MORTGAGE LENDER SENTIMENT SURVEY

Mortgage Lender Sentiment Survey®

How Lenders Plan to Grow their Mortgage Business in 2016

Topic Analysis
Q4 2015

Published on February 24, 2016

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Executive Summary

Mortgage Origination Business & Strategies

- Continuing trends seen in the prior year, the vast majority of lenders (88%) reported plans to grow their origination business. No lenders reported plans to downsize or exit their origination business.
  - "Increasing the number of retail branches/loan officers" and "expanding marketing outreach" are the top two strategies/tactics reported to grow business.
  - Compared with the prior year, lenders are placing a heavier emphasis on attracting new borrower segments and expanding Direct-to-Consumer online lending, while fewer plan to offer new mortgage products.

Mortgage Servicing Business

- A majority of lenders (76%) continue to report plans to grow their mortgage servicing business, in particular among larger lenders (84%) and mortgage banks (89%). Only two percent reported plans to downsize.
- Lenders across the board cite "potential revenue/profit" as the primary reason for growing a servicing business. Depository institutions and smaller lenders cite "cross-sell opportunities to other financial products" as the second most important reason for growing their servicing business, while mortgage banks and larger institutions are more interested in hedging against declining origination volumes.

Risks Associated with Mortgage Banking

- Compliance risk continues to be lenders' most significant concern. The vast majority of lenders (89%) say their concerns with compliance risk has increased since the previous year and a similar number (88%) say compliance risk will be a key area of focus in 2016.
- Concern over volume decrease risk has fallen, with significantly fewer lenders citing it as a top area of concern or citing it as an area whose concern level grew over the previous year. However, about half of lenders still expect it to be an area of focus in 2016.

Business Context and Research Objectives

Business Context

Last year, 2015, turned out to be positive for the mortgage market. Home sales and housing starts registered their strongest pace of growth since prior to the recession. Combined with solid home price appreciation, this pushed the value of purchase mortgage originations higher than in 2014. On the refinance side, lenders benefitted from lower average mortgage rates which kept volumes higher than originally projected.

However, lenders face a tougher operating environment in 2016. We believe mortgage rates will edge up slightly over the course of the year as the Federal Reserve begins to normalize monetary policy by increasing the Fed Funds target. While we believe that 2016 should continue to be a positive year for home sales, home prices, and homebuilding, rising interest rates will slow refinance originations by more than the expected increase in purchase originations, thereby shrinking the total pie for mortgage lenders. We expect total single-family mortgage originations to drop about 11 percent this year to $1.51 trillion, thereby elevating lenders' competitive pressures.

Fannie Mae's Economic and Strategic Research Group surveyed senior mortgage executives in November 2015 through its quarterly Mortgage Lender Sentiment Survey® to examine lenders' plans for their origination and servicing businesses in 2016 and identify concerns they have moving into 2016.

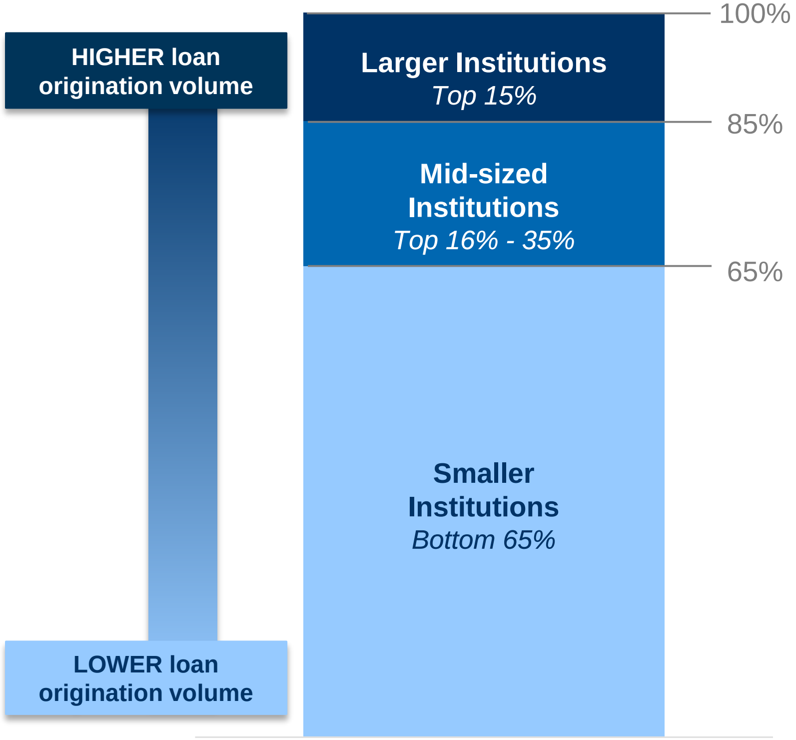
Research Questions

1. What do lenders plan to do with their origination and servicing businesses, moving forward? Do they look to grow, maintain, or exit the business? What strategies do they plan to use?
2. What risks do lenders perceive as top concerns for their business? In what risk areas lenders have grown their concerns?

Respondent Sample and Groups

This analysis is based on the fourth quarter of 2015 data collection. A total of 213 senior executives completed the survey from November 4 - 13, representing 194 lending institutions.*

Loan Origination Volume Groups**



Sample Q4-2015		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.		194
Loan Origination Volume Groups	**Larger Institutions** Fannie Mae's customers whose 2014 total industry loan origination volume was in the top 15% (above $631million)	59
	Mid-sized Institutions Fannie Mae's customers whose 2014 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 2014 total industry loan origination volume was in the bottom 65% (less than $176 million)	76
Institution Type***	**Mortgage Banks** (non-depository)	71
	Depository Institutions	75
	Credit Unions	39

* 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 2014 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.

Origination Business & Strategies

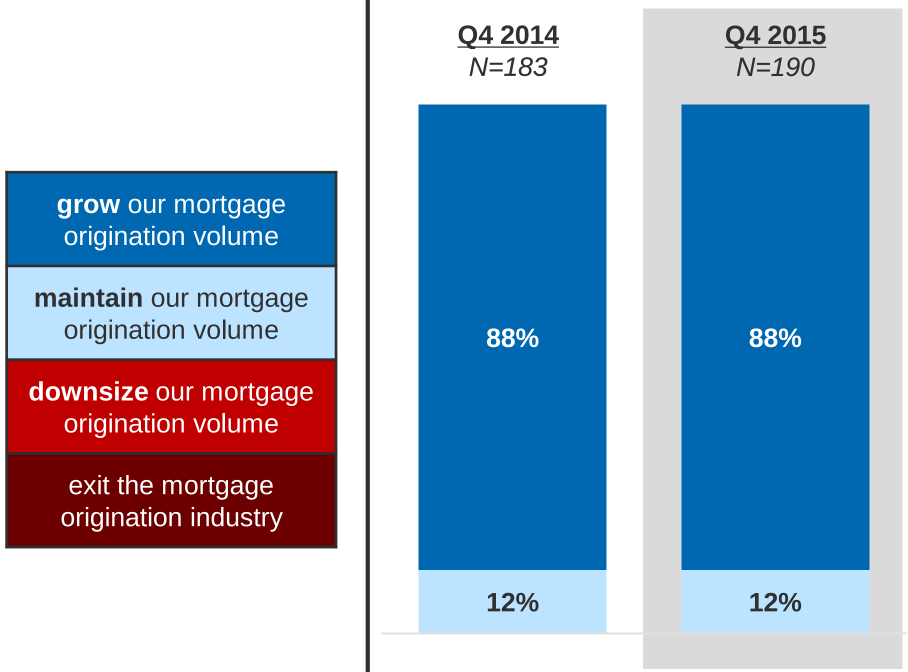
- Continuing trends seen in the prior year, the vast majority of lenders (88%) reported plans to grow their origination business. No lenders reported plans to downsize or exit their origination business.
  - "Increasing the number of retail branches/loan officers" and "expanding marketing outreach" are the top two strategies/tactics reported to grow business.
  - Compared with the prior year, lenders are placing a heavier emphasis on attracting new borrower segments and expanding Direct-to-Consumer online lending capabilities, while fewer plan to offer new mortgage products.

Mortgage Origination Strategy

Continuing trends seen in the prior year, the vast majority of lenders (88%) reported plans to grow their origination business. No lenders reported plans to downsize or exit their origination business. Revenue/profit is seen as the most important reason to grow their mortgage origination business.

Mortgage Origination Strategy Moving Forward

Results across subgroups can be found on p. 29

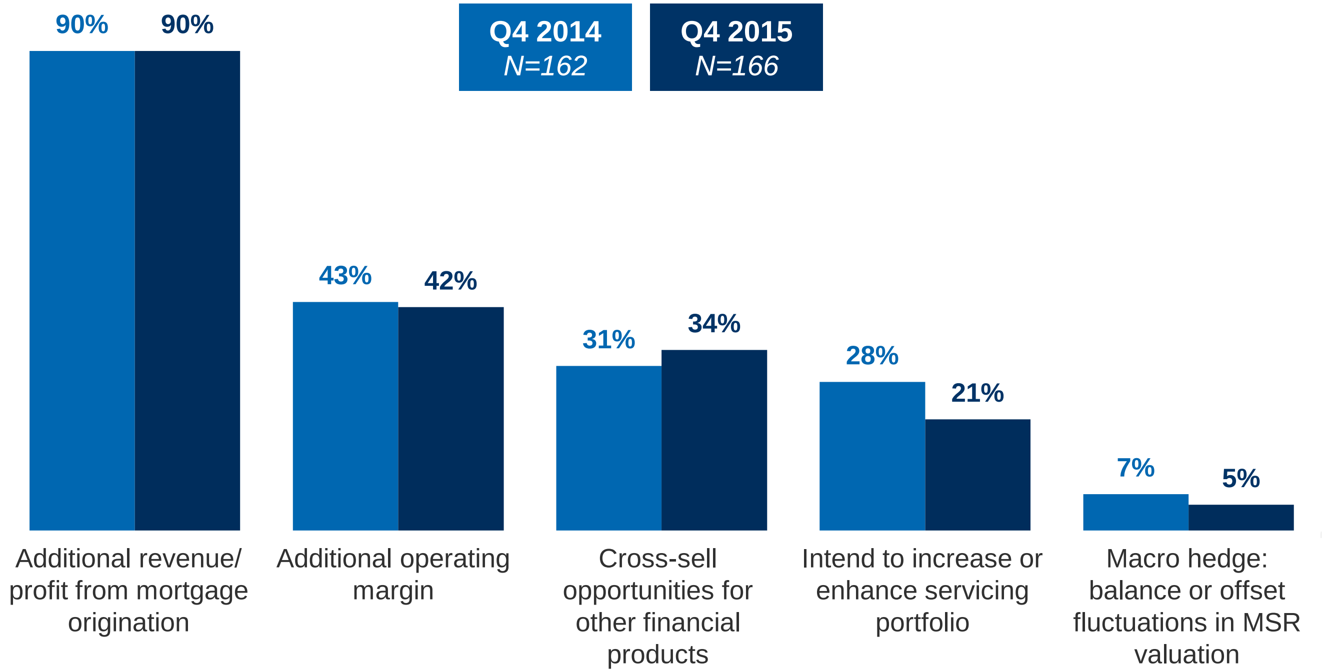


Q: Which of the following statements best describes your firm's mortgage origination strategy moving forward? "We are looking to…" *Showing Total (n=190)*

