



Fannie Mae™

Mortgage Lender Sentiment Survey®

Providing Insights Into Current Lending Activities and Market Expectations

Q3 2016 Full Report – Published September 15, 2016

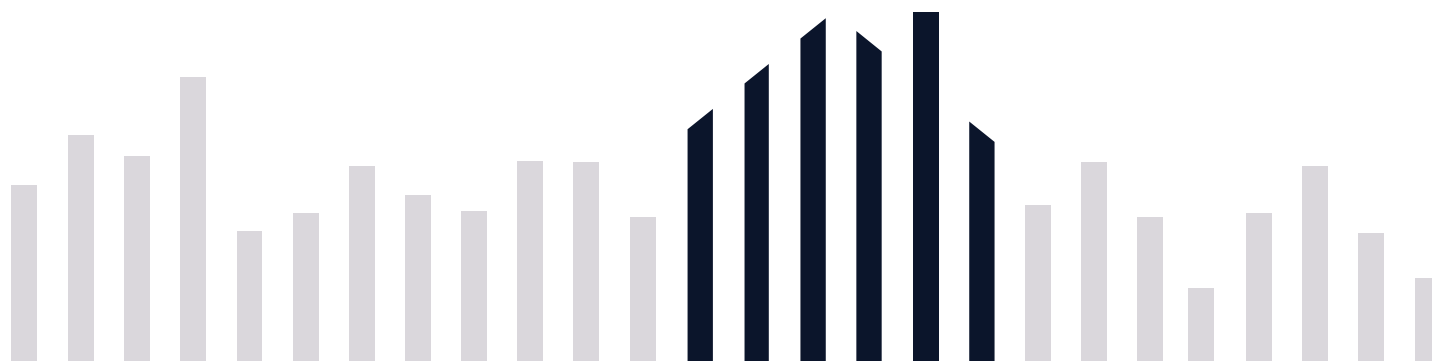




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Improved year-over-year profit expectations and net positive profitability outlook for three straight quarters suggest that some lenders have adapted to compliance challenges.

Refinance Mortgage Demand

- The share of lenders reporting net demand growth over the prior three months for refinance mortgages has gradually trended up this year across all loan types, reaching a survey high this quarter, likely driven by further mortgage rate falling after Brexit.

Credit Standards

- The percentage of lenders reporting net easing of credit standards over the prior three months and for the next three months remains small and has trended down from the survey highs occurring in 2015.

MSR Execution Outlook

- Reversing the trend seen so far this year, this quarter, more lenders reported expectations to decrease their share of MSR sold and increase the share of MSR retained.

Profit Margin Outlook

- Lenders reported a net positive profit margin outlook for a third-straight quarter, and a significant increase from this time last year (Q3 2015). The share of lenders citing government regulatory compliance as one of the top two reasons for their decreased profit margin outlook has significantly reduced, reaching a survey low, suggesting that some lenders have adapted to compliance challenges (e.g., TRID).



Research Objectives

- The survey is unique because it is used not only to track lenders' current impressions of the mortgage industry, but also their insights into the future.
- 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 Outlook
- Mortgage Servicing Rights (MSR) Execution Outlook
- Profit Margin Outlook

Featured Specific-Topic Analyses

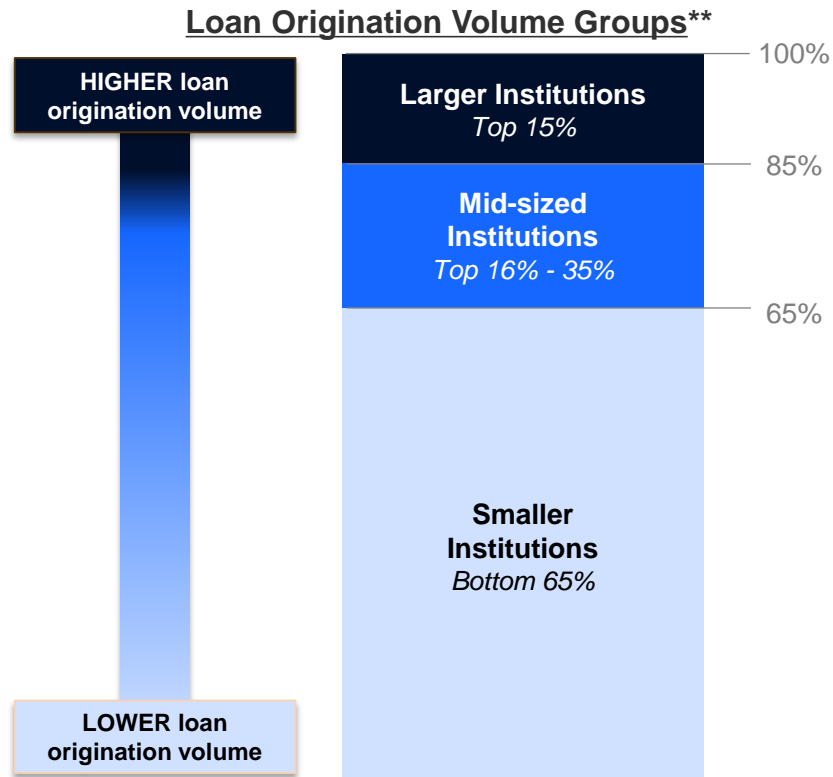
- Mortgage Technology Innovation
- Lenders' Experiences with TRID
- A Time-Series Look at the Factors Driving Lenders' Profit Margin Outlook
- Lenders' Mobile Strategies

- 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.



Q3 2016 Respondent Sample and Groups

For Q3 2016, a total of 219 senior executives completed the survey from August 3-15, representing 200 lending institutions.*



Sample Q3 2016		Sample Size
Total Lending Institutions The "Total" data throughout this report is an average of the means of the three loan origination volume groups listed below.		200
Loan Origination Volume Groups	Larger Institutions Fannie Mae's customers whose 2015 total industry loan origination volume was in the top 15% (above \$631 million)	70
	Mid-sized Institutions Fannie Mae's customers whose 2015 total industry loan origination volume was in the next 20% (16%-35%) (between \$176 million to \$631 million)	59
	Smaller Institutions Fannie Mae's customers whose 2015 total industry loan origination volume was in the bottom 65% (less than \$176 million)	71
Institution Type***	Mortgage Banks (non-depository)	65
	Depository Institutions	79
	Credit Unions	49

* 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 2015 total loan volume per lender used here includes the best available annual origination information from Fannie Mae, Freddie Mac, and Marketrac.

*** 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
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 typically 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.



Consumer Demand

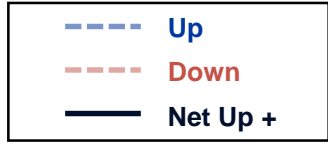
(Purchase and Refinance Mortgages)

- For purchase mortgages, the share of lenders reporting net demand growth over the prior three months is similar to this time last year (Q3 2015), across all loan types. Net demand growth expectations for the next three months also remain near levels seen a year ago.
- For refinance mortgages, the share of lenders reporting net demand growth over the prior three months has gradually trended up this year across all loan types, reaching a survey high this quarter, likely driven by further mortgage rate falling after Brexit.



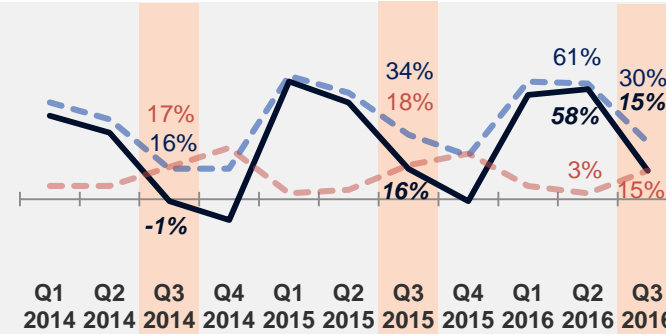
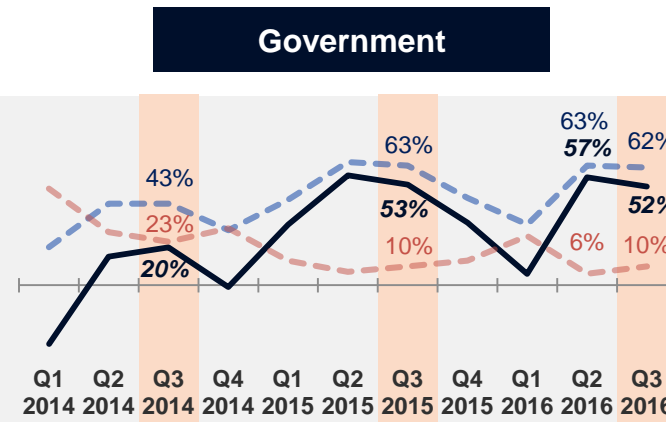
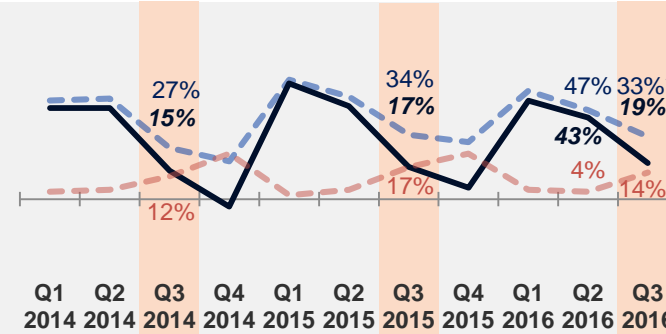
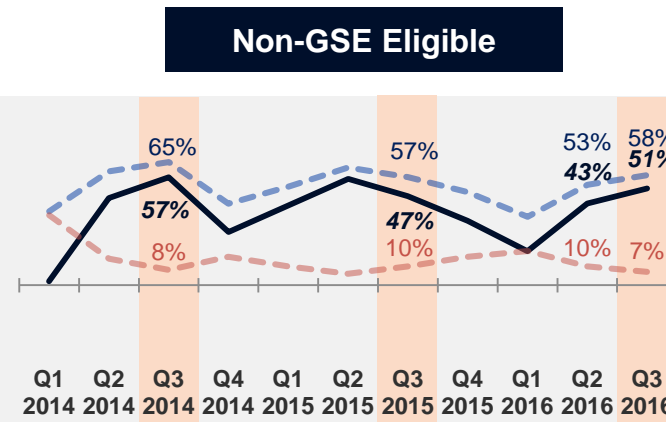
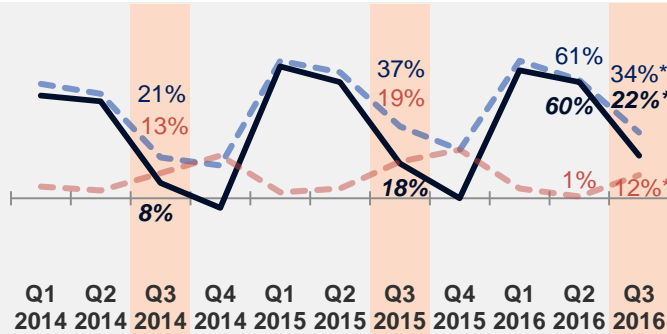
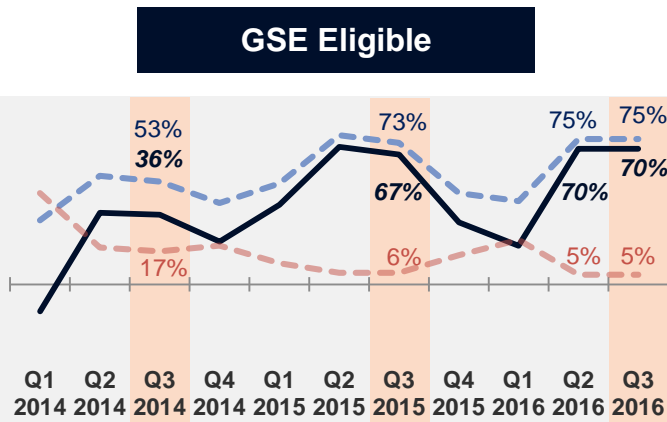
Purchase Mortgage Demand

The share of lenders reporting net demand growth for purchase mortgages over the prior three months is similar to this time last year (Q3 2015), across all loan types. Net demand growth expectations for the next three months also remain near levels seen a year ago.



Past 3 Months

Next 3 Months



Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown

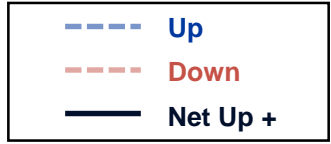
* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)

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



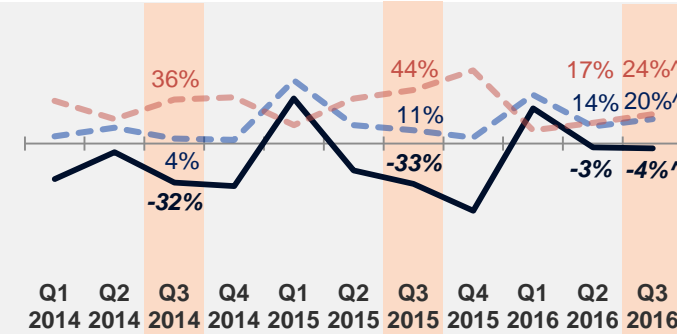
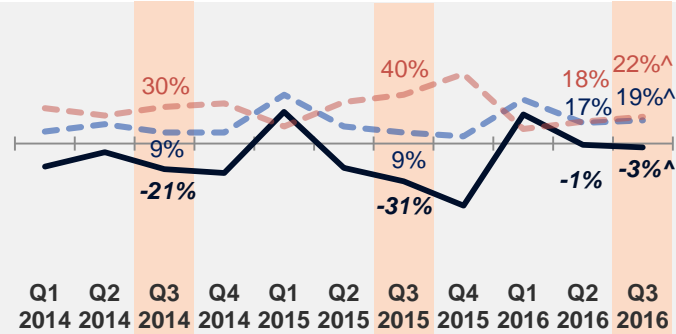
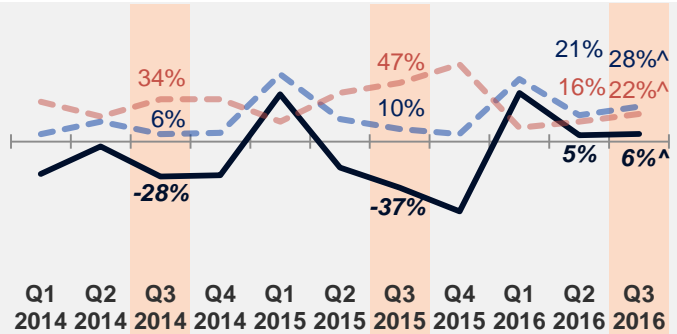
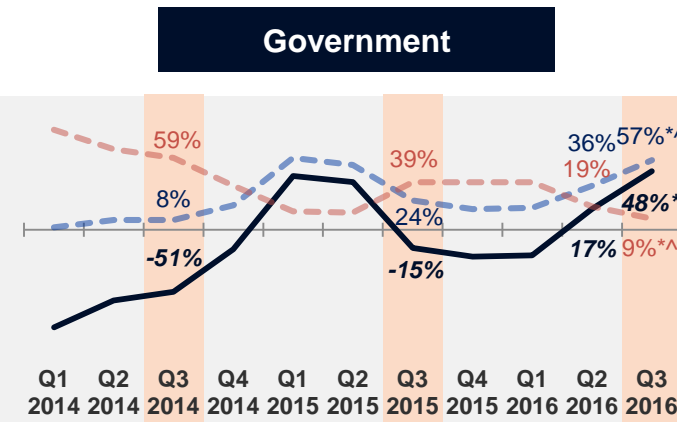
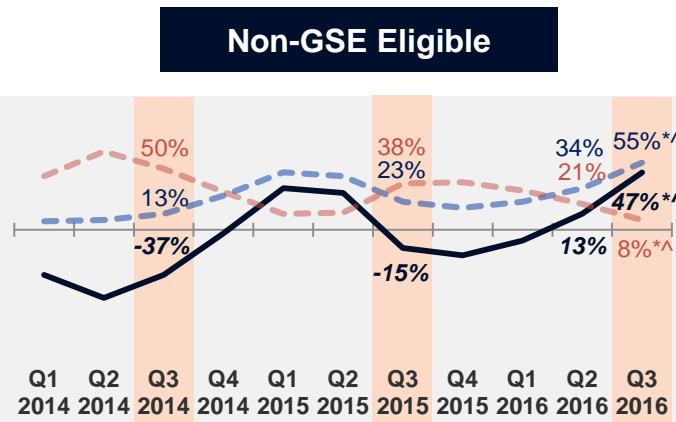
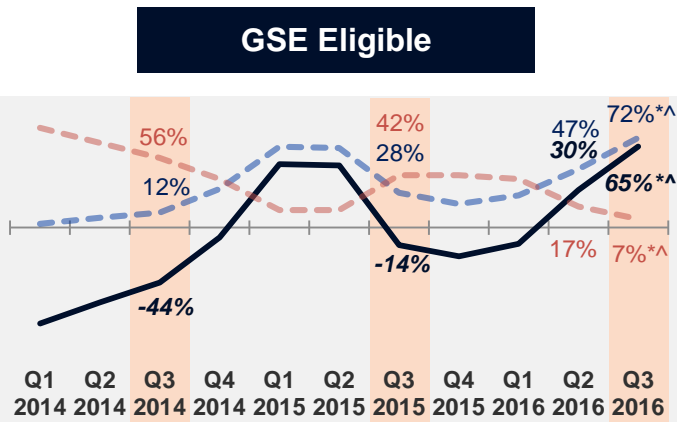
Refinance Mortgage Demand

The share of lenders reporting net demand growth over the prior three months for refinance mortgages has gradually trended up this year across all loan types, reaching a survey high this quarter, likely driven by further mortgage rate falling after Brexit. Lenders' expectations for the next three months remain flat since last quarter.



Past 3 Months

Next 3 Months



Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)

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? "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 refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat



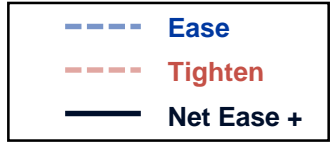
Credit Standards

- Lenders continue to report modest net easing of credit standards across all loan types for the prior three months. However, the share of lenders reporting net easing has gradually trended down, after reaching its survey high one year ago (Q3 2015).
- Lenders continue to report modest net easing expectations across all loan types for the next three months. However, the share of lenders reporting net easing has gradually ticked downward since Q4 2015.



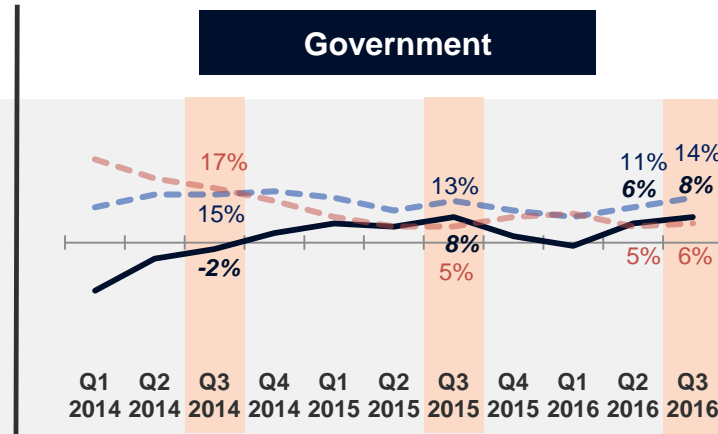
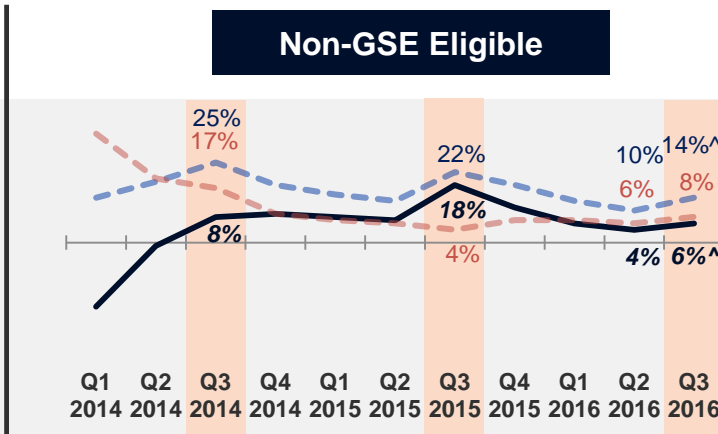
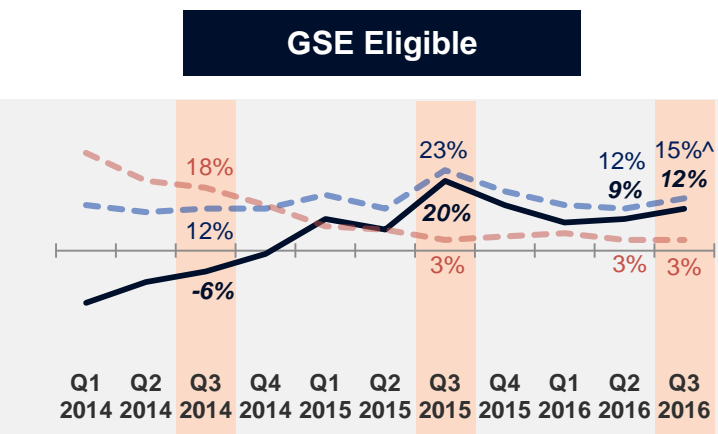
Credit Standards

Lenders continue to report modest easing of credit standards for the prior three months, but the share of lenders reporting net easing has gradually trended down, after reaching its survey high one year ago (Q3 2015). Lenders continue to report modest net easing expectations for the next three months, but net easing expectations have gradually ticked downward since Q4 2015.



Past 3 Months

Next 3 Months



Net Ease += % of lenders saying ease minus % of lenders saying tighten
 The % saying "remain unchanged" is not shown

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)

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



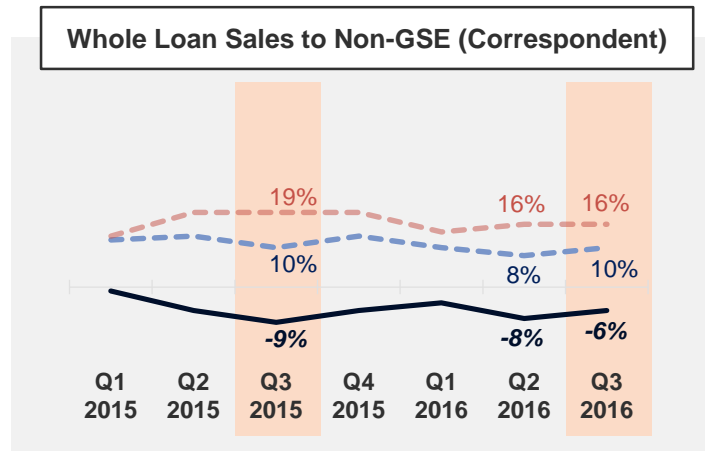
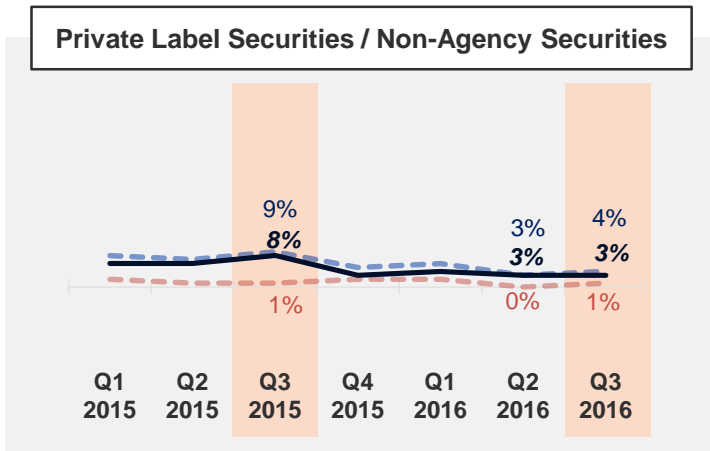
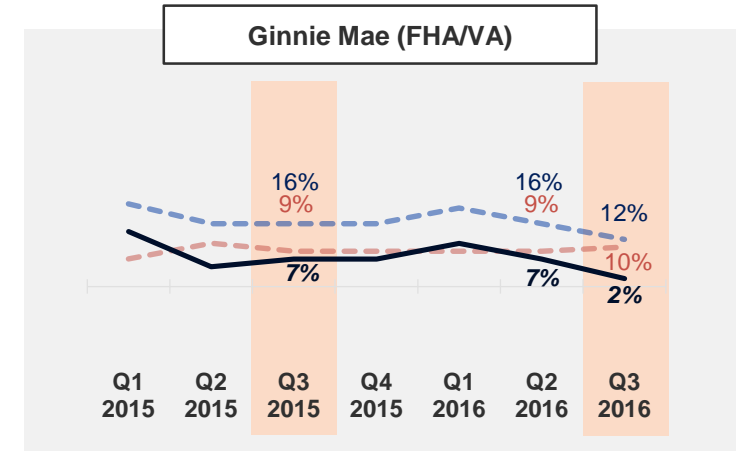
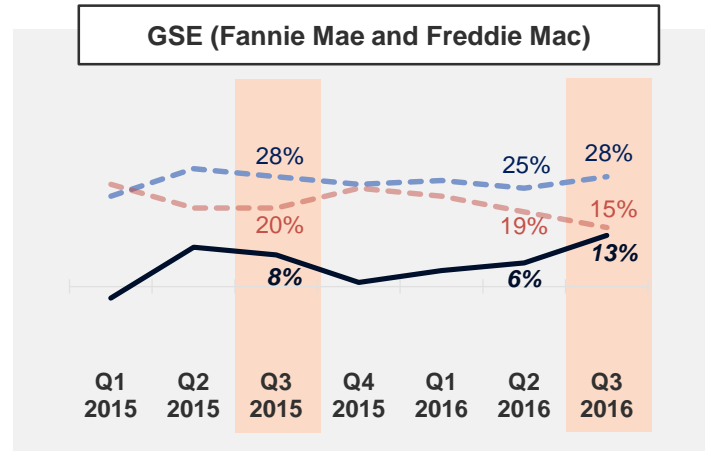
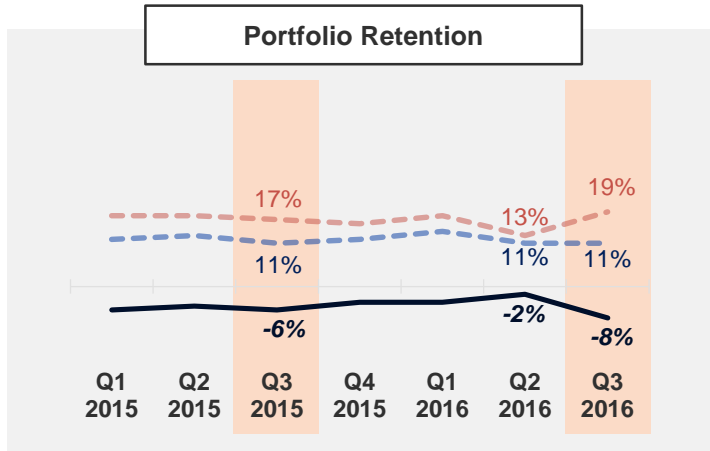
Mortgage Execution Outlook

- This quarter, more lenders reported expectations to grow GSE (Fannie Mae and Freddie Mac) shares and reduce portfolio retention shares.



