

Mortgage Lender Sentiment Survey

Insights into current lending activities and market expectations

Q2 2014



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Summary of Key Findings

Housing Sentiment

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**

Consumer Demand

Consumer demand reported for single-family purchase mortgages over the prior three months **went up** on net from Q1 to Q2 and is expected by senior mortgage executives to go up on net during the next three months

Credit Standards

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

Mortgage Execution

Compared with Q1, more depository institutions reported in Q2 that they expect to maintain their post mortgage origination execution strategies for the next three months

Mortgage Servicing Rights (MSR)

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

Profit Margin Outlook

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

- Most lenders cite “**government regulatory compliance**” and “**competition from other lenders**” as the major reasons driving the decrease in their profit margin over the next three months

Research Objectives

- Currently, there is no broad based, industry survey that tracks lenders' expectations for the mortgage industry.
- The *Mortgage Lender Sentiment Survey*, debuted in March 2014, is a quarterly online survey among senior executives in the mortgage industry to:

Track insights and provide benchmarks into current and future mortgage lending activities and practices:

Quarterly Regular Questions

- Consumer Mortgage Demand
- Credit Standards
- Mortgage Execution
- Mortgage Servicing Rights (MSR) Execution
- Profit Margin Outlook
- 30-Year Fixed Mortgage Interest Rate

Featured Specific-Topic Questions

- Business Strategies and Practices
- Industry Challenges, Opportunities, and Emerging Topics

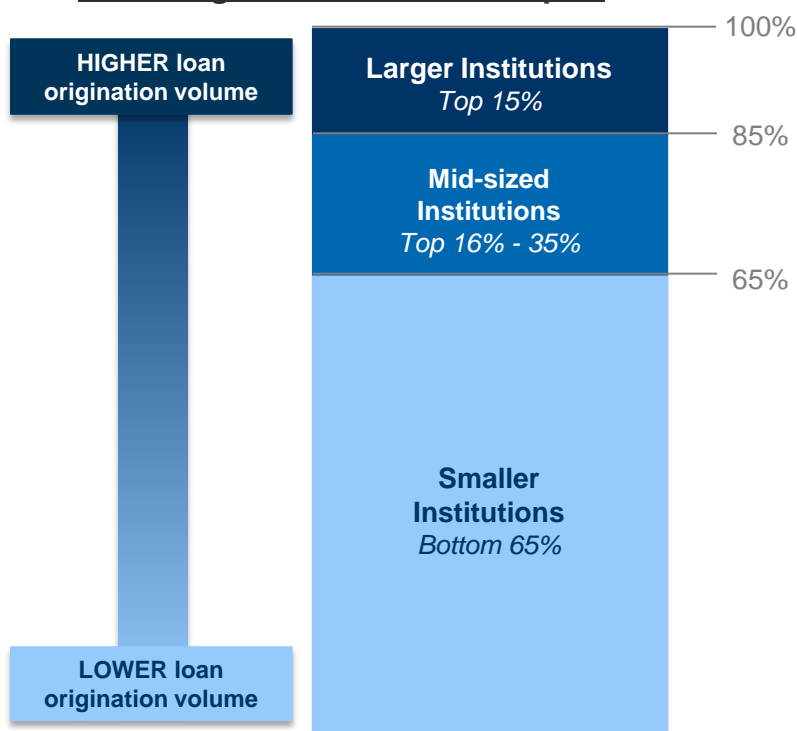
Methodology

- A quarterly, 10-15 minute online survey among senior executives such as CEOs and CFOs of Fannie Mae's lending institution customers.
- 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.

Q2 2014 Respondent Sample and Groups

For Q2, 2014, a total of 201 senior executives completed the survey during May 28 – June 8, representing 186 lending institutions.*

Loan Origination Volume Groups**



Sample Q2-2014		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.		186
Loan Origination Volume Groups	Larger Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the top 15% (above \$1.14 billion)	47
	Mid-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)	50
	Smaller Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the bottom 65% (less than \$325 million)	89
Institution Type	Mortgage Banks	47
	Depository Institutions	134

* 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.

For Q2 2014, a total of 2005 senior executives at 1104 institutions were invited to participate. Response rate was ~10% at the individual respondent level.

** The 2012 total industry loan volume per lender used here includes the best available annual origination information from sources such as the Home Mortgage Disclosure Act (HMDA), Fannie Mae, Freddie Mac, or Marketrac. The most recent loan volume data available is 2012.

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 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.

ECONOMIC AND HOUSING SENTIMENT

- Senior mortgage executives continue to be more optimistic about the overall economy than general consumers
- However, senior mortgage executives continue to be more pessimistic than general consumers when it comes to the ease of getting a mortgage today

US Economy Overall

Senior mortgage executives continue to be more optimistic about the overall economy than general consumers

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

Total

N=186

Q2

54%

10%

36%

N=247

Q1

47%

10%

43%

Larger Institutions

N=47

Q2

49%

11%

40%

N=46

Q1

45%

8%

48%

Mid-sized Institutions

N=50

Q2

56%

11%

33%

N= 51

Q1

46%

10%

44%

Smaller Institutions

N=89

Q2

56%

8%

36%

N=150

Q1

50%

12%

38%

2014 National Housing Survey

Among the General Population (consumers)

June

39%

7%

54%

March

33%

8%

58%

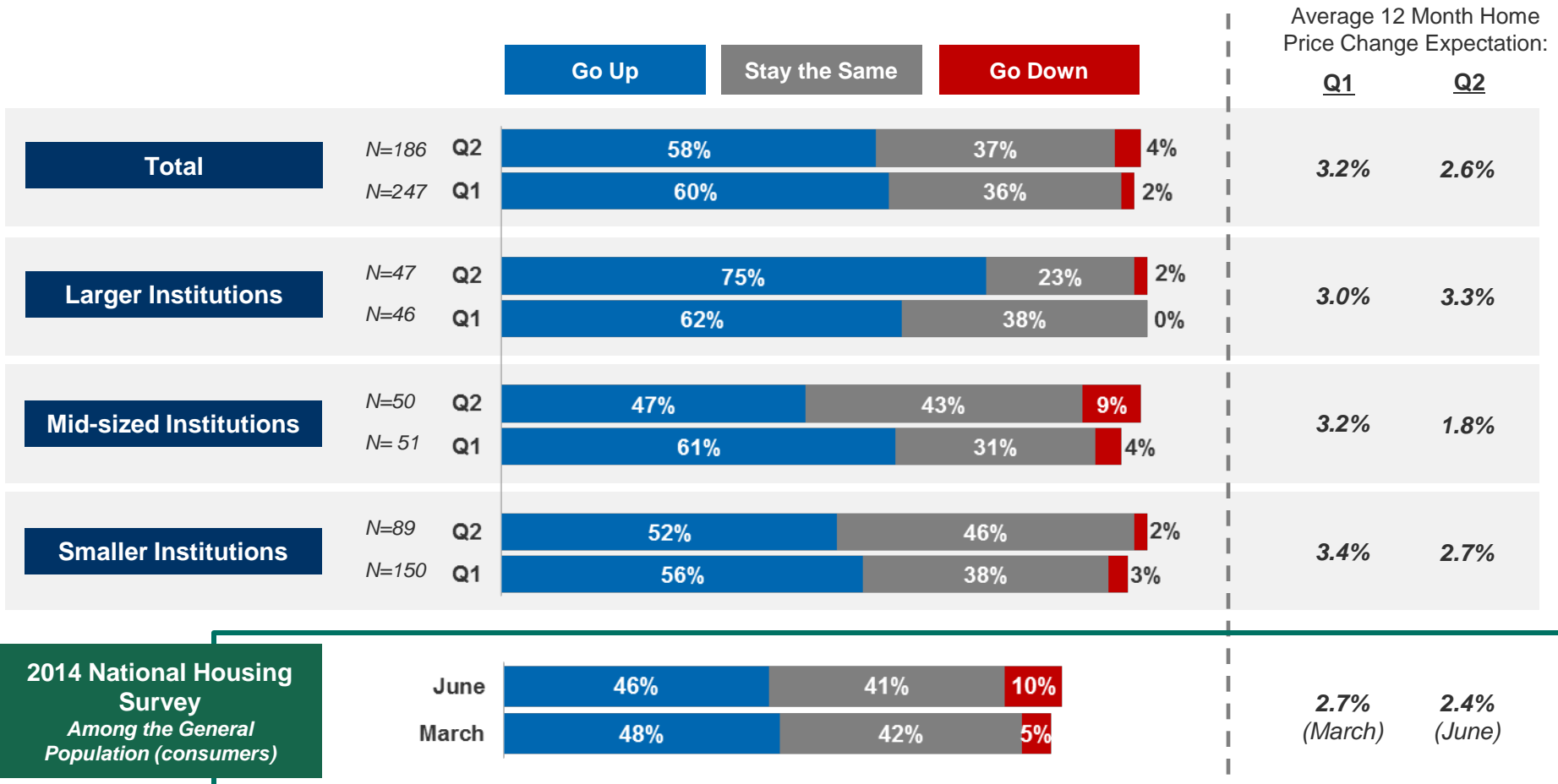
* Denotes a statistically significant change since Q1

National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

Home Prices – Next 12 Months

N=89

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



* Denotes a statistically significant change since Q1

Q: 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?

