

Mortgage Lender Sentiment Survey™

Q4 2014 Data Summary

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

Survey Highlights

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

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

Downward Consumer Purchase Mortgage Demand Reported Over the Prior Three Months

- Consumer demand reported for single-family purchase mortgages over the prior three months declined significantly from Q3 to Q4 2014, in particular among larger lenders.

Negative Consumer Purchase Mortgage Demand Outlook Over the Next Three Months

- Lenders' purchase mortgage demand outlook overall has gradually trended down each quarter throughout the year, with fewer lenders each quarter reporting increased mortgage demand expectations over the next three months, although we recognize that there might be seasonal influences.

Gradual Credit Standards Easing

- Credit tightening observed early this year has gradually trended down each quarter throughout 2014, with fewer lenders each quarter reporting credit tightening over the prior three months. Larger lenders are more likely to report credit easing than tightening, across all loan types, throughout the year.

Stable Mortgage Execution Outlook

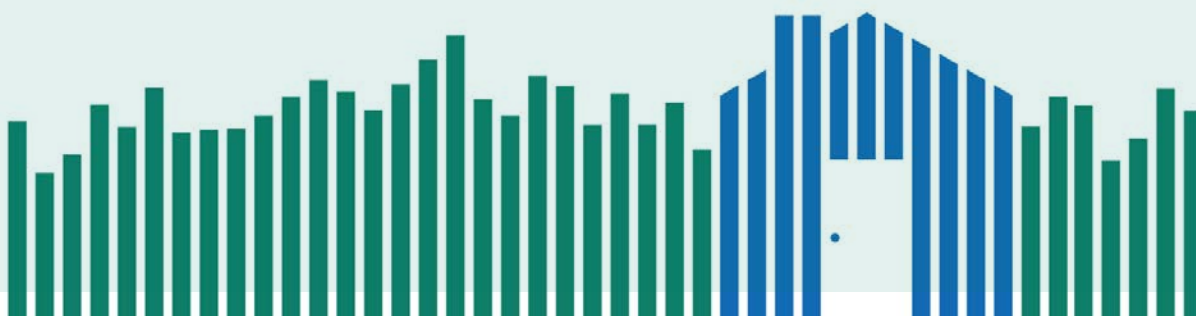
- Throughout the year, most lenders reported that they expect to maintain their mortgage execution strategies for the next three months.

Stable Mortgage Servicing Rights (MSR) Execution Outlook

- Throughout the year, most lenders reported that they expect to maintain their Mortgage Servicing Rights (MSR) execution strategies over the next three months.

Stable Profit Margin Expectations for the Next Three Months

- Lenders' profit margin outlook has remained relatively stable after a first-quarter drop.

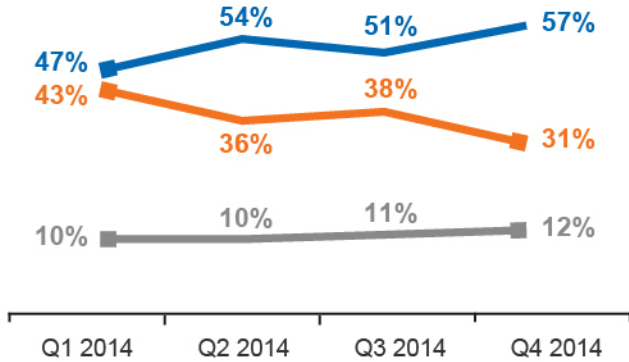


Economic and Housing Sentiment Comparison Between Executives and Consumers

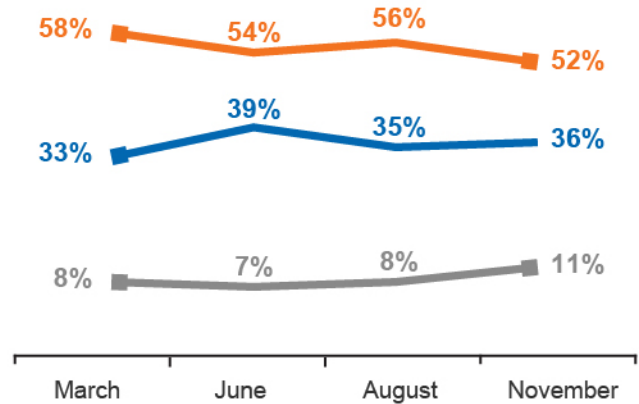
Senior mortgage executives continue to be more optimistic about the overall economy than general consumers reported by Fannie Mae's National Housing Survey™+.