Mortgage Execution Outlook – Over Next 12 Months

More lenders reported expectations to grow GSE (Fannie Mae and Freddie Mac) shares and shrink portfolio retention shares.



Net Increase + = % of lenders saying increase minus % of lenders saying decrease
 The % saying "about the same" is not shown

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?

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



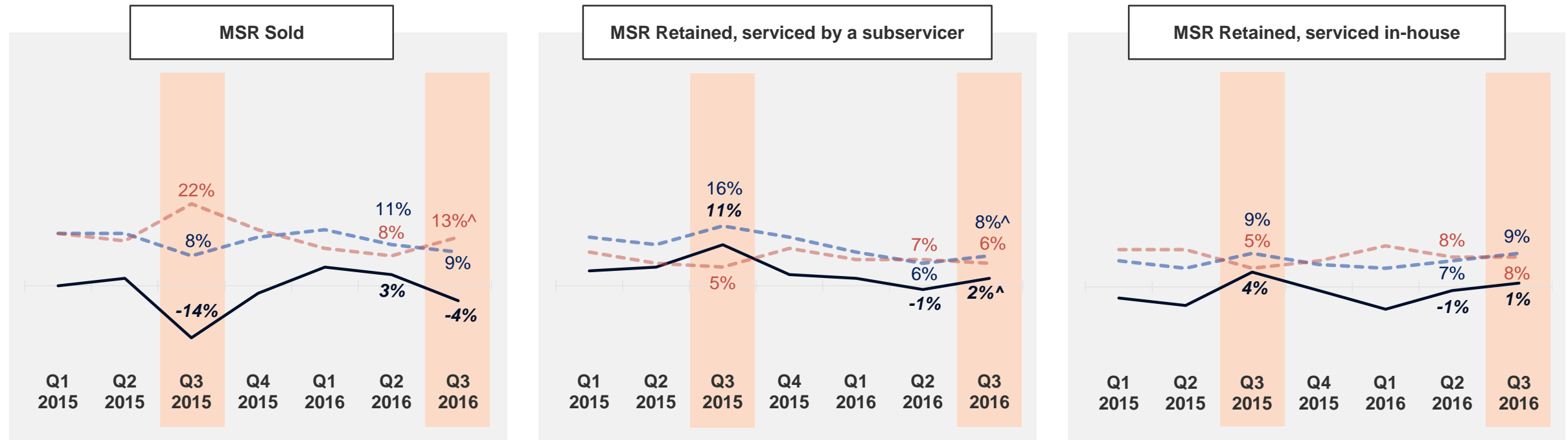
Mortgage Servicing Rights (MSR) Execution Outlook

- Reversing the trend seen so far this year, this quarter, more lenders reported expectations to decrease their share of MSR sold and increase the share of MSR retained.



Mortgage Servicing Rights Execution Outlook

Reversing the trend seen so far this year, this quarter, more lenders reported expectations to decrease their share of MSR sold and increase the share of MSR retained.



- - - Increase
 - - - Decrease
 — Net Increase +

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?

Net Increase + = % of lenders saying increase minus % of lenders saying decrease
 The % saying "about the same" is not shown

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



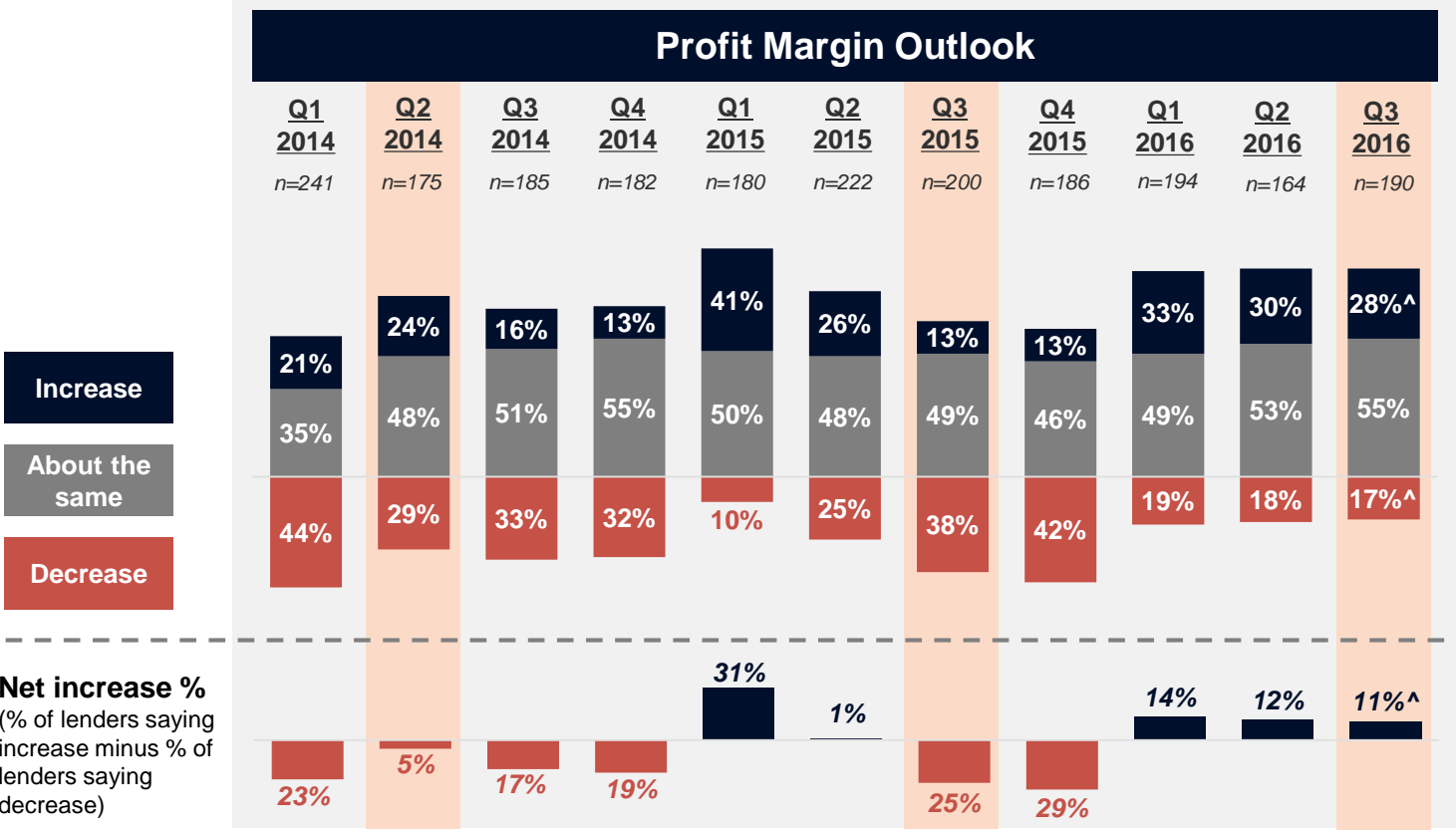
Profit Margin Outlook

- Lenders reported a net positive profit margin outlook for a third-straight quarter, and a significant increase from this time last year (Q3 2015).
 - The largest year-over-year increases in net profit margin outlook were seen among smaller institutions and credit unions (see Appendix for results by institution size and institution type).
- Lenders expecting increased profit margins cite higher operational efficiency and rising consumer demand as the key reasons, while those reporting lower profit margin outlook point primarily to market competition and regulatory compliance.
 - The share of lenders citing government regulatory compliance as one of the top two reasons for their decreased profit margin outlook has reduced to 39%, from 67% last quarter and 61% the same quarter last year, reaching a survey low.



Lenders' Profit Margin Outlook – Next 3 Months

Lenders reported a net positive profit margin outlook for a third-straight quarter, and a significant increase from this time last year (Q3 2015). Lenders expecting increased profit margins cite higher operational efficiency and rising consumer demand as the key reasons, while those reporting lower profit outlook point primarily to market competition and regulatory compliance.



Key Reasons for Expected Increase – Q3 2016

Operational efficiency (i.e. technology)	54%
Consumer demand	49%
Market trend changes (i.e. shift from refinance to purchase)	27%
GSE pricing and policies	17%
Staffing (personnel costs) reduction	14%

Showing data for selected answer choices only. n=54

Key Reasons for Expected Decrease – Q3 2016

Competition from other lenders	46%
Government regulatory compliance	39%
Staffing (personnel costs)	31%
Market trend changes (i.e. shift from refinance to purchase)	23%
Consumer demand	21%

Showing data for selected answer choices only. n=33

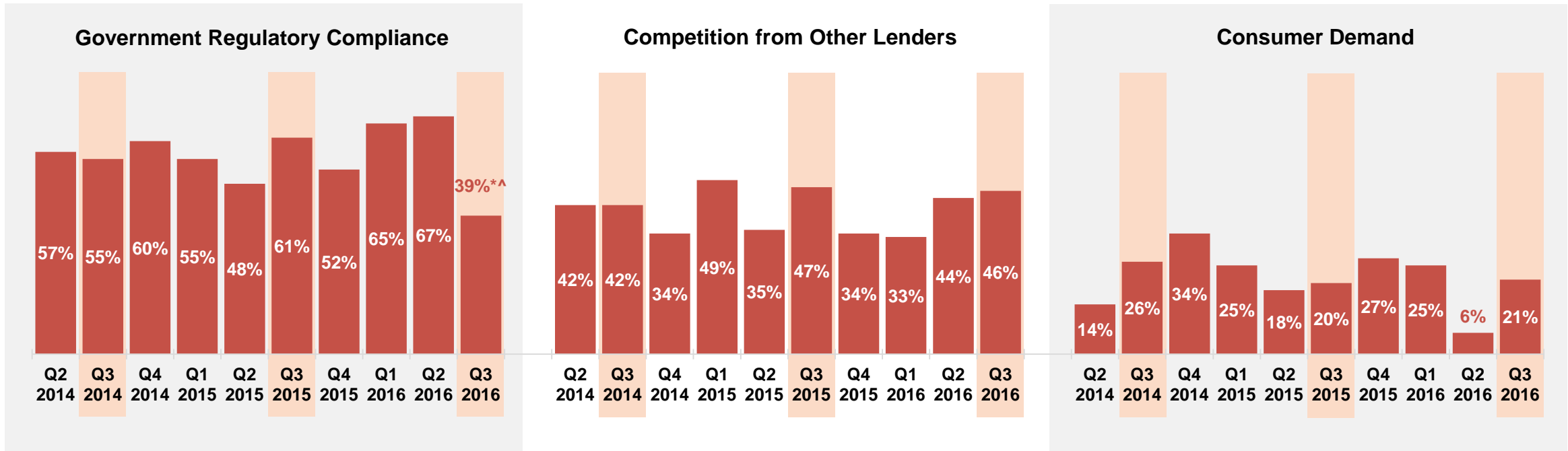
Q: Over the next three months, how much do you expect your firm's profit margin to change for its single-family mortgage production? [Showing: (Substantially Increase (25+ basis points) + Moderately Increase (5 - 25 basis points)), About the same (0 - 5 basis points), (Moderately Decrease (5 - 25 basis 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 compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Decreased Profit Margin Outlook – Top Drivers

The share of lenders citing government regulatory compliance as one of the top two reasons for their decreased profit margin outlook has reduced to 39%, from 67% last quarter and 61% the same quarter last year, reaching a survey low.



Q: 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. (Showing % rank 1 + 2)
 Total: Q2 2014: N=50; Q3 2014: N=57; Q4 2014: N=56; Q1 2015: N=16; Q2 2015: N=52; Q3 2015: N=74; Q4 2015: N=76; Q1 2016: N=35; Q2 2016: N=29; Q3 2016: N=33

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
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Appendix

Survey Methodology Details



Mortgage Lender Sentiment Survey®

Background

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

Survey Methodology

- A quarterly, 10-15 minute online survey among senior executives, such as CEOs and CFOs, of Fannie Mae's lending institution partners.
- To ensure that the survey results represent the behavior and output of organizations rather than individuals, the Fannie Mae Mortgage Lender Sentiment Survey is structured and conducted as an establishment survey.
- Each respondent is asked 40-75 questions.

Sample Design

- Each quarter, a random selection of approximately 3,000 senior executives among Fannie Mae's approved lenders are invited to participate in the study.

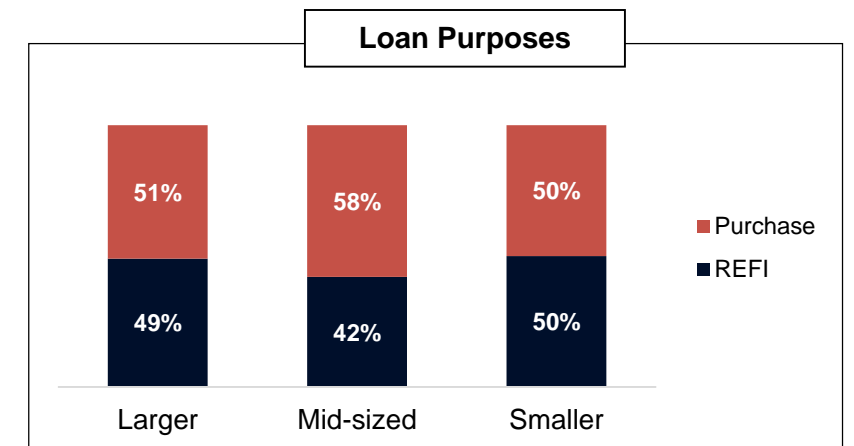
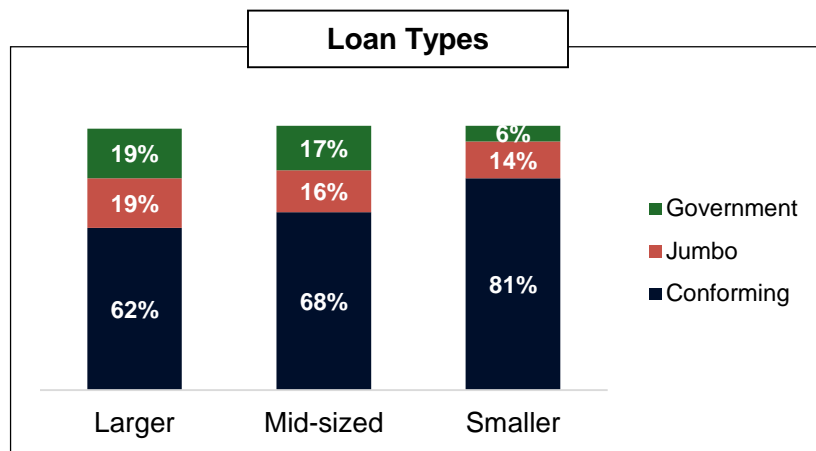
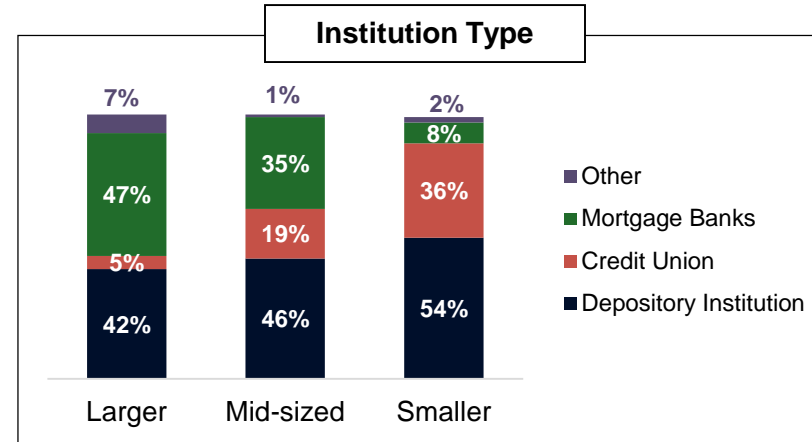
Data Weighting

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



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 2015. Institutions were divided into three groups based on their 2015 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		Q2 2015		Q3 2015		Q4 2015		Q1 2016		Q2 2016		Q3 2016	
		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	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	Sample Size	Margin of Error
Total Lending Institutions		247	±5.65%	186	±6.69%	196	±6.48%	192	±6.56%	197	±6.51%	238	±6.22%	209	±6.30%	194	±6.58%	205	±6.72%	169	± 7.12%	200	± 6.47%
Loan Origination Volume Groups	Larger Institutions	46	±12.77%	47	±12.60%	50	±12.10%	49	±12.11%	58	±11.11%	55	±12.91%	55	±11.64%	59	±11.03%	57	±12.64%	57	±11.28%	70	± 9.82%
	Mid-sized Institutions	51	±12.41%	50	±12.56%	55	±11.84%	56	±11.70%	50	±12.68%	68	±11.55%	83	±9.39%	59	±11.48%	68	±11.53%	54	±12.13%	59	± 11.50%
	Smaller Institutions	150	±7.31%	89	±9.86%	91	±9.74%	87	±9.98%	89	±9.91%	115	±8.97%	71	±11.21%	76	±10.81%	80	±10.82%	58	±12.50%	71	± 11.22%
Institution Type	Mortgage Banks	38	±14.61%	47	±12.84%	57	±11.34%	48	±12.66%	53	±12.07%	71	±11.22%	78	±9.53%	71	±10.15%	63	±11.96%	65	±10.78%	65	± 10.79%
	Depository Institutions	121	±8.14%	84	±10.07%	75	±10.73%	83	±10.13%	95	±9.43%	105	±9.39%	81	±10.31%	75	±10.76%	88	±10.29%	63	±11.84%	79	± 10.46%
	Credit Unions	72	±10.39%	50	±12.91%	52	±12.62%	49	±13.07%	40	±14.77%	52	±13.35%	43	±14.18%	39	±14.98%	47	±14.07%	34	±16.16%	49	± 13.21%

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
 Q2 was fielded between May 6, 2015 and May 17, 2015
 Q3 was fielded between August 5, 2015 and August 17, 2015
 Q4 was fielded between November 4, 2015 and November 16, 2015

2016

Q1 was fielded between February 3, 2016 and February 16, 2016
 Q2 was fielded between May 4, 2016 and May 16, 2016
 Q3 was fielded between August 3, 2016 and August 15, 2016



2016 Q3 Cross-Subgroup Sample Sizes

	Total	Larger Lenders	Mid-Sized Lenders	Smaller Lenders
Total	200	70	59	71
Mortgage Banks (non-depository)	65	31	28	6
Depository Institutions	79	29	20	30
Credit Unions	49	6	10	33



2016 Q3 Sample Sizes: Consumer Demand

	Past 3 Months			Next 3 Months		
	GSE Eligible	Non-GSE Eligible	Government	GSE Eligible	Non-GSE Eligible	Government
Total Lending Institutions	194	176	153	194	179	154
Larger Institutions	68	62	62	68	65	63
Mid-sized Institutions	57	51	49	57	51	49
Smaller Institutions	69	63	42	69	63	42

	Past 3 Months			Next 3 Months		
	GSE Eligible	Non-GSE Eligible	Government	GSE Eligible	Non-GSE Eligible	Government
Total Lending Institutions	190	172	148	191	174	148
Larger Institutions	66	60	61	66	62	61
Mid-sized Institutions	56	50	47	56	50	47
Smaller Institutions	68	62	40	69	62	40



2016 Q3 Sample Sizes: Credit Standards

	Past 3 Months			Next 3 Months		
	GSE Eligible	Non-GSE Eligible	Government	GSE Eligible	Non-GSE Eligible	Government
Total Lending Institutions	196	181	155	197	181	155
Larger Institutions	69	67	65	70	67	65
Mid-sized Institutions	58	50	49	58	50	49
Smaller Institutions	69	64	41	69	64	41

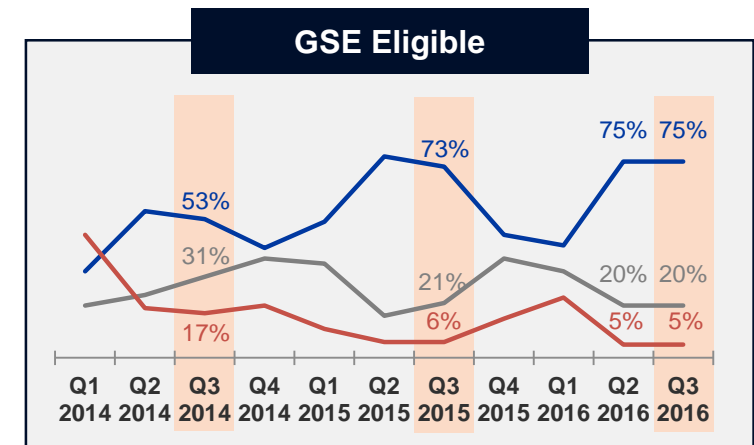


Calculation of the “Total”

The “Total” data presented in this report is an average of the means of the three loan origination volume groups (see an illustrated example below). Please note that percentages are based on the number of financial institutions that gave responses other than “Not Applicable.” Percentages may add to under or over 100% due to rounding.

Example:

Over the past three months, apart from normal seasonal variation, did your firm’s consumer demand for single-family <u>purchase</u> mortgages go up, go down, or stay the same? GSE Eligible (Q3 2016)	Larger Institutions	Mid-sized Institutions	Smaller Institutions	Q2 “Total”
Go up	72%	85%	68%	75% [(72% + 85% + 68%)/3]
Stayed the same	23%	11%	25%	20%
Go down	4%	4%	7%	5%





Appendix

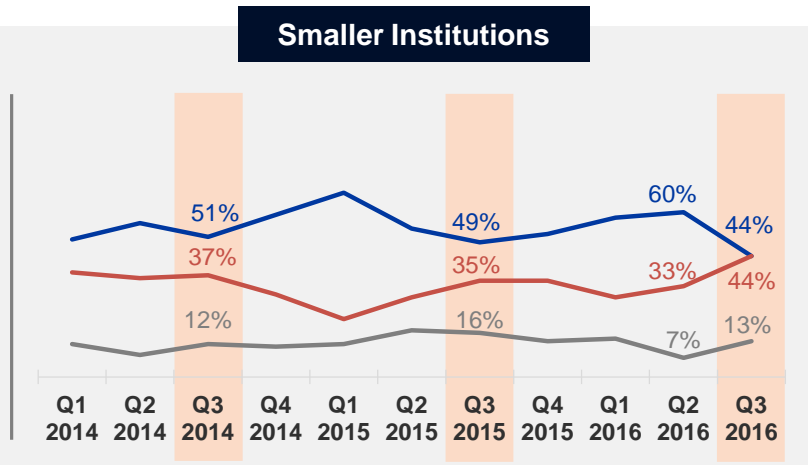
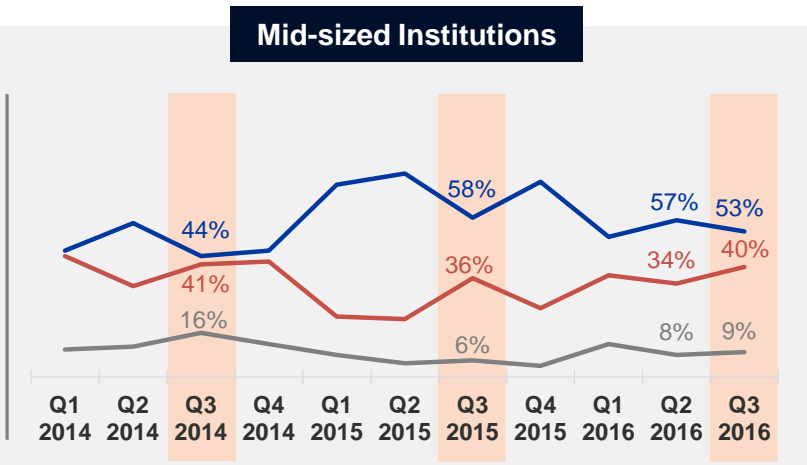
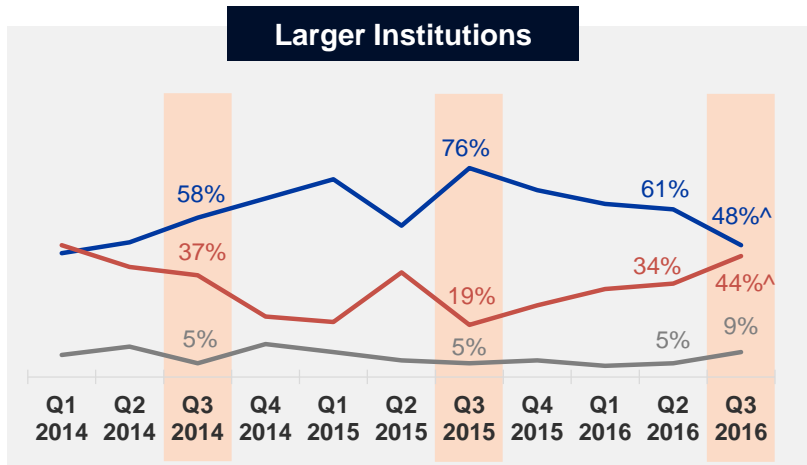
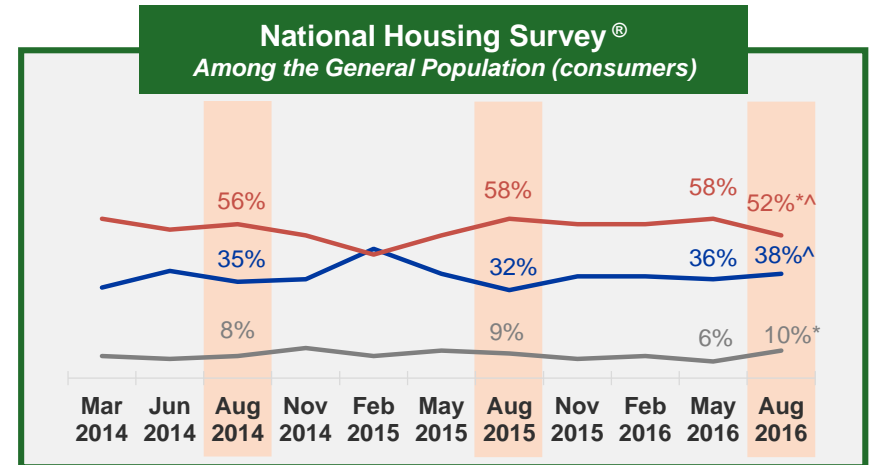
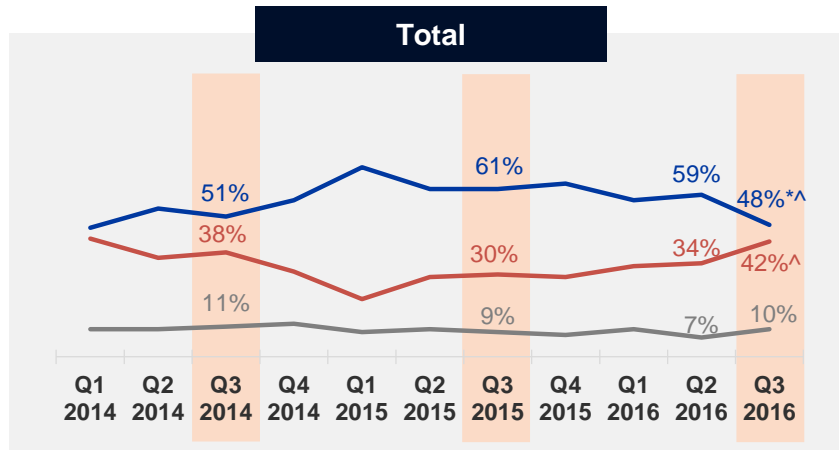
Economic and Housing Sentiment