IF GROW

Top Reasons to Grow Mortgage Origination Volume

Results across subgroups can be found on p. 30



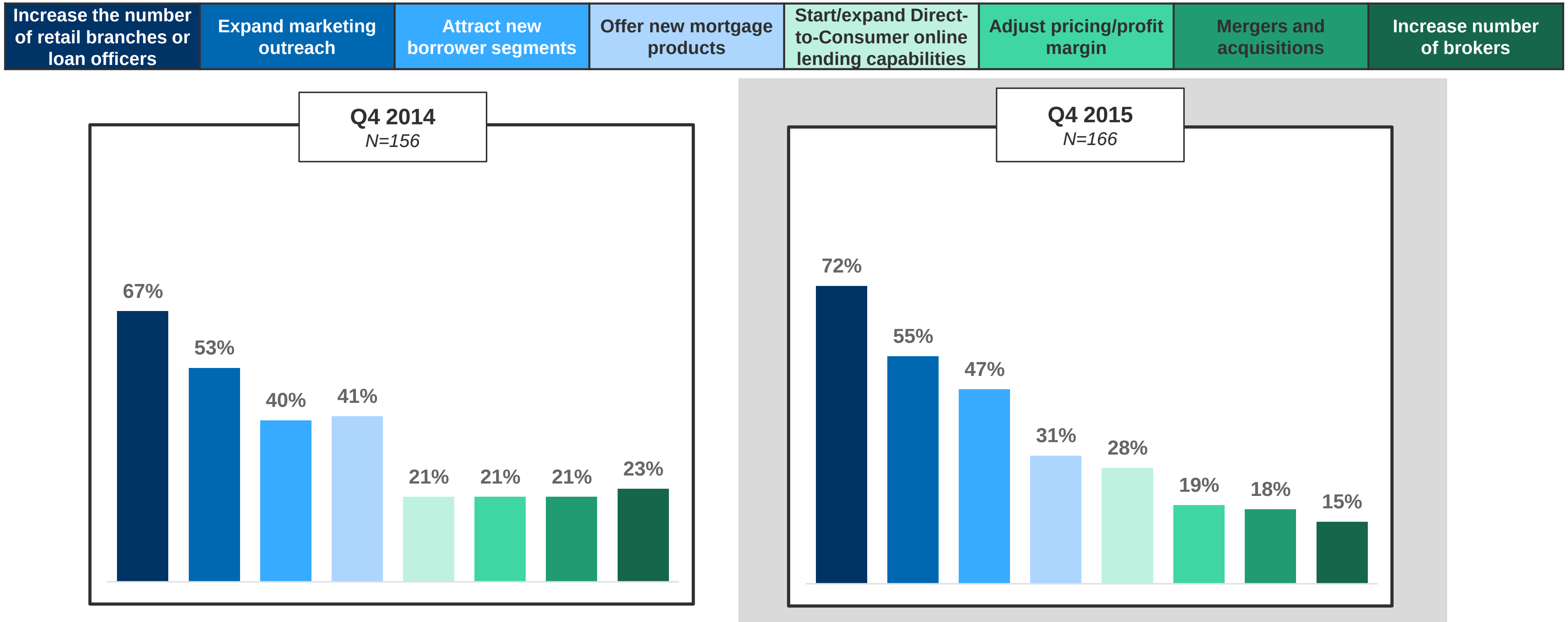
Q: [If looking to grow mortgage origination volume] Listed below are some possible reasons for firms to grow their mortgage origination volume. Please select up to two of the most important reasons that best describe your firm's decision to grow its mortgage origination volume and rank them in order of importance. *Showing % rank 1 + rank 2, for Total.*

Please note that percentages are based on the number of financial institutions that gave responses other than "Not Applicable" or "My firm does not originate mortgages."
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*

Strategies for Growing Origination Volume

"Increasing the number of retail branches/loan officers" and "expanding marketing outreach" are the top two strategies/tactics reported to grow business. Compared with the previous year, lenders are placing a heavier emphasis on attracting new borrower segments and expanding Direct-to-Consumer online lending capabilities, while fewer plan to offer new mortgage products.

[If looking to grow mortgage origination volume] You indicated that your firm is looking to <u>**grow** your mortgage origination volume</u>. What primary strategies/tactics, if any, is your firm planning to use to <u>**grow**</u> its origination volume? Please check all that apply.



Showing responses that were selected by at least 15% of the total sample in 2015. Full results can be found on p. 32
**Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked)*

Servicing Business

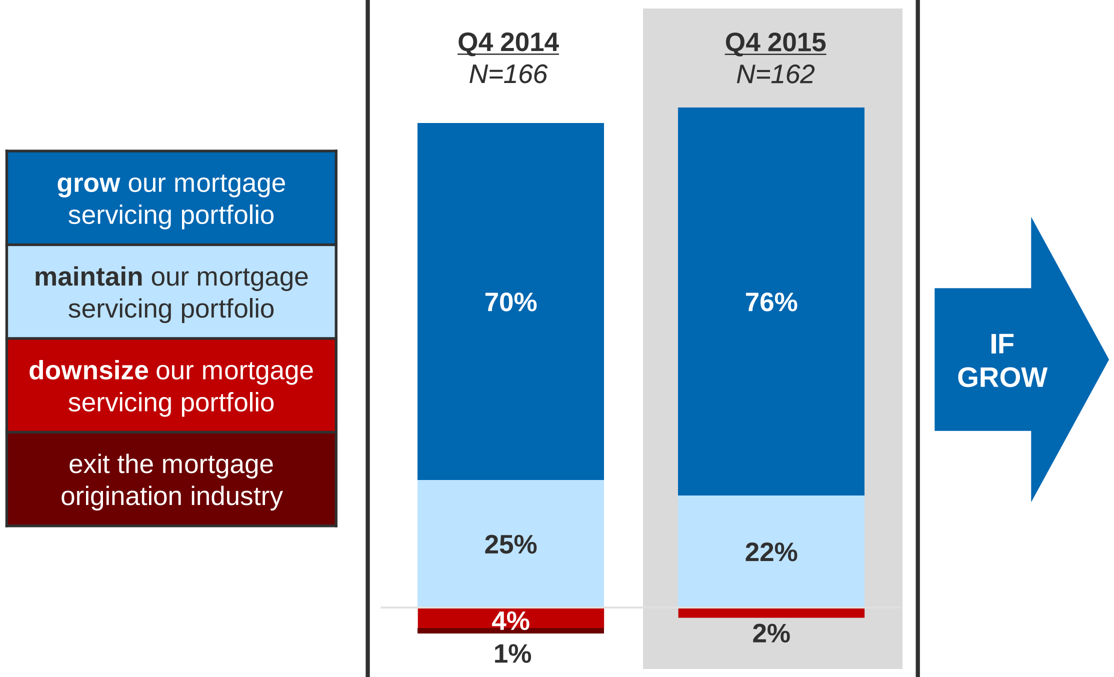
- A majority of lenders (76%) continue to report plans to grow their mortgage servicing business, in particular among larger lenders (84%) and mortgage banks (89%). Only two percent reported plans to downsize.
- Lenders across the board cite “potential revenue/profit” as the primary reason for growing a servicing business. Depository institutions and smaller lenders cite “cross-sell opportunities to other financial products” as the second most important reason for growing their servicing business, while mortgage banks and larger institutions are more interested in hedging against declining origination volumes.

Mortgage Servicing Business

A majority of lenders (76%) continue to report plans to grow their mortgage servicing business, with only 2% reporting plans to downsize. Lenders cite "potential revenue/profit" as the primary reason for growing a servicing business.

Mortgage Servicing Portfolio Strategy Moving Forward

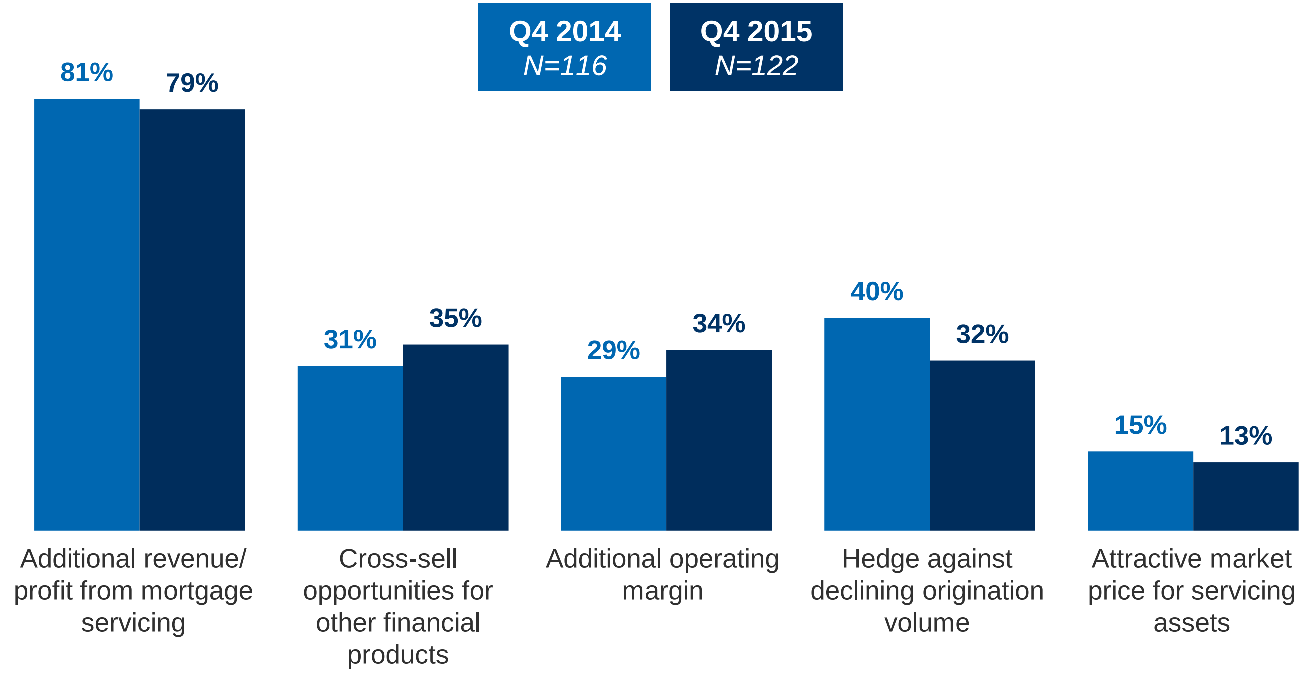
Results across subgroups can be found on p. 35