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

Mortgage Lender Sentiment Survey
Among Senior Executives



National Housing Survey
Among General Consumers



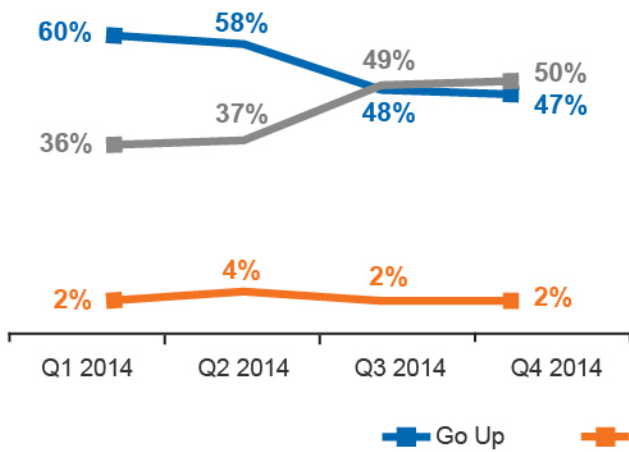
■ Right track
 ■ Wrong track
 ■ Don't know

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

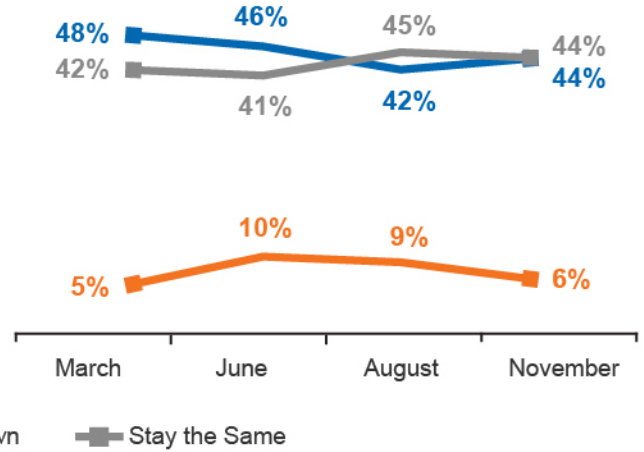
Senior mortgage executives' views about future home prices are generally similar to those of consumers.

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

Mortgage Lender Sentiment Survey
Among Senior Executives



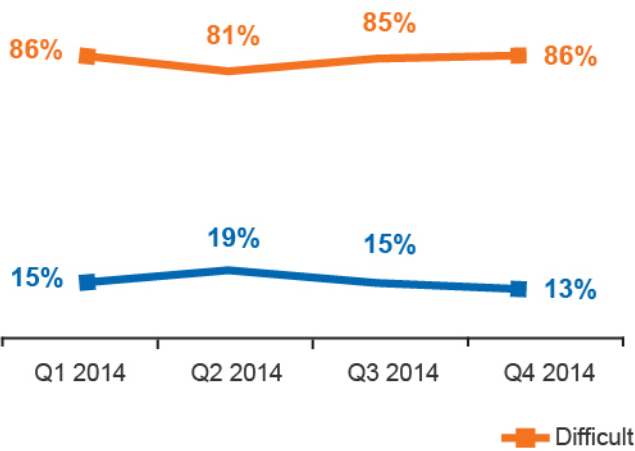
National Housing Survey
Among General Consumers



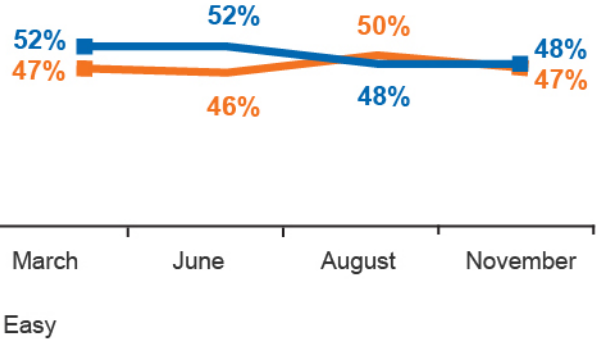
Senior mortgage executives continue to be more pessimistic than general consumers when it comes to the ease of getting a mortgage today.