U.S. Economy Overall

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 compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)

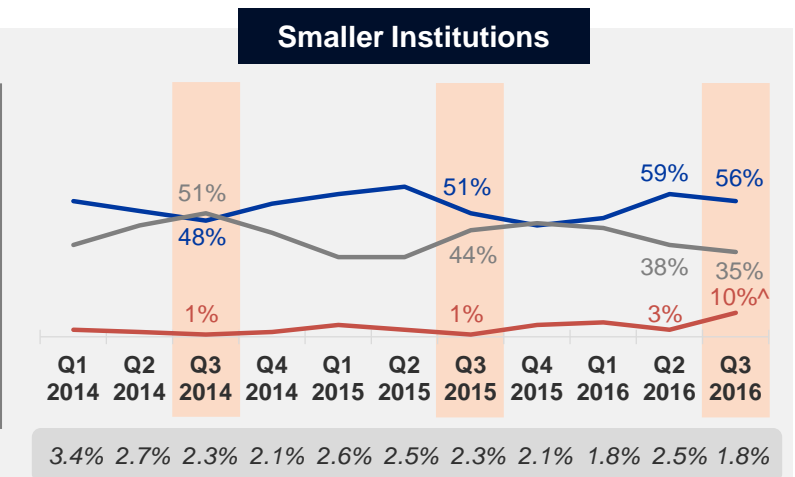
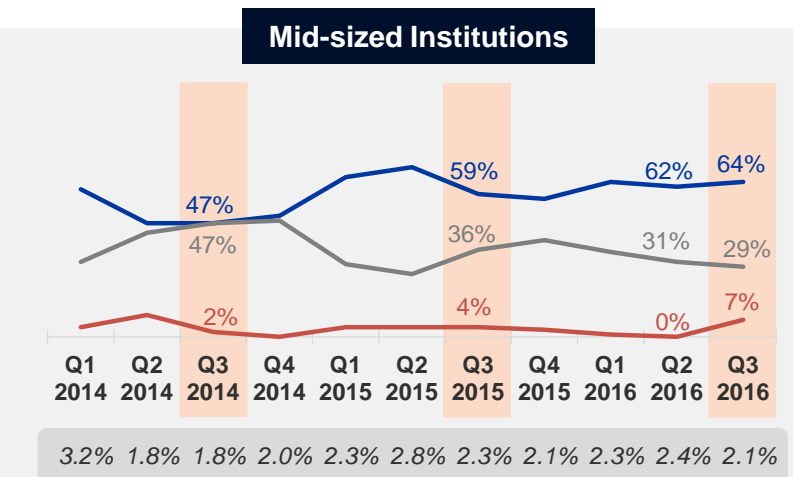
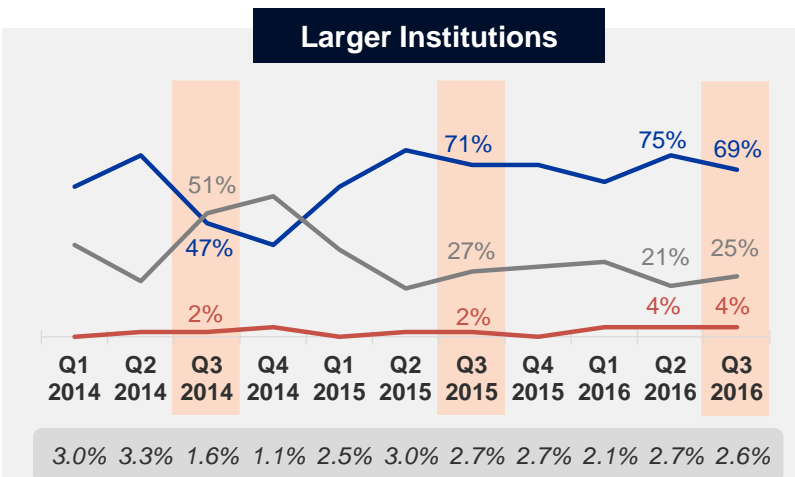
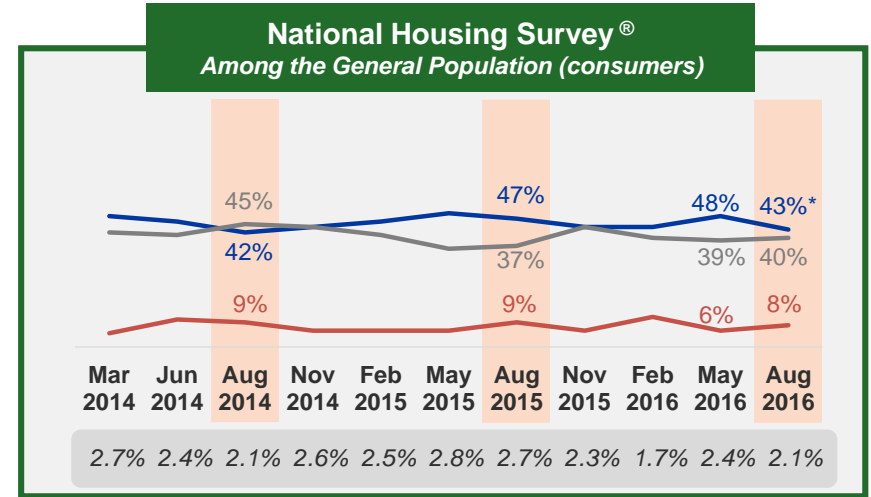
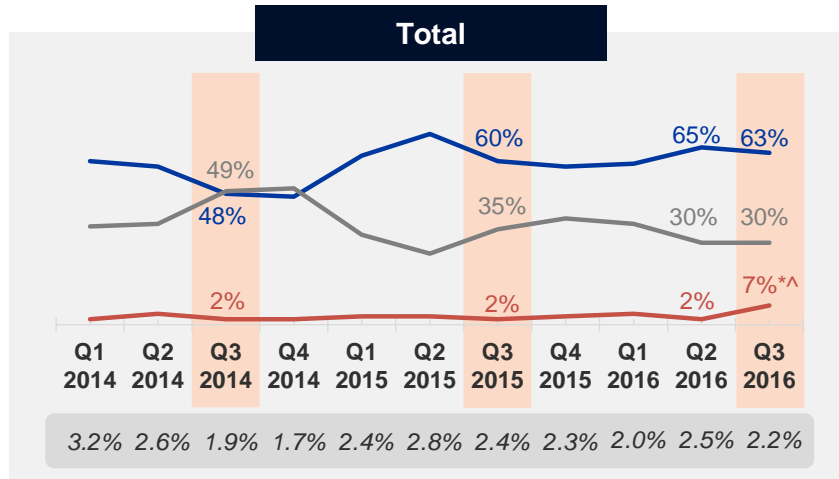


Home Prices – Next 12 Months

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?

- Go Up
- Stay the Same
- Go Down

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?



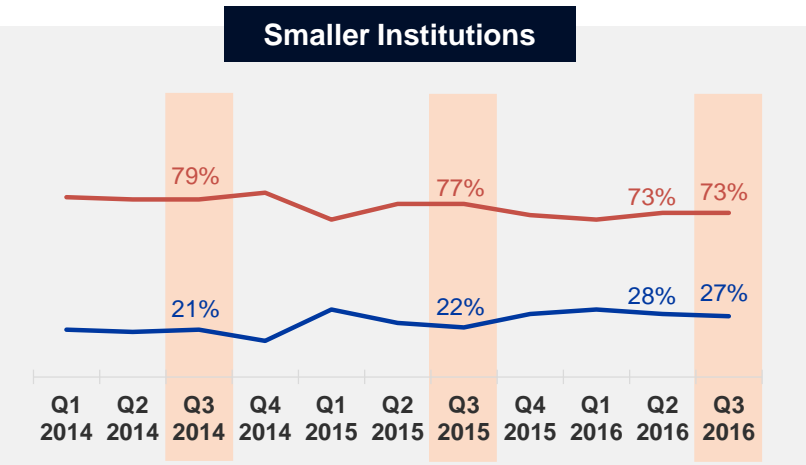
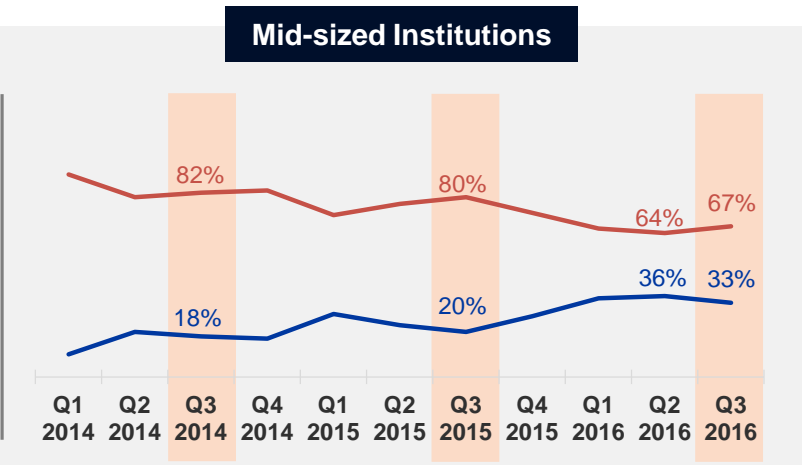
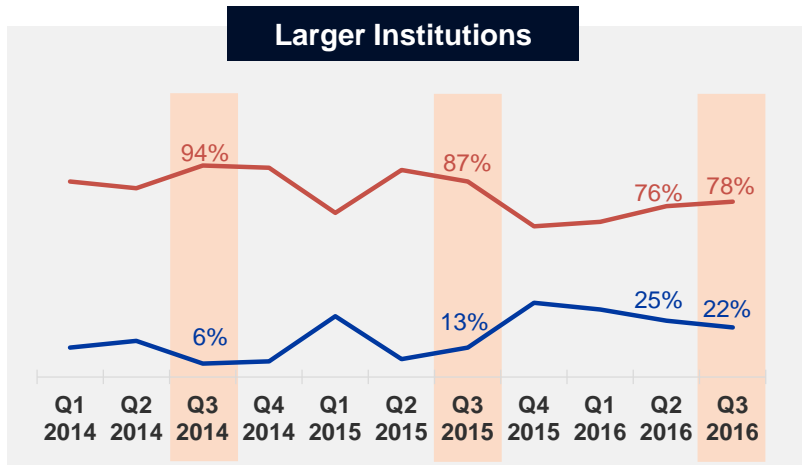
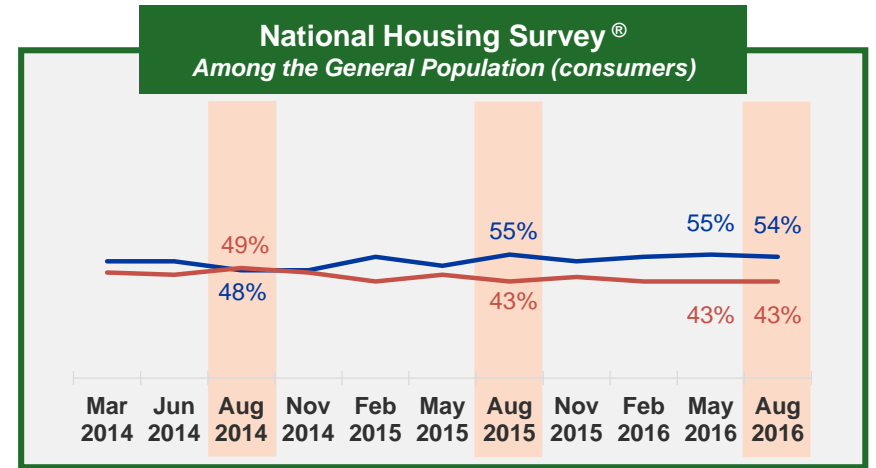
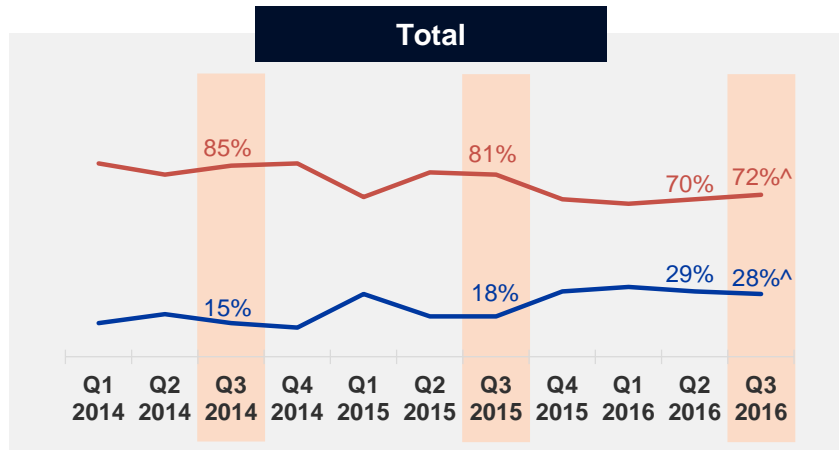
* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Difficulty 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**
(Very easy + Somewhat easy)
- Difficult**
(Very difficult + Somewhat difficult)



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[^] Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



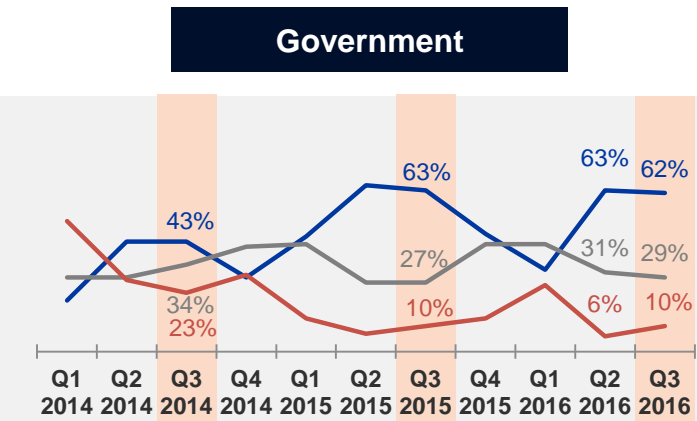
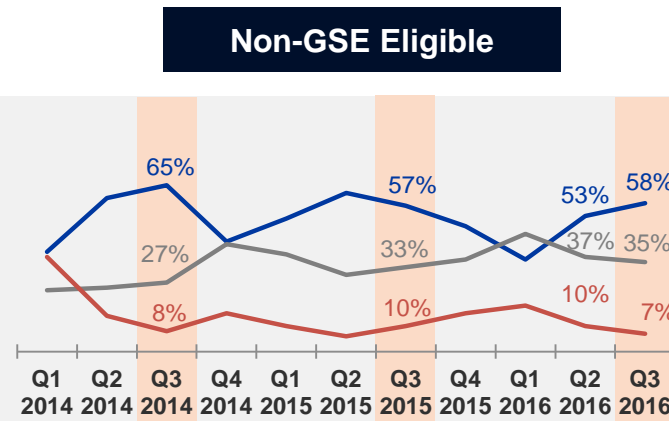
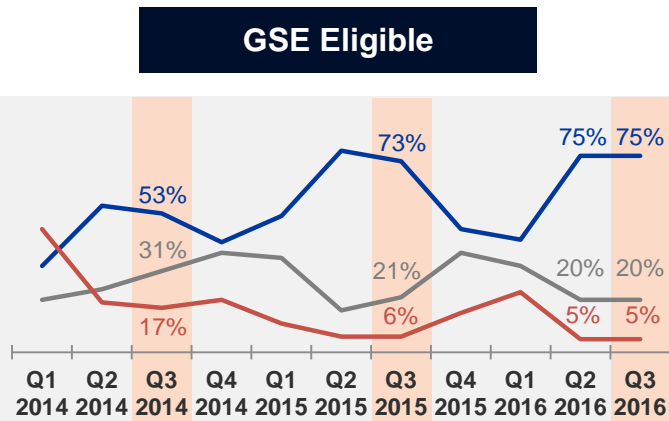
Appendix

Consumer Demand (Purchase Mortgages)

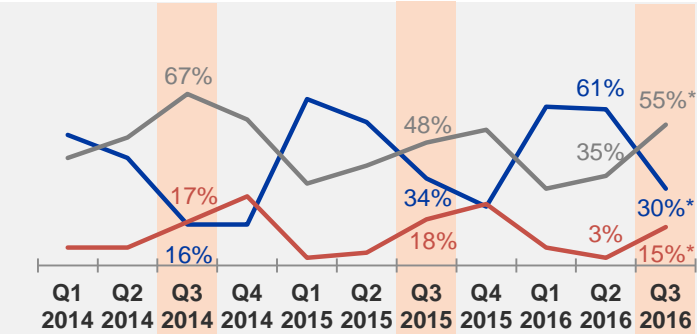
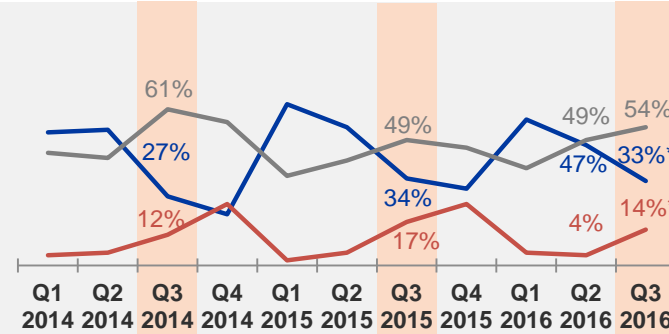
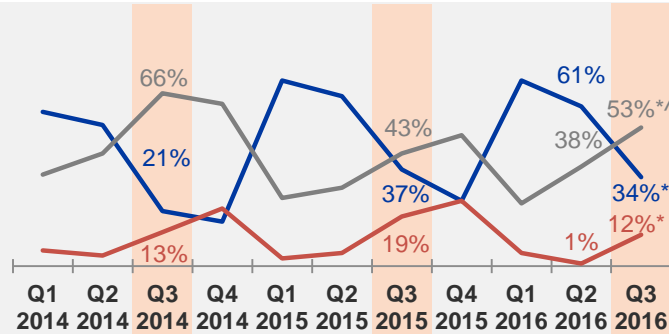


Purchase Mortgage Demand

Past 3 Months



Next 3 Months



— Up
— The same
— Down

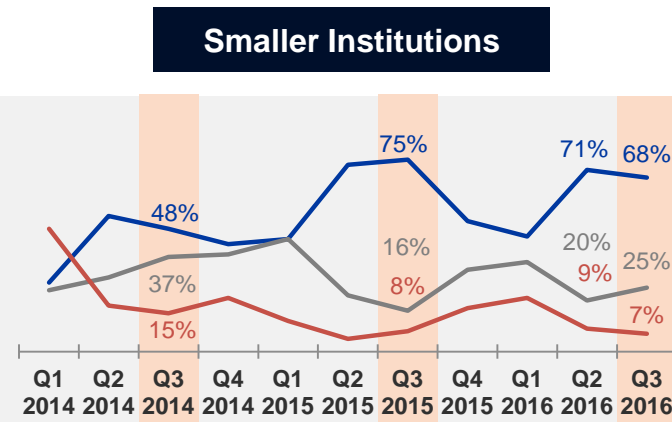
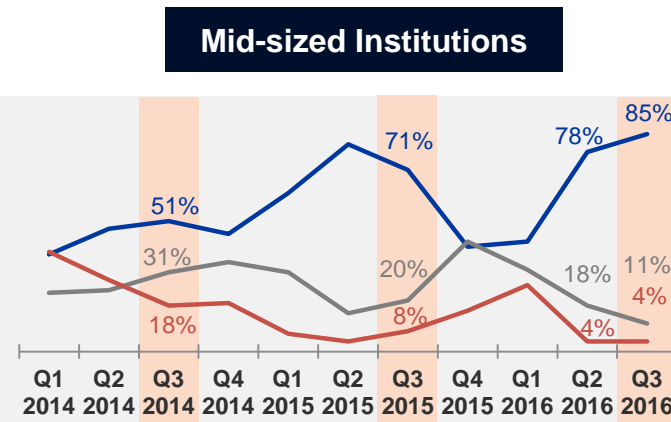
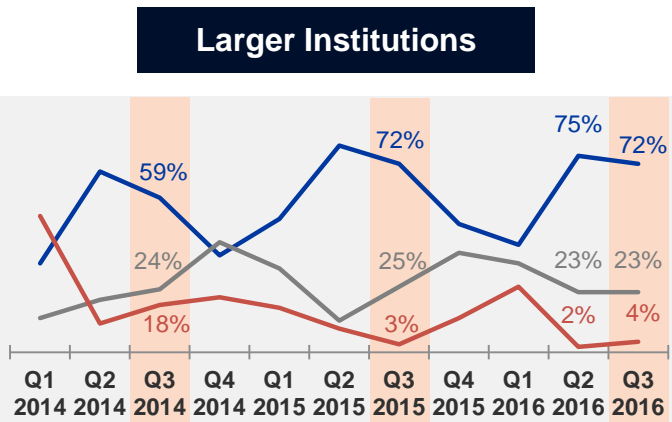
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months,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

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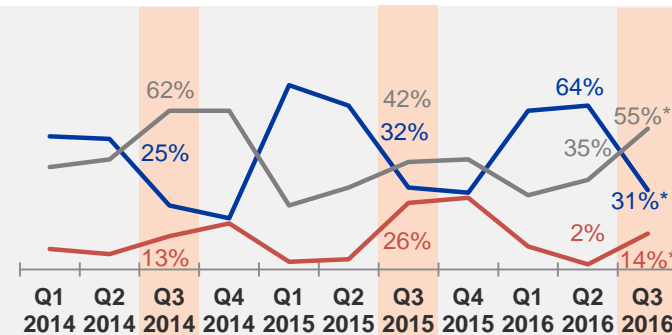
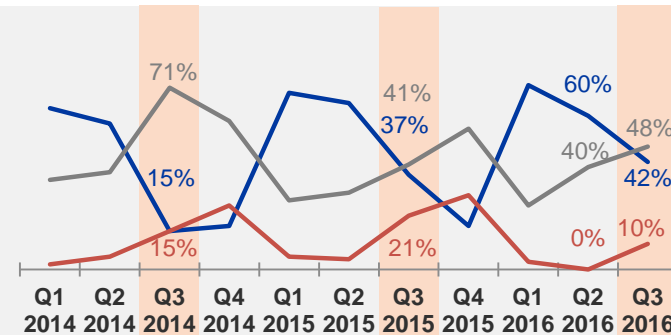
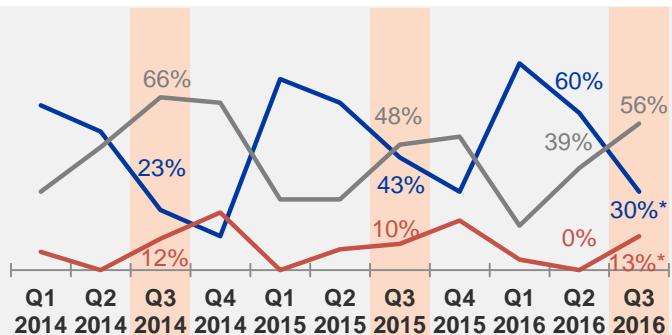


Purchase Mortgage Demand: GSE Eligible (by institution size)

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

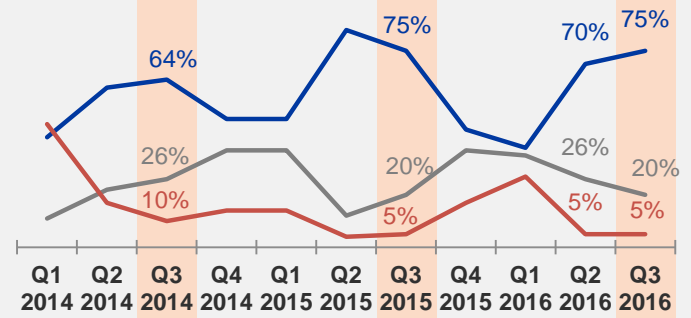
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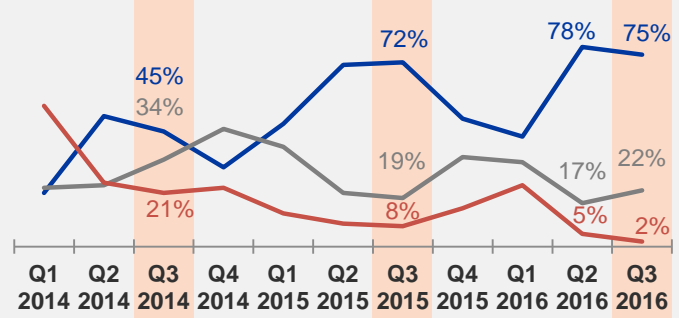
Purchase Mortgage Demand: GSE Eligible (by institution type)

Past 3 Months

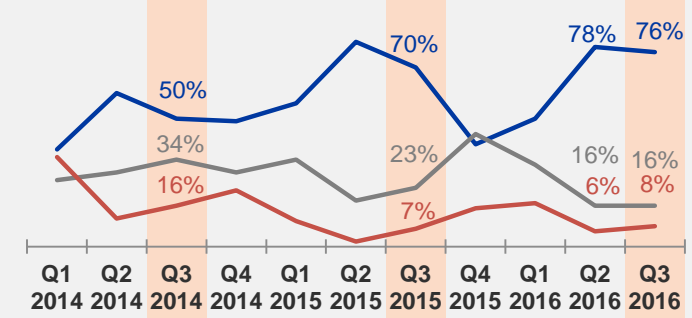
Mortgage Banks



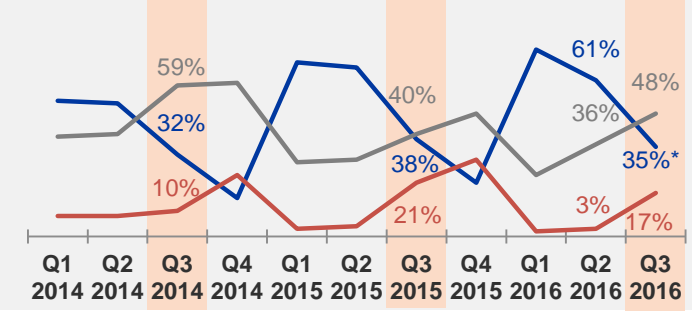
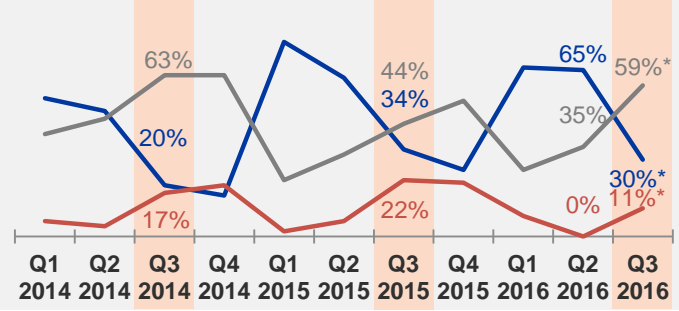
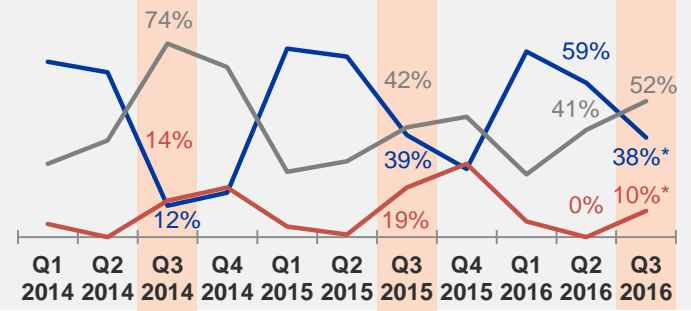
Depository Institutions