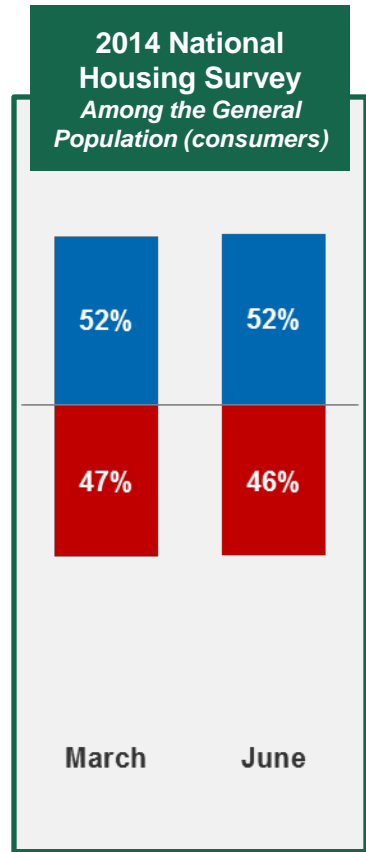
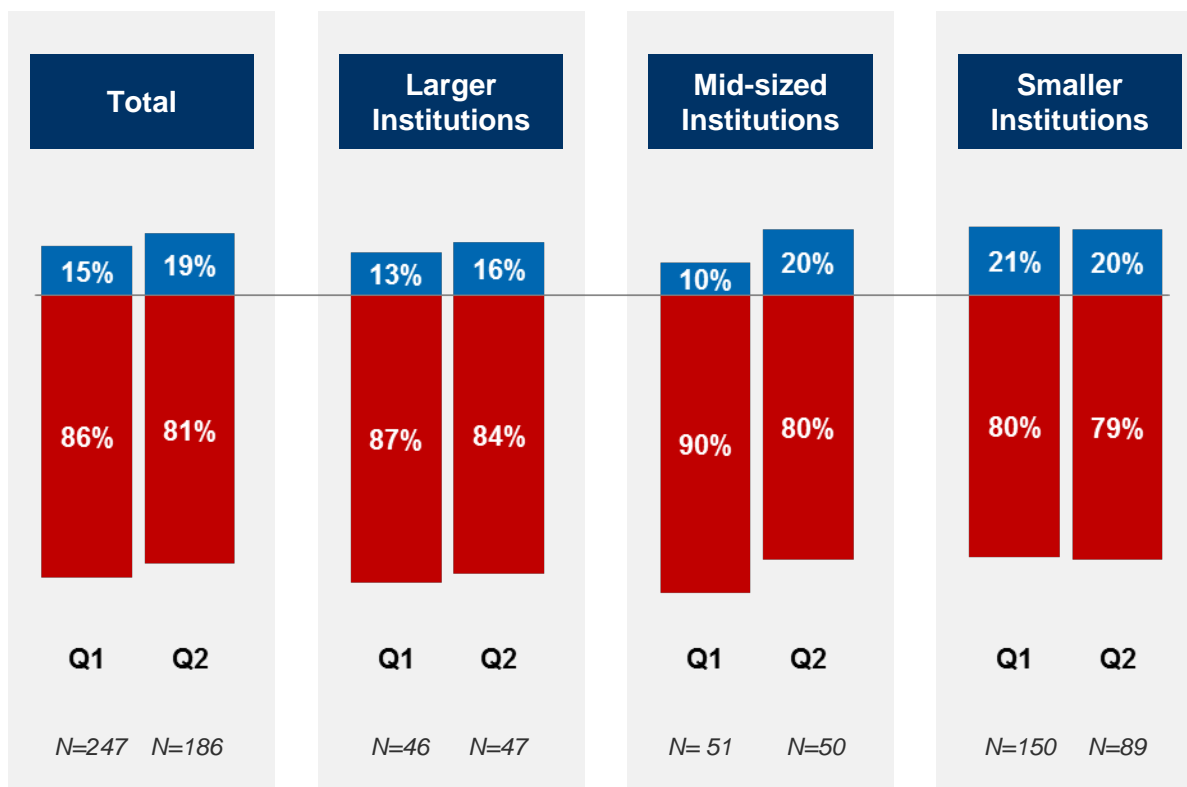
Q: By about what percent do you, as a senior mortgage executive, think home prices nationally will go up/down on average over the next 12 months?

National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

Difficulty of Getting a Mortgage

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

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



* Denotes a statistically significant change since Q1
 "Easy" = Very easy + Somewhat easy
 "Difficult" = Very difficult + Somewhat difficult
 National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

CONSUMER DEMAND (PURCHASE MORTGAGES)

- Consumer demand reported for single-family purchase mortgages over the prior 3 months went up on net and is expected by senior mortgage executives to go up on net during the next 3 months

Purchase Mortgage Demand: GSE Eligible

Consumer demand reported for GSE eligible purchase mortgages over the prior 3 months went up on net and is expected by senior mortgage executives to go up on net during the next 3 months

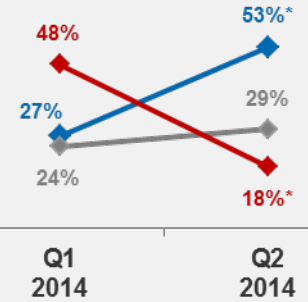
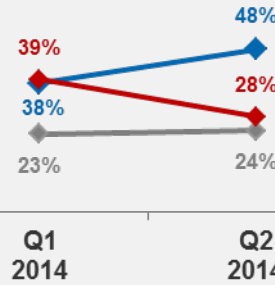
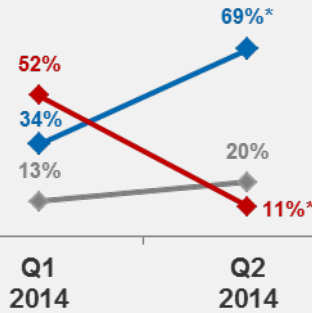
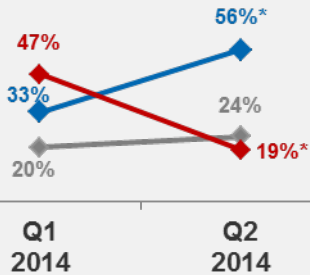
Total

Larger Institutions

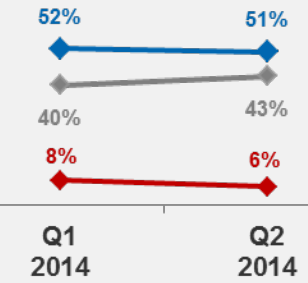
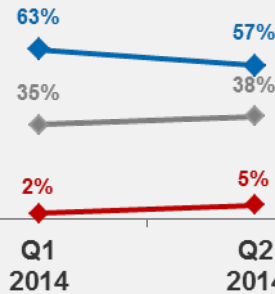
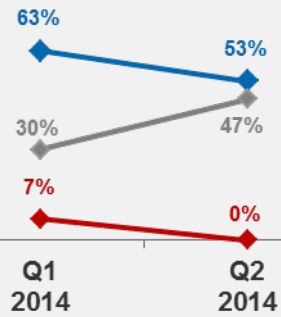
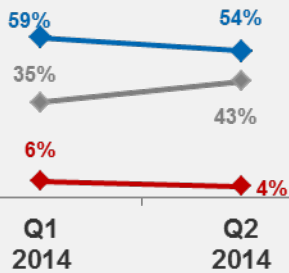
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



- ◆— Up
- ◆— The same
- ◆— Down

* Denotes a statistically significant change since Q1

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? A: "Went up," "Stayed the same," or "Went Down"

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? A: "Go up," "Stay the same," or "Go Down"

Purchase Mortgage Demand: Non-GSE Eligible

Consumer demand reported for non-GSE eligible purchase mortgages over the prior 3 months went up on net and is expected by senior mortgage executives to go up on net during the next 3 months