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

Mortgage Lender Sentiment Survey
Among Senior Executives



National Housing Survey
Among General Consumers

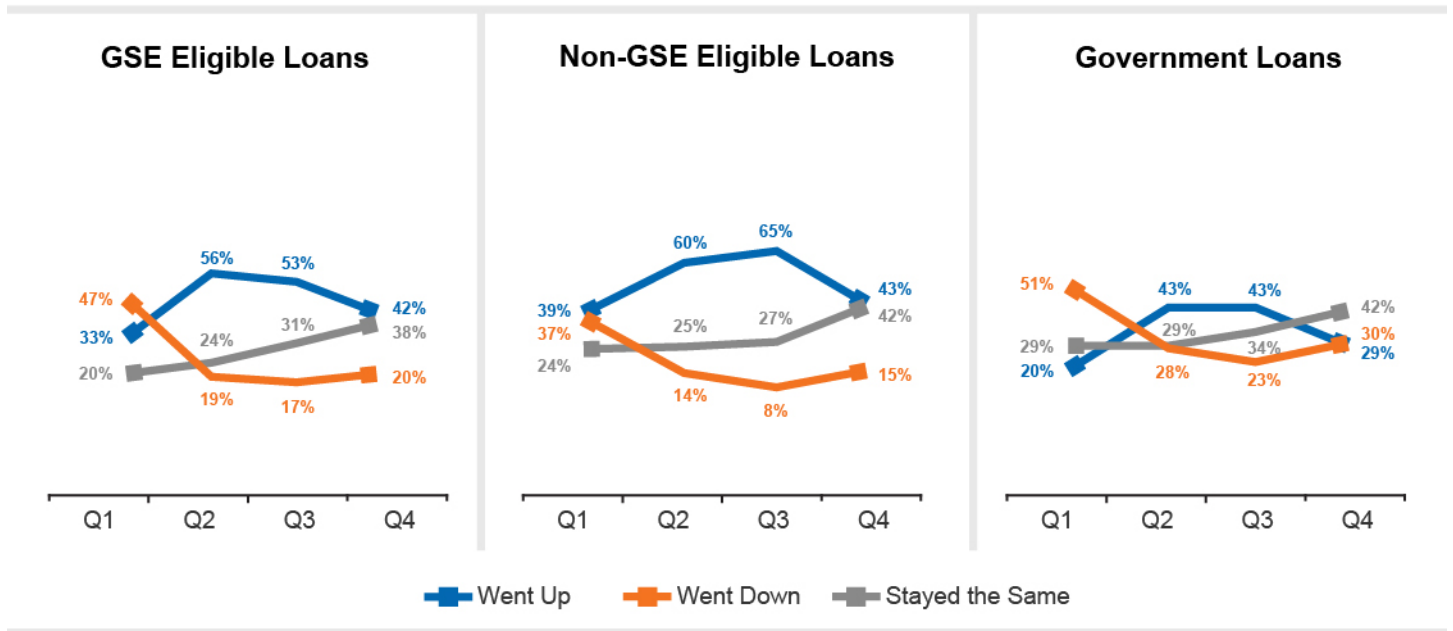


+ For details about the National Housing Survey, please see the [National Housing Survey page](#) on [fanniemae.com](#).

Consumer Purchase Mortgage Demand: Past Three Months

Consumer demand reported for single-family purchase mortgages over the prior three months declined significantly from Q3 to Q4 across three mortgage loan type markets (GSE-eligible, non-GSE-eligible, and government loans).

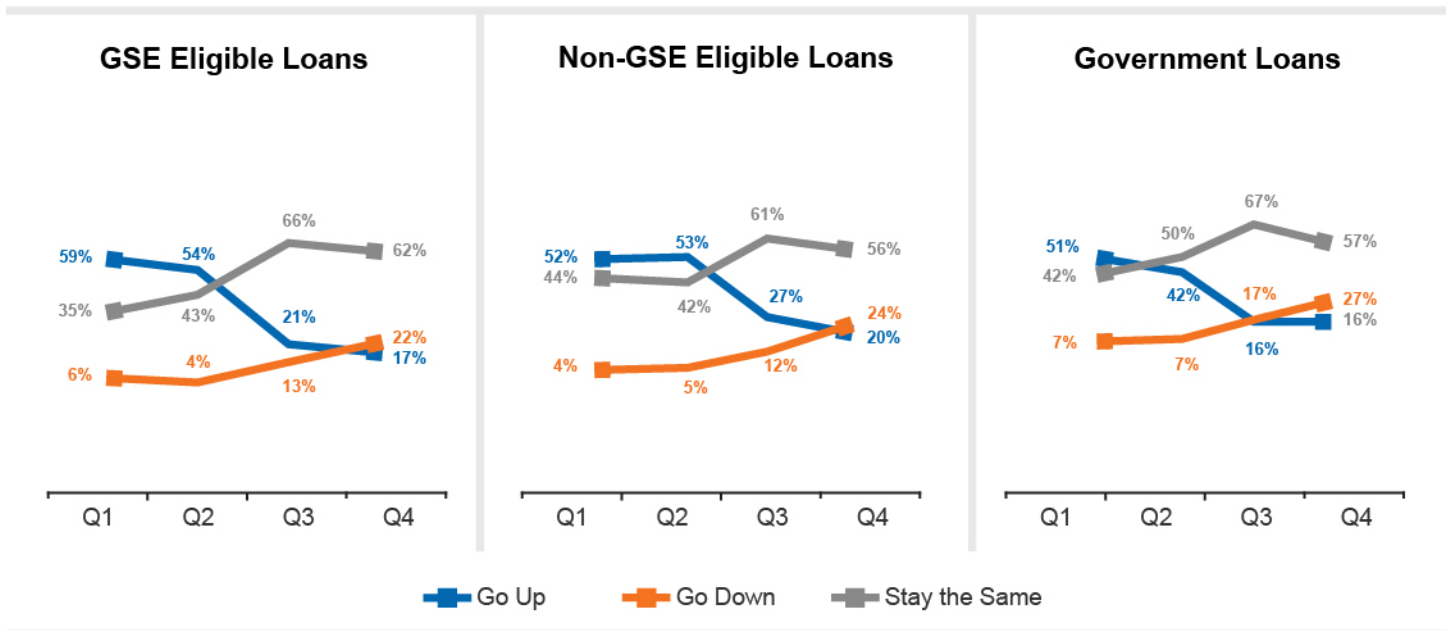
Share of institutions who say purchase mortgage consumer demand over the past 3 months....