Credit Unions



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

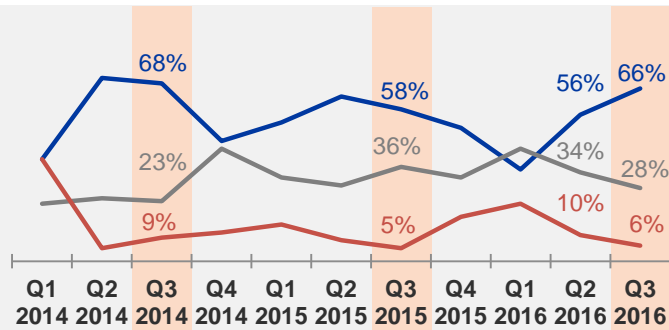
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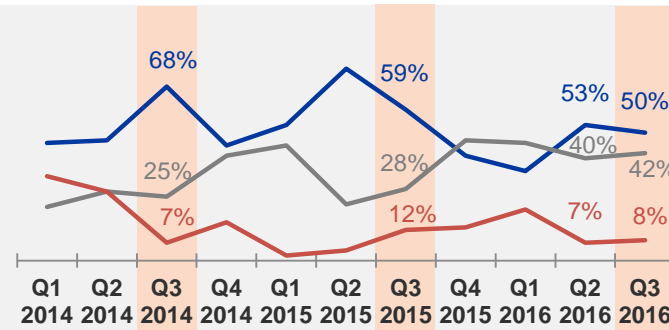
Purchase Mortgage Demand: Non-GSE Eligible (by institution size)

Past 3 Months

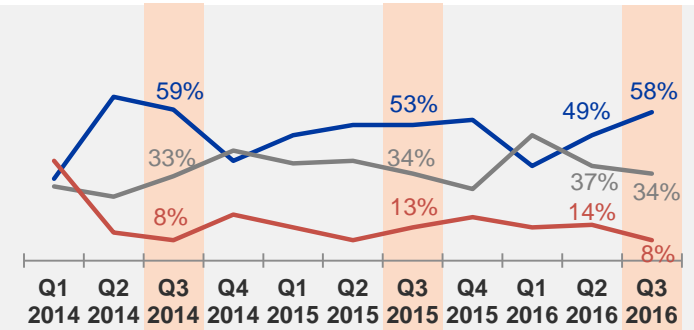
Larger Institutions



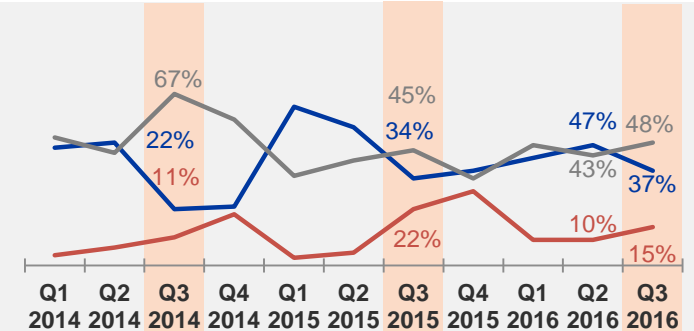
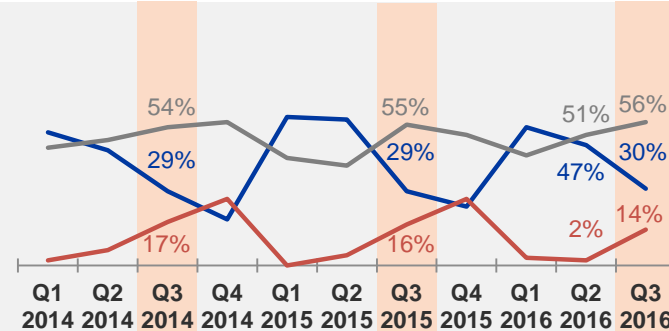
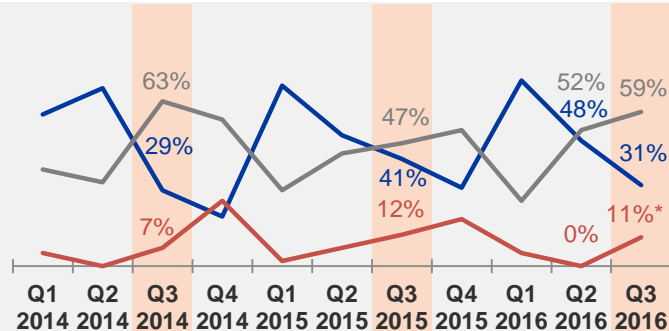
Mid-sized Institutions



Smaller Institutions



Next 3 Months



- Up
- The same
- Down

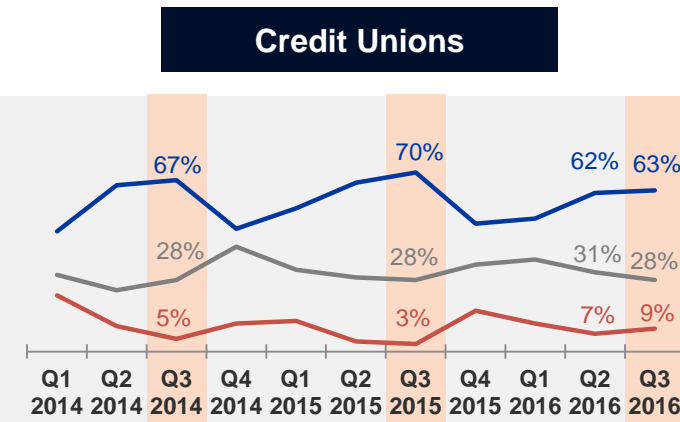
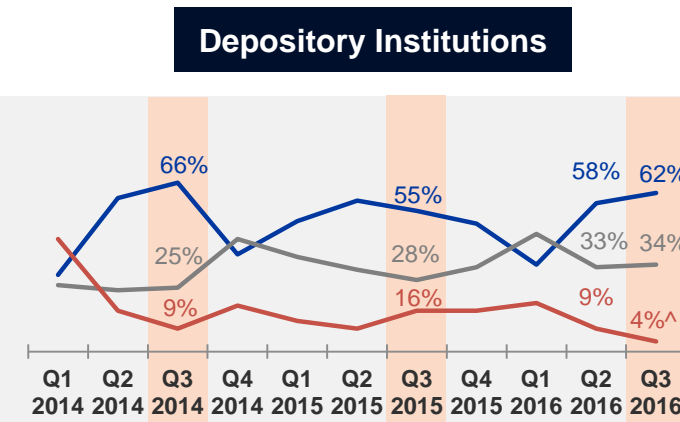
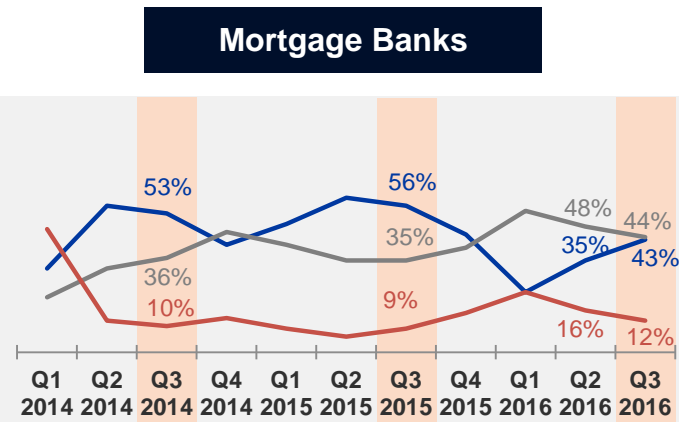
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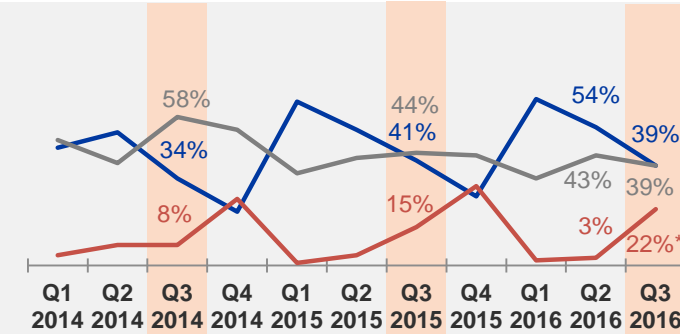
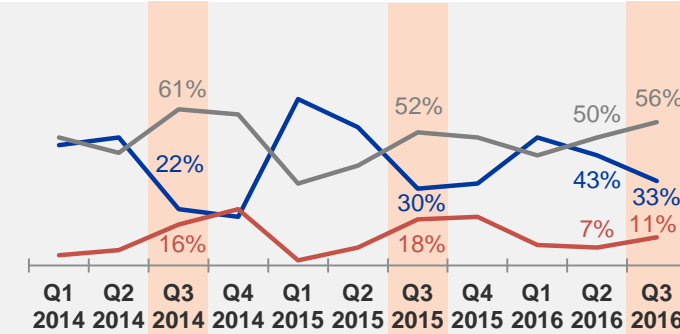
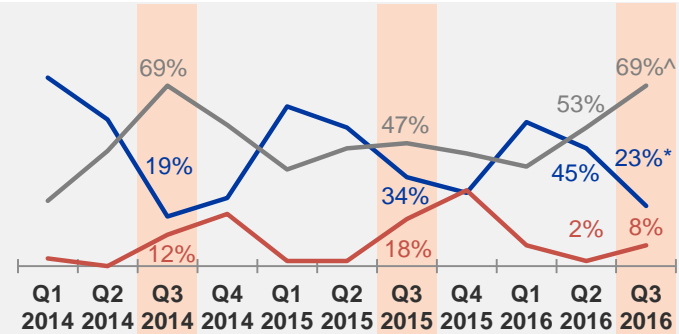


Purchase Mortgage Demand: Non-GSE Eligible (by institution type)

Past 3 Months



Next 3 Months



— Up
— The same
— Down

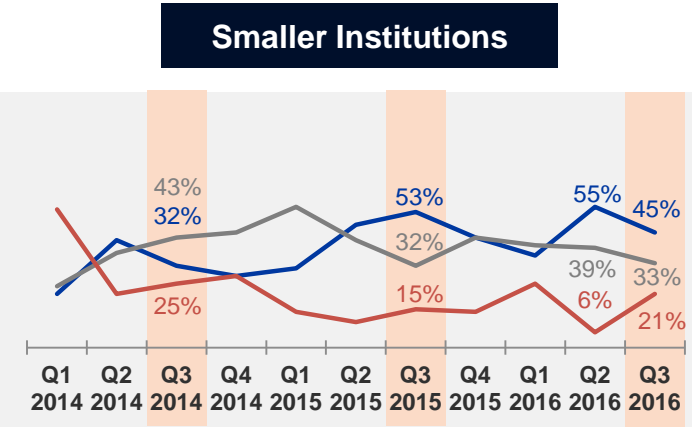
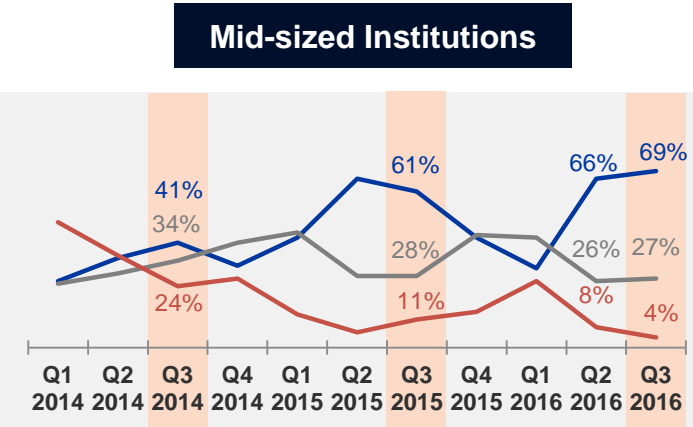
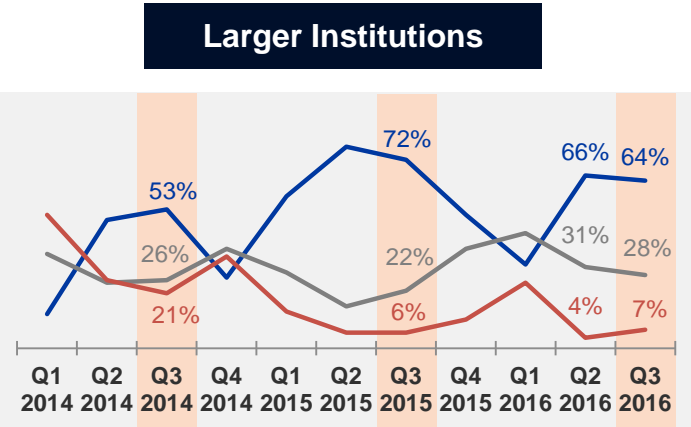
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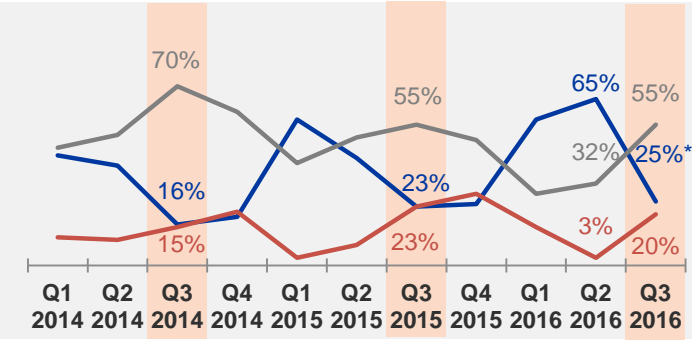
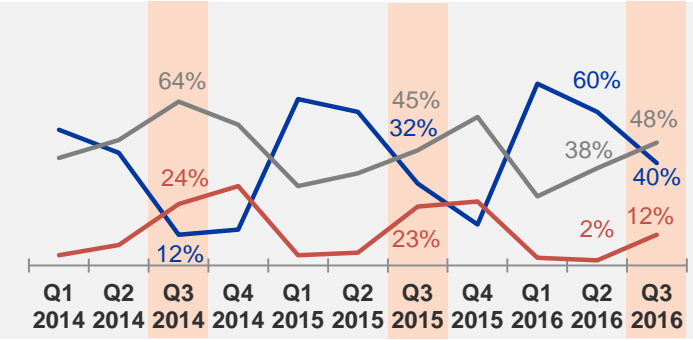
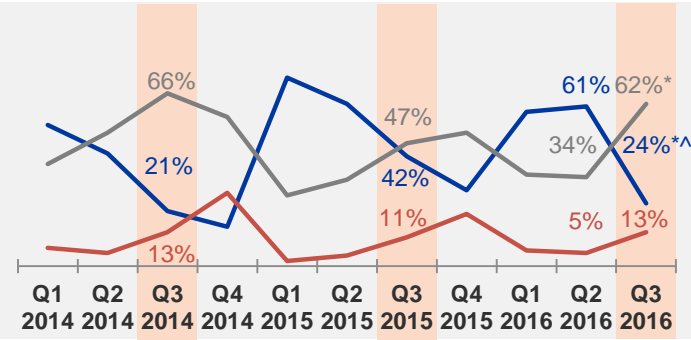


Purchase Mortgage Demand: Government (by institution size)

Past 3 Months



Next 3 Months



— Up
— The same
— Down

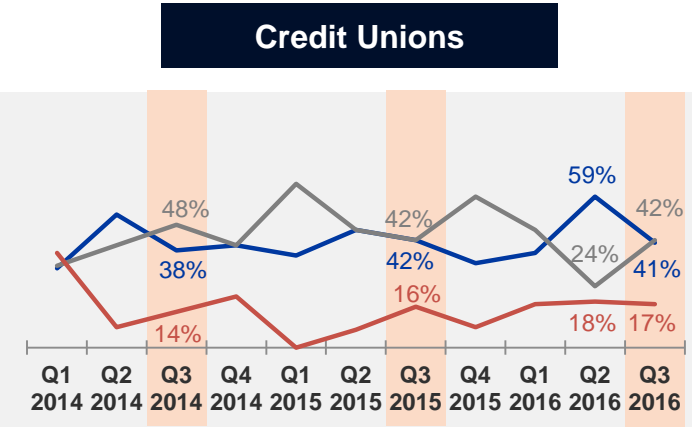
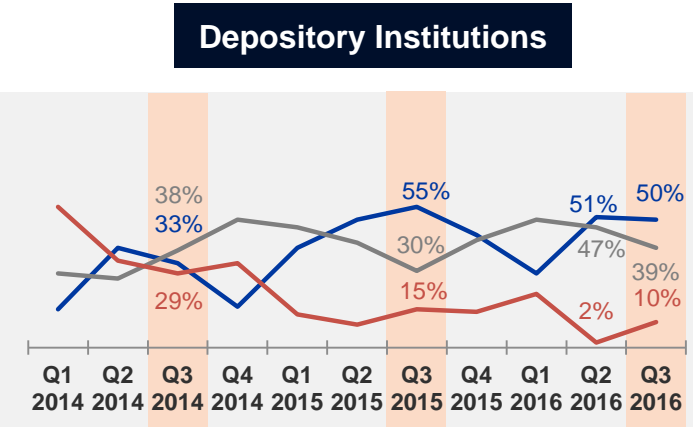
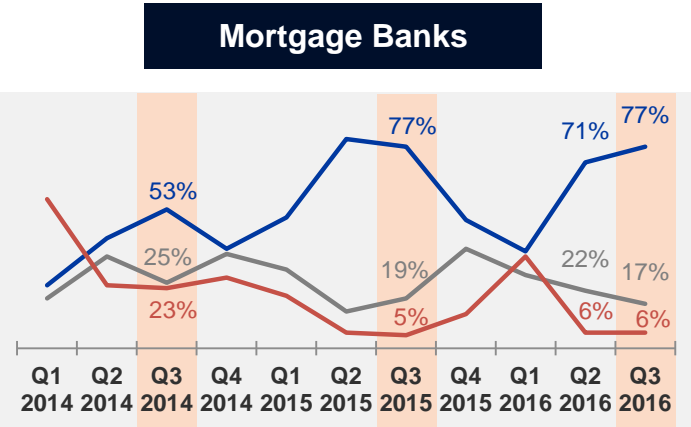
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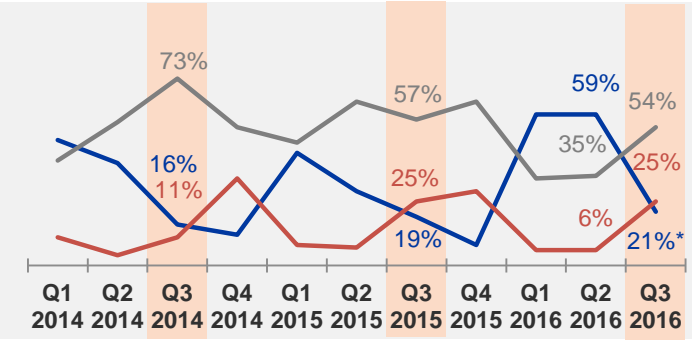
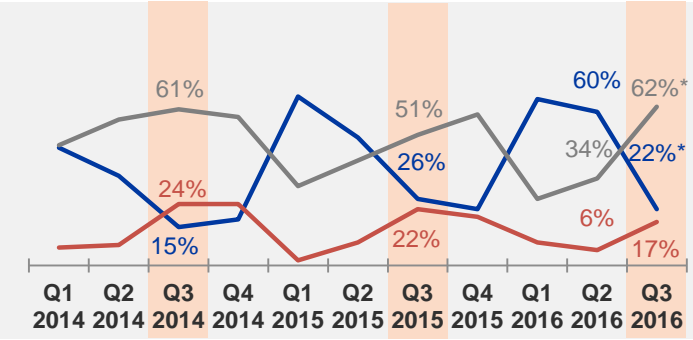
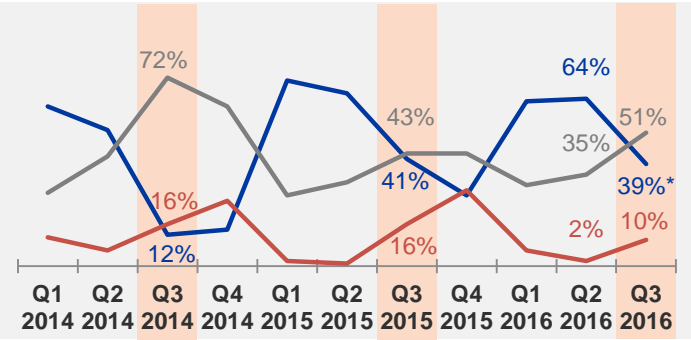


Purchase Mortgage Demand: Government (by institution type)

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 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

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Purchase Mortgage Demand: Drivers of Change (selected verbatim)

Past 3 Months

N=142

- Low Interest Rates
- Rising Housing Prices
- Seasonal Variation
- Economic Uncertainty

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)

“Combination of lack of quality inventory and to a lesser degree, declining confidence in economy.” – *Larger Institution*

“Not enough stability in the overall economy.” – *Mid-sized Institution*

“Uncertain economy - presidential election impact. Locally, (Houston TX) the oil industry drives the economy. When the price of oil is low, it negatively impacts the local economy.”
– *Smaller Institution*

“A combination of lower rates, more media attention driving sentiments and increase in first time homebuyer demand.” – *Larger Institution*

“The market improvement. Values increasing, consumer confidence, and low interest rates. All 3 drove our purchase business in the past 3 months.” – *Mid-sized Institution*

“Seasonal growth along with lower rates for the consumer.” – *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 (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)*
N=	66	21	24	22	
Mortgage rates are favorable	60%	52%	58%	70%	42%
Economic conditions (e.g., employment) overall are favorable	31%	35%	42%	12%	10%
There are many homes available on the market	5%	6%	0%	9%	19%
Home prices are low	1%	0%	0%	5%	18%
It is easy to qualify for a mortgage	0%	0%	0%	0%	2%

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 (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)**
N=	26	10	6	10	
Economic conditions (e.g., employment) overall are not favorable	31%	50%	31%	11%	33%
There are not many homes available on the market	30%	30%	23%	37%	2%
Home prices are high	12%	10%	15%	11%	30%
It is difficult to qualify for a mortgage	10%	10%	8%	11%	17%
Mortgage rates are not favorable	8%	0%	15%	11%	7%

*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 (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)*
N=	60	20	16	24	
Mortgage rates are favorable	52%	52%	52%	53%	42%
Economic conditions (e.g., employment) overall are favorable	34%	31%	42%	31%	10%
It is easy to qualify for a mortgage	8%	10%	6%	8%	2%
There are many homes available on the market	3%	4%	0%	4%	19%
Home prices are low	0%	0%	0%	0%	18%

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 (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)**
N=	24	7	7	10	
Economic conditions (e.g., employment) overall are not favorable	32%	64%	29%	11%	33%
There are not many homes available on the market	22%	14%	0%	47%	2%
It is difficult to qualify for a mortgage	20%	14%	36%	11%	17%
Mortgage rates are not favorable	9%	0%	14%	11%	7%
Home prices are high	7%	7%	14%	0%	30%

*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 (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)*
N=	45	15	20	10	
Mortgage rates are favorable	44%	43%	46%	38%	42%
Economic conditions (e.g., employment) overall are favorable	24%	2%	33%	33%	10%
It is easy to qualify for a mortgage	20%	41%	10%	10%	2%
Home prices are low	5%	0%	10%	0%	18%
There are many homes available on the market	3%	3%	0%	10%	19%

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 (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)**
N=	23	8	6	8	
Economic conditions (e.g., employment) overall are not favorable	35%	59%	33%	12%	33%
There are not many homes available on the market	21%	18%	17%	29%	2%
Home prices are high	15%	18%	17%	12%	30%
It is difficult to qualify for a mortgage	8%	0%	0%	24%	17%
Mortgage rates are not favorable	2%	0%	8%	0%	7%

*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

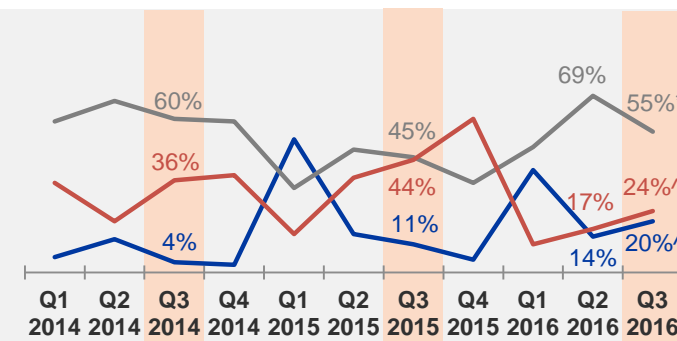
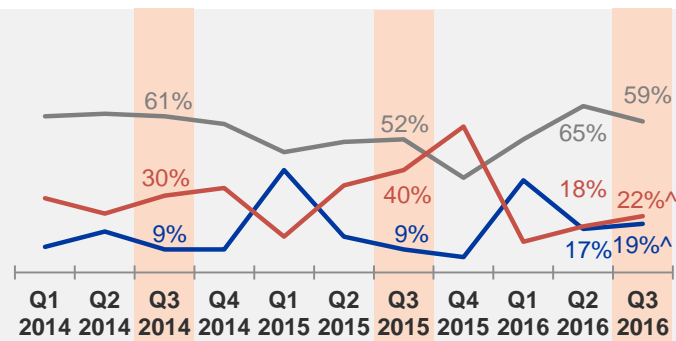
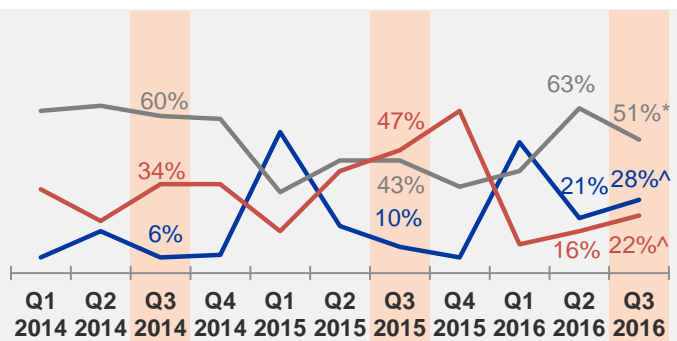
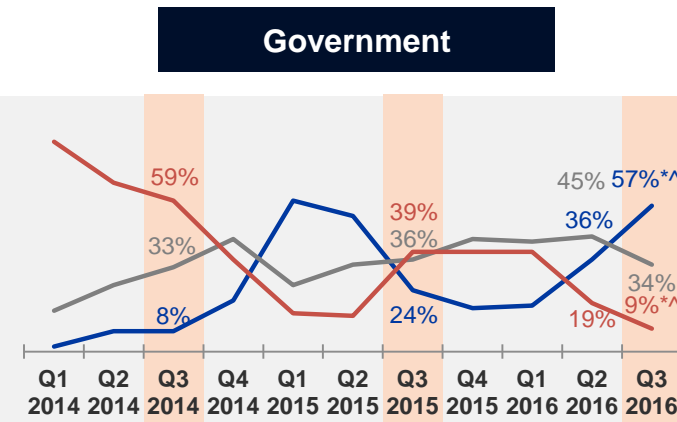
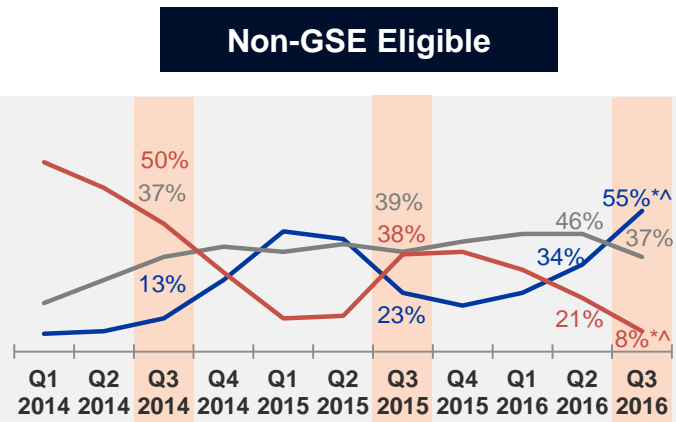
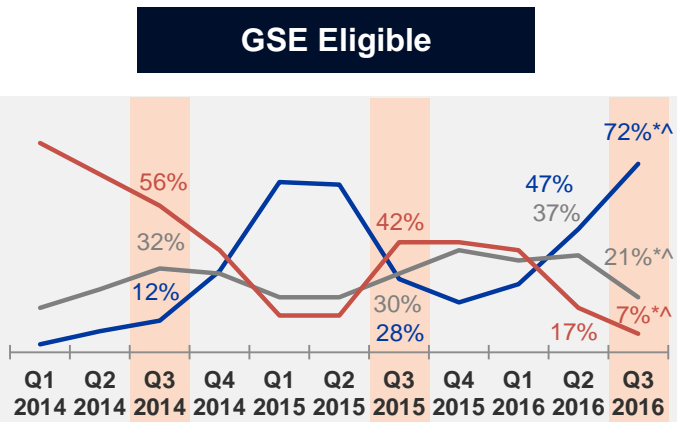
Consumer Demand (Refinance Mortgages)