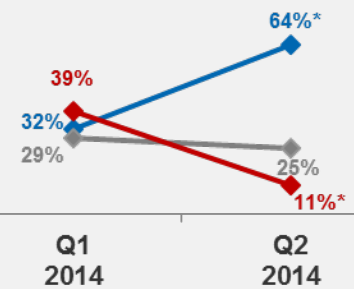
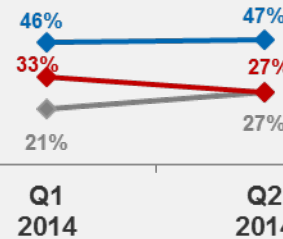
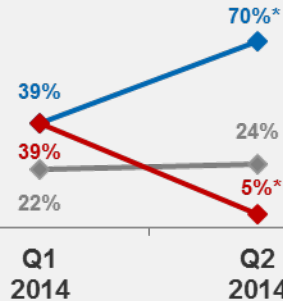
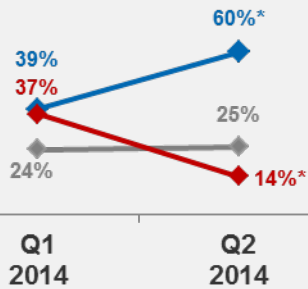
Total

Larger Institutions

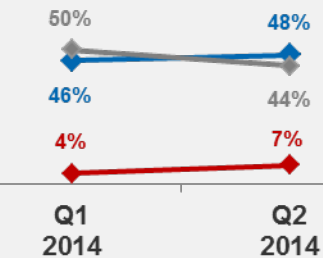
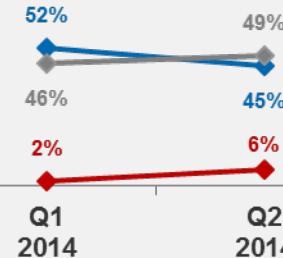
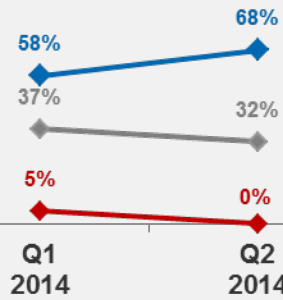
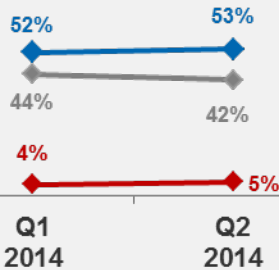
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



- Up
- The same
- Down

* Denotes a statistically significant change since Q1

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? A: "Went up," "Stayed the same," or "Went Down"

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? A: "Go up," "Stay the same," or "Go Down"

Purchase Mortgage Demand: Government

Consumer demand reported for government purchase mortgages over the prior 3 months went up on net and is expected by senior mortgage executives to go up on net during the next 3 months

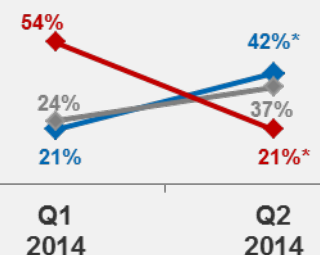
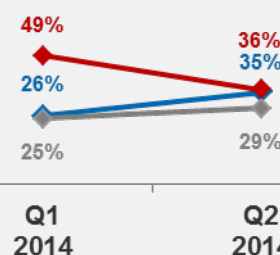
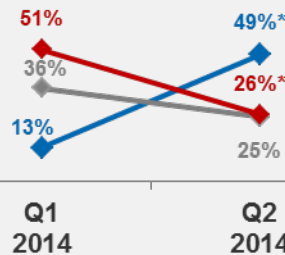
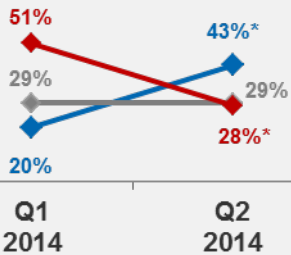
Total

Larger Institutions

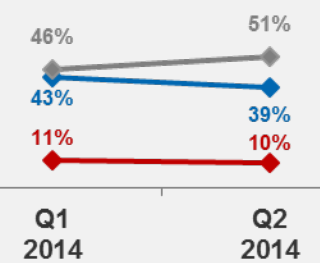
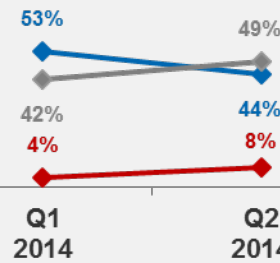
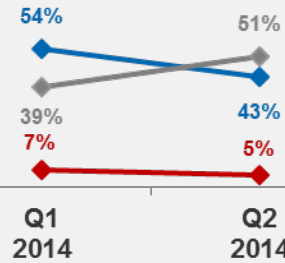
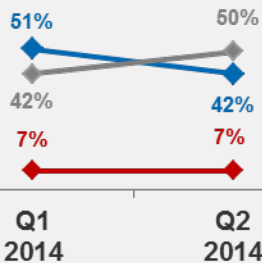
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



- Up
- The same
- Down

* Denotes a statistically significant change since Q1

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? A: "Went up," "Stayed the same," or "Went Down"

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? A: "Go up," "Stay the same," or "Go Down"

CREDIT STANDARDS

Overall, most lenders expect their credit standards to remain basically unchanged over the next 3 months

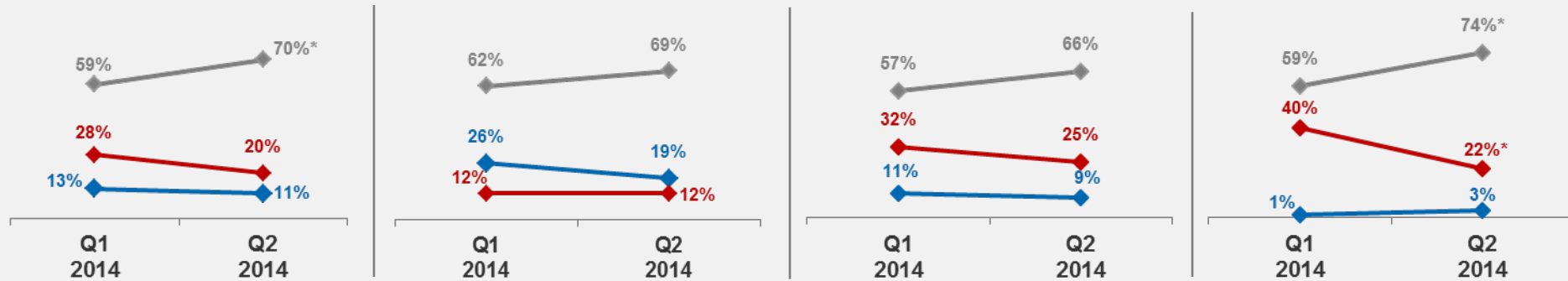
- **Smaller and mid-sized lenders** are more likely to say their credit standards tightened over the prior 3 months, and are more likely to expect them to tighten during the next 3 months
- **Larger lenders**, on the other hand, are more likely to say their credit standards eased over the prior 3 months and that they expect standards to ease during the next 3 months

Credit Standards: GSE Eligible

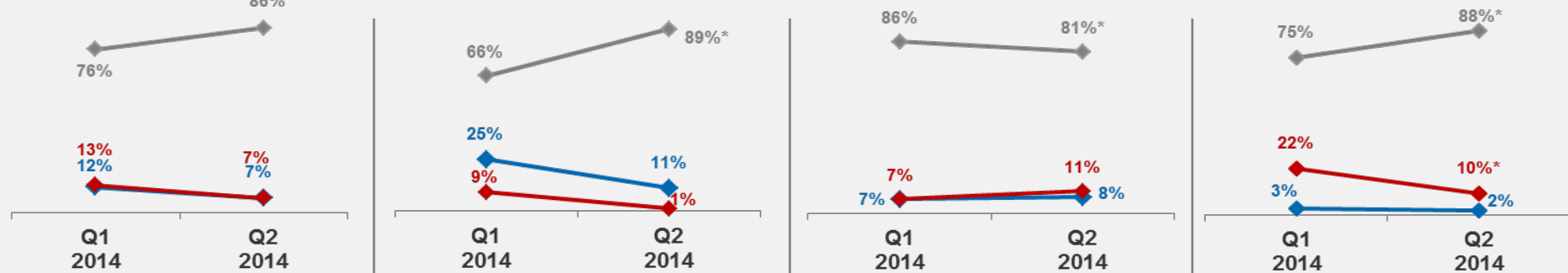
Most lenders expect their credit standards to remain basically unchanged over the next 3 months. Larger lenders are more likely to report easing credit standards than smaller and mid-sized lenders.