Consumer Purchase Mortgage Demand Outlook: Next Three Months

Lenders' purchase mortgage demand outlook has gradually trended down each quarter throughout the year across all loan types, with fewer lenders each quarter reporting increased mortgage demand expectations for the next three months, although we recognize that there might be seasonal influences.

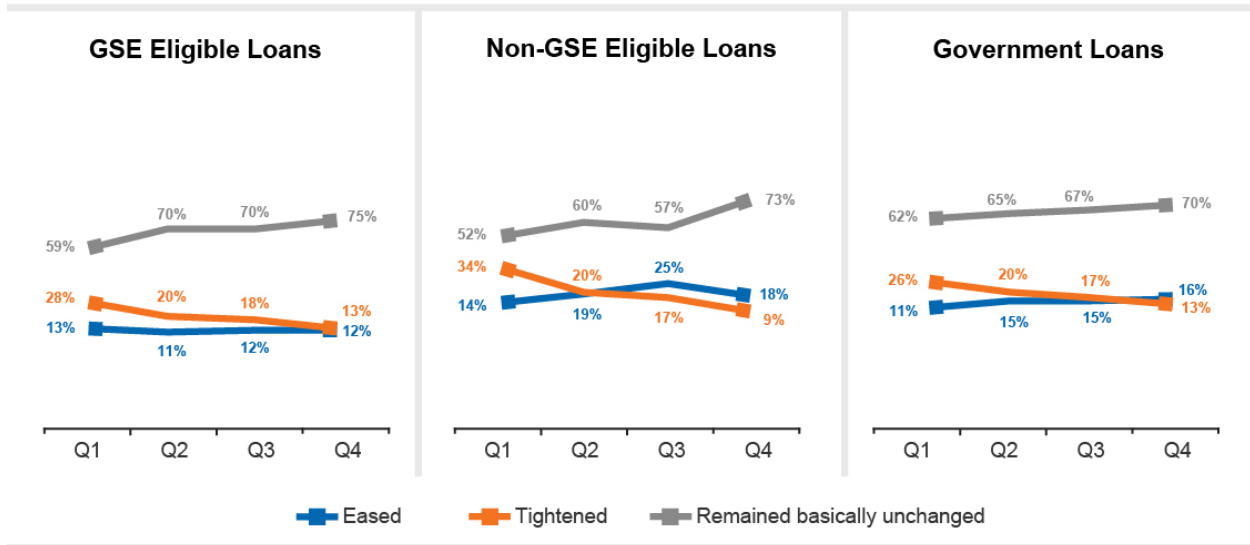
Share of institutions who say purchase mortgage consumer demand over the next 3 months will...