Refinance Mortgage Demand

Past 3 Months

Next 3 Months



— Up
— The same
— Down

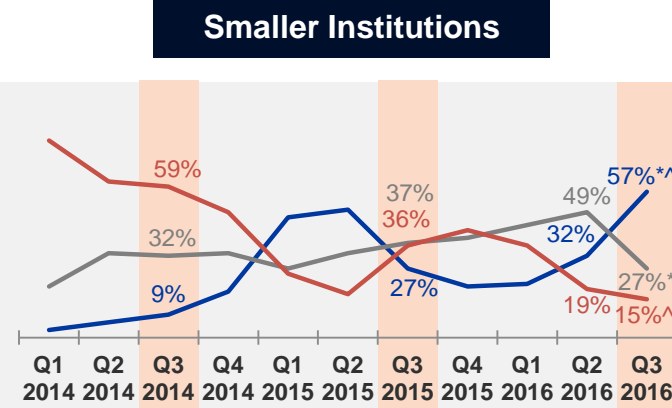
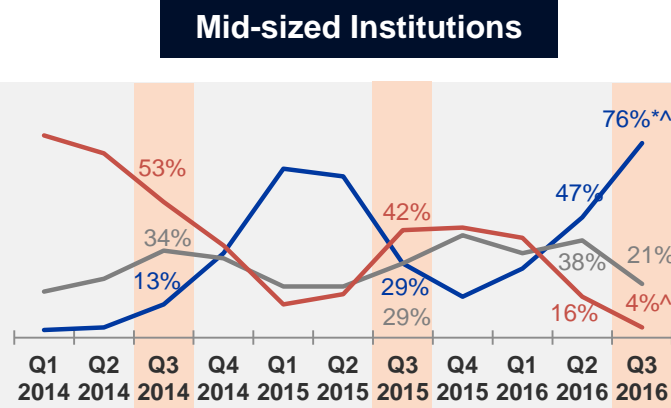
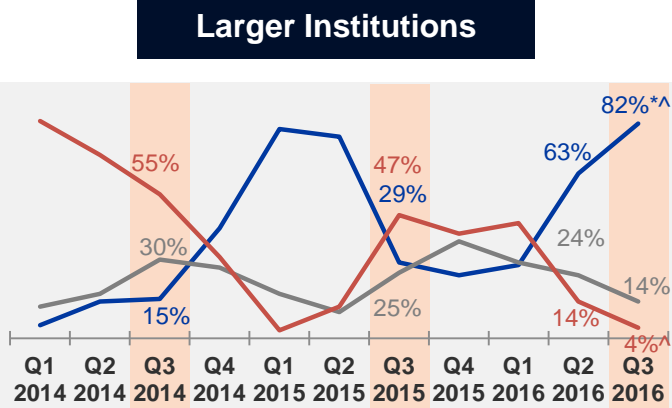
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance 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 compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)

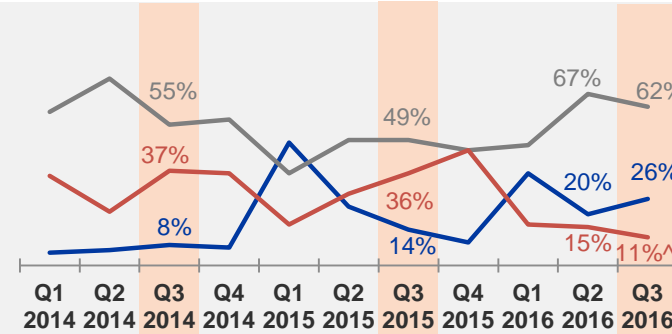
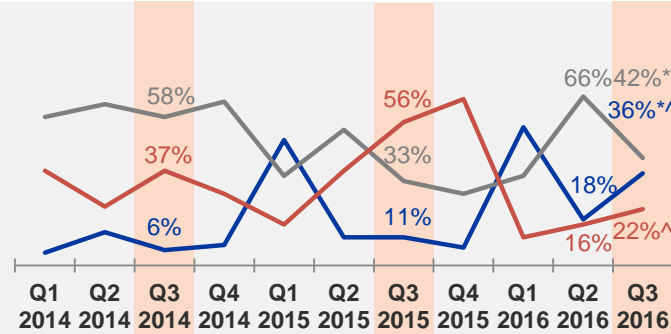
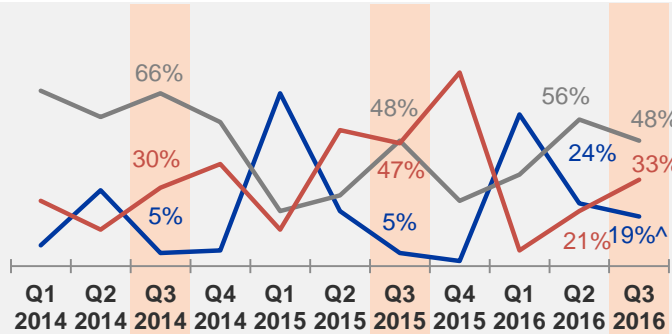


Refinance Mortgage Demand: GSE Eligible (by institution size)

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? "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 refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

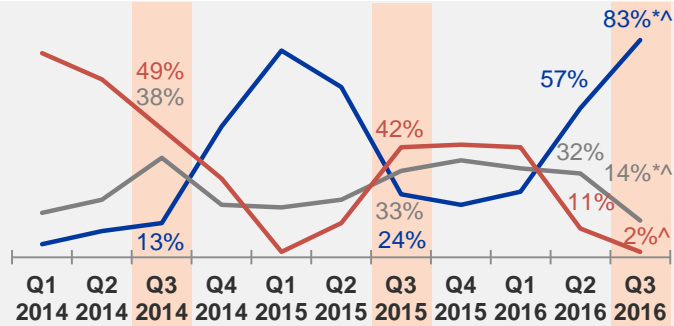
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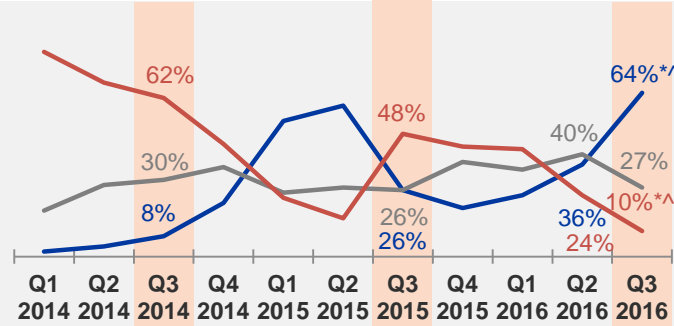
Refinance Mortgage Demand: GSE Eligible (by institution type)

Past 3 Months

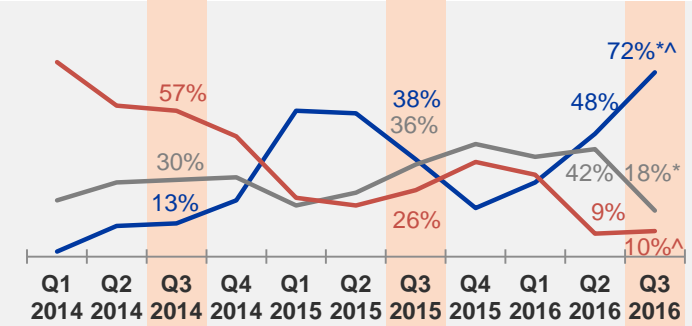
Mortgage Banks



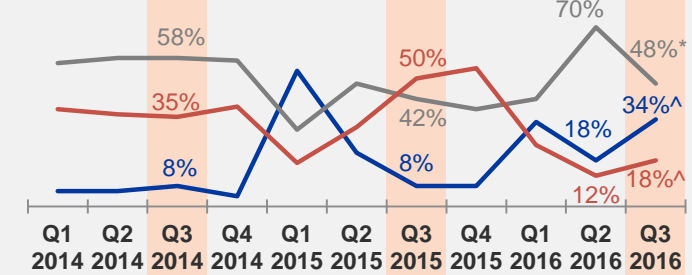
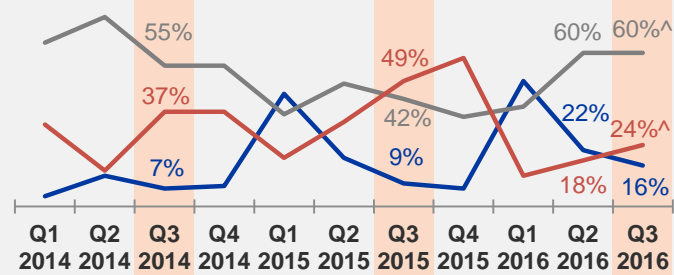
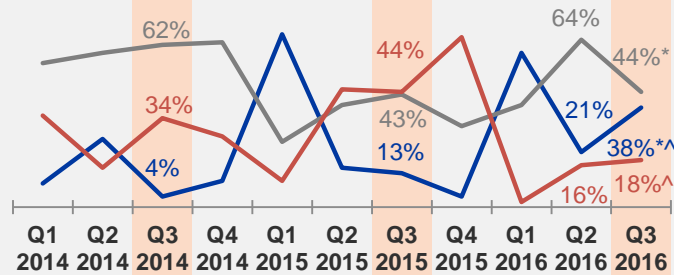
Depository Institutions



Credit Unions



Next 3 Months



— Up
— The same
— Down

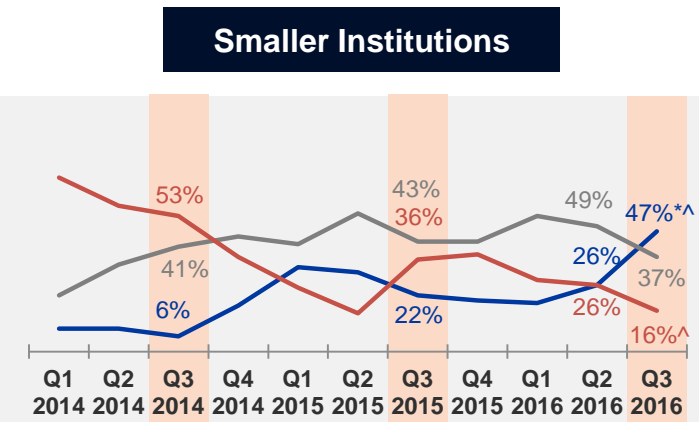
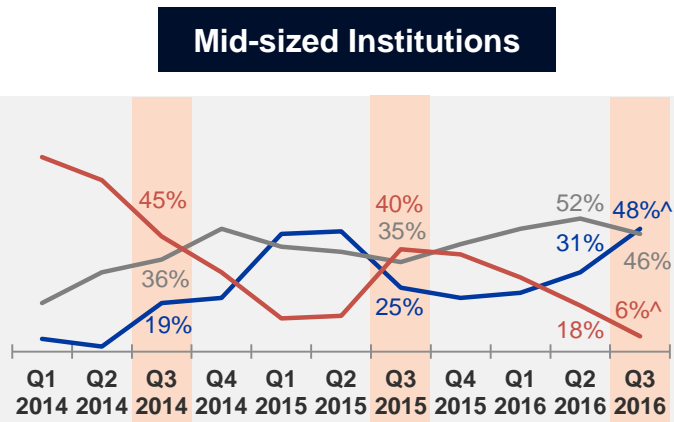
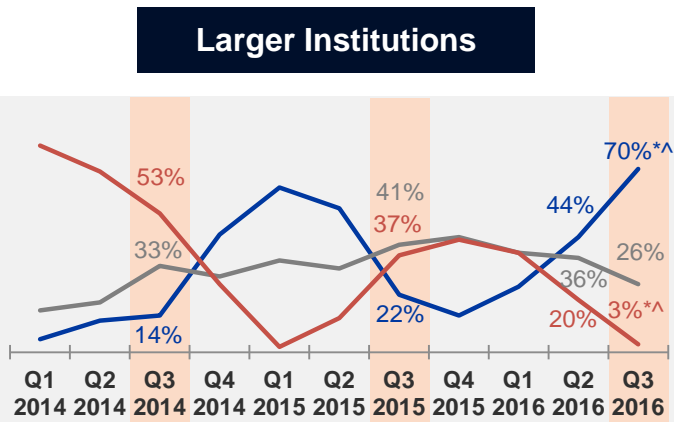
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months,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

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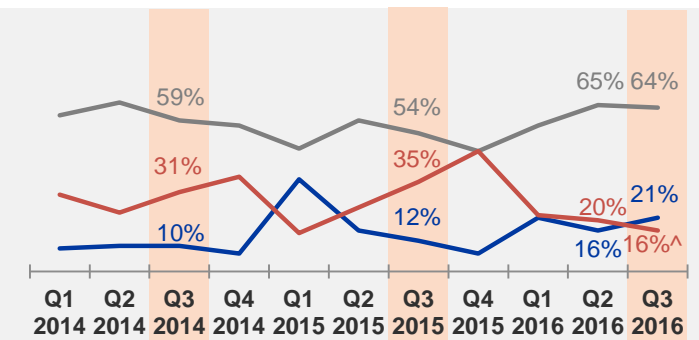
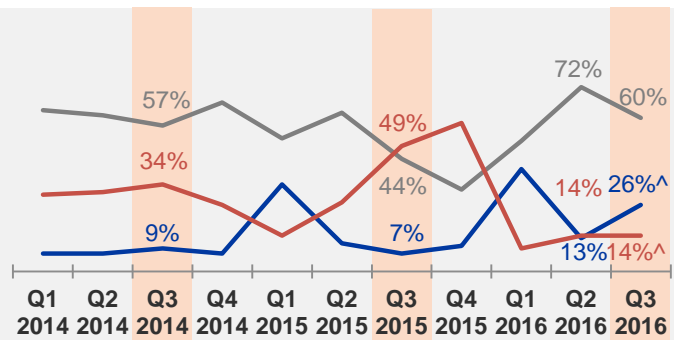
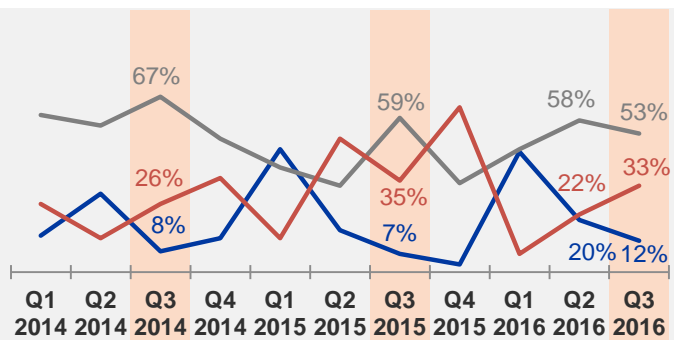


Refinance Mortgage Demand: Non-GSE Eligible (by institution size)

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? "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 refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

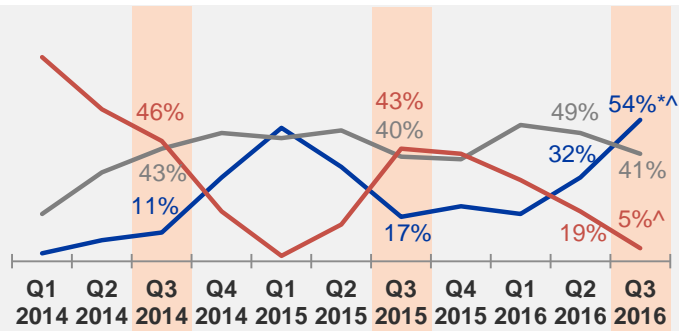
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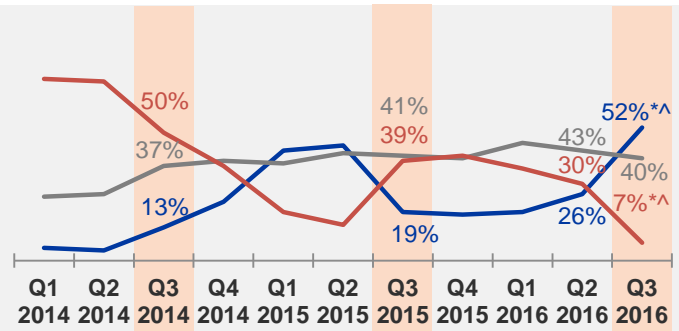
Refinance Mortgage Demand: Non-GSE Eligible (by institution type)

Past 3 Months

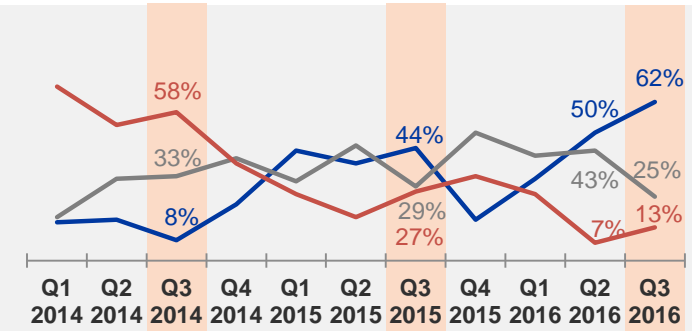
Mortgage Banks



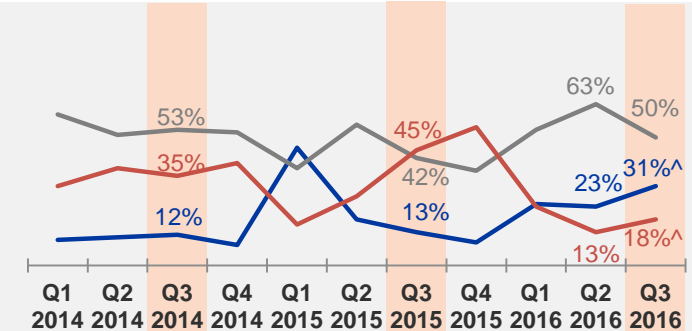
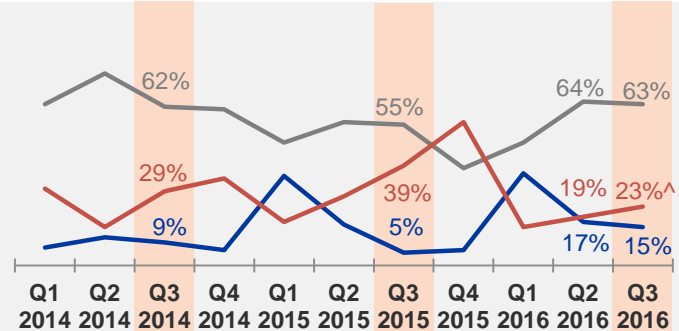
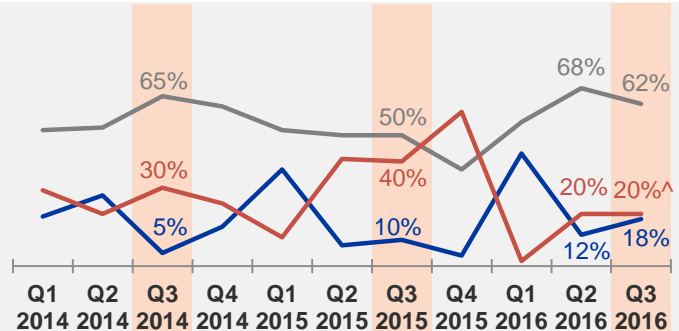
Depository Institutions



Credit Unions



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? "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 refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

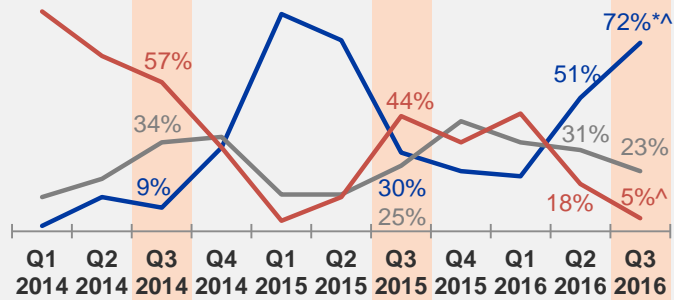
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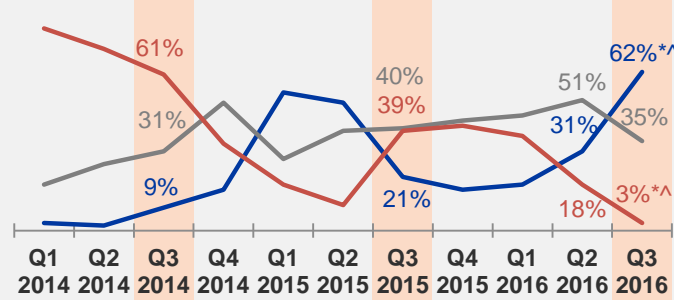
Refinance Mortgage Demand: Government (by institution size)

Past 3 Months

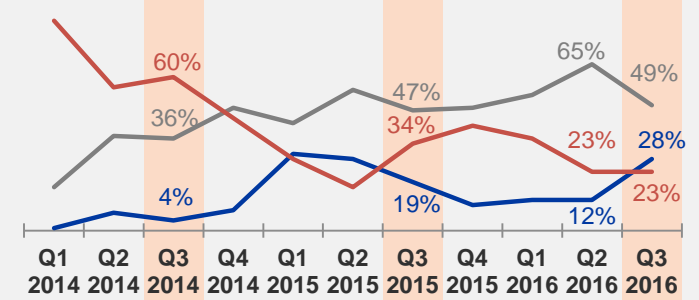
Larger Institutions



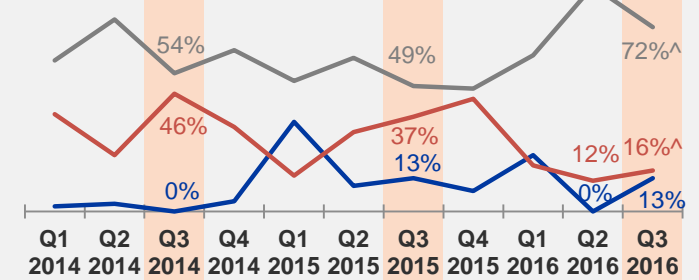
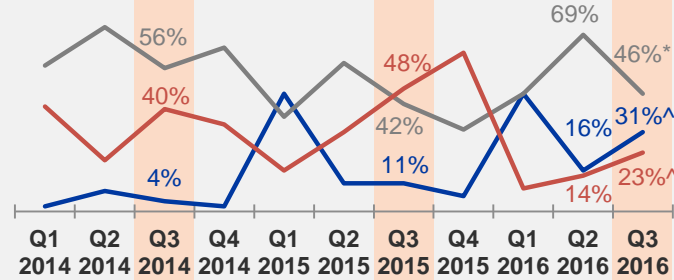
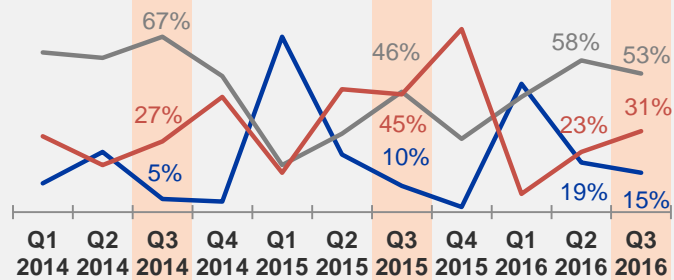
Mid-sized Institutions



Smaller Institutions



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? "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 refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

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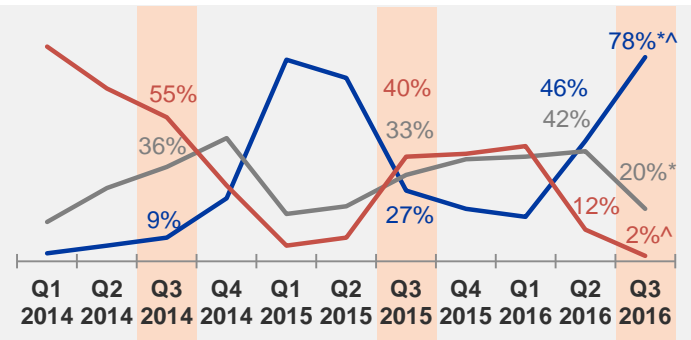


Refinance Mortgage Demand: Government (by institution type)