Q: Which of the following statements best describes your firm's long-term mortgage servicing strategy? "We are looking to…"*Showing Total*

Top Reasons to Grow Mortgage Servicing Portfolio

Results across subgroups can be found on p. 36

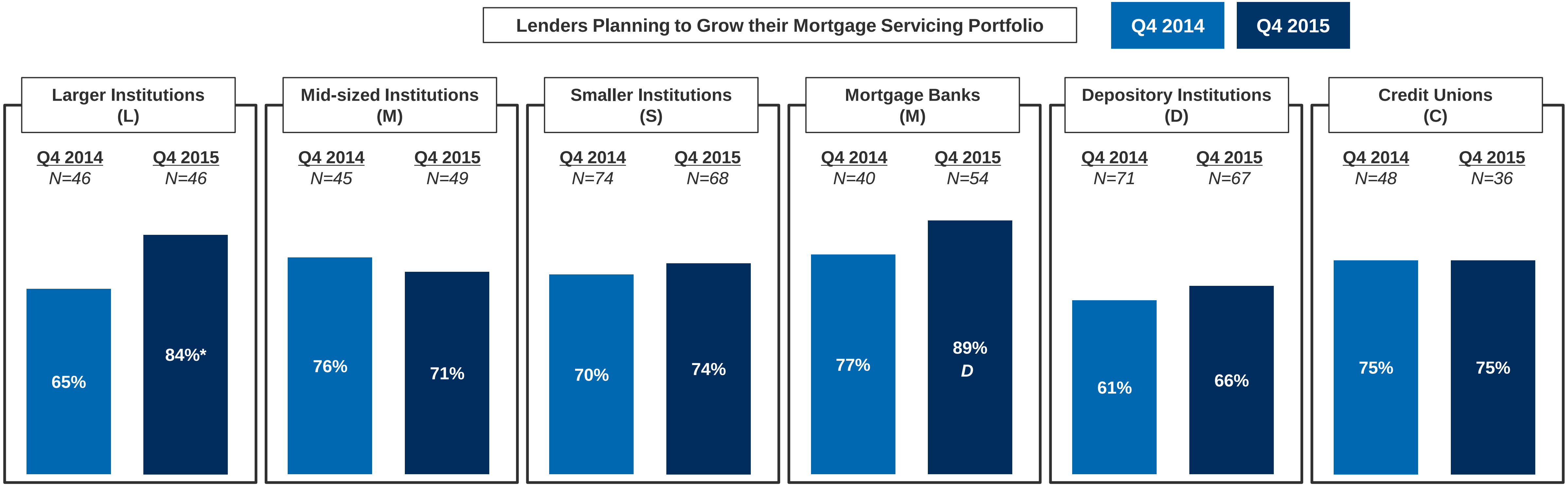


Q: [If looking to grow mortgage servicing portfolio] Listed below are some possible reasons for firms to grow their mortgage servicing portfolio. Please select up to two of the most important reasons that best describe your firm's decision to grow its mortgage servicing portfolio and rank them in order of importance. *Showing % rank 1 + rank 2, for Total.*

Please note that percentages are based on the number of financial institutions that gave responses other than "Not Applicable" or "My firm does not originate mortgages."
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*

Mortgage Servicing Business (by Institution Size and Type)

Larger institutions are significantly more likely to report plans to grow their servicing business than they were this time last year. Mortgage banks are significantly more likely than depository institutions to report plans to grow their servicing portfolio.



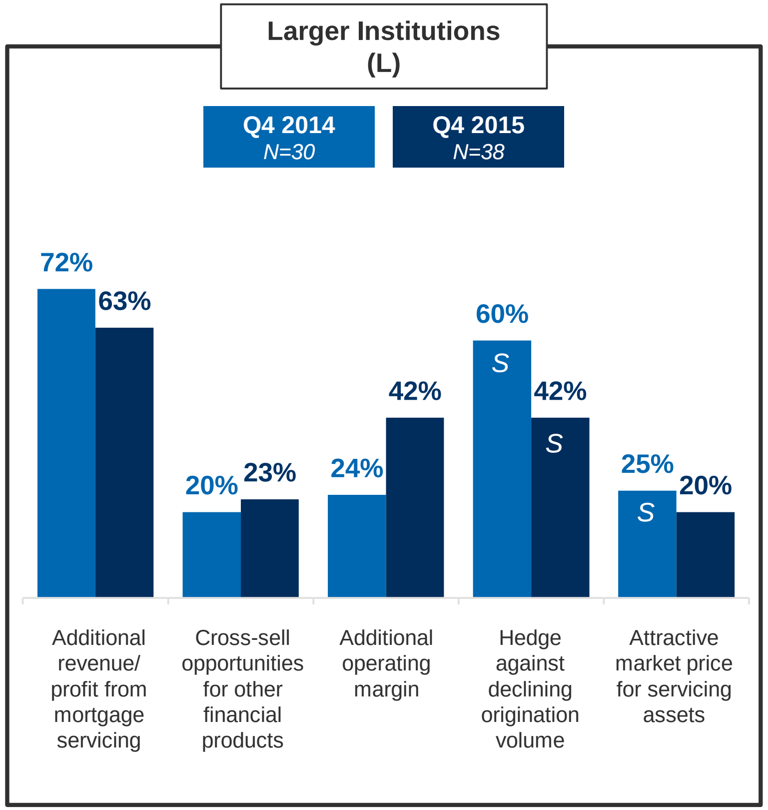
Q: Which of the following statements best describes your firm's long-term mortgage servicing strategy? "We are looking to…"
Showing % "We are looking to grow our mortgage servicing portfolio." Full results can be found on p. 35.

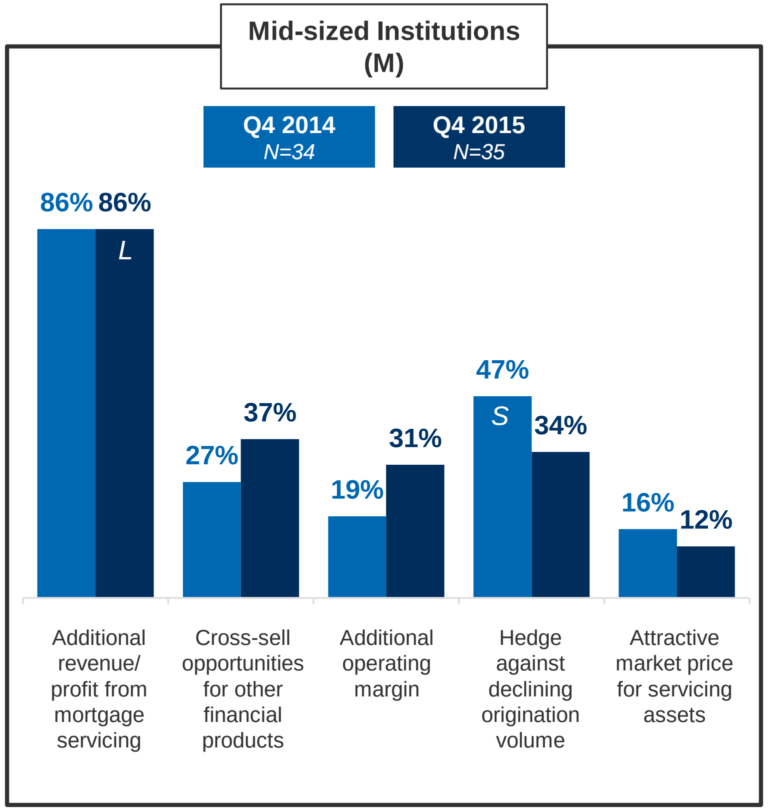
L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
MB/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level. Sizes and Types are not tested against each other.
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*
Please note that percentages are based on the number of financial institutions that gave responses other than "Not Applicable" or "My firm does not provide mortgage servicing."

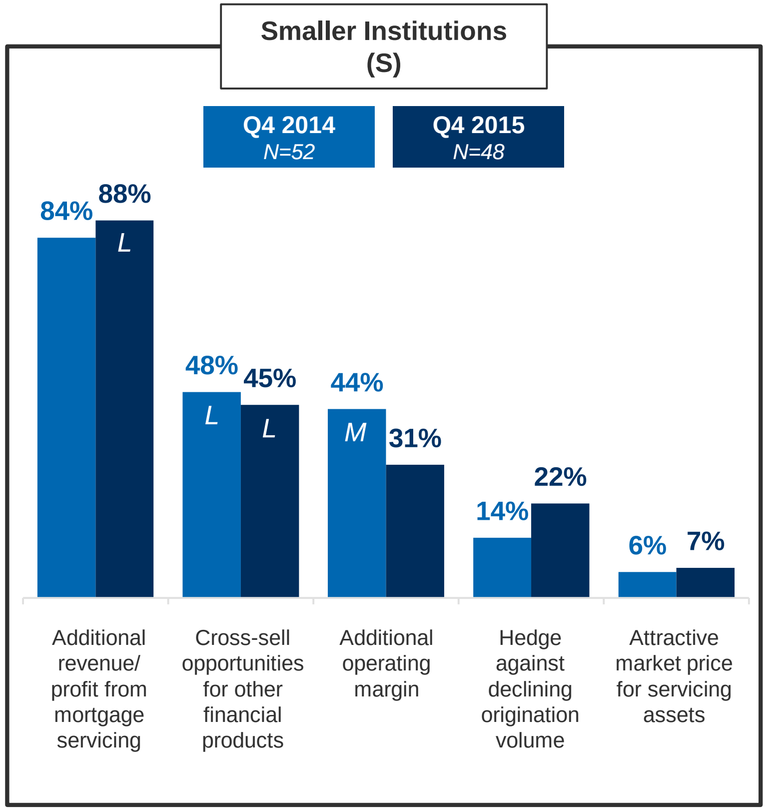
Reasons to Grow Mortgage Servicing Business (by Institution Size)

Smaller institutions are more interested than larger institutions in cross-selling opportunities that come from growing servicing portfolio, while larger institutions are more interested in hedging against declining origination volumes.