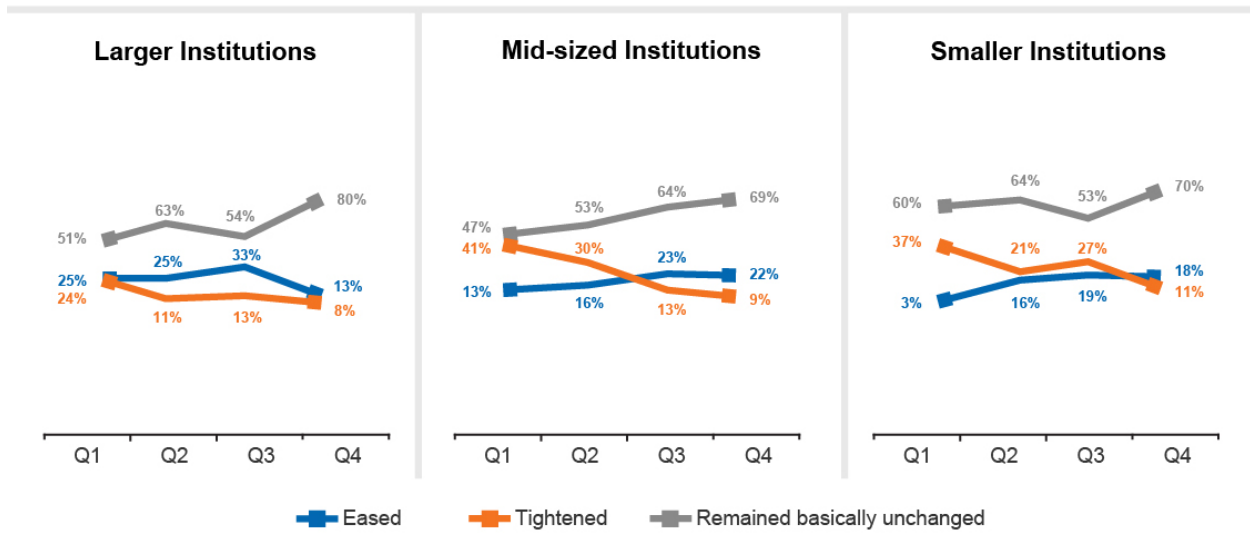
Credit Standards: Past Three Months

Credit tightening observed early this year has gradually trended down each quarter throughout the year, with fewer lenders each quarter reporting credit tightening over the prior three months. In particular, in Q4, for non-GSE-eligible loans, and across all types of lenders, more lenders reported easing than tightening.

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



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

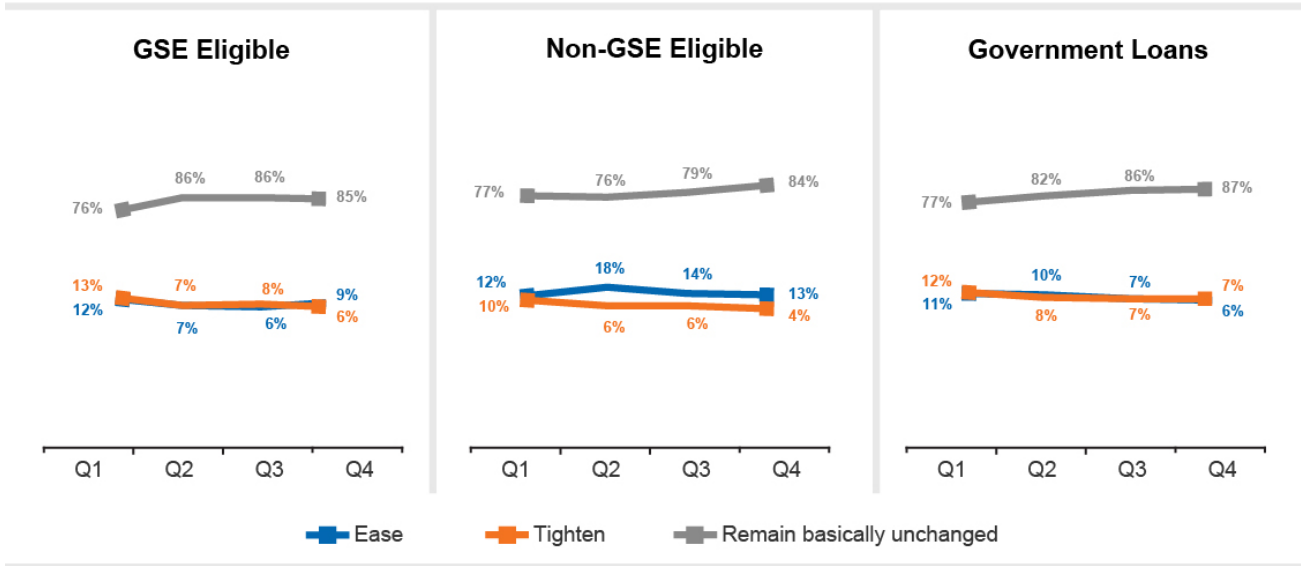


⁺ Similar results are found for the other two loan type markets. Data for the non-GSE-eligible loan type market is shown here, as an example. Please click [here](#) for detailed findings about the other mortgage loan type markets.