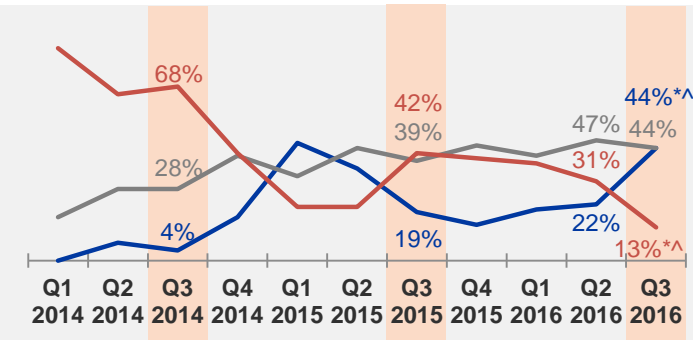
Past 3 Months

Next 3 Months

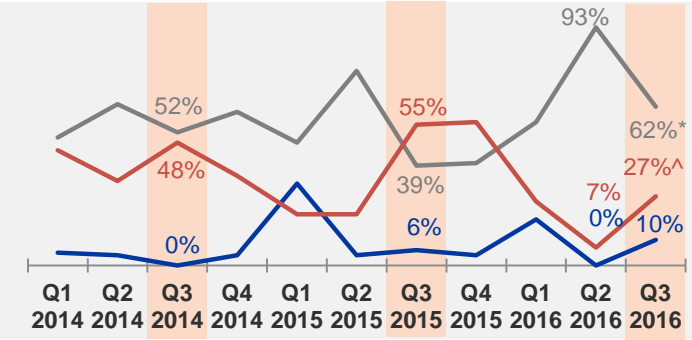
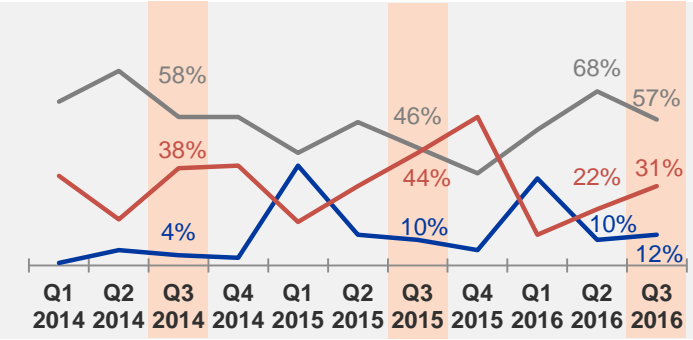
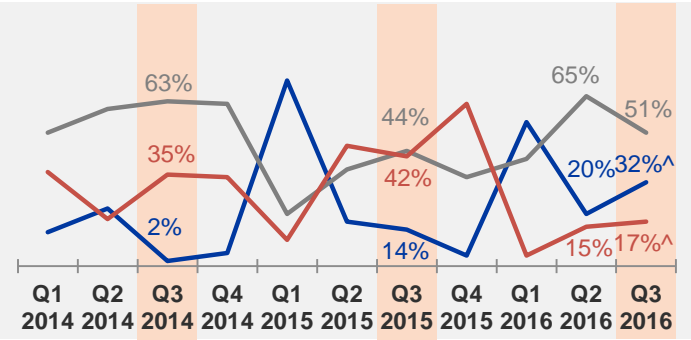
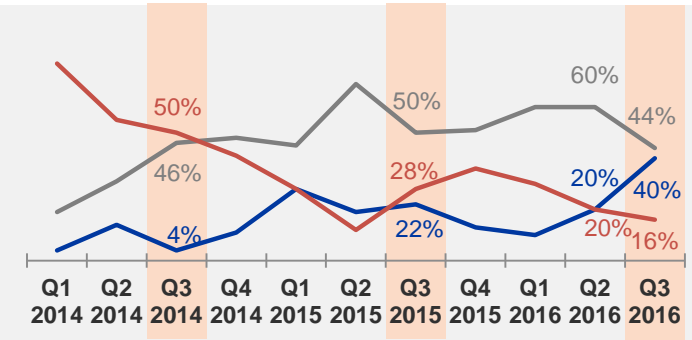
Mortgage Banks



Depository Institutions



Credit Unions



— 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? "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 refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

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Appendix

Credit Standards

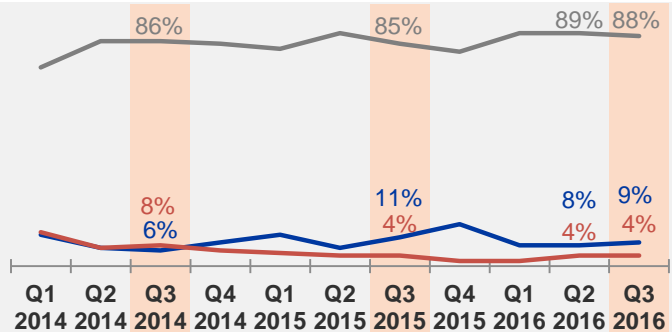
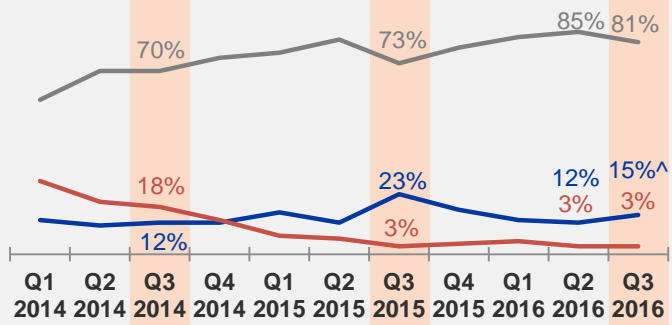


Credit Standards

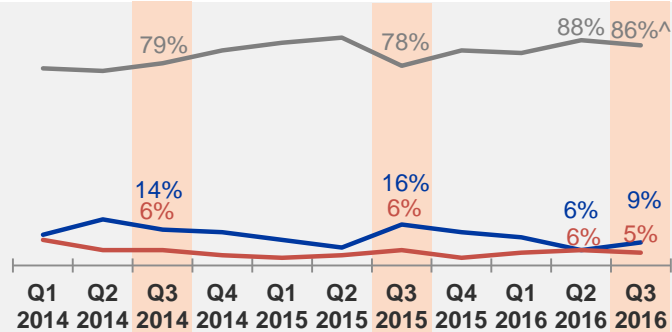
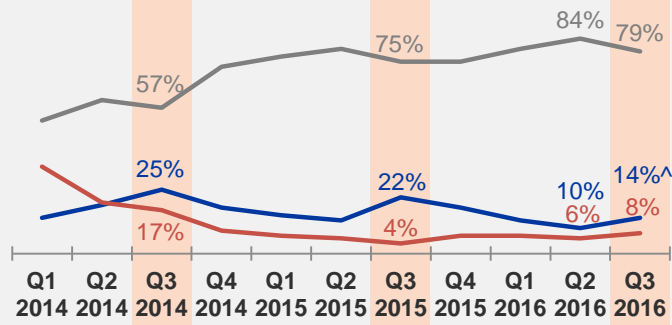
Past 3 Months

Next 3 Months

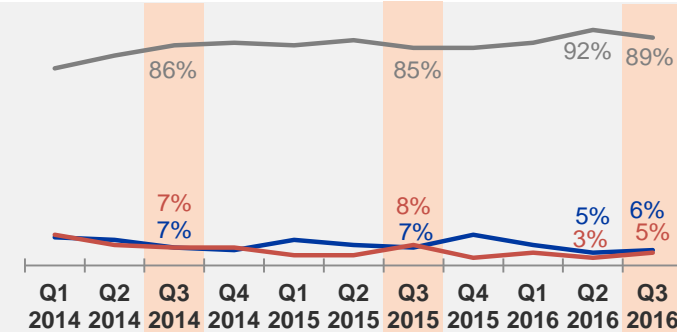
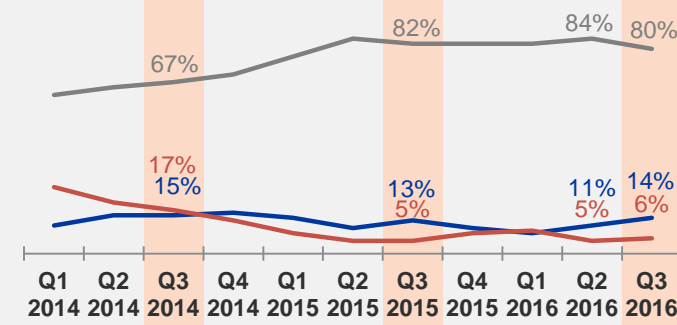
GSE Eligible



Non-GSE Eligible



Government



— 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

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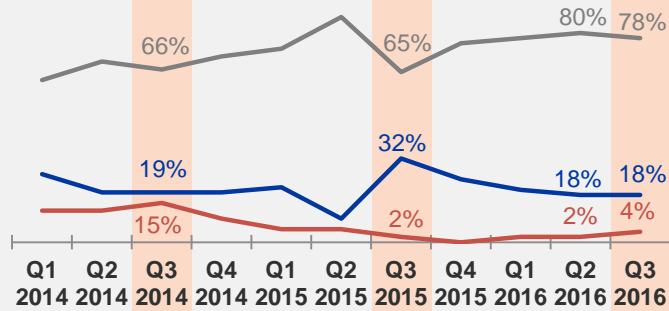


Credit Standards: GSE Eligible (by institution size)

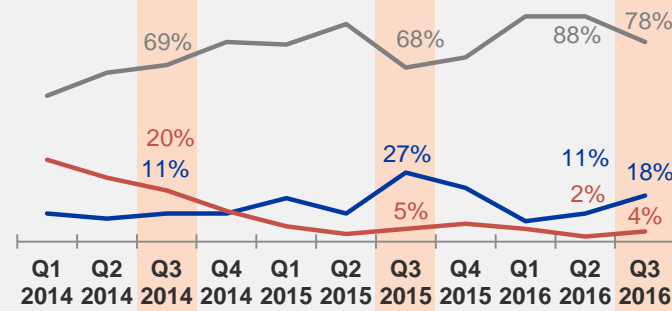
Past 3 Months

Next 3 Months

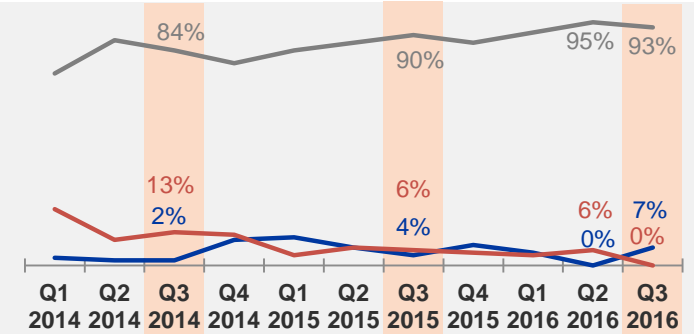
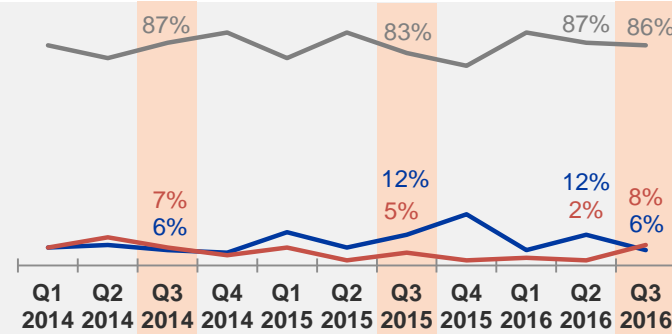
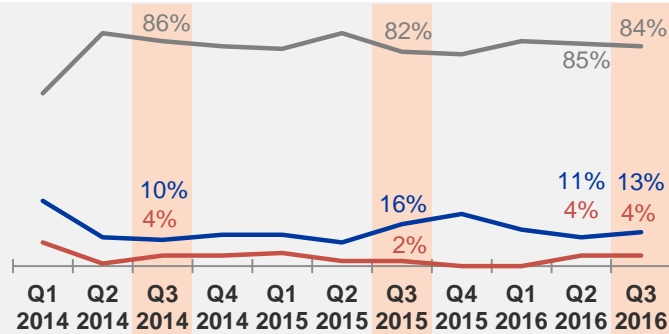
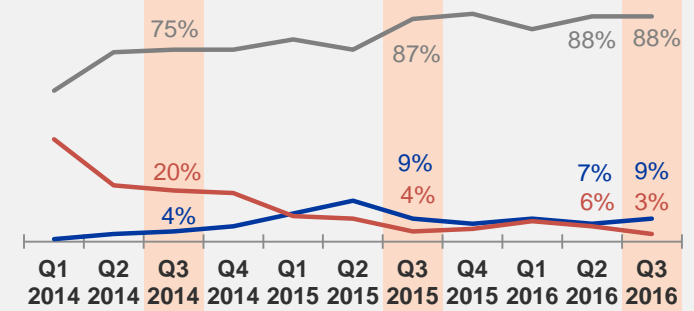
Larger Institutions



Mid-sized Institutions



Smaller Institutions



- 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

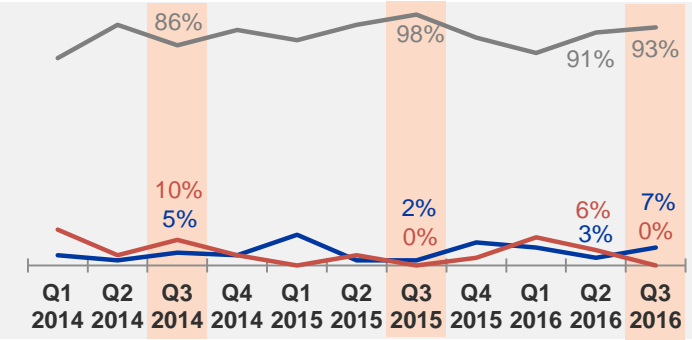
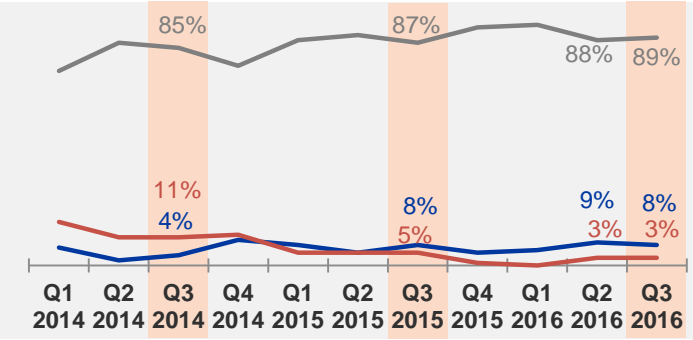
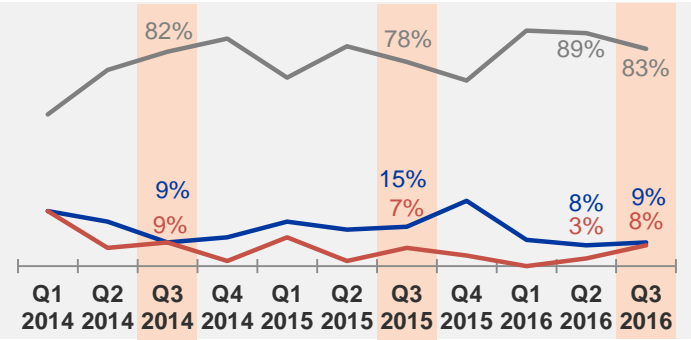
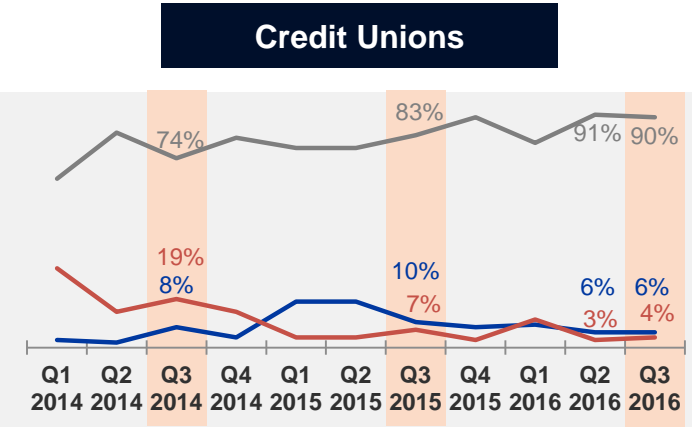
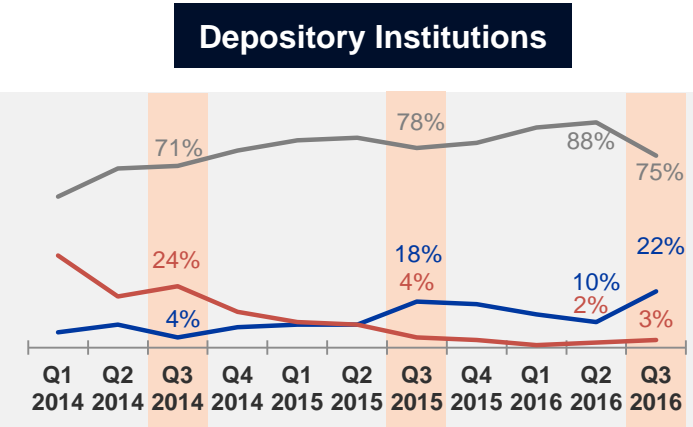
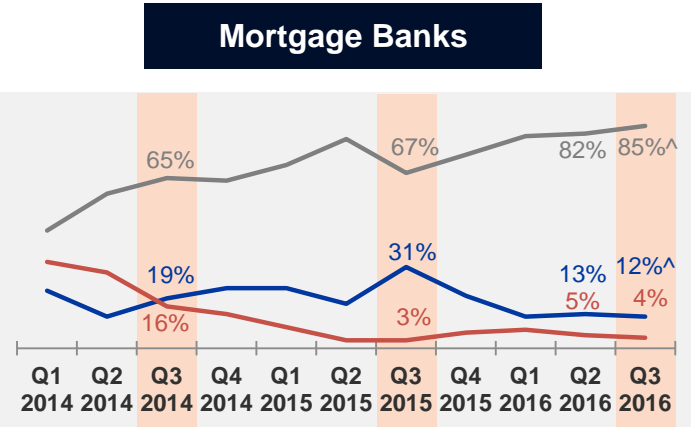
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 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Credit Standards: GSE Eligible (by institution type)

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

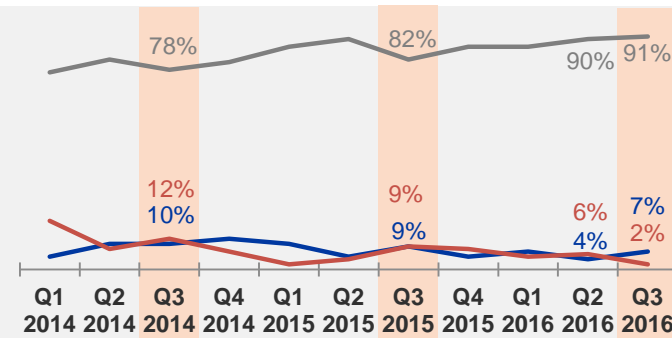
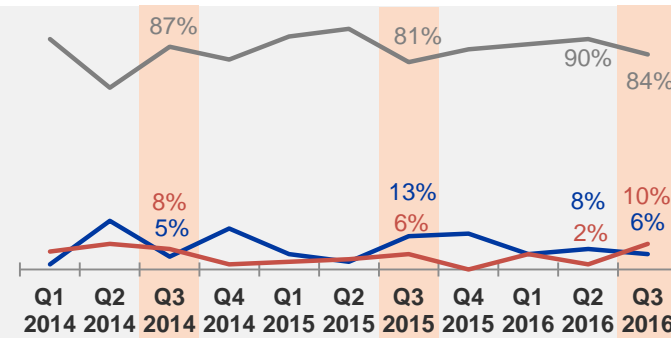
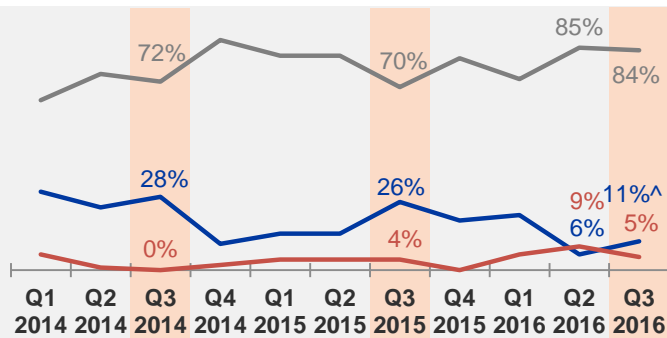
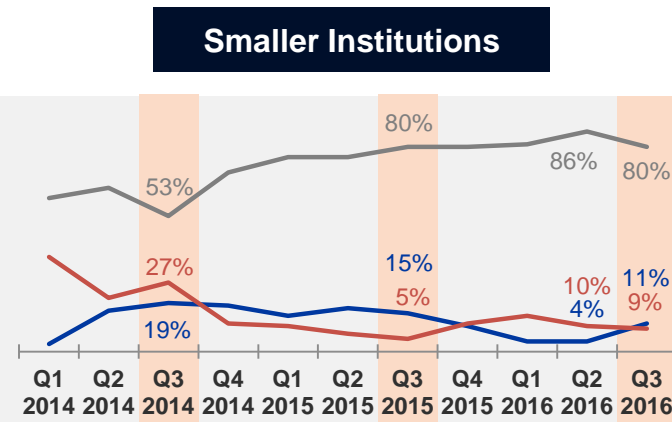
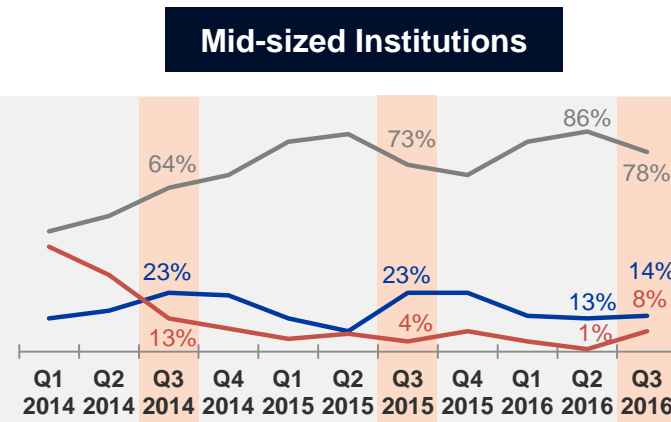
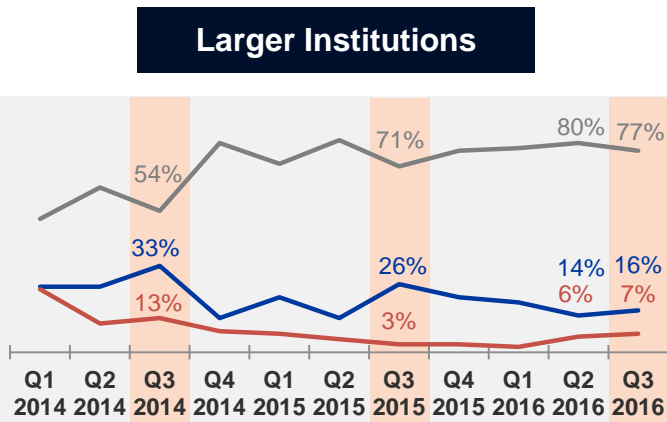
* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Credit Standards: Non-GSE Eligible (by institution size)

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

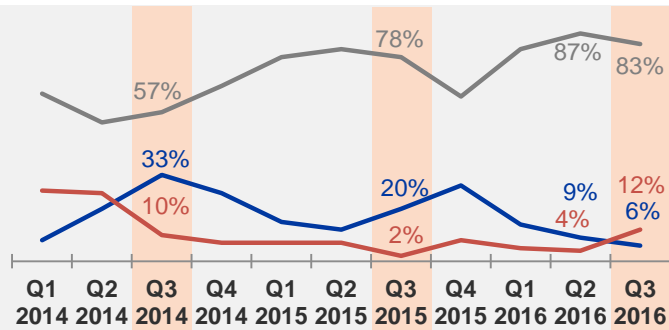
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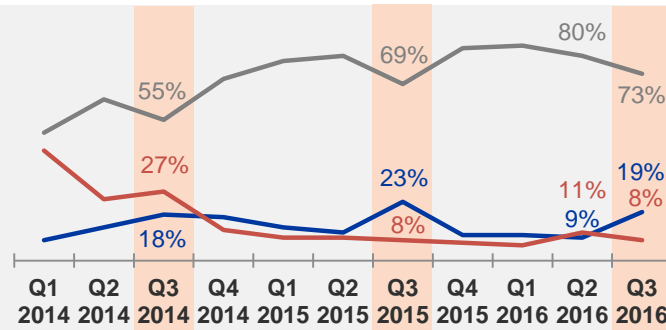
Credit Standards: Non-GSE Eligible (by institution type)

Past 3 Months

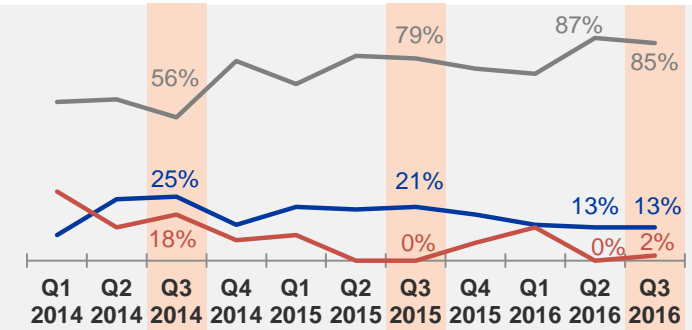
Mortgage Banks



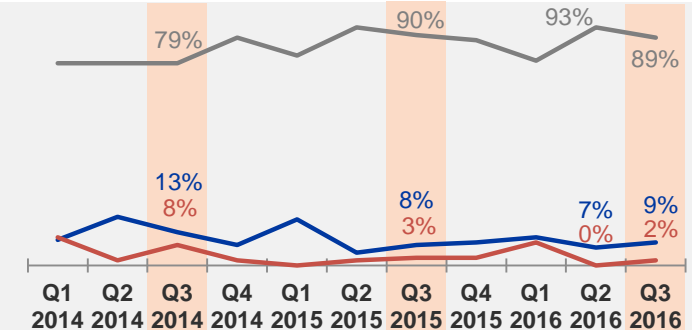
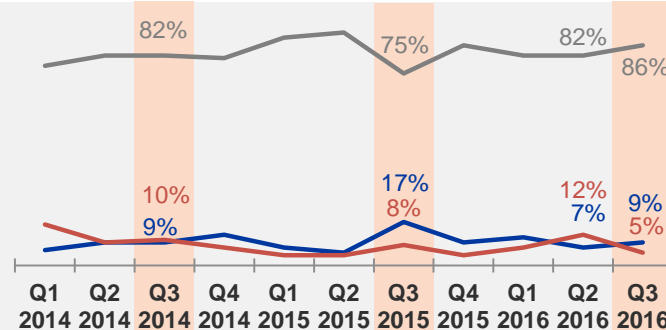
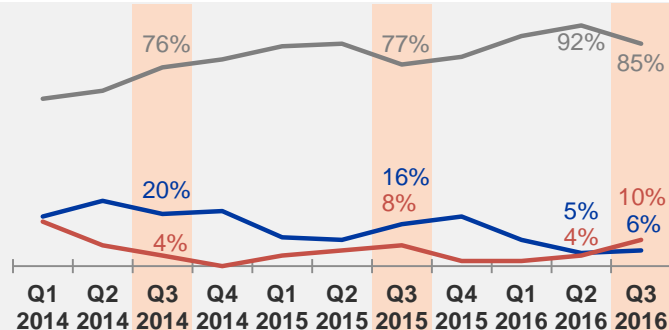
Depository Institutions