[If looking to grow mortgage servicing portfolio] Listed below are some possible reasons for firms to grow their mortgage servicing portfolio. Please select **up to two** of the most important reasons that best describe your firm's decision to grow its mortgage servicing portfolio and rank them in order of importance. *(Showing % rank 1 + 2)*





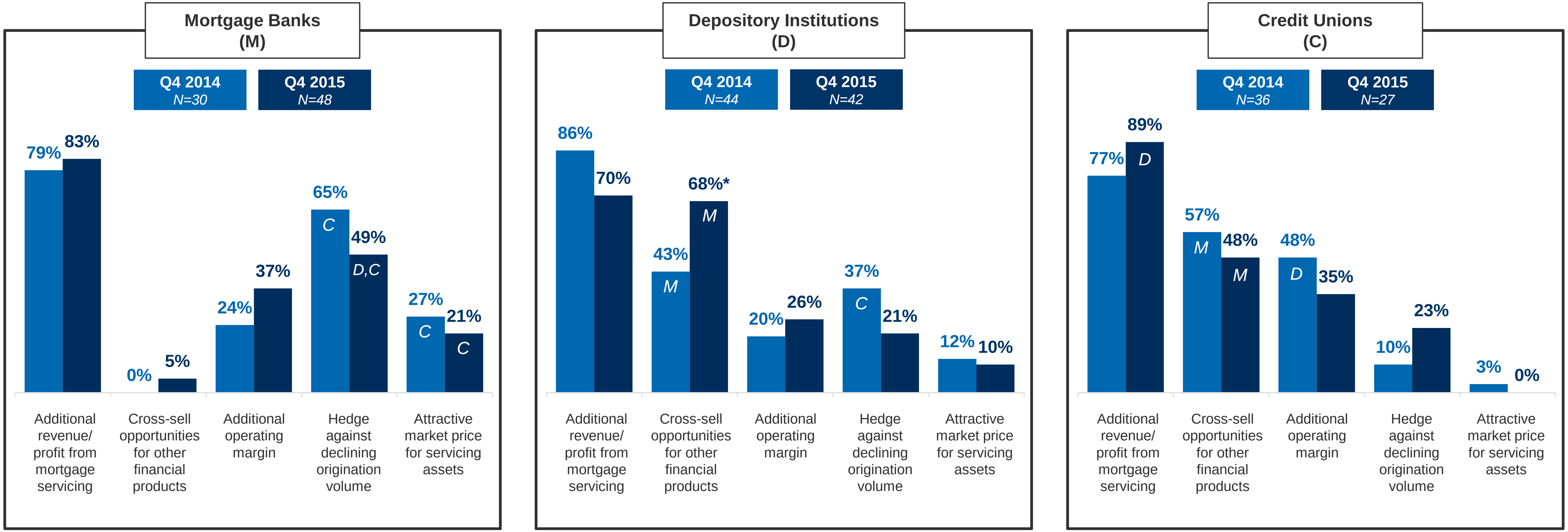


** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*
L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.

Reasons to Grow Mortgage Servicing Business (by Institution Type)

Depository institutions and credit unions are more likely to grow their servicing business for cross-selling opportunities, while mortgage banks are more likely to grow their servicing business as a hedge against declining origination volume. Meanwhile, significantly more depository institutions than this time last year say they are planning to grow their mortgage servicing for cross-selling opportunities.

[If looking to grow mortgage servicing portfolio] Listed below are some possible reasons for firms to grow their mortgage servicing portfolio. Please select **up to two** of the most important reasons that best describe your firm's decision to grow its mortgage servicing portfolio and rank them in order of importance. *(Showing % rank 1 + 2)*



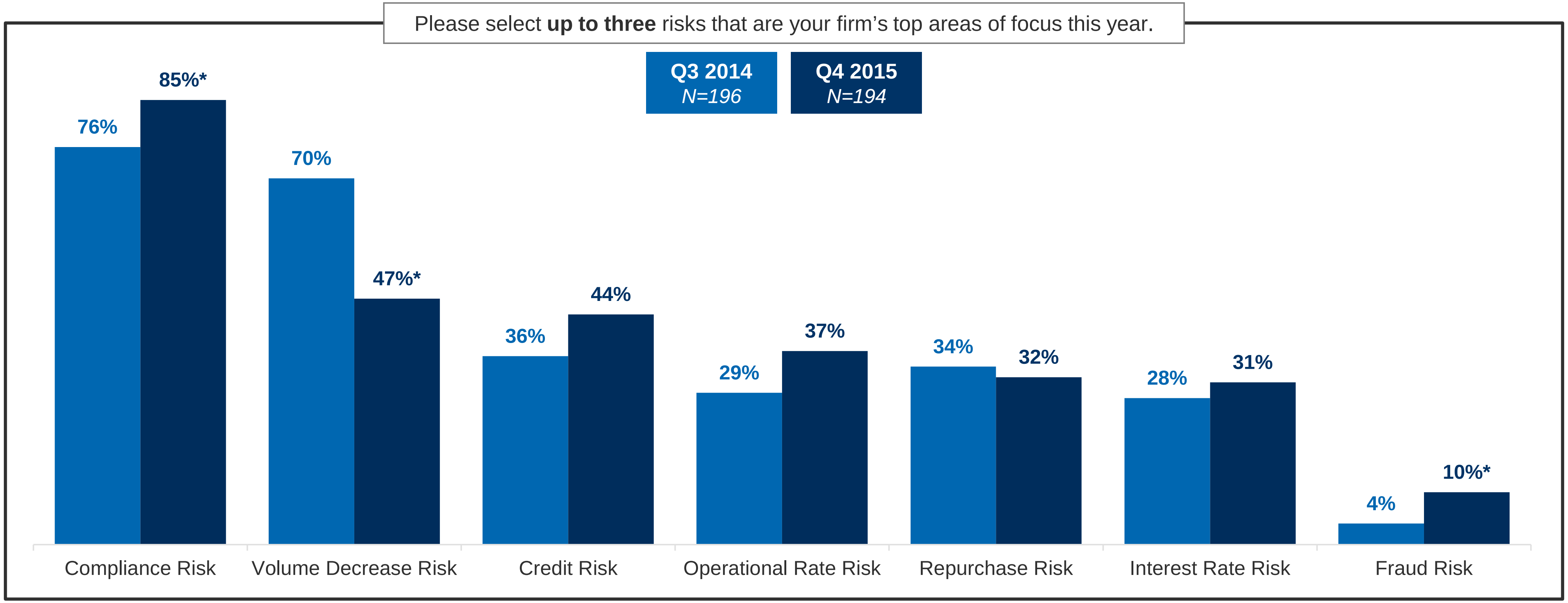
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.

Risks Associated with Mortgage Lending

- Compliance risk continues to be lenders' most significant concern. The vast majority of lenders (89%) say their concerns with compliance risk increased since the previous year and a similar number (88%) say compliance risk will be a key area of focus in 2016.
- Concern over volume decrease risk has fallen, with significantly fewer lenders citing it as a top area of concern or citing it as an area whose concern level grew over the previous year. However, about half of lenders still expect it to be an area of focus in 2016.

Top Risk Concerns for the Current Year (when the survey was taken)

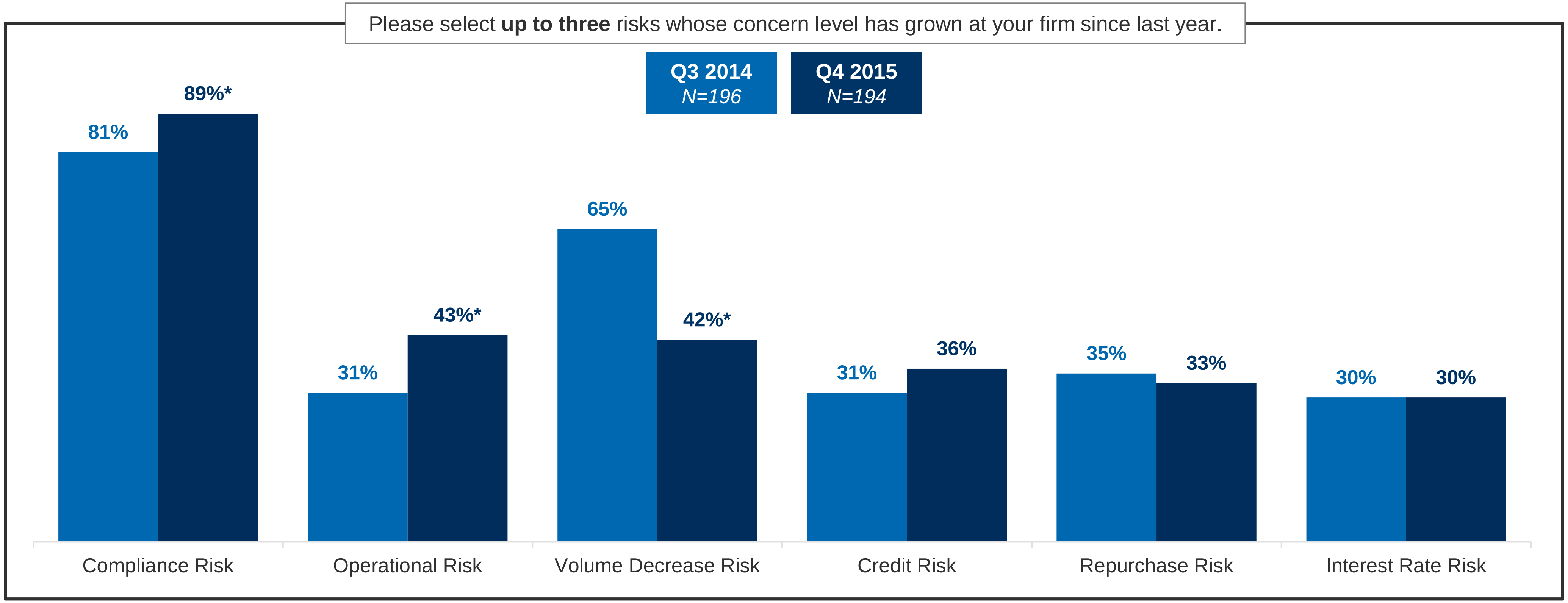
Compliance risk continues to be the top area of focus for most lenders, with significantly more lenders citing it as a concern compared with the previous year. In contrast, significantly fewer lenders cite volume decrease risk as a top area of focus.