Past 3 Months



Next 3 Months



Denotes a statistically significant change since Q1

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

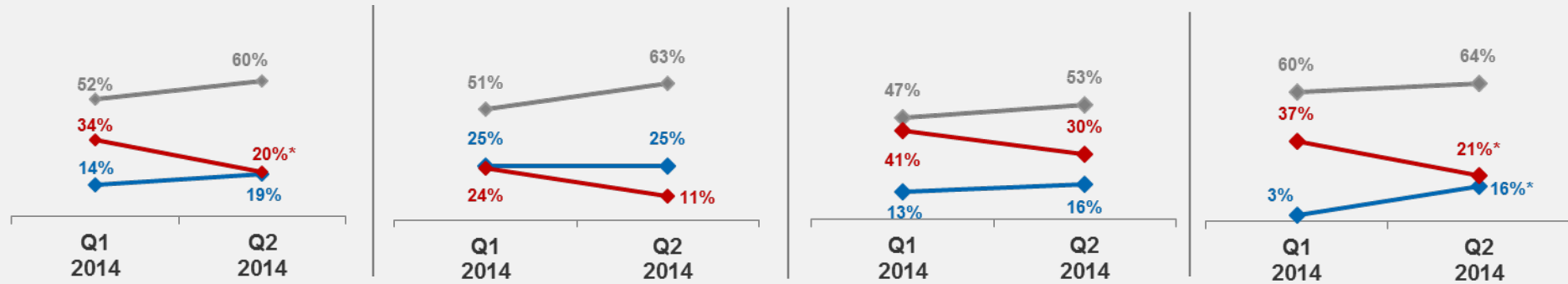
Q: Over the next three months, how do you expect your firm's credit standards for approving applications from individuals for purchase mortgage loans to change? "Ease" = Ease considerably + Ease somewhat, "Tighten" = Tighten somewhat + Tighten considerably

Credit Standards: Non-GSE Eligible

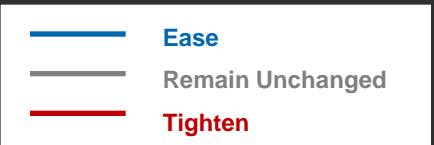
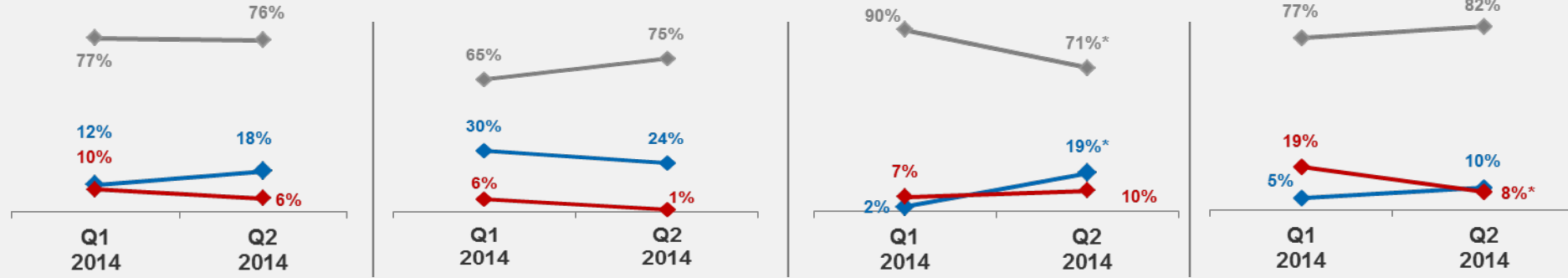
Most lenders expect their credit standards to remain basically unchanged over the next 3 months. Larger lenders are more likely to report easing credit standards than smaller and mid-sized lenders.



Past 3 Months



Next 3 Months



Denotes a statistically significant change since Q1

Q: Over the past three months, how did your firm's credit standards for approving consumer applications for purchase mortgage loans change? "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 purchase mortgage loans to change? "Ease" = Ease considerably + Ease somewhat, "Tighten" = Tighten somewhat + Tighten considerably

Credit Standards: Government

Most lenders expect their credit standards to remain basically unchanged over the next 3 months. Larger lenders are more likely to report easing credit standards than smaller and mid-sized lenders.

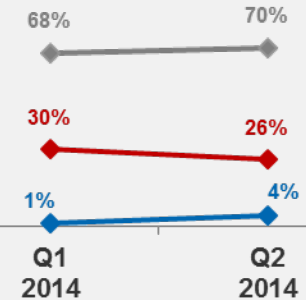
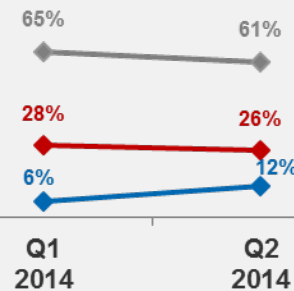
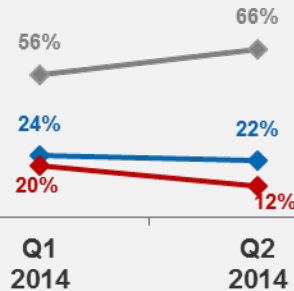
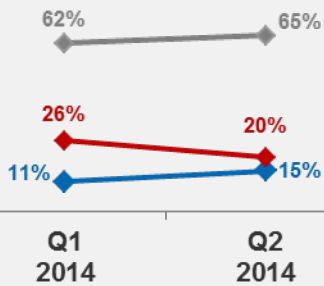
Total

Larger Institutions

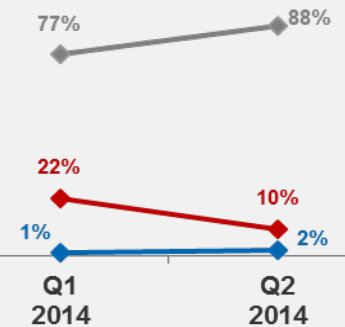
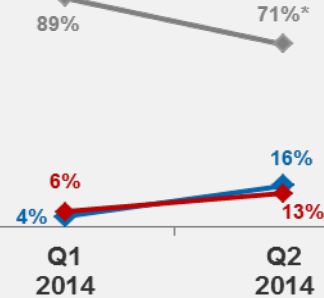
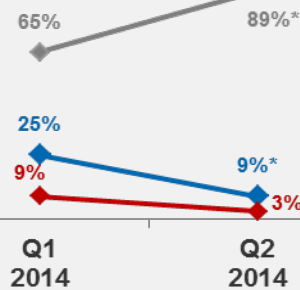
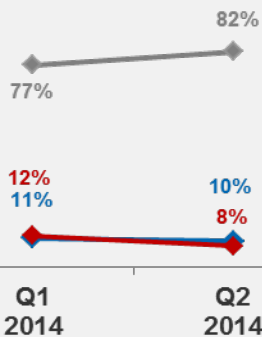
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



— Ease
— Remain Unchanged
— Tighten

Denotes a statistically significant change since Q1

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

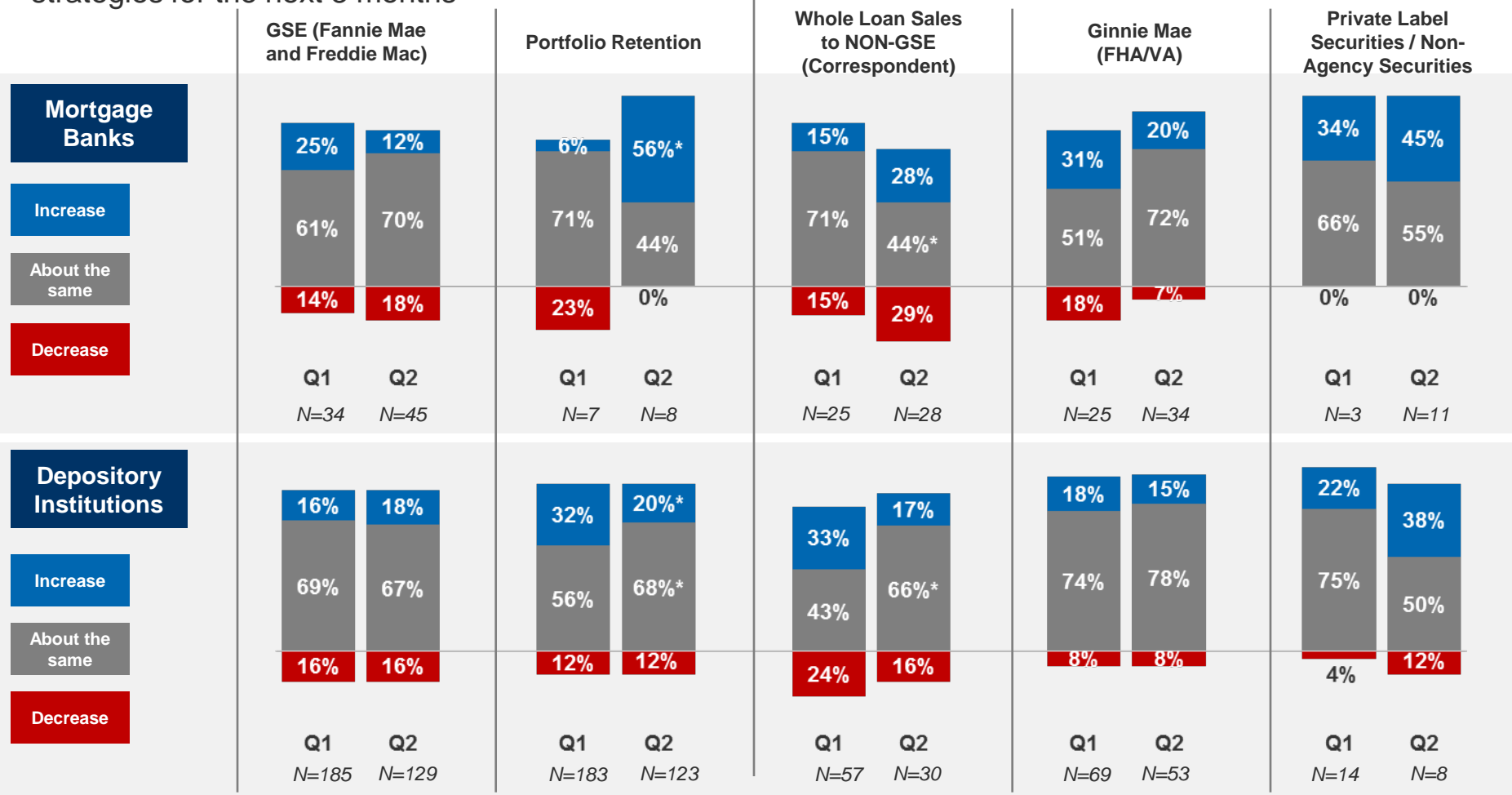
Q: Over the next three months, how do you expect your firm's credit standards for approving applications from individuals for purchase mortgage loans to change? "Ease" = Ease considerably + Ease somewhat, "Tighten" = Tighten somewhat + Tighten considerably