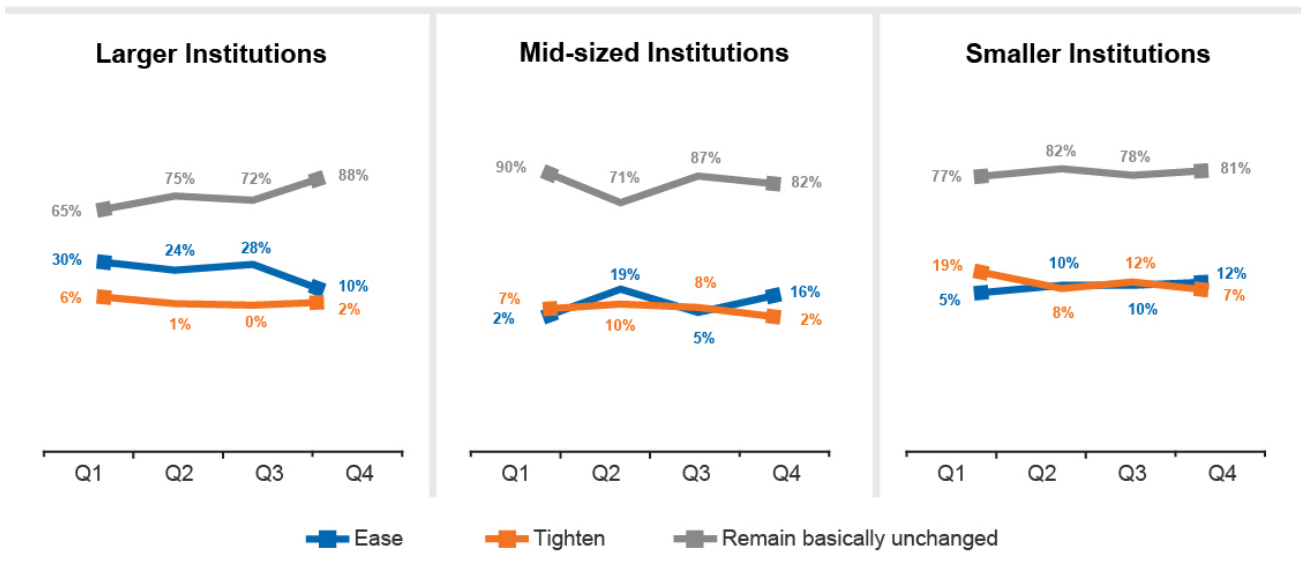
Credit Standard Expectations: Next Three Months

More lenders reported that they expect their credit standards to ease for the next three months on non-GSE-eligible than on GSE-eligible loans and government loans.