Credit Unions



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

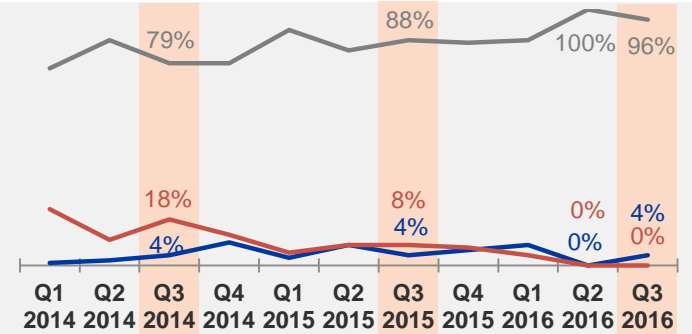
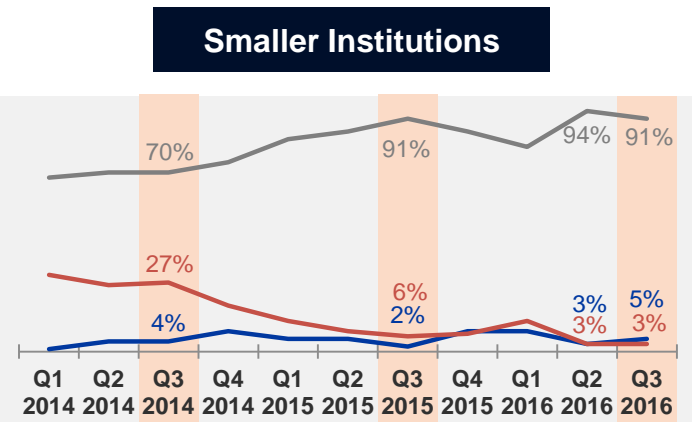
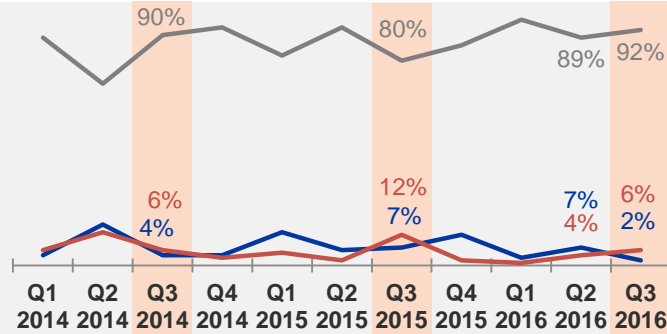
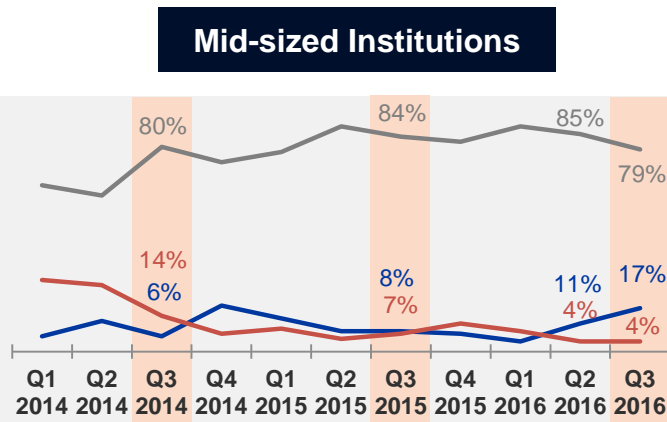
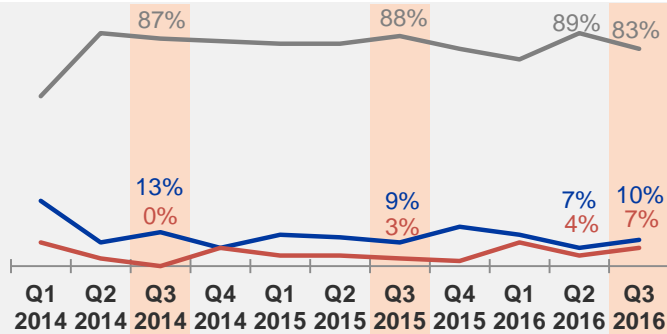
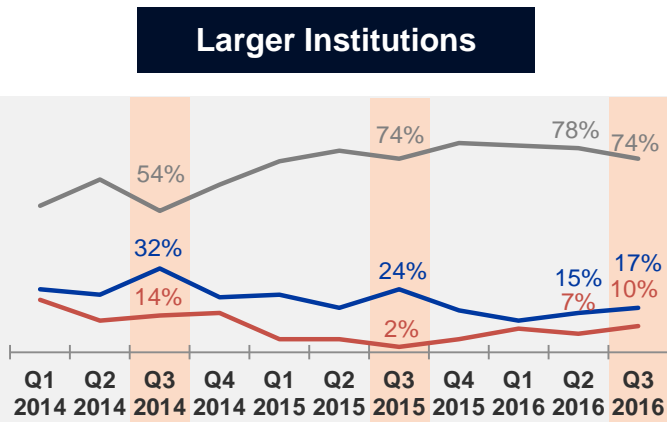
* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Credit Standards: Government (by institution size)

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

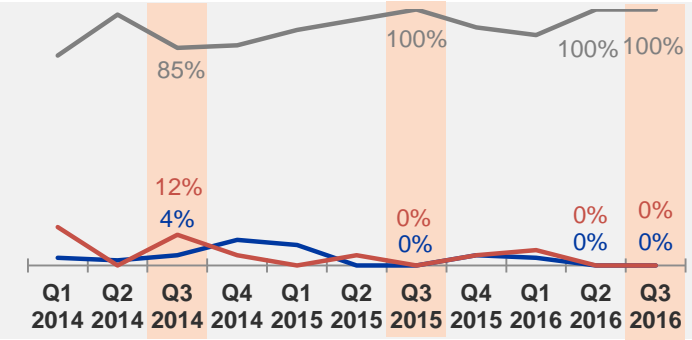
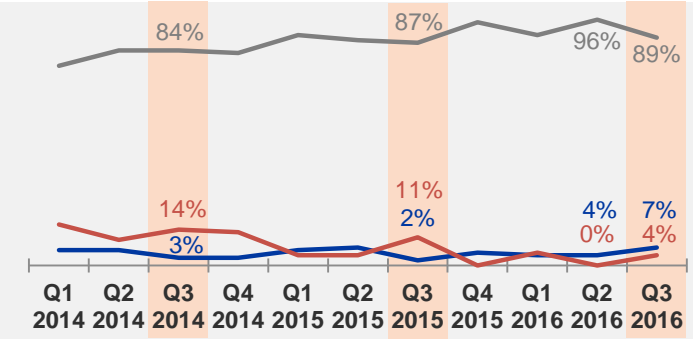
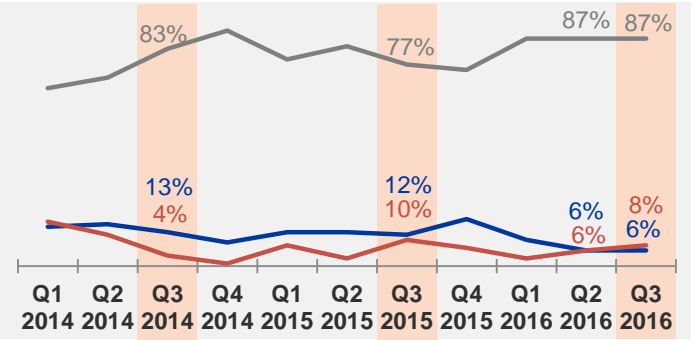
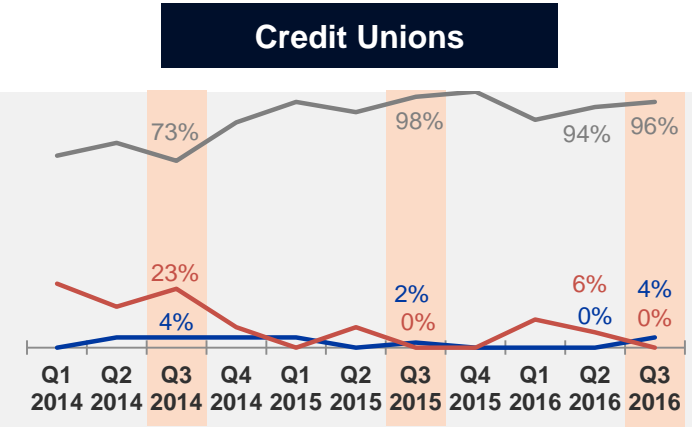
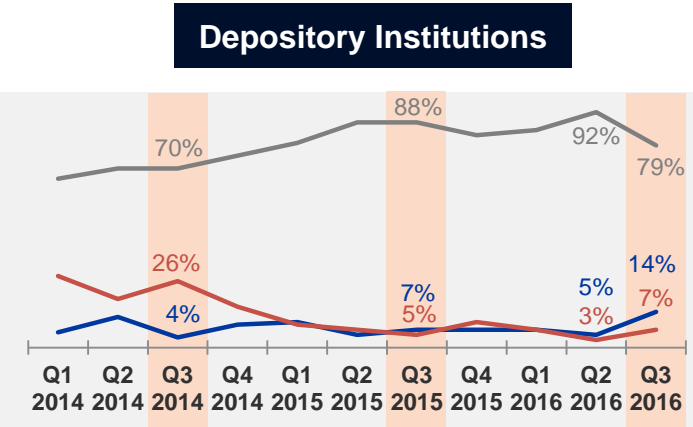
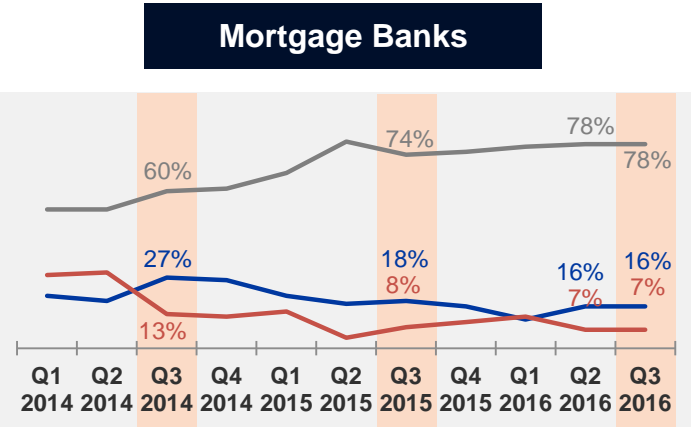
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Credit Standards: Government (by institution type)

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

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Credit Standards: Drivers of Change (selected verbatim)

Drivers of Loosening Change

Drivers of Tightening Change

Past 3 Months

N=45

- Regulations
- Changing Guidelines
- Economic Uncertainty

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)

"Tighter controls from FNMA and potential repurchase risk as a result of weaknesses in FNMA's CU." – *Larger Institution*

"Regulatory environment and organizations risk appetite." – *Mid-sized Institution*

"Uncertainty in the economy, concern over 2016 presidential elections." – *Smaller Institution*

"Improved market conditions and outlook have allowed us to reduce our internal overlays some." – *Larger Institution*

"Removal of investor overlay's due to FNMA-FHLMC having better clarity on what they expect to push back on lenders." – *Mid-sized Institution*

"GSE requirements have eased somewhat & QM standards adjusted especially for small creditors." – *Smaller Institution*

Next 3 Months

N=20

- Regulations
- Competition

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

"QC'ing all files across all branches prior to assigning the loan into processing." – *Larger Institution*

"The desire to achieve best execution across all execution alternatives in the secondary market." – *Mid-sized Institution*

"Collateral Underwriter will continue to tighten loan approval standards." – *Mid-sized Institution*

"We continue to add new non-traditional credit investors and broaden the array of non-traditional and non-QM products that we offer." – *Larger Institution*

"Industry continues to settle in to the new tighter standards and getting more flexible as time goes by." – *Smaller Institution*

"Competition is increasing. We will likely offer an interest only product soon, but with mitigating credit factors." – *Smaller Institution*



Appendix

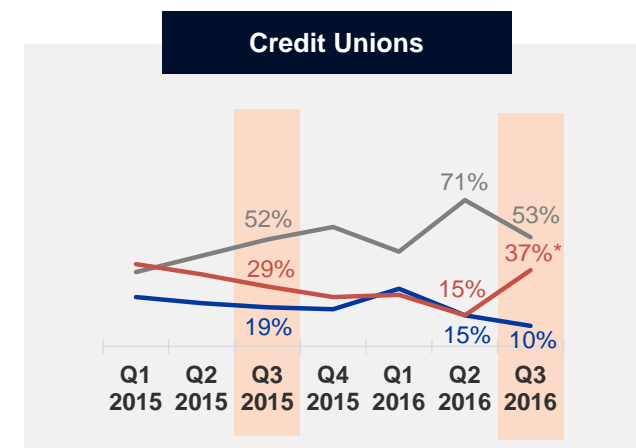
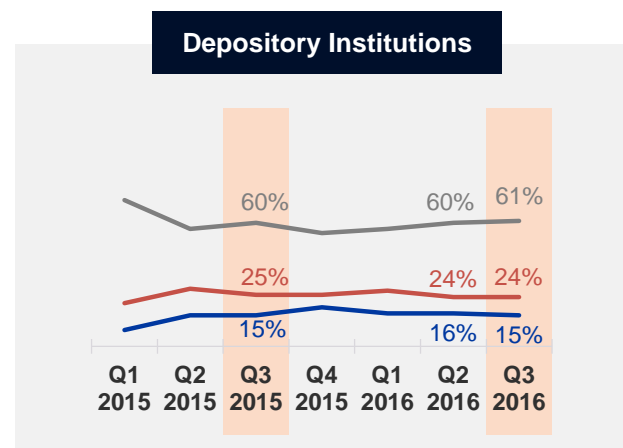
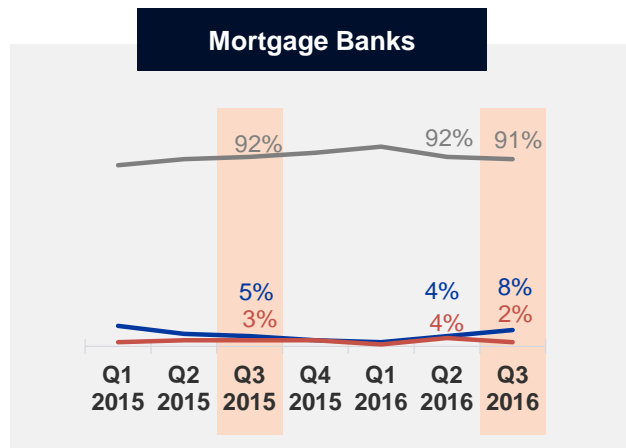
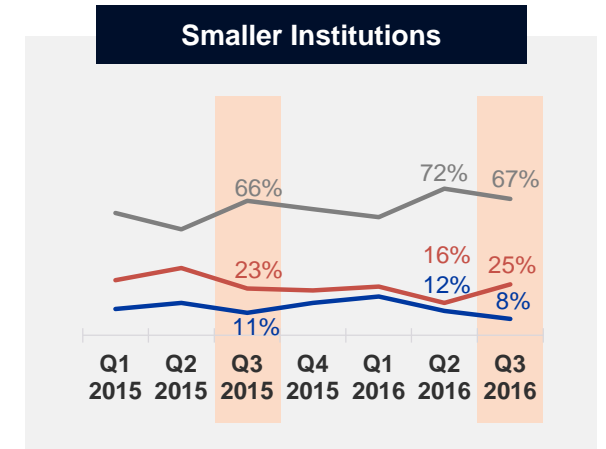
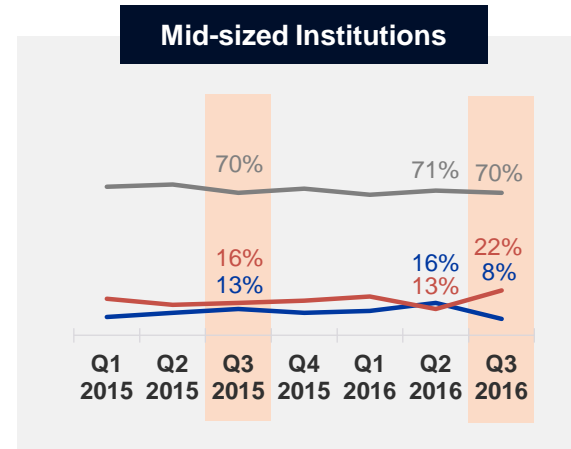
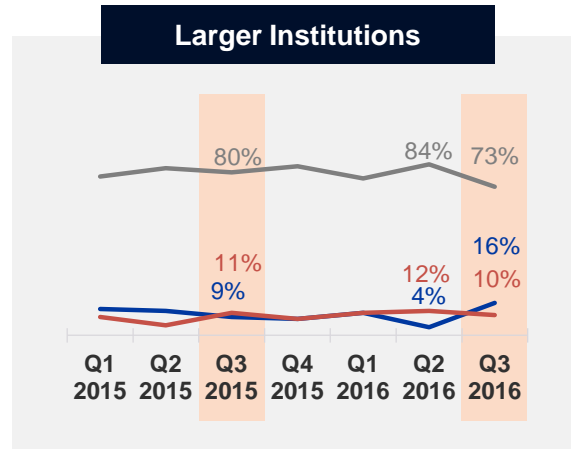
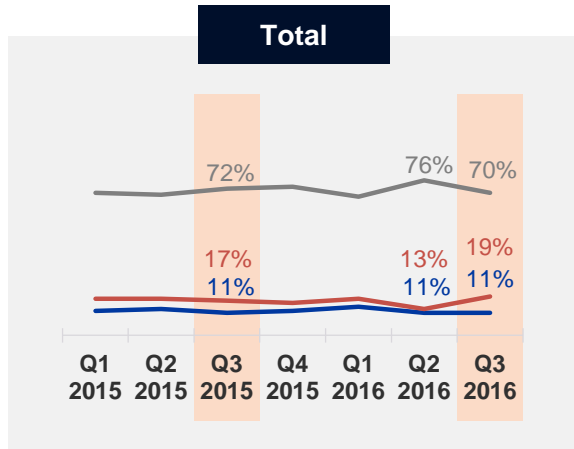
Mortgage Execution Outlook



Mortgage Execution Outlook – Next 12 Months

Portfolio Retention

— 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?

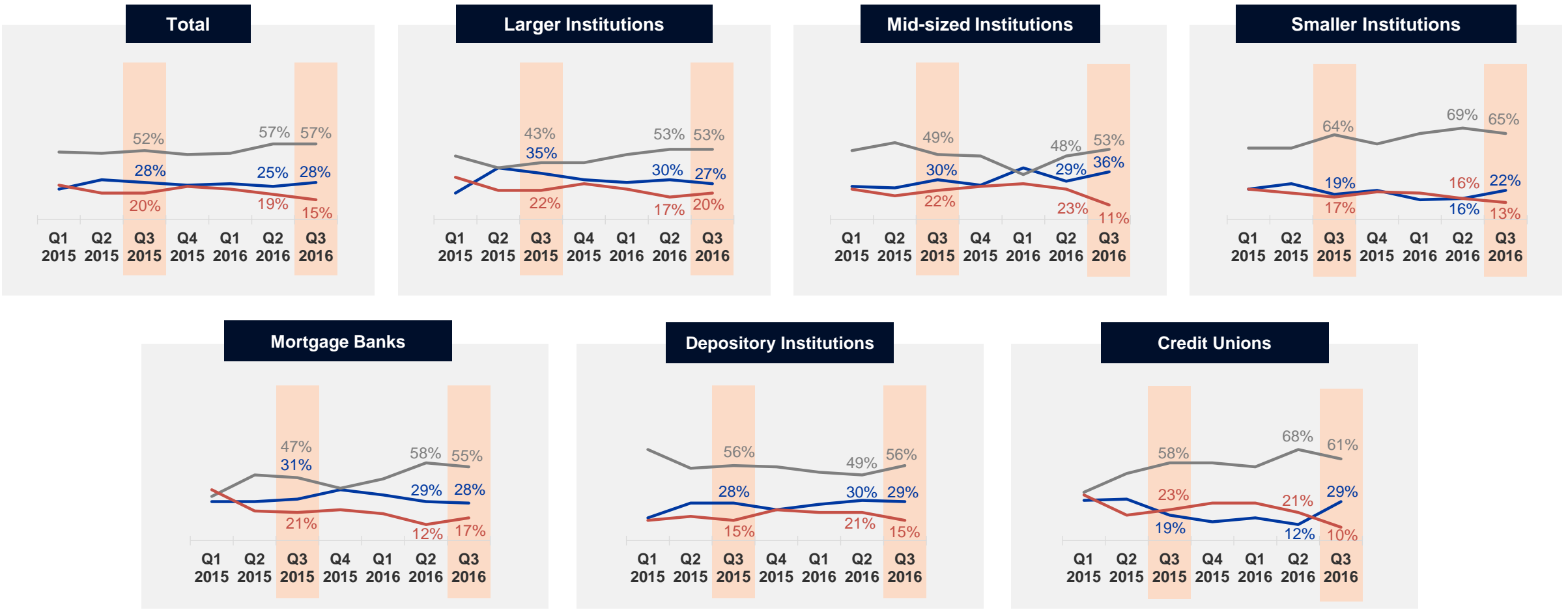
* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
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Mortgage Execution Outlook – Next 12 Months

GSE (Fannie Mae and Freddie Mac)

— 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?

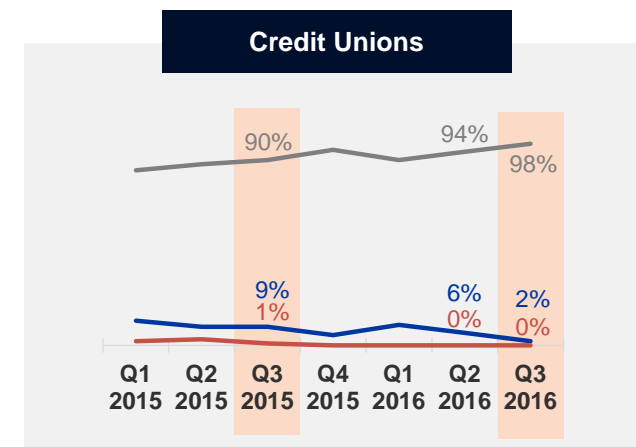
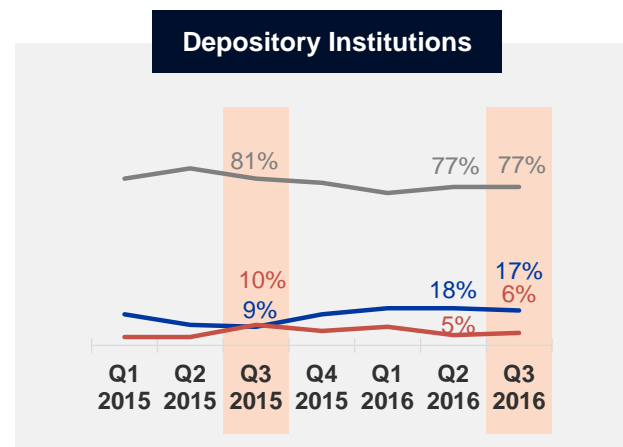
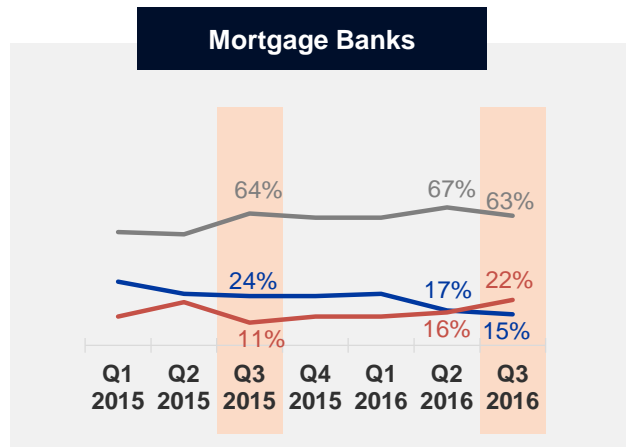
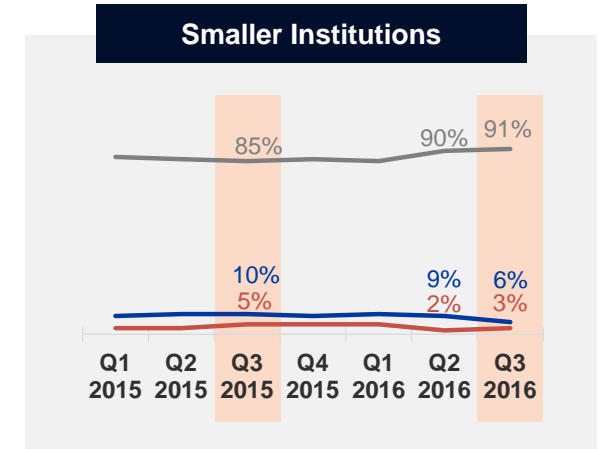
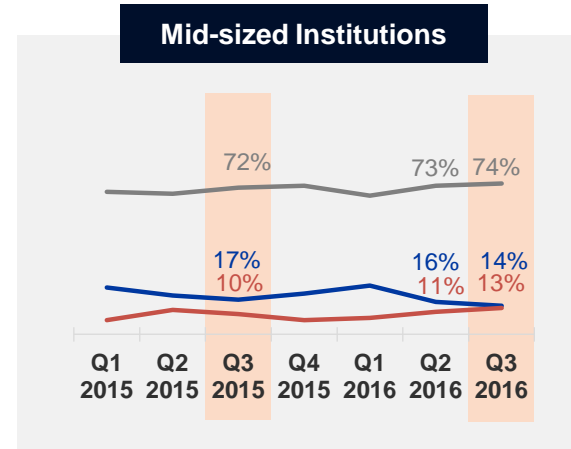
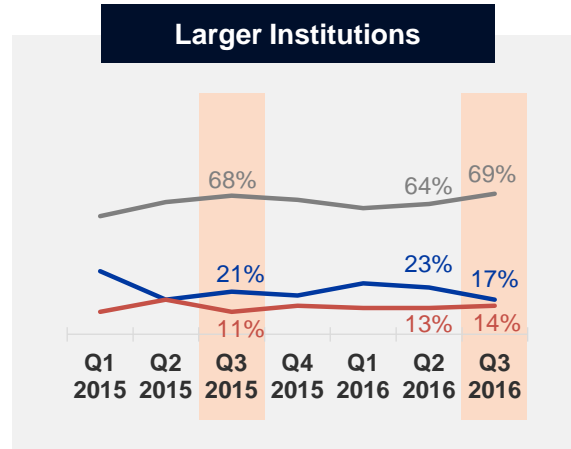
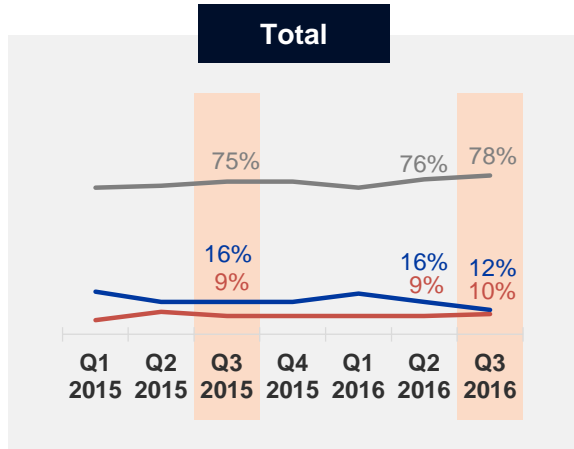
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Mortgage Execution Outlook – Next 12 Months

Ginnie Mae (FHAVA)

— 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?