Mortgage Execution Expectations

- Compared with Q1, more depository institutions in Q2 reported that they expect to maintain their post mortgage origination execution strategies for the next 3 months

Mortgage Execution Expectations – Next 3 Months

Most depository institutions reported that they expect to maintain their post mortgage origination execution strategies for the next 3 months



* Denotes a statistically significant change since Q1

Q: How much do you expect your firm's post mortgage-origination execution share for each of the categories to change over the next three months?

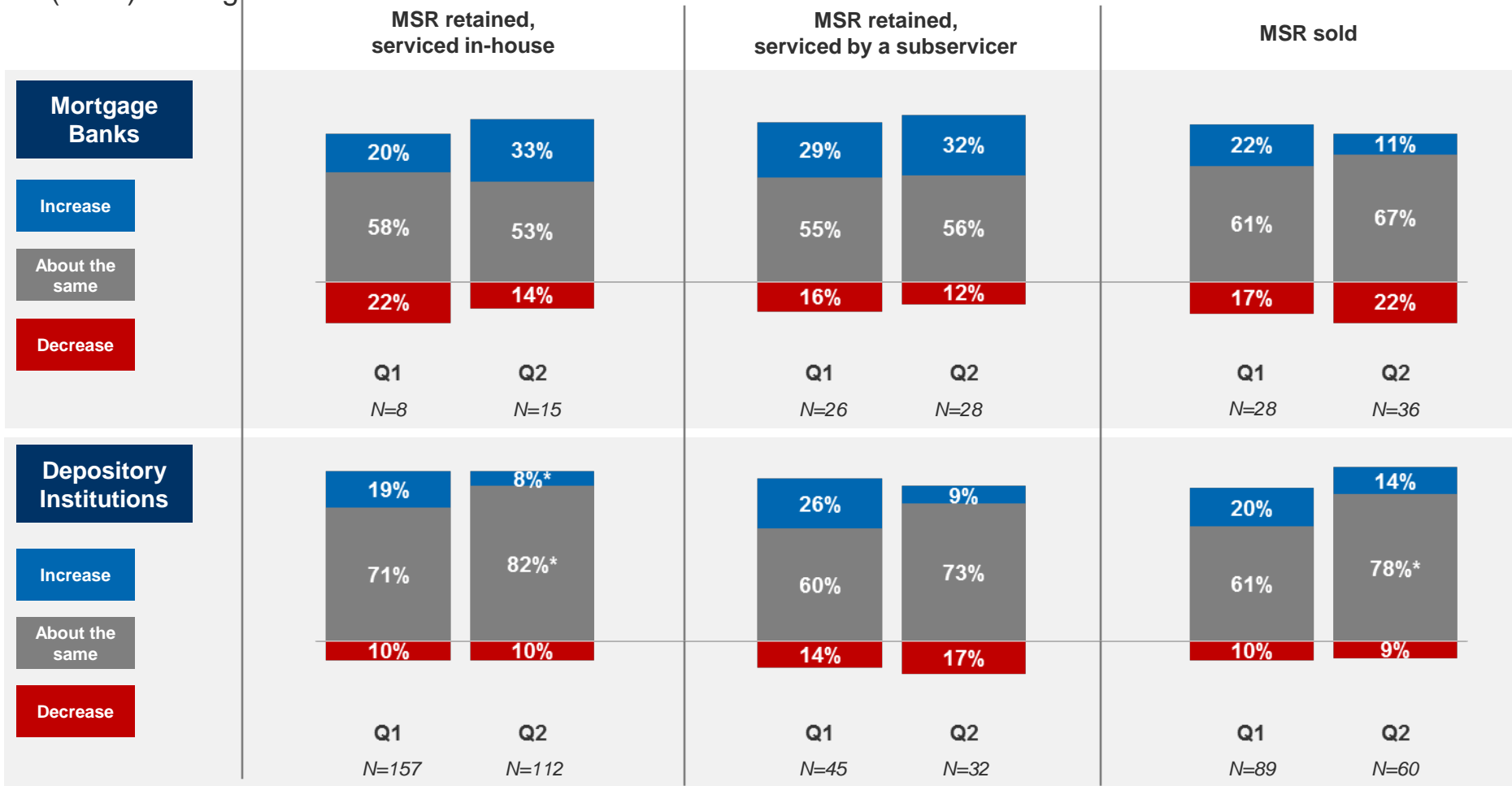
"Increase" = Increase significantly + Increase somewhat "Decrease" = Decrease significantly + Decrease somewhat

Mortgage Servicing Rights (MSR) Execution Expectations

- As in Q1, the majority of lenders in Q2 reported that they expect to maintain their current Mortgage Servicing Rights (MSR) strategies over the next 3 months

MSR Execution Expectations – Next 3 Months

The majority of lenders reported that they expect to maintain their current Mortgage Servicing Rights (MSR) strategies over the next 3 months



* Denotes a statistically significant change since Q1

Q: How much do you expect your firm's mortgage servicing rights (MSR) disposition shares for each of the applicable categories to change over the next three months?

"Increase" = Increase significantly + Increase somewhat "Decrease" = Decrease significantly + Decrease somewhat

PROFIT MARGIN OUTLOOK

- Lenders' profit margin outlook appears to have improved from Q1 to Q2, as more lenders expect their profit margin over the next 3 months to stay the same and fewer lenders expect their profit margin over the next 3 months to decrease
- “Government regulatory compliance” and “competition from other lenders” are cited as the most popular reasons driving the decrease in profit margin over the next 3 months

Profit Margin Outlook – Next 3 Months



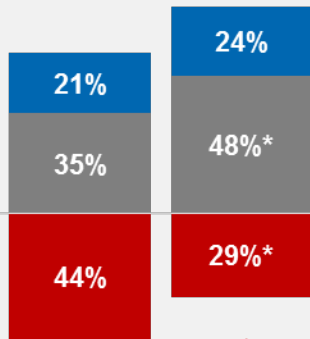
Lenders' profit margin outlook appears to have improved from Q1 to Q2.



Q1 Q2

Top 2 Reasons for Expected Increase:

1. Consumer demand
2. Operational efficiency



Top 2 Reasons for Expected Decrease:

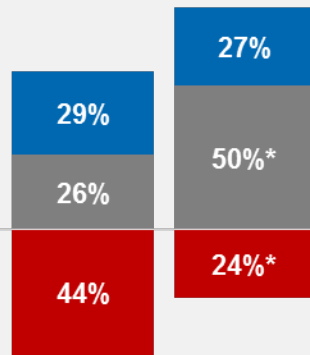
1. Government regulatory compliance
2. Competition from other lenders



Q1 Q2

Top 2 Reasons for Expected Increase:

1. Operational efficiency
2. Consumer demand



Top 2 Reasons for Expected Decrease:

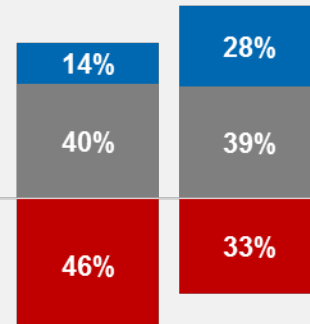
1. Government regulatory compliance
2. Competition from other lenders



Q1 Q2

Top 2 Reasons for Expected Increase:

1. Consumer demand
2. Operational efficiency



Top 2 Reasons for Expected Decrease:

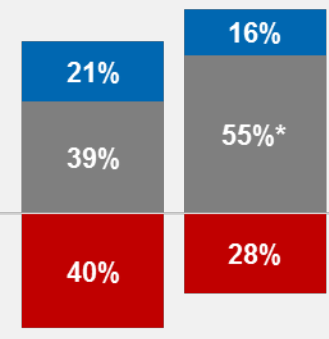
1. Government regulatory compliance
2. Competition from other lenders



Q1 Q2

Top 2 Reasons for Expected Increase:

1. Consumer demand
2. Operational efficiency



Top 2 Reasons for Expected Decrease:

1. Government regulatory compliance
2. Competition from other lenders

* Denotes a statistically significant change since Q1

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 three of the most important reasons.