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



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

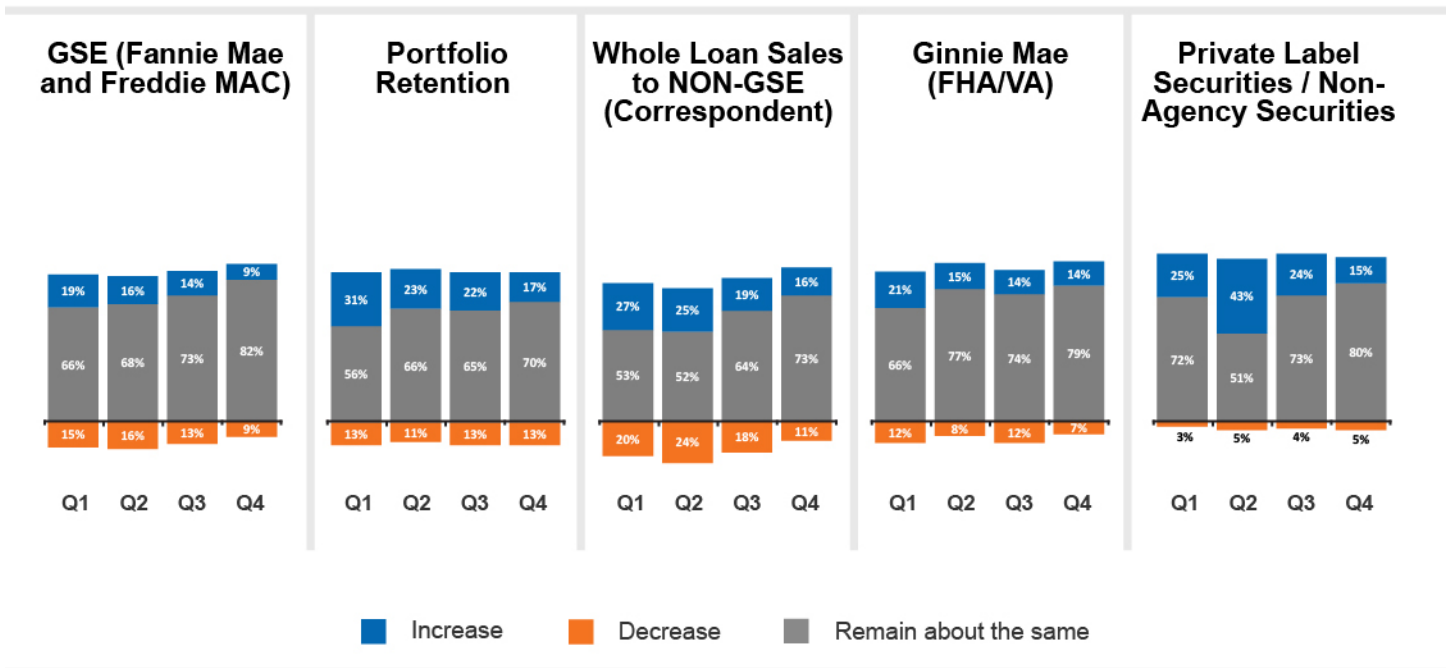


⁺Similar results are found for the other two loan type markets. Data for the non-GSE-eligible loan type market is shown here, as an example. Please click [here](#) for detailed findings about the other mortgage loan type markets.

Mortgage Execution Outlook

Throughout the year, most lenders reported that they expect to maintain their mortgage execution strategies for the next three months.

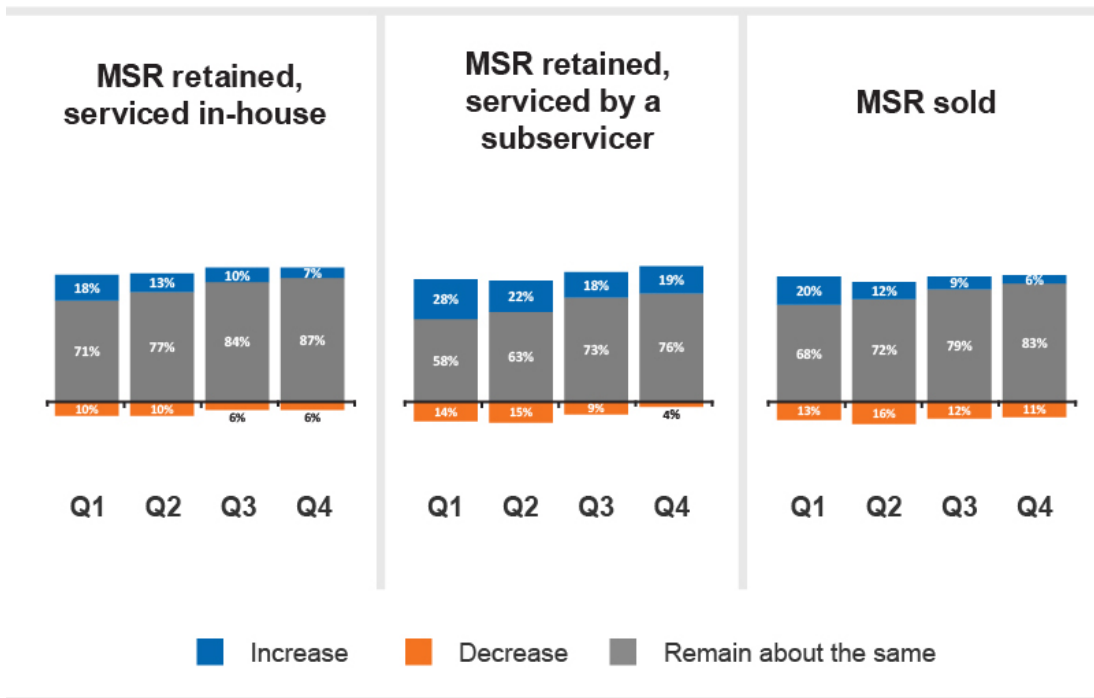
Share of institutions who say the share of each of the following mortgage execution channels for the next 3 months will....



Mortgage Servicing Rights (MSR) Execution Outlook

Throughout the year, most lenders reported that they expect to maintain their Mortgage Servicing Rights (MSR) execution strategies over the next three months.