Please see p. 50 for the definitions of risks as used in the study. Results across subgroups can be found on pp. 44.
Showing responses that were selected by at least 10% of the total sample.
** Denotes a statistically significant change compared with Q3 2014 (the last quarter in which the question was asked).*

Risk Concern Growth Since the Previous Year

Regarding the risk area whose concern level grew the most since the previous year, compliance risk continues to be cited by lenders as the area with highest growing concerns (89%). Concern over volume decrease has fallen from last year.

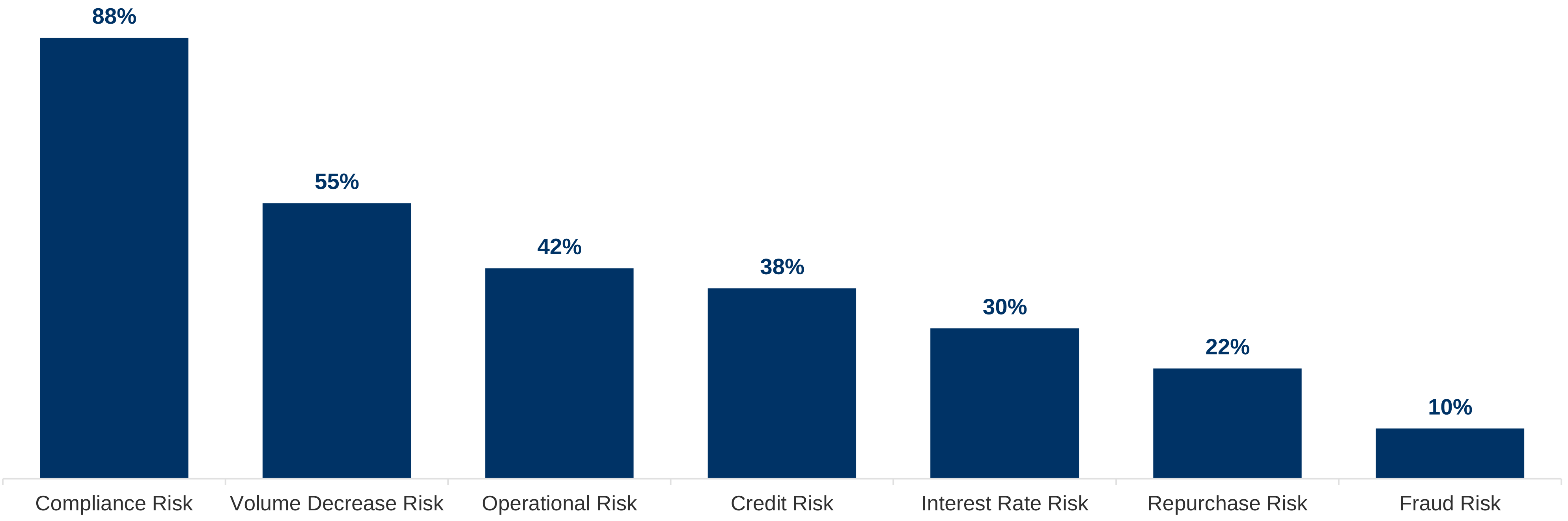


Please see p. 50 for the definitions of risks as used in the study. Results across subgroups can be found on pp. 45.
Showing responses that were selected by at least 10% of the total sample
** Denotes a statistically significant change compared with Q3 2014 (the last quarter in which the question was asked)*

Top Risk Concerns for 2016

Most lenders cite compliance risk and volume decrease risk as their top area of focus, moving into 2016.

Please select **up to three** risks that you think will be your firm's top areas of focus next year (2016).



Please see p. 50 for the definitions of risks as used in the study. Full results can be found on pp. 46-47.
Showing responses that were selected by at least 10% of the total sample.
This question was not asked in previous iterations of the Mortgage Lender Sentiment Survey.

Appendix

Survey Background

- Fannie Mae's Mortgage Lender Sentiment Survey® is a quarterly online survey among senior executives of Fannie Mae's lending institution partners to provide insights and benchmarks that help mortgage industry professionals understand industry and market trends and assess their own business practices.
- Each quarter, the survey covers both regular tracking questions and specific industry topic questions:

Quarterly Regular Questions

- Consumer Mortgage Demand
- Credit Standards
- Mortgage Execution
- Mortgage Servicing Rights (MSR) Execution
- Profit Margin Outlook

Featured Specific-Topic Questions

- GSEs' 97% LTV products and the FHA's Mortgage Insurance Premium Reduction
- Credit Overlays & Access to Credit
- Mobile Technologies

Quarterly Reporting and Quarterly Special Topic Analyses

- Quarterly reports provide a timely view of trends on the topics listed above, such as consumer mortgage demand, lenders' credit standards, and profit margin outlook.
- Quarterly Special Topic Analyses provide insights into industry important topics.

Reports can be found on the Mortgage Lender Sentiment Survey page on fanniemae.com:
http://www.fanniemae.com/portal/research-and-analysis/mortgage-lender-survey.html

Mortgage Lender Sentiment Survey®

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

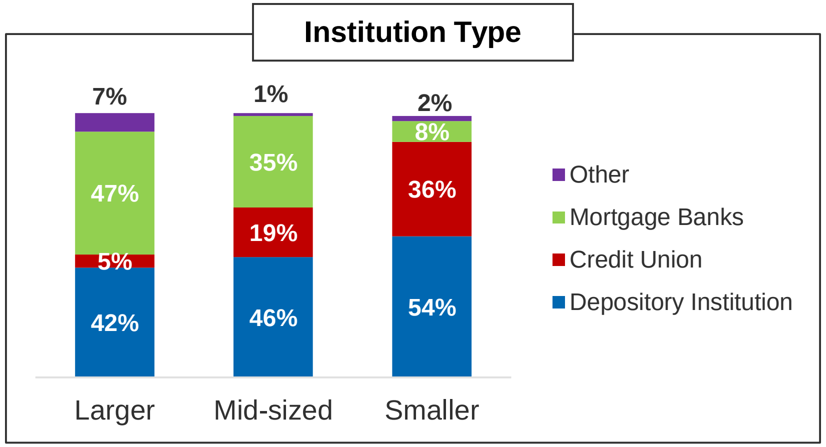
- Each quarter, a random selection of approximately 2,000 senior executives among Fannie Mae’s approved lenders are invited to participate in the study.

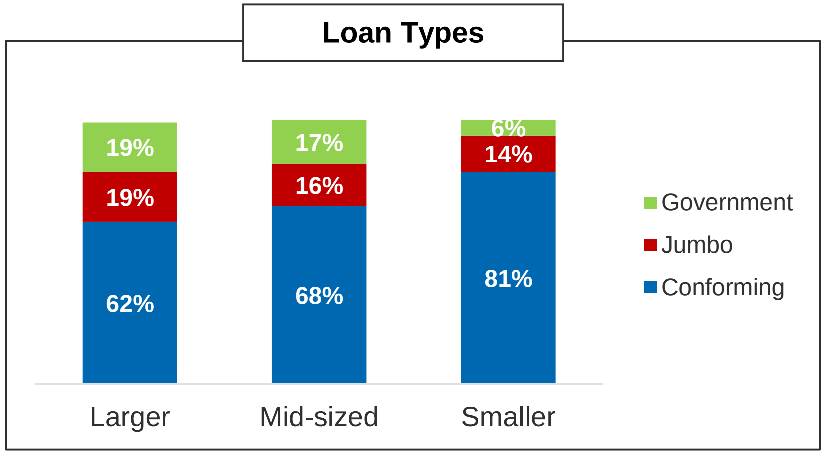
Data Weighting

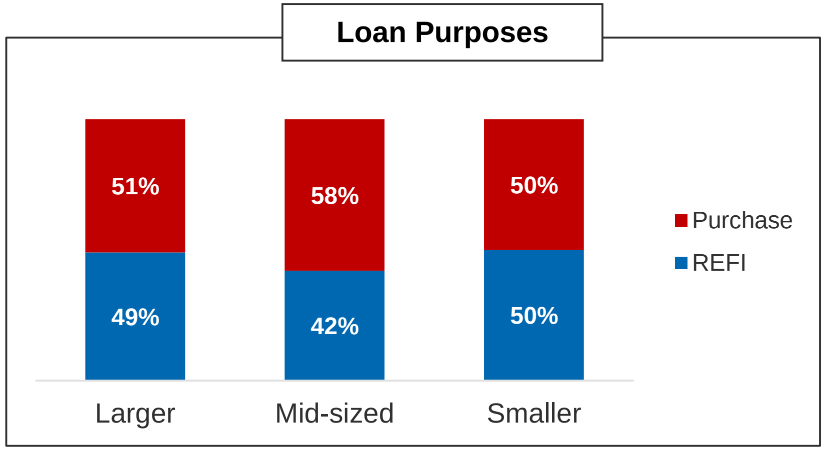
- The results of the Mortgage Lender Sentiment Survey are reported at the institutional parent-company level. If more than one individual from the same parent institution completes the survey, their responses are averaged to represent their parent institution.

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 2014. Institutions were divided into three groups based on their 2014 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.







