first quarter 2014 Fannie Mae Mortgage Lender Sentiment Survey was conducted between March 4, 2014 and March 18, 2014. The second quarter survey was conducted between May 28, 2014 and June 8, 2014. Interviews were conducted by Penn Schoen Berland in coordination with Fannie Mae. Sampling quotas were adjusted from Q1 to Q2 2014, with a slightly larger quota assigned to the larger loan volume group and a slightly smaller quota assigned to the smaller loan volume group. This change caused the base-size (N) differences between Q1 and Q2 2014 for the majority of survey questions.

Sample Q2-2014		Sample Size
Total Lending Institutions		186
The "Total" data throughout this report is an average of the means of the three loan origination volume groups listed below (with ~33% weight per group).		
Loan Origination Volume Groups	Larger Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the top 15% (above \$1.14 billion)	47
	Mid-size Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the next 20% (16%- 35%) (between \$325 million to \$1.14 billion)	50
	Smaller Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the bottom 65% (less than \$325 million)	89
Institution Type	Mortgage Banks	47
	Depository Institutions	134

Loan Type Definitions

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

Loan Type	Definition
GSE Eligible Loans	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.
Non-GSE Eligible Loans	Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and carry higher interest rates than GSE loans. Government loans are excluded from this category.
Government Loans	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.

National Housing Survey

The Fannie Mae National Housing Survey polls a national representative sample of 1,000 adult respondents every month to assess their attitudes about homeownership, renting a home, the economy, and household finances. For details, please see the [National Housing Survey page](#) on fanniemae.com.