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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 among 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

- To ensure that the survey results represent the behavior and output of organizations rather than individuals, the Fannie Mae Mortgage Lender Sentiment Survey is structured and conducted as an establishment survey. The results are reported at the lending institutional level. If more than one individual from the same institution complete the survey, their responses are averaged to represent their institution.
- Each respondent is asked 40-75 questions.

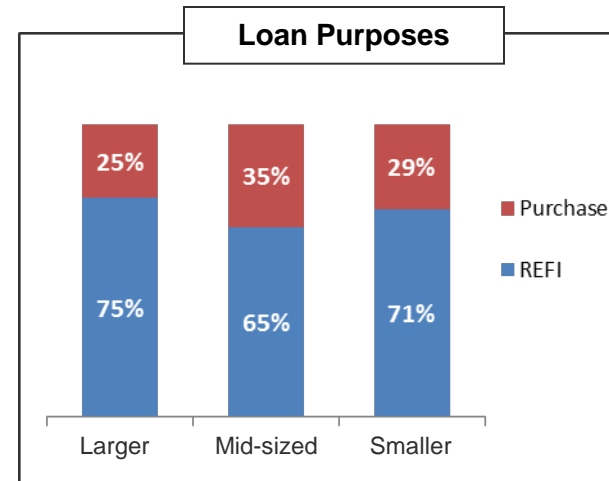
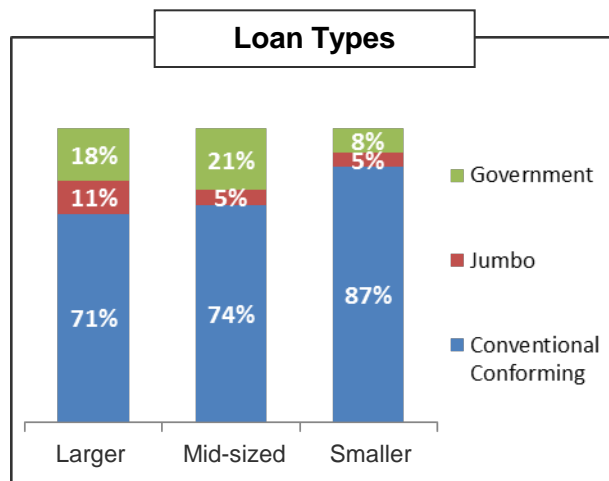
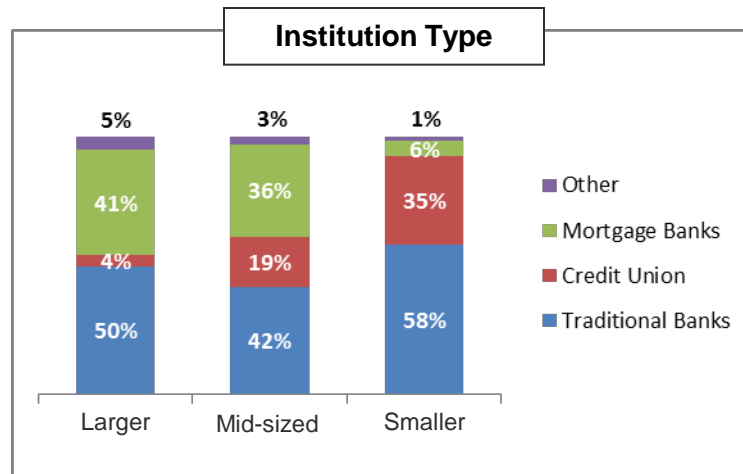
Sample Design*

- Each quarter a random selection of approximately 2000 senior executives among Fannie Mae's approved lenders are invited to participate in the study.

**The sample design is currently under advisement, and may change in future waves of the survey*

Fannie Mae Lending Institution Characteristics

Fannie Mae’s customers that are invited to participate in the Mortgage Lender Sentiment Survey represent a broad base of different lending institutions that conducted business with Fannie Mae in 2012. Institutions were divided into three groups based on their 2012 total industry loan volume - Larger (top 15%), Mid-sized (top 16%-35%), and Smaller (bottom 65%). The data below further describes the compositions and loan characteristics of the three groups of institutions.



2014 Sample Sizes

		Q1		Q2	
		Sample Size	Margin of Error	Sample Size	Margin of Error
Total Lending Institutions		247	±5.65%	186	±6.69%
Loan Origination Volume Groups	Larger Institutions	46	±12.77%	47	±12.60%
	Mid-size Institutions	51	±12.41%	50	±12.56%
	Smaller Institutions	150	±7.31%	89	±9.86%
Institution Type	Mortgage Banks	38	±14.61%	47	±12.84%
	Depository Institutions	200	±6.28%	134	±7.94%

Sampling quotas were adjusted from Q1 to Q2 2014, with a slightly larger quota assigned to the larger loan volume group and a slightly smaller quota assigned to the smaller loan volume group. This change caused the base-size (N) differences between Q1 and Q2 2014 for the majority of survey questions.

Q1 was fielded between March 4, 2014 and March 18, 2014.

Q2 was fielded between May 28, 2014 and June 8, 2014.

How to Read Significance Testing Between Loan Origination Volume Groups

On slides where significant differences between the 3 annual loan origination volume groups are shown:

- Each group is assigned a letter (L/M/S)
- If a group has a significantly higher % than another group at the 95% confidence level, a letter will be shown next to the % for that metric. The letter denotes which group the % is significantly higher than.

Example:

Letters representing each group

What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. Showing Mean %	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)
N=	247	46	51	150
GSE (Fannie Mae and Freddie Mac)	49.17%	50.65%	47.39%	49.48%
Portfolio Retention	24.14	19.40	21.31	31.69 ^{L,M}
Ginnie Mae (FHA/VA)	10.53	14.77 ^S	11.02 ^S	5.79

14.77 is significantly higher than 5.79

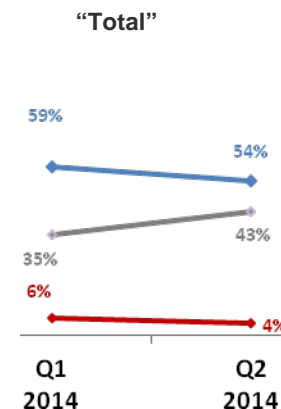
11.02 is significantly higher than 5.79

31.69 is significantly higher than 19.4 and 21.31

Calculation of the “Total”

The “**Total**” data presented in this report 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</u> mortgages to go up, go down, or stay the same? GSE Eligible (Q2)	Larger Institutions	Mid-sized Institutions	Smaller Institutions	Q2 “Total”
Went up	53%	57%	51%	54% $[(53\% + 57\% + 51\%)/3]$
Stayed the same	47%	38%	43%	43%
Went down	0%	5%	6%	4%



Appendix

CONSUMER DEMAND (PURCHASE MORTGAGES)

Purchase Mortgage Demand: Drivers of Change

Drivers of Demand Up

Drivers of Demand Down

Past 3 Months

N=154

- Interest Rates
- Improving Economy and Employment Rate
- Local Inventory

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)

"Improving economy. Improving opinions on job stability. Realization that interest rates are low and likely to move upward, thus the time to act is now." – *Mid-sized Institution*

"Lower rates." – *Smaller Institution*

"Lack of property inventory in the NE area." – *Smaller Institution*

"Moderately higher interest rates and the lack of housing inventory." – *Larger Institution*

Next 3 Months

N=105

- Interest Rates
- Improving Economy and Consumer Confidence
- Local Inventory

Q: What do you think will drive the change in your firm's consumer demand for single-family purchase mortgages over the **next three months**? Please be as specific as possible. (Optional)

"Slightly better interest rates." – *Larger Institution*

"New job growth and stability in the current job market." – *Mid-sized Institution*

"New underwriting requirements." – *Smaller Institution*

"Lack of Inventory, Price escalation, Rate increases FNMA-Freddie." – *Mid-sized Institution*

Appendix

CONSUMER DEMAND (REFINANCE MORTGAGES)