Cross-Subgroup Sample Sizes by Quarter

Q3 2014	Total	Larger Lenders	Mid-sized Lenders	Smaller Lenders
Total	**196**	**50**	**55**	**91**
Mortgage Banks (non-depository)	**57**	26	19	12
Depository Institutions	**75**	19	18	38
Credit Unions	**52**	1	15	36

Q4 2014	Total	Larger Lenders	Mid-sized Lenders	Smaller Lenders
Total	**192**	**49**	**56**	**87**
Mortgage Banks (non-depository)	**48**	21	20	7
Depository Institutions	**83**	22	20	41
Credit Unions	**49**	2	12	35

Q4 2015	Total	Larger Lenders	Mid-sized Lenders	Smaller Lenders
Total	**194**	**59**	**59**	**76**
Mortgage Banks (non-depository)	**71**	34	23	14
Depository Institutions	**75**	18	22	35
Credit Unions	**39**	1	14	24

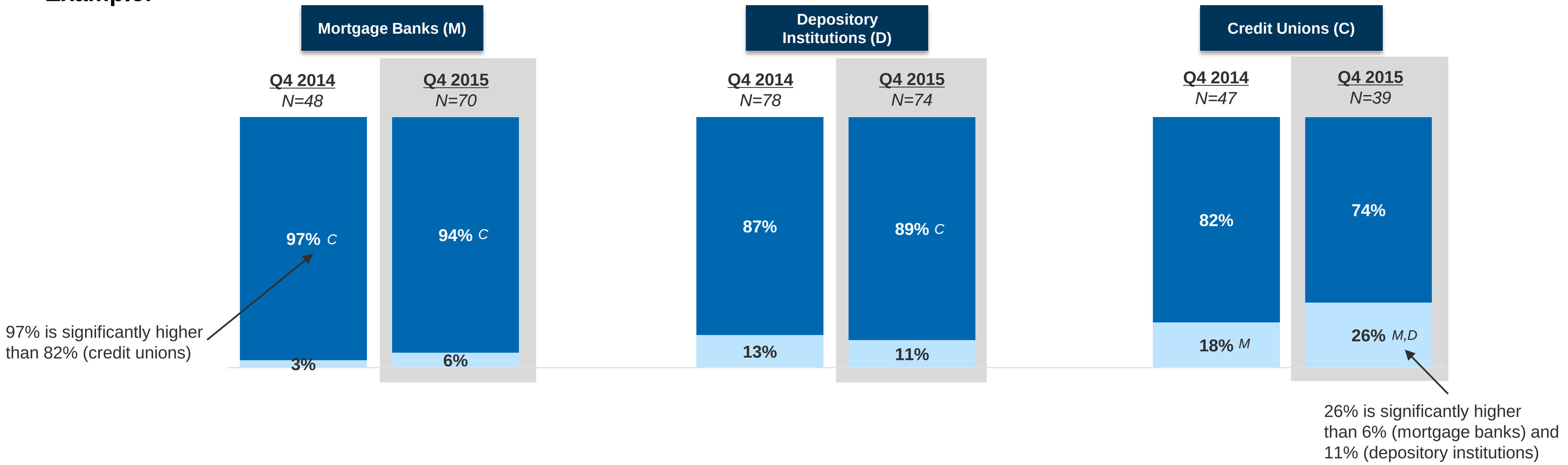
How to Read Significance Testing

On slides where significant differences between three groups are shown:

- Each group is assigned a letter (L/M/S, M/D/C)
- 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:

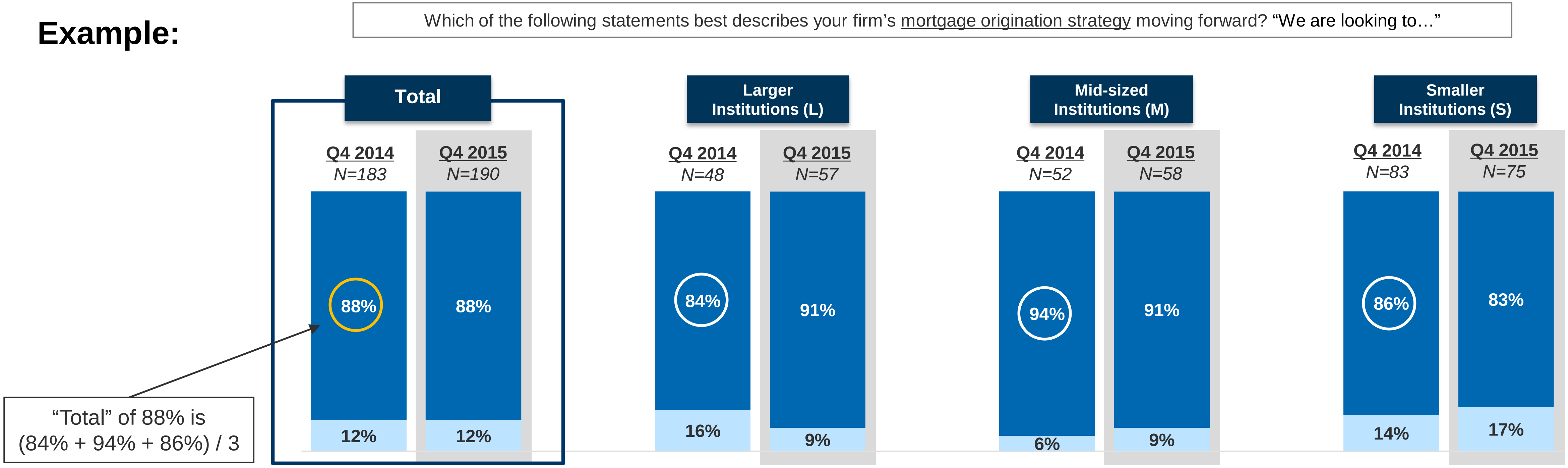
Which of the following statements best describes your firm's mortgage origination strategy moving forward? "We are looking to…"



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:

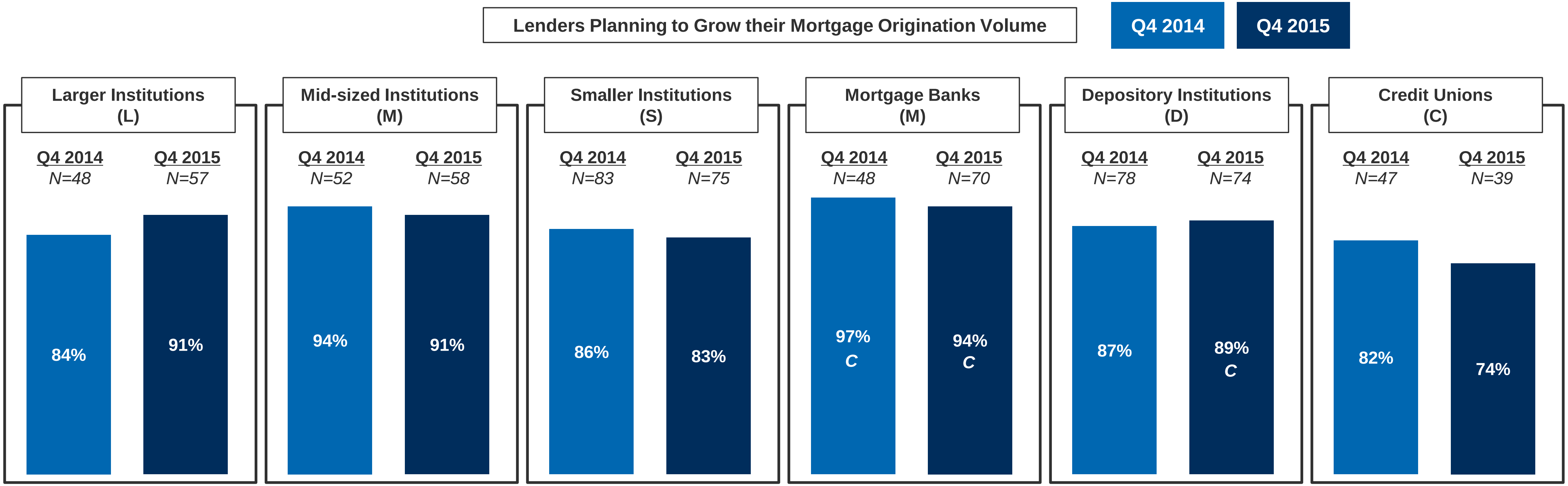


Appendix

Mortgage Origination Strategy

Mortgage Origination Strategy (by Institution Size and Type)

Continuing trends seen in the prior year, lenders of all sizes and types reported plans to grow their mortgage origination business moving forward. Mortgage banks and depository institutions are both significantly more likely than credit unions to plan to grow their origination business.



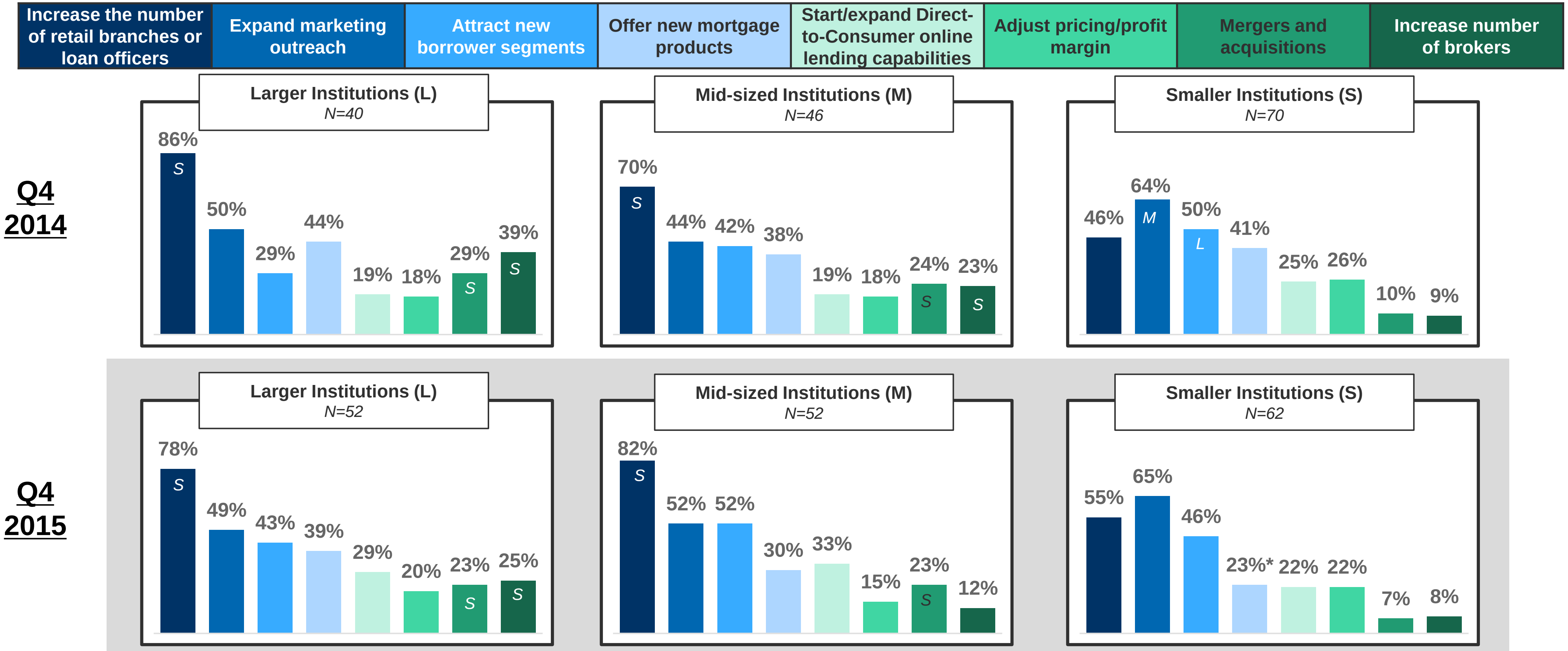
Q: Which of the following statements best describes your firm's mortgage origination strategy moving forward?
Showing % "We are looking to grow our mortgage origination volume." Full results can be found on p. 29.