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Mortgage Execution Outlook – Next 12 Months

Private Label Securities/Non-Agency Securities

— 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?

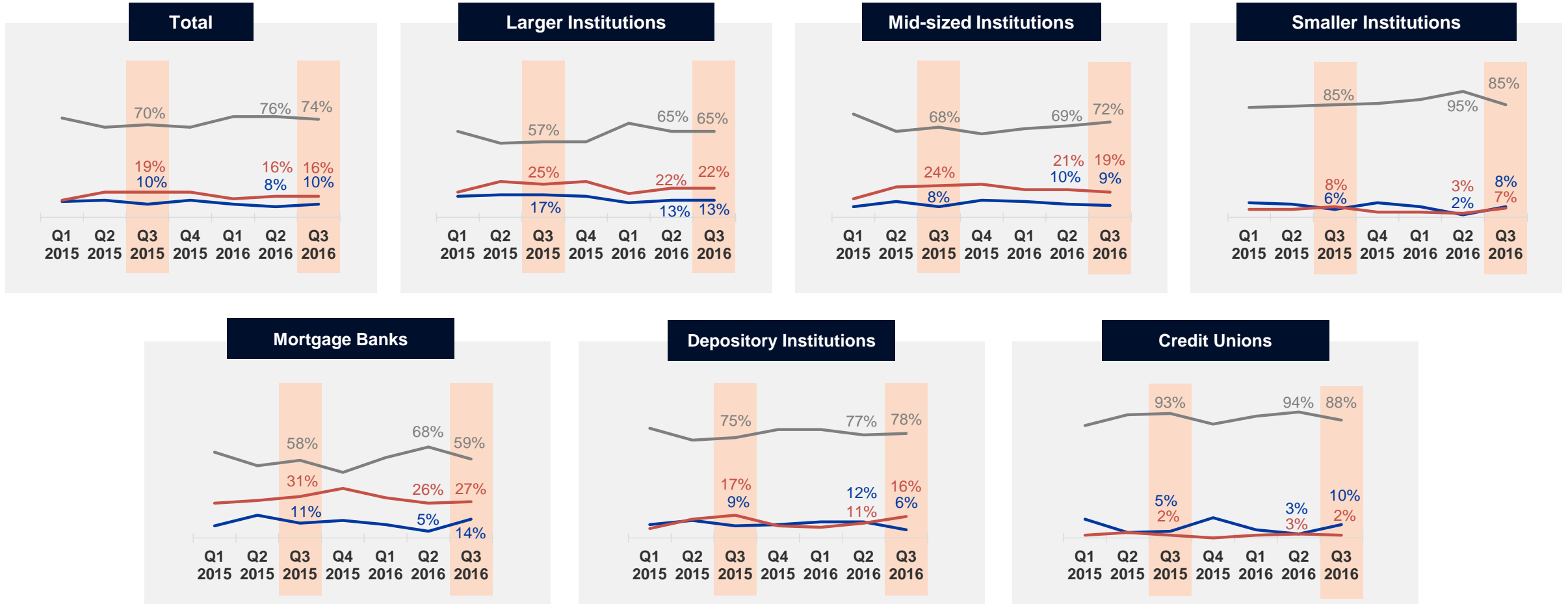
* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Mortgage Execution Outlook – Next 12 Months

Whole Loan Sales to Non-GSE (Correspondent)

— 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?

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Mortgage Execution Share – Current

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%. Showing Mean %	Total										
	2014				2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	247	186	196	192	197	238	209	194	205	169	200
GSE (Fannie Mae and Freddie Mac)	49%	49%	51%	49%	47%	46%	44%	44%	48%	46%	45%
Portfolio Retention	24%	22%	20%	23%	21%	22%	19%	20%	20%	23%	24%
Whole Loan Sales to Non-GSE (Correspondent)	13%	13%	12%	12%	17%	16%	19%	18%	15%	17%	15%
Ginnie Mae (FHA/VA)	11%	14%	14%	13%	12%	13%	15%	16%	15%	13%	14%
Private Label Securities / Non-Agency Securities	1%	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%
Other	1%	1%	1%	1%	2%	1%	1%	1%	1%	0%	1%

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Mortgage Execution Share – Over Next 12 Months

Looking forward, what percent of your firm's total mortgage originations over the next 12 months 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%. Showing Mean %	Total						
	2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	197	238	209	194	205	169	200
GSE (Fannie Mae and Freddie Mac)	47%	47%	46%	44%	49%	46%	47%
Portfolio Retention	21%	21%	18%	20%	19%	23%	23%
Whole Loan Sales to Non-GSE (Correspondent)	16%	15%	17%	18%	14%	15%	13%
Ginnie Mae (FHA/VA)	13%	14%	16%	16%	16%	14%	14%
Private Label Securities / Non-Agency Securities	2%	1%	3%	1%	1%	2%	1%
Other	1%	1%	1%	1%	1%	1%	1%

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
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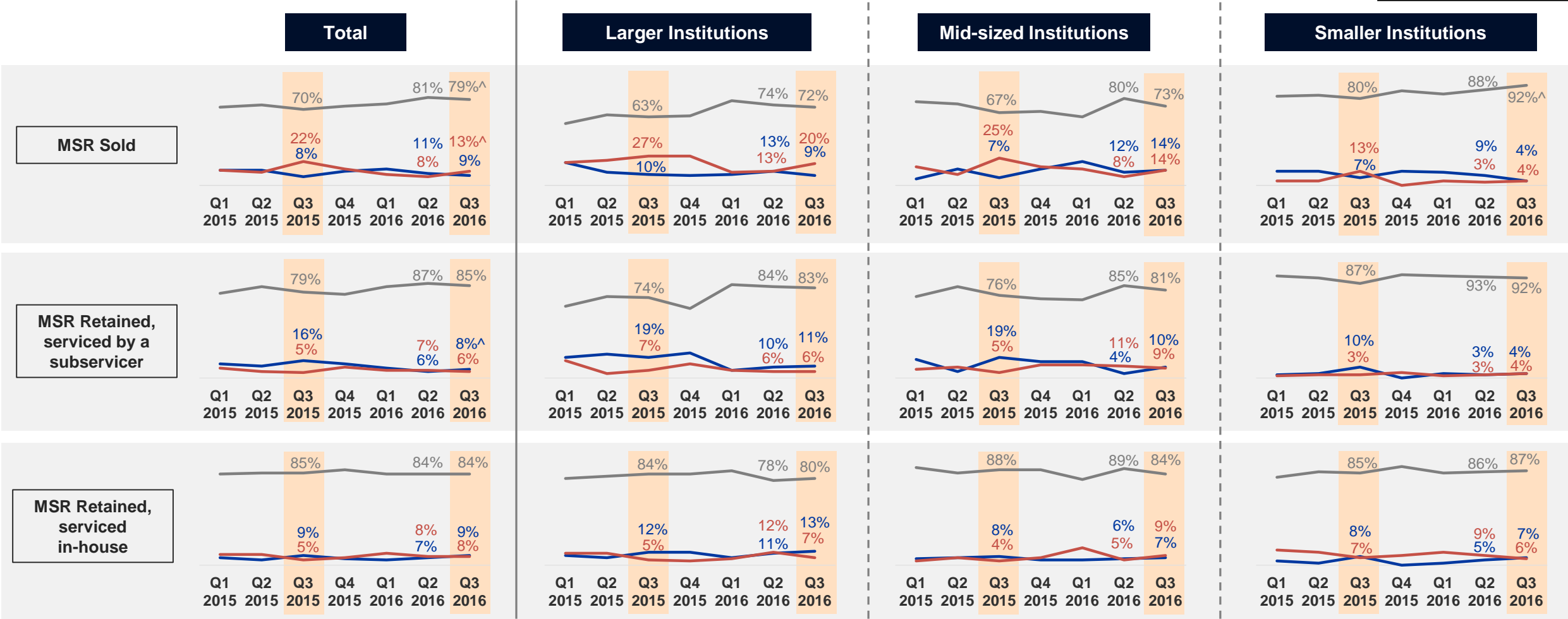
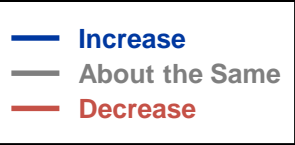


Appendix

Mortgage Servicing Rights (MSR) Execution



Mortgage Servicing Rights Execution Outlook – Next 12 Months

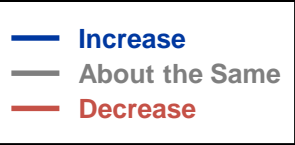


Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your mortgage servicing rights (MSR) goes to each of the following categories?
 Q: Looking forward, what percent of your firm's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

^{*} Denotes a statistically significant change compared with Q2 2016 (previous quarter)
[^] Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Mortgage Servicing Rights Execution Outlook – Next 12 Months

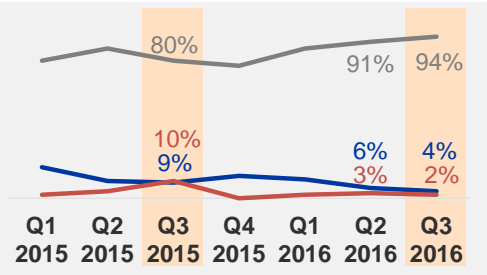
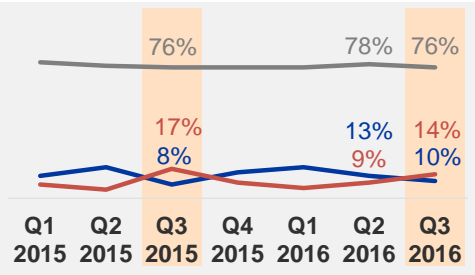
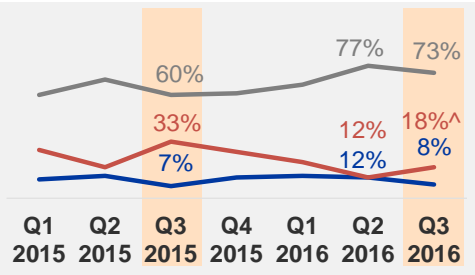


Mortgage Banks

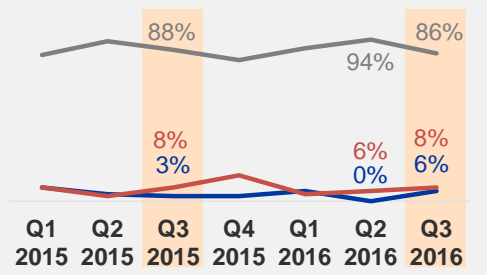
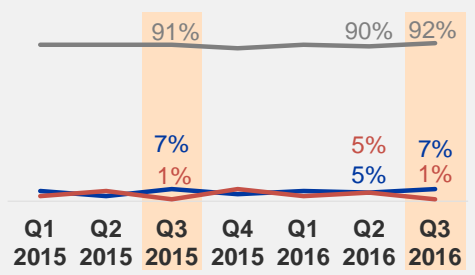
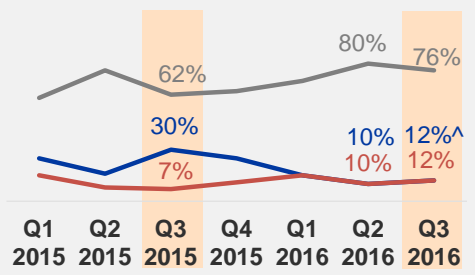
Depository Institutions

Credit Unions

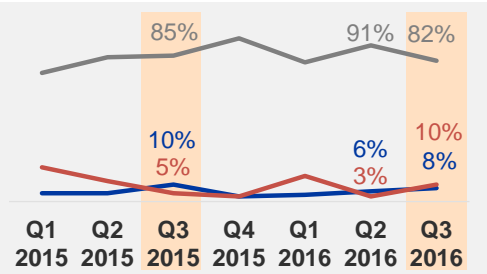
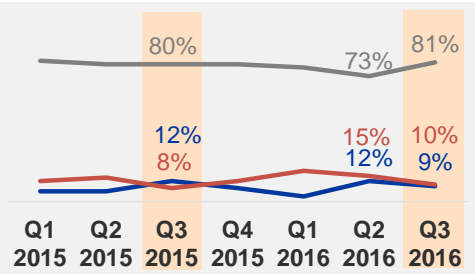
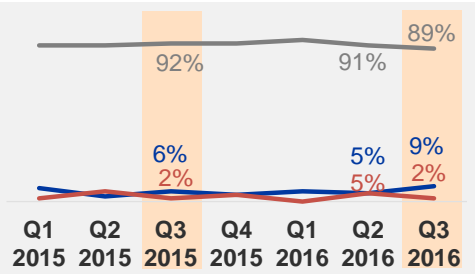
MSR Sold



MSR Retained, serviced by a subservicer



MSR Retained, serviced in-house



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?

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



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%. Showing Mean %	Total										
	2014				2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	247	186	196	192	197	238	209	194	205	169	200
MSR retained, serviced in-house	54%	51%	46%	54%	48%	45%	44%	46%	52%	47%	52%
MSR retained, serviced by a subservicer	23%	21%	22%	18%	17%	24%	18%	20%	18%	22%	20%
MSR sold	23%	28%	32%	27%	34%	31%	37%	34%	30%	31%	29%

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Mortgage Servicing Rights (MSR) Execution Share – Next 12 Months

Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next 12 months 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%. Showing Mean %	Total						
	2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	197	238	209	194	205	169	200
MSR retained, serviced in-house	48%	44%	44%	46%	51%	48%	52%
MSR retained, serviced by a servicer	17%	24%	20%	20%	17%	21%	20%
MSR sold	35%	32%	36%	34%	32%	31%	28%

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)

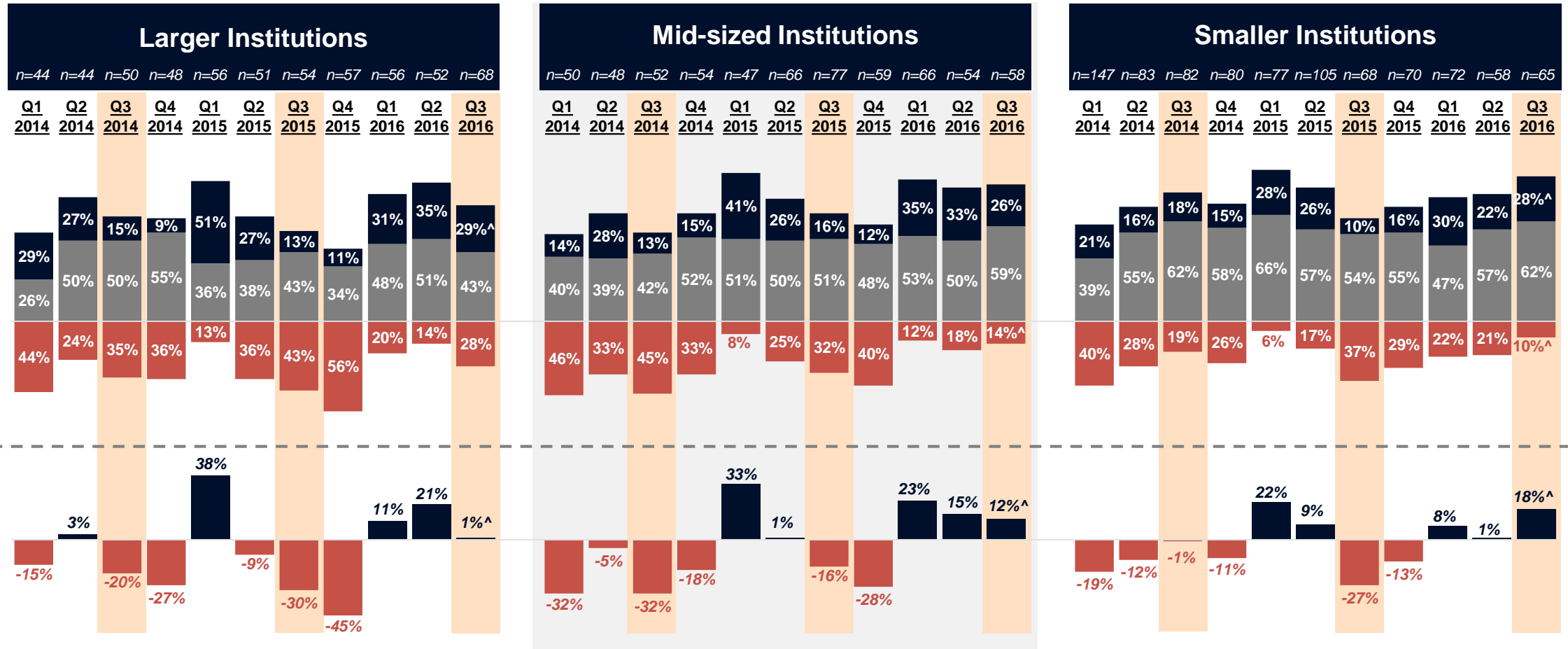


Appendix

Profit Margin Outlook



Profit Margin Outlook – Next 3 Months (by institution size)

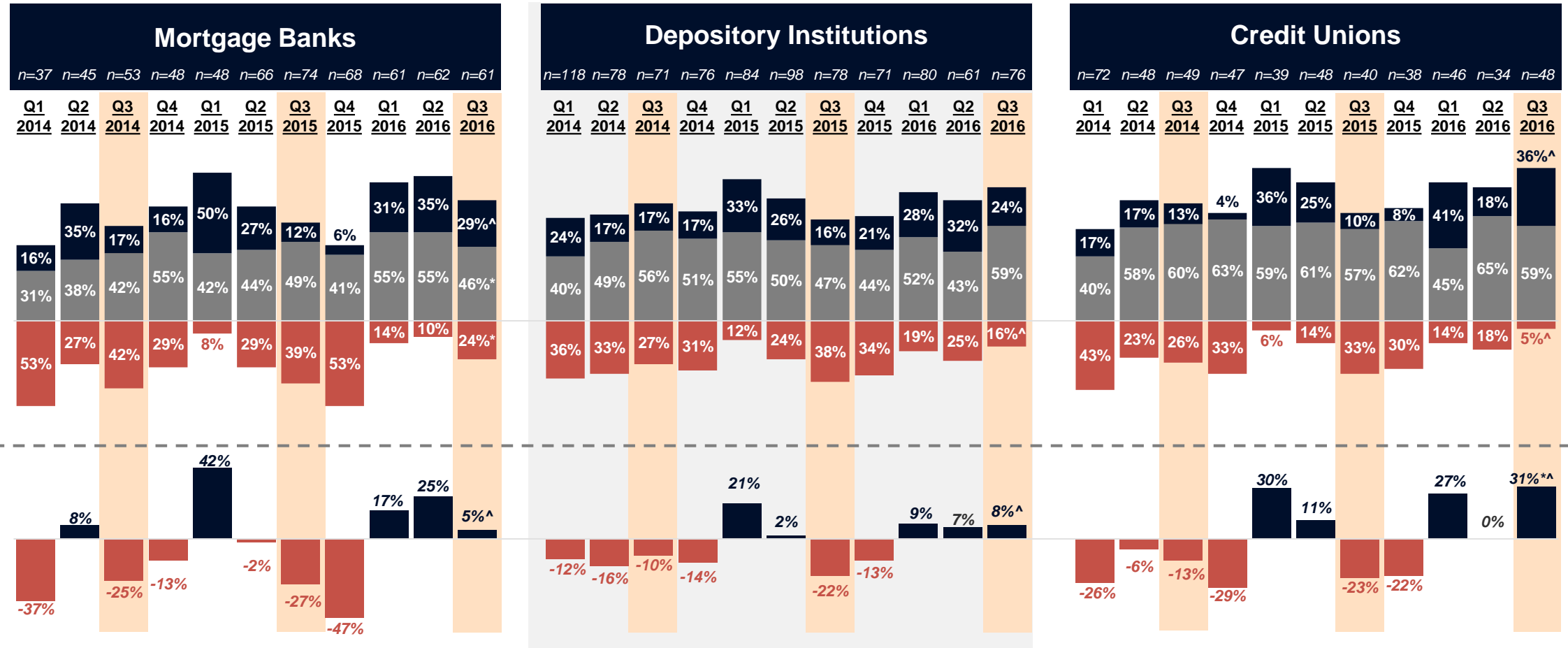


Q: Over the next three months, how much do you expect your firm's profit margin to change for its single-family mortgage production? [Showing: (Substantially Increase (25+ basis points) + Moderately Increase (5 - 25 basis points)), About the same (0 - 5 basis points), (Moderately Decrease (5 - 25 basis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

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
[^] Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



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



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))]

^{*} Denotes a statistically significant change compared with Q2 2016 (previous quarter)
[^] Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)



Increased Profit Margin – Drivers

What do you think will drive the increase in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance. (Showing % rank 1 + 2)	Total									
	2014			2015				2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	38	30	24	70	58	26	24	63	49	54
Operational efficiency (i.e., technology)	44%	34%	38%	41%	42%	56%	51%	52%	42%	54%
Consumer demand	56%	46%	54%	68%	70%	58%	26%	52%	69%	49%*
Market trend changes (i.e. shift from refinance to purchase)	20%	29%	21%	20%	37%	21%	29%	30%	33%	27%
GSE pricing and policies	13%	9%	17%	15%	7%	28%	16%	17%	10%	17%
Staffing (personnel costs) reduction	14%	14%	7%	10%	14%	4%	13%	9%	12%	14%
Marketing expense reduction	5%	13%	9%	5%	4%	4%	5%	3%	4%	11%
Less competition from other lenders	14%	13%	18%	16%	5%	15%	20%	7%	11%	10%
Government monetary or fiscal policy	8%	2%	6%	9%	2%	5%	9%	5%	5%	5%
Servicing cost reduction	0%	2%	3%	3%	0%	5%	0%	1%	4%	4%
Non-GSE (other investors) pricing and policies	14%	22%	17%	5%	12%	3%	12%	13%	2%	4%
Government regulatory compliance	7%	4%	5%	2%	1%	0%	12%	3%	2%	2%

For detailed data by lender size and lender type, please check out the excel file posted on the [Mortgage Lender Sentiment Survey](#) web page, together with the report.

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)

Question was changed to only allow up to two answer choices in Q1 2015.
 2014 question text: 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.



Increased Profit Margin – Strategies

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. (Showing % rank 1 + 2)	Total									
	2014			2015				2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	38	30	24	70	58	26	24	64	49	54
Operational efficiency (i.e. technology) investments	37%	34%	31%	49%	43%	49%	42%	39%	56%	43%
Price adjustments	28%	30%	22%	40%	36%	28%	49%	37%	20%	41%*
Marketing outreach expansion/contraction	16%	30%	19%	23%	31%	16%	14%	17%	19%	25%
Back-office staffing adjustments	16%	2%	0%	4%	13%	15%	14%	20%	12%	18%
New or reallocation of origination channels (i.e. retail or online or third-party channels)	30%	27%	17%	18%	6%	5%	5%	18%	17%	14%
New or reallocation of mortgage product offerings	14%	29%	28%	9%	17%	8%	12%	9%	14%	14%
New borrower segments	12%	8%	15%	7%	16%	13%	15%	9%	9%	14%
Loan officer staffing adjustments	16%	15%	33%	16%	20%	19%	12%	25%	33%	11%*
Business acquisition/merger/divestment	3%	4%	9%	11%	3%	27%	12%	8%	0%	8%^
MSR (Mortgage Servicing Rights) sales	7%	9%	8%	6%	3%	8%	12%	2%	7%	5%
Investor outlet expansion/contraction	16%	9%	18%	9%	7%	3%	5%	10%	8%	3%
Underwriting standard changes	5%	2%	0%	2%	3%	4%	0%	1%	2%	2%

For detailed data by lender size and lender type, please check out the excel file posted on the [Mortgage Lender Sentiment Survey](#) web page, together with the report.

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)

^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)

Question was changed to only allow up to two answer choices in Q1 2015.

2014 question text: 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.



Decreased Profit Margin – Drivers

What do you think will drive the decrease in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance. (Showing % rank 1 + 2)	Total									
	2014			2015				2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	50	57	56	16	52	74	76	35	29	33
Competition from other lenders	42%	42%	34%	49%	35%	47%	34%	33%	44%	46%
Government regulatory compliance	57%	55%	60%	55%	48%	61%	52%	65%	67%	39%*^
Staffing (personnel costs)	10%	19%	20%	14%	18%	19%	27%	26%	12%	31%
Market trend changes (i.e. shift from refinance to purchase)	24%	6%	17%	4%	25%	14%	20%	11%	8%	23%
Consumer demand	14%	26%	34%	25%	18%	20%	27%	25%	6%	21%
Operational efficiency (i.e. technology)	3%	6%	8%	14%	11%	12%	8%	13%	10%	9%
Servicing costs	1%	3%	4%	7%	4%	4%	3%	2%	0%	9%
GSE pricing and policies	29%	18%	13%	21%	16%	11%	11%	13%	22%	6%
Marketing expenses	0%	6%	0%	0%	3%	2%	0%	2%	3%	6%
Government monetary or fiscal policy	15%	13%	7%	0%	19%	6%	10%	4%	16%	5%
Non-GSE (other investors) pricing and policies	4%	2%	3%	12%	2%	2%	2%	2%	10%	4%

For detailed data by lender size and lender type, please check out the excel file posted on the [Mortgage Lender Sentiment Survey](#) web page, together with the report.

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)

Question was changed to only allow up to two answer choices In Q1 2015.
 2014 question text: 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.



Decreased Profit Margin – Strategies

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. (Showing % rank 1 + 2)	Total									
	2014			2015				2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	50	57	56	16	52	74	76	35	29	33
Operational efficiency (i.e. technology) investments	38%	36%	40%	52%	51%	50%	51%	45%	56%	51%
Back-office staffing adjustments	24%	21%	26%	14%	19%	20%	19%	22%	10%	31%*
Price adjustments	21%	17%	19%	31%	25%	30%	28%	32%	40%	28%
Marketing outreach expansion/contraction	27%	25%	39%	27%	29%	18%	23%	27%	33%	19%
MSR (Mortgage Servicing Rights) sales	7%	8%	0%	7%	10%	3%	2%	2%	3%	13%
New or re-allocation of mortgage product offerings	14%	21%	12%	9%	13%	10%	11%	16%	15%	12%
New borrower segments	10%	4%	10%	0%	6%	6%	8%	9%	7%	12%
Loan officer staffing adjustments	21%	27%	22%	4%	9%	23%	19%	17%	16%	9%
New or re-allocation of origination channels (i.e. retail, online, or third-party channels)	15%	8%	8%	0%	15%	11%	12%	9%	3%	9%
Investor outlet expansion/contraction	12%	10%	9%	35%	9%	9%	6%	15%	10%	6%
Business acquisition/merger/divestment	4%	11%	11%	17%	6%	11%	11%	2%	3%	3%
Underwriting standard changes	6%	6%	2%	0%	3%	6%	2%	4%	0%	0%

For detailed data by lender size and lender type, please check out the excel file posted on the [Mortgage Lender Sentiment Survey](#) web page, together with the report.

* Denotes a statistically significant change compared with Q2 2016 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2015 (same quarter of last year)

Question was changed to only allow up to two answer choices in Q1 2015.
 2014 question text: 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.



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 Outlook

- 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 12 months 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 Execution Share

- 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 12 months 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%.
- q45d. What do you think will drive the change in your firm's percentage of MSR sold over the next 12 months? Please be as specific as possible. (Optional)