Refinance Mortgage Demand: GSE Eligible

Total

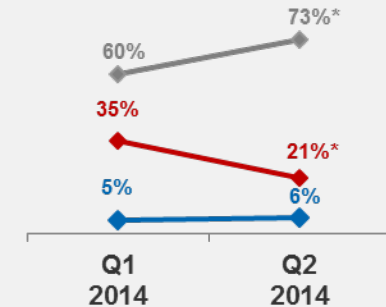
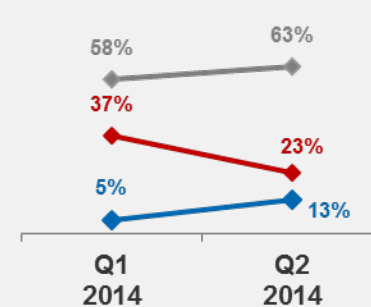
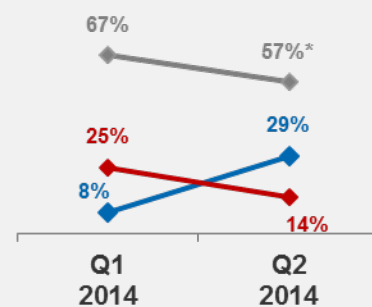
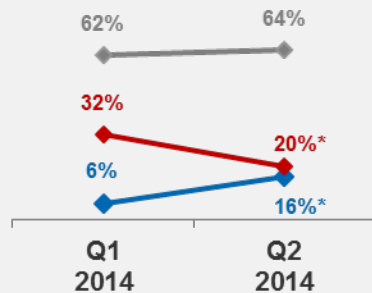
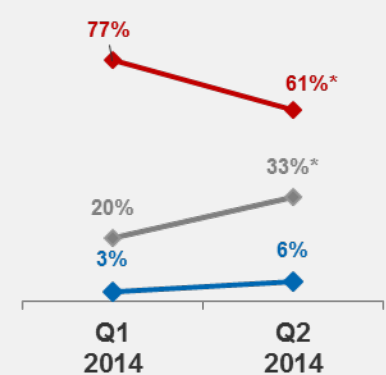
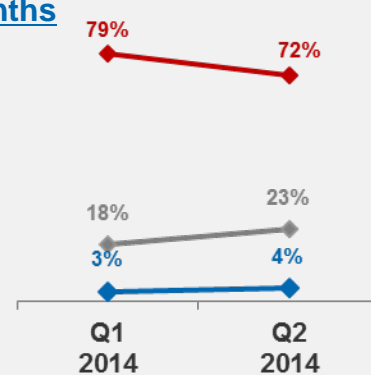
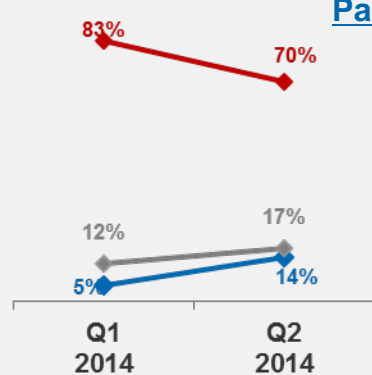
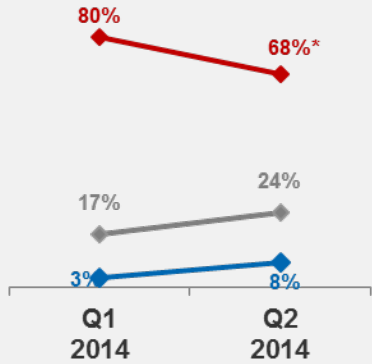
Larger Institutions

Mid-sized Institutions

Smaller Institutions

Past 3 Months

Next 3 Months



— Up
— The same
— Down

* Denotes a statistically significant change since Q1

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

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

Refinance Mortgage Demand: Non-GSE Eligible

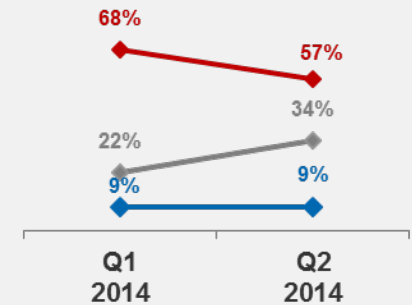
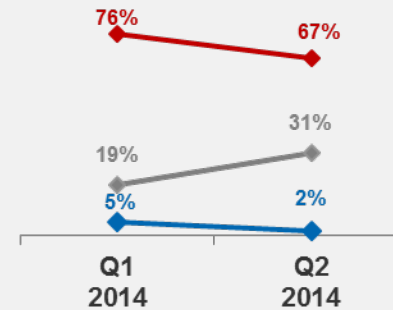
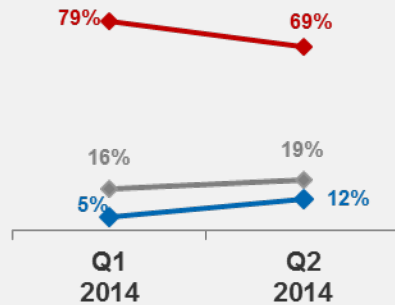
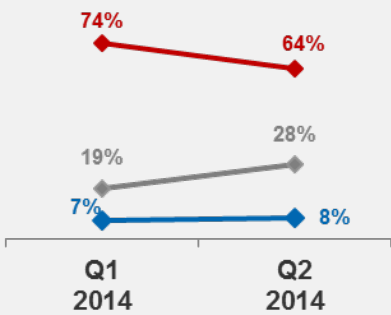
Total

Larger Institutions

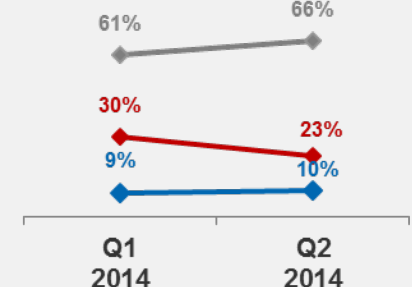
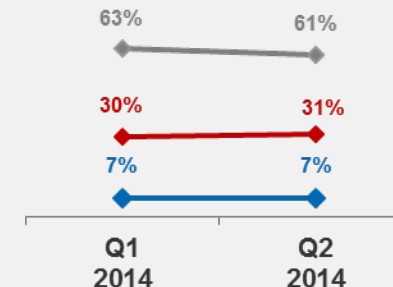
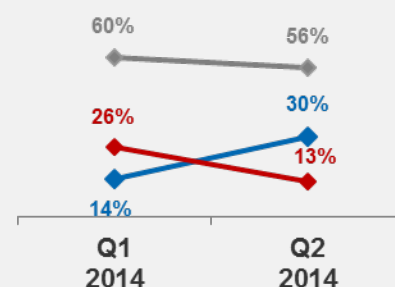
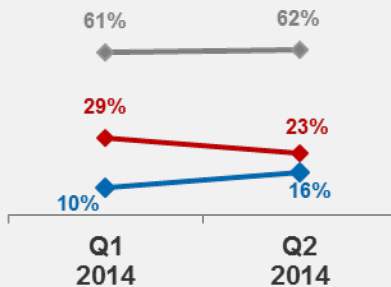
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