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
MB/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level. Sizes and Types are not tested against each other.
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*
Please note that percentages are based on the number of financial institutions that gave responses other than "Not Applicable" or "My firm does not originate mortgages."

Strategies for Growing Origination Volume (by Institution Size)

As seen in last year, smaller institutions are significantly less likely than larger and mid-sized lenders to plan to increase their retail footprint.

[If looking to grow mortgage origination volume] You indicated that your firm is looking to <u>**grow** your mortgage origination volume</u>. What primary strategies/tactics, if any, is your firm planning to use to <u>**grow**</u> its origination volume? Please check all that apply.



*L/M/S - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level. * Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked)*
Showing responses that were selected by at least 15% of the total sample in 2015. Full results can be found on p. 32.

Strategies for Growing Origination Volume (by Institution Type)

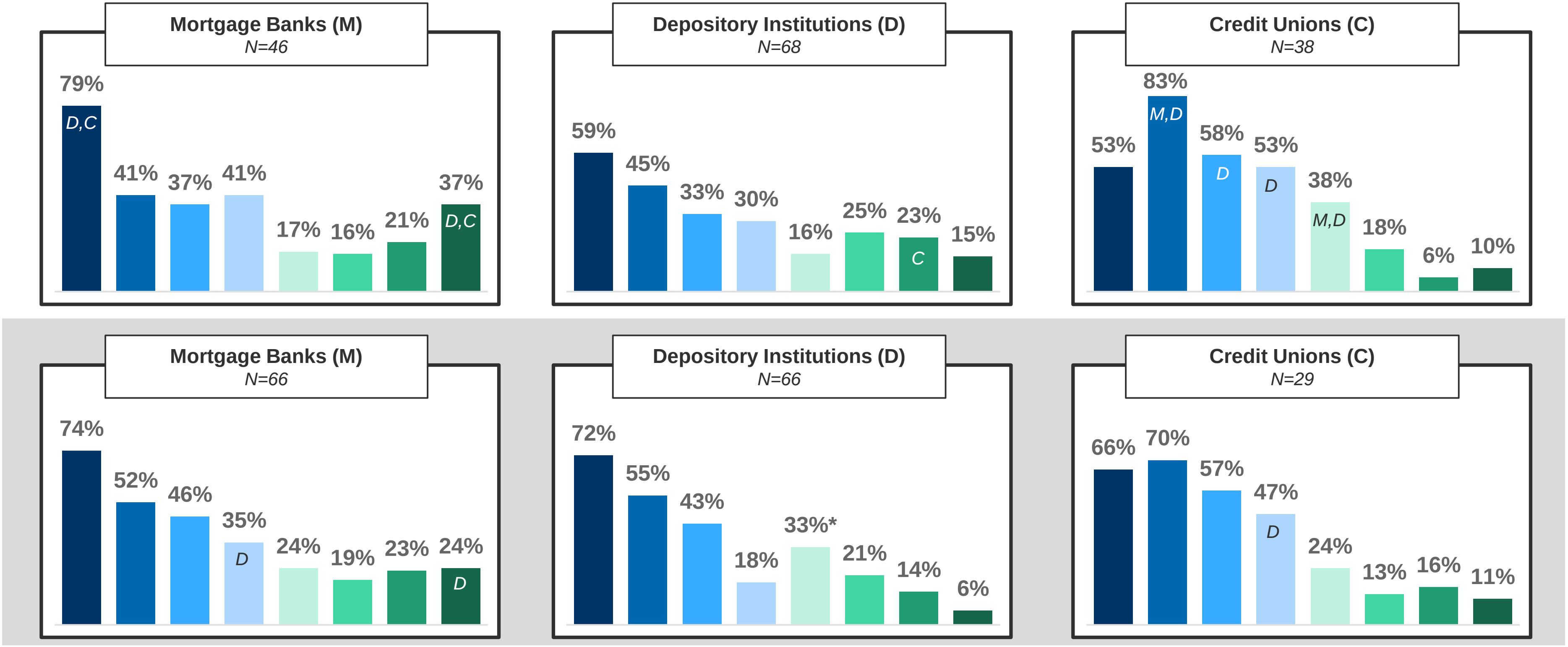
Compared to last year, depository institutions are significantly more likely to expand direct-to-consumer online lending.

[If looking to grow mortgage origination volume] You indicated that your firm is looking to grow your mortgage origination volume. What primary strategies/tactics, if any, is your firm planning to use to grow its origination volume? Please check all that apply.

Increase the number of retail branches or loan officers	Expand marketing outreach	Attract new borrower segments	Offer new mortgage products	Start/expand Direct-to-Consumer online lending capabilities	Adjust pricing/profit margin	Mergers and acquisitions	Increase number of brokers

Q4 2014

Q4 2015



*M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level. * Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked)*
Showing responses that were selected by at least 15% of the total sample in 2015. Full results can be found on p. 32.

Mortgage Origination Strategy

Which of the following statements best describes your firm's mortgage origination strategy moving forward? "We are looking to…"

	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015
N=	*183*	*190*	*48*	*57*	*52*	*58*	*83*	*75*	*48*	*70*	*78*	*74*	*47*	*39*
Grow our mortgage origination volume	88%	88%	84%	91%	94%	91%	86%	83%	97% *C*	94% *C*	87%	89% *C*	82%	74%
Maintain our mortgage origination volume	12%	12%	16%	9%	6%	9%	14%	17%	3%	6%	13%	11%	18% *M*	26% *M, D*
Downsize our mortgage origination volume	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Exit the mortgage origination industry	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*

Reasons to Grow Mortgage Origination Volume

[If looking to grow mortgage origination volume] Listed below are some possible reasons for firms to grow their mortgage origination volume. Please select **up to two** of the most important reasons that best describe your firm's decision to grow its mortgage origination volume and rank them in order of importance. *(Showing % rank 1 + 2)*

	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015
N=	*162*	*166*	*40*	*52*	*50*	*52*	*72*	*62*	*46*	*66*	*68*	*66*	*38*	*29*
Additional revenue/profit from mortgage origination	90%	90%	93%	86%	94%	95%	85%	87%	94%	89%	89%	90%	82%	93%
Additional operating margin	43%	42%	44%	56% [S]	47%	44% [S]	33%	26%	53% [D]	58% [D,C]	33%	31%	34%	28%
Cross-sell opportunities for other financial products	31%	34%	22%	19%	22%	35%	49% [L,M]	49% [L]	4%	9%	43% [M]	56%	60% [M]	55%
Intend to increase or enhance servicing portfolio	28%	21%	34%	18%	24%	21%	25%	26%	39%	35%	23%	13%	21%	19%
Macro hedge: balance or offset fluctuations in MSR (Mortgage Servicing Rights) valuation	7%	5%	5%	9%	7%	4%	6%	2%	5%	4%	10%	7%	1%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*

Reasons to Maintain Mortgage Origination Volume

[If looking to maintain mortgage origination volume] Listed below are some possible reasons for firms to maintain their mortgage origination volume. Please select **up to two** of the most important reasons that best describe your firm's decision to maintain its mortgage origination volume and rank them in order of importance. *(Showing % rank 1 + 2)*

	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015
N=	*23*	*22*	*8*	*5*	*3*	*6*	*12*	*12*	*2*	*4*	*10*	*8*	*8*	*9*
Additional revenue/profit from mortgage origination	73%	67%	87%	80%	66%	54%	61%	66%	33%	50%	80%	48%	71%	88%
Additional operating margin	42%	48%	40%	80%	66%	45%	34% *M*	48%	66%	50%	20%	53%	47%	44%
Cross-sell opportunities for other financial products	39%	38%	27%	20%	33%	36%	56%	50%	0%	0%	50%	58%	53%	33%
Intend to increase or enhance servicing portfolio	32%	24%	33%	0%	33%	45%	30%	25%	33%	50%	40%	30%	18%	11%
Macro hedge: balance or offset fluctuations in MSR (Mortgage Servicing Rights) valuation	9%	14%	13%	20%	0%	18%	9%	8%	67% *D*	50% *C*	0%	12%	12%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked). Due to small sample sizes, results should be interpreted with caution.*

Strategies for Growing Origination Volume

[If looking to grow mortgage origination volume] You indicated that your firm is looking to **grow your mortgage origination volume**. What primary strategies/tactics, if any, is your firm planning to use to **grow** its origination volume? Please check all that apply.

	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015
N=	156	166	40	52	46	52	70	62	46	66	68	66	38	29
Increase the number of retail branches or loan officers	67%	72%	86% S	78% S	70%	82% S	46%	55%	79% D,C	74%	59%	72%	53%	66%
Expand marketing outreach	53%	55%	50%	49%	44%	52%	64% M	65%	41%	52%	45%	55%	83% M,D	70%
Attract new borrower segments (e.g., first-time homebuyers, underserved communities)	40%	47%	29%	43%	42%	52%	50% L	46%	37%	46%	33%	43%	58% D	57%
Offer new mortgage products	41%	31%	44%	39%	38%	30%	41%	23%*	41%	35% D	30%	18%	53% D	47% D
Start or expand Direct-to-Consumer online lending capabilities	21%	28%	19%	29%	19%	33%	25%	22%	17%	24%	16%	33%*	38% M,D	24%
Adjust pricing/profit margin	21%	19%	18%	20%	18%	15%	26%	22%	16%	19%	25%	21%	18%	13%
Mergers and acquisitions	21%	18%	29% S	23% S	24% S	23% S	10%	7%	21%	23%	23% C	14%	6%	16%
Increase the number of brokers from which you source loans	23%	15%	39% S	25% S	23% S	12%	9%	8%	37% D,C	24% D	15%	6%	10%	11%
Start or expand Direct-to-Consumer call center capabilities	17%	15%	28% S	21% S	13%	18%	9%	6%	24% D	18%	7%	9%	17%	16%
Increase the number of correspondent lenders from which you buy loans	17%	14%	19%	20%	16%	13%	15%	9%	14%	23% D,C	19%	8%	8%	2%
Enhance servicing	12%	8%	12%	11%	11%	6%	13%	9%	15%	10%	10%	8%	10%	9%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*

Strategies for Maintaining Origination Volume

[If looking to maintain mortgage origination volume] You indicated that your firm is looking to **maintain** your mortgage origination volume. What primary strategies/tactics, if any, is your firm planning to use to **maintain** its origination volume? Please check all that apply.