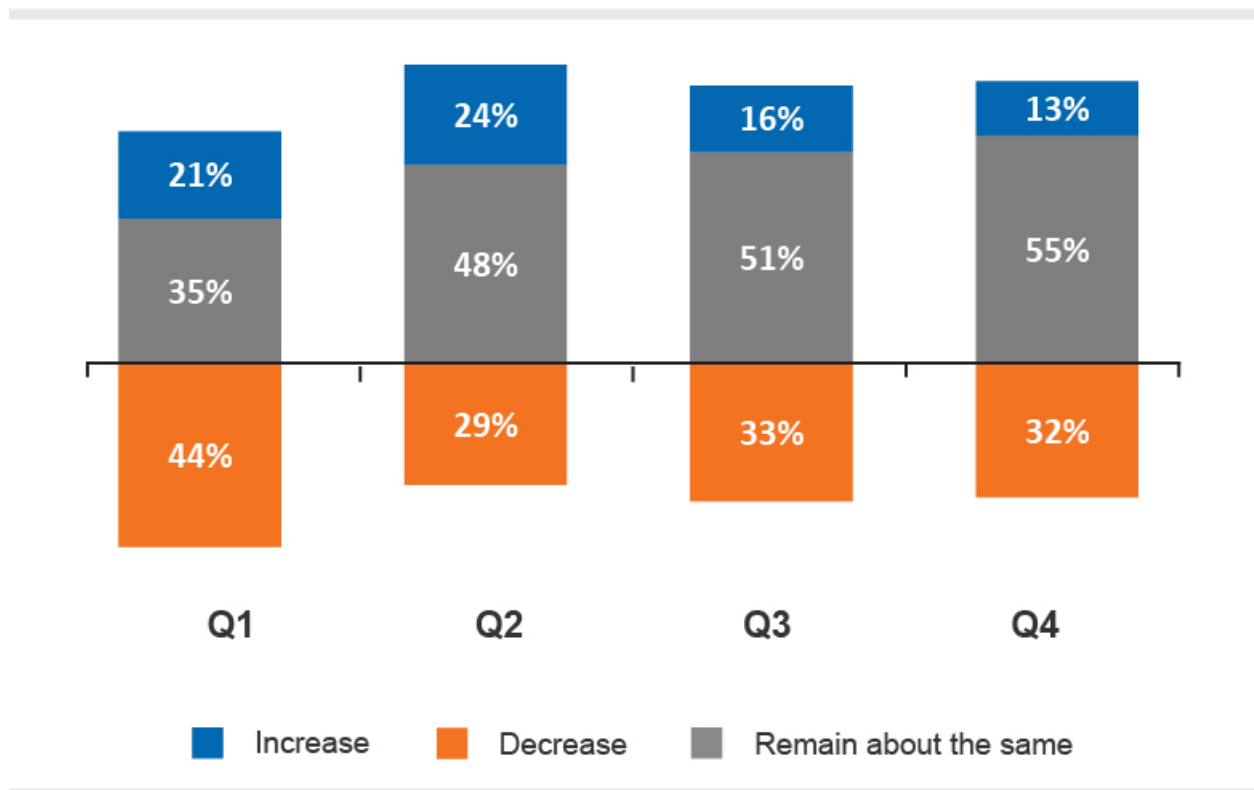
Share of institutions who say the share of their mortgage servicing rights execution channel will....



Profit Margin Outlook: Next Three Months

Lenders' profit margin outlook has remained relatively stable after first-quarter drop. Among larger lenders, the importance of government regulatory compliance in driving their decreased profit margin outlook has gradually declined and the importance of consumer demand has gradually increased.⁺

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



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

Addendum

About the Survey

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

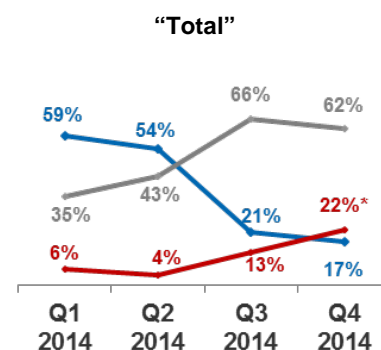
The results of the Mortgage Lender Sentiment Survey are reported at the lending institutional level. If more than one individual from the same institution completes the survey, their responses are averaged to represent their institution.

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

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

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

Over the <u>next three months</u> , apart from normal seasonal variation, do you expect your firm’s consumer demand for single-family <u>purchase mortgages</u> to go up, go down, or stay the same? GSE-eligible (Q4)	Larger Institutions	Mid-sized Institutions	Smaller Institutions	Q3 Average
Went up	13%	17%	20%	17% [(13% + 17% + 20%)/3]
Stayed the same	64%	58%	62%	62%
Went down	22%	25%	18%	22%



The first quarter 2014 Fannie Mae Mortgage Lender Sentiment Survey was conducted between March 4, 2014 and March 18, 2014. The second quarter survey was conducted between May 28, 2014 and June 8, 2014. The third quarter was conducted between August 6, 2014 and August 23, 2014. The fourth quarter was conducted between November 5, 2014 and November 24, 2014.

Sample Q4-2014		Sample Size
Total Lending Institutions		192
The "Total" data throughout this report is an average of the means of the three loan origination volume groups listed below (with ~33% weight per group).		
Loan Origination Volume Groups	Larger Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the top 15% (above \$1.14 billion)	49
	Mid-sized Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the next 20% (16%- 35%) (between \$325 million to \$1.14 billion)	56
	Smaller Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the bottom 65% (less than \$325 million)	87
Institution Type	Mortgage Banks (non-depository)	48
	Depository Institutions (including credit unions)	132

Loan Type Definitions

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

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

National Housing Survey™

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

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