— Up
— The same
— Down

* Denotes a statistically significant change since Q1

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

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

Refinance Mortgage Demand: Government

Total

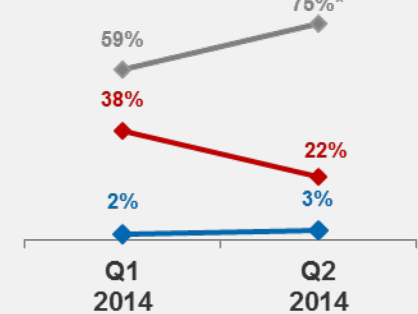
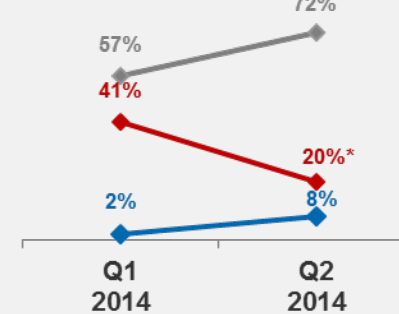
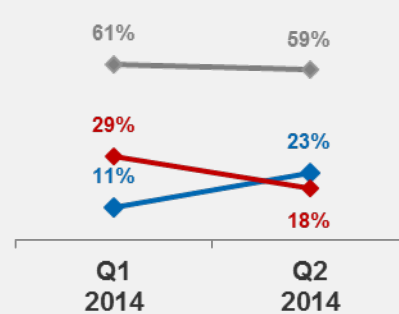
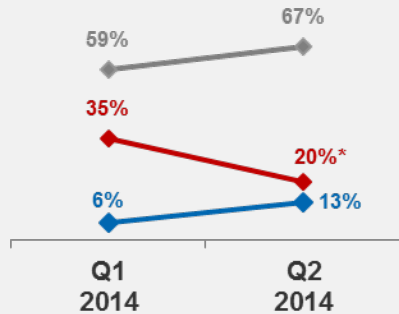
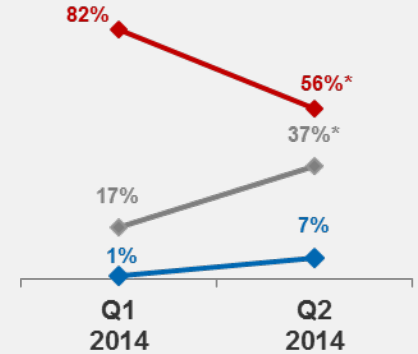
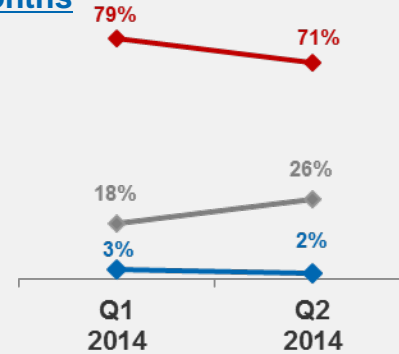
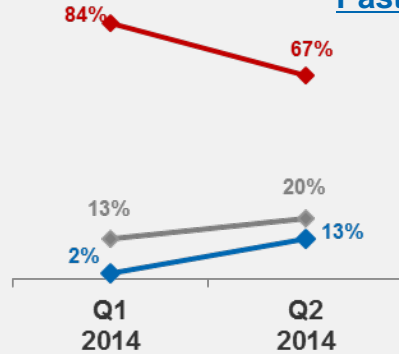
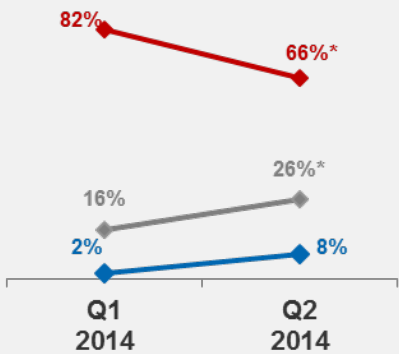
Larger Institutions

Mid-sized Institutions

Smaller Institutions

Past 3 Months

Next 3 Months



— Up
— The same
— Down

* Denotes a statistically significant change since Q1

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

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

Appendix

CREDIT STANDARDS

Credit Standards: Drivers of Change

Drivers of Tightening Change

Drivers of Loosening Change

Past 3 Months

N=76

- Regulation
- Overlays

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)

"Our credit standards changed in our attempt to keep in compliance with continued regulatory burden as it relates to mortgage lending." – *Larger Institution*

"Qualified Mortgage rules starting January 2014." – *Mid-sized Institution*

"New regulations." – *Smaller Institution*

"We have followed a trend of our investors by moderately easing credit standards." – *Smaller Institution*

"Improving home values allowed for lessening of credit overlays." – *Larger Institution*

"Reduction in use of agency overlays." – *Larger Institution*

Next 3 Months

N=34

- Regulation
- Overlays

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)

"More regulatory changes such as the consolidated disclosures.." – *Larger Institution*

"ATR-QM." – *Mid-sized Institution*

"FHA seems to be tightening standards." – *Smaller Institution*

"I think the non-GSE outlets will loosen their guidelines.." – *Larger Institution*

"Improved credit scores and lower down payment requirements." – *Mid-sized Institution*

"Guidelines relax as credit standards increase from borrowers performance." – *Smaller Institution*

Appendix

MORTGAGE EXECUTION

Post Mortgage Origination Execution Share (by institution type)

<p>What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. Showing Mean %</p>	Mortgage Banks		Depository Institutions	
	Q1	Q2	Q1	Q2
N=	38	47	200	134
GSE (Fannie Mae and Freddie Mac)	44%	48%	50%	49%
Portfolio Retention	3%	1%	31%	35%
Whole Loan Sales to NON-GSE (Correspondent)	29%	23%	8%	8%
Ginnie Mae (FHA/VA)	21%	23%	7%	7%
Private Label Securities / Non-Agency Securities	3%	2%	1%	1%
Other	0%	3%	2%	1%

* Denotes a statistically significant change since Q1

Post Mortgage Origination Execution Share (by loan volume group)

What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. Showing Mean %	Total		Larger Institutions		Mid-sized Institutions		Smaller Institutions	
	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
N=	247	186	46	47	51	50	150	89
GSE (Fannie Mae and Freddie Mac)	49%	49%	51%	48%	47%	51%	49%	48%
Portfolio Retention	24%	22%	19%	13%	21%	18%	32%	37%
Whole Loan Sales to NON-GSE (Correspondent)	13%	13%	12%	16%	19%	14%	9%	8%
Ginnie Mae (FHA/VA)	11%	14%	15%	20%	11%	16%	6%	5%
Private Label Securities / Non-Agency Securities	1%	1%	3%	2%	1%	1%	1%	0%
Other	1%	1%	0%	2%	1%	1%	2%	2%

* Denotes a statistically significant change since Q1

Appendix

30-YEAR FIXED MORTGAGE INTEREST RATE FORECAST

30-Year Fixed-Rate Mortgage Interest Rate Outlook

What are your forecasts for the 30-year fixed-rate, conforming, conventional mortgage interest rate that retail consumers will get, assuming zero points and fees? **Showing Mean %**

		Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	FannieMae	2014 National Housing Survey Among the General Population (consumers)
3-Months Ahead	Q1	4.5% <i>N=237</i>	4.6% <i>N=46</i>	4.6% <i>N=50</i>	4.5% <i>N=141</i>	4.4% <i>(March)</i>	--
	Q2	4.3% <i>N=185</i>	4.3% <i>N=47</i>	4.3% <i>N=50</i>	4.3% <i>N=88</i>	4.2% <i>(June)</i>	--
1-Year Ahead	Q1	5.0% <i>N=237</i>	5.0% <i>N=46</i>	5.1% <i>N=50</i>	5.0% <i>N=141</i>	4.7% <i>(March)</i>	5.0% <i>(March)</i>
	Q2	4.8% <i>N=185</i>	4.8% <i>N=47</i>	4.8% <i>N=50</i>	4.8% <i>N=88</i>	4.5% <i>(June)</i>	4.9% <i>(June)</i>

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

Fannie Mae Source: <http://www.fanniemae.com/portal/research-and-analysis/emma-archive.html>

National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

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 Mortgage 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?
- 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)
- q8. You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone down over the past three months?
- q9. You said that your firm has seen the demand **go up** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family purchase mortgages gone up over the past three months?
- 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.
- q12. You said that your firm has seen the demand **go down** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family refinance mortgages gone down over the past three months?
- q13. You said that your firm has seen the demand **go up** for the following types of mortgages. By about what percent has your firm's consumer demand for single-family refinance mortgages gone up over the past three months?
- 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.

Question Text Cont.

- q15. What do you think will drive the change in your firm's consumer demand for single-family purchase mortgages over the next three months? Please be as specific as possible. (Optional)
- q16. 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 purchase mortgages to go down over the next three months?
- q17. 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 purchase mortgages to go up over the next three months?
- 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 **up to three** of the 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 **up to three** of the 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 **up to three** of the 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 **up to three** of the 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)

Question Text Cont.

- g31. 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)?
- 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)

Mortgage Execution

- g35. What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%.
- g36. How much do you expect the share for each of the execution categories to change over the next three months? Please keep in mind that if the share increases in some categories, it must decrease in others.
- qR1A. You indicated that some of your firm's post mortgage origination execution shares might be changing within the next three months. Please select **up to three** major reasons that you think are driving the potential changes and rank them in order of importance.

Mortgage Servicing Rights (MSR) Execution

- g38. 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%.
- g40. How much do you expect your firm's mortgage servicing rights (MSR) disposition shares for each of the applicable categories to change over the next three months? Please keep in mind that if the share increases in some categories, it must decrease in others.

30-Year Fixed-Rate Mortgage Interest Rate Forecast

- g42. What are your forecasts for the 30-year fixed-rate, conforming, conventional mortgage interest rate that retail consumers will get, assuming zero points and fees? As of May 22, the average interest rate on a 30-year fixed-rate mortgage rate is 4.14%, according to Freddie Mac data. Please enter your mortgage interest rate forecast in each box. [3-months ahead, 1-year ahead]

Disclaimer

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Contact Information



Steve Deggendorf

Director, Economic and Strategic Research

Fannie Mae

3900 Wisconsin Avenue, NW

Mail Stop 1H-2N/01

Washington, DC 20016

(o) 202-752-7309

steven_e_deggendorf@fanniemae.com