	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015
N=	28	22	8	5	3	6	12	12	2	4	10	8	8	9
Attract new borrower segments (e.g., first-time homebuyers, underserved communities)	24%	46%	33%	50%	0%	36%	22%	50%	33%	12%	20%	47%	29%	56%*
Expand marketing outreach	42%	41%	40%	20%	67%	18%	35%	67% M	67%	0%	50%	47%	35%	56%
Increase the number of retail branches or loan officers	44%	36%	40%	80% S	67%	27%	39%	17%	0%	25%	50%	53%	53%	22%
Start or expand Direct-to-Consumer online lending capabilities	21%	31%	40%	20%	0%	36%	9%	33%	0%	50%	30%	24%	0%	33%
Adjust pricing/profit margin	72%	29%*	93% S	60% S	100% S	36%	35%	8%	67%	0%	80%	59% M	35%	11% M
Offer new mortgage products	31%	27%	47%	40%	0%	45%	26%	8%	33%	50%	30%	29%	24%	11%
Start or expand Direct-to-Consumer call center capabilities	21%	14%	40%	20%	0%	18%	9%	8%	0%	25%	20%	12%	12%	11%
Enhance servicing	6%	13%	7%	0%	0%	18%	9%	17%	33%	0%	0%	24%	0%	0%
Mergers and acquisitions	15%	13%	33%	20%	0%	27%	0%	0%	33%	25%	20%	18%	0%	0%
Increase the number of correspondent lenders from which you buy loans	6%	8%	7%	10%	0%	18%	9%	0%	33%	12%	0%	0%	0%	11%
Increase the number of brokers from which you source loans	8%	0%	7%	0%	33%	0%	0%	0%	33%	0%	10%	0%	0%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked). Due to small sample sizes, results should be interpreted with caution.*

Appendix

Mortgage Servicing Business

Mortgage Servicing Portfolios

Which of the following statements best describes your firm's long-term mortgage servicing strategy? "We are looking to…"

	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015
N=	*166*	*162*	*46*	*46*	*45*	*49*	*74*	*68*	*40*	*54*	*71*	*67*	*48*	*36*
Grow our mortgage servicing portfolio	70%	76%	65%	84%*	76%	71%	70%	74%	77%	89% [D]	61%	66%	75%	75%
Maintain our mortgage servicing portfolio	25%	22%	29%	15%	17%	26%	28%	24%	16%	8%	35% [M]	34% [M]	23%	22%
Downsize our mortgage servicing portfolio	4%	2%	4%	1%	8%	3%	1%	1%	6%	3%	3%	1%	2%	3%
Exit the mortgage servicing portfolio	1%	0%	2%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*

Reasons to Grow Servicing Portfolio

[If looking to grow mortgage servicing portfolio] Listed below are some possible reasons for firms to grow their mortgage servicing portfolio. Please select **up to two** of the most important reasons that best describe your firm's decision to grow its mortgage servicing portfolio and rank them in order of importance. *(Showing % rank 1 + 2)*

	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015
N=	*116*	*122*	*30*	*38*	*34*	*35*	*52*	*48*	*30*	*48*	*44*	*42*	*36*	*27*
Additional revenue/profit from mortgage servicing	81%	79%	72%	63%	86%	86% [L]	84%	88% [L]	79%	83%	86%	70%	77%	89% [D]
Cross-sell opportunities for other financial products	31%	35%	20%	23%	27%	37%	48% [L]	45% [L]	0%	5%	43% [M]	68%* [M]	57% [M]	48% [M]
Additional operating margin	29%	34%	24%	42% [S]	19%	31%	44% [M]	31%	24%	37%	20%	26%	48% [D]	35%
Hedge against declining origination volume	40%	32%	60% [S]	42%	47% [S]	34%	14%	22%	65% [C]	49% [D,C]	37% [C]	21%	10%	23%
Attractive market price for servicing assets	15%	13%	25% [S]	20%	16%	12%	6%	7%	27% [C]	21% [C]	12%	10%	3%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*

Reasons to Maintain Servicing Portfolio

[If looking to maintain mortgage servicing portfolio] Listed below are some possible reasons for firms to maintain their mortgage servicing portfolio. Please select **up to two** of the most important reasons that best describe your firm's decision to maintain its mortgage servicing portfolio and rank them in order of importance. *(Showing % rank 1 + 2)*

	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015
N=	*41*	*36*	*14*	*7*	*6*	*12*	*21*	*16*	*6*	*4*	*24*	*22*	*11*	*8*
Additional revenue/profit from mortgage servicing	68%	70%	86%	28%*	46%	76% *L*	57%	88%* *L*	62%	56%	66%	78%	63%	62%
Cross-sell opportunities for other financial products	41%	58%	19%	57%	39%	68%	69% *L*	48%	0%	22%	53% *M*	64%	63% *M*	62%
Additional operating margin	23%	29%	14%	28%	38%	32%	26%	27%	30%	55%	30%	17%	9%	37%
Hedge against declining origination volume	32%	21%	41%	43%	46%	16%	15%	12%	54%	22%	22%	27%	27%	0%
Attractive market price for servicing assets	22%	14%	33%	29%	15%	8%	15%	12%	54% *C*	44% *C*	22%	13%	0%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked)*
Due to small sample sizes, results should be interpreted with caution.

Reasons to Downsize Servicing Portfolio or Exit Industry

[If looking to downsize mortgage servicing portfolio or exit the industry] Listed below are some possible reasons for firms to [downsize their mortgage servicing portfolio/exit the mortgage servicing industry]. Please select **up to two** of the most important reasons that best describe your firm's decision to [downsize their mortgage servicing portfolio/exit the mortgage servicing industry] and rank them in order of importance. *(Showing % rank 1 + 2)*

	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015
N=	*8*	*3*	*3*	*1*	*4*	*2*	*1*	*1*	*2*	*2*	*3*	*1*	*1*	*1*
Risks or costs associated with servicing operations (e.g. servicing defaulted loans)	79%	82%	67%	0%	86%	100%	100%	100%	80%	67%	100%	100%	100%	100%
Regulatory burden associated with servicing	70%	64%	33%	100%	100%	33%	100%	100%	60%	33%	66%	100%	100%	100%
Increased capital requirements for MSR assets under Basel III capital rule	30%	36%	67%	0%	0%	67%	0%	0%	40%	67%	33%	0%	0%	0%
Risks associated with managing MSR assets	15%	18%	33%	100%	0%	0%	0%	0%	0%	33%	0%	0%	0%	0%
Attractive market price for selling MSR assets	7%	0%	0%	0%	14%	0%	0%	0%	20%	0%	0%	0%	0%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level
** Denotes a statistically significant change compared with Q4 2014 (the last quarter in which the question was asked).*
Due to small sample sizes, results should be interpreted with caution.

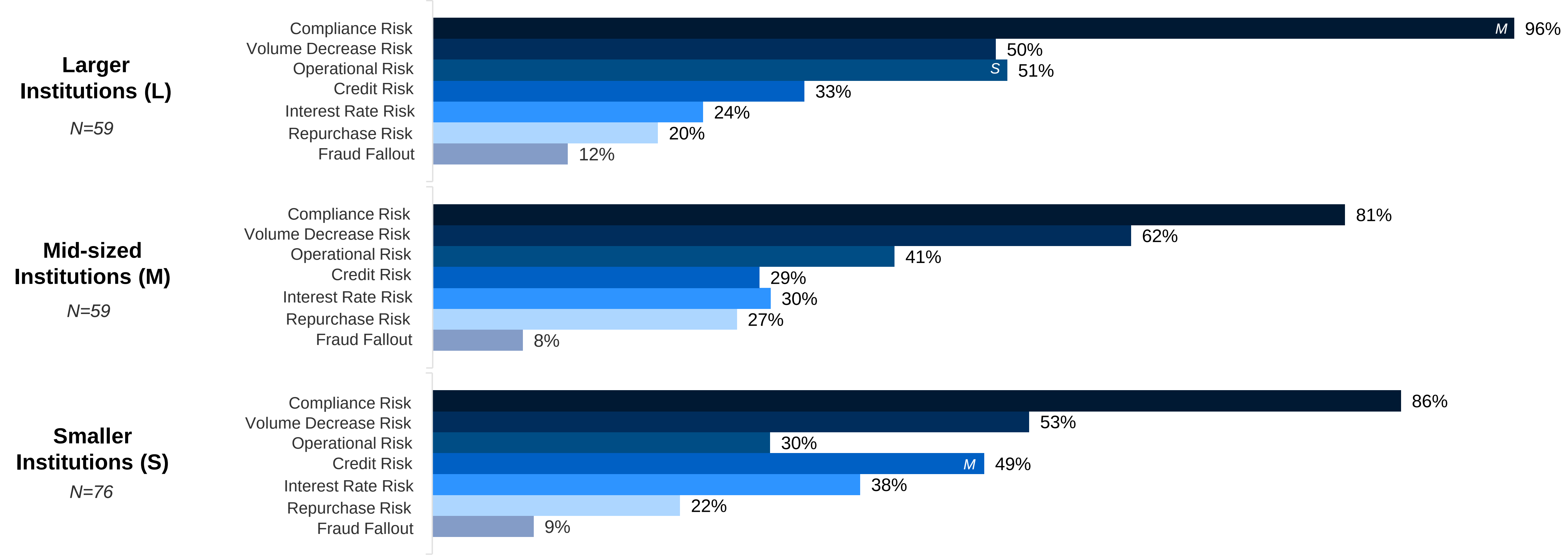
Appendix

Risks Associated with Mortgage Lending

Top Risk Concerns for 2016 (by Institution Size)

Going into 2016, larger institutions are more concerned with operational risk than smaller institutions. Smaller lenders are more likely to be concerned with credit risk.

Please select **up to three** risks that you think will be your firm's top areas of focus next year (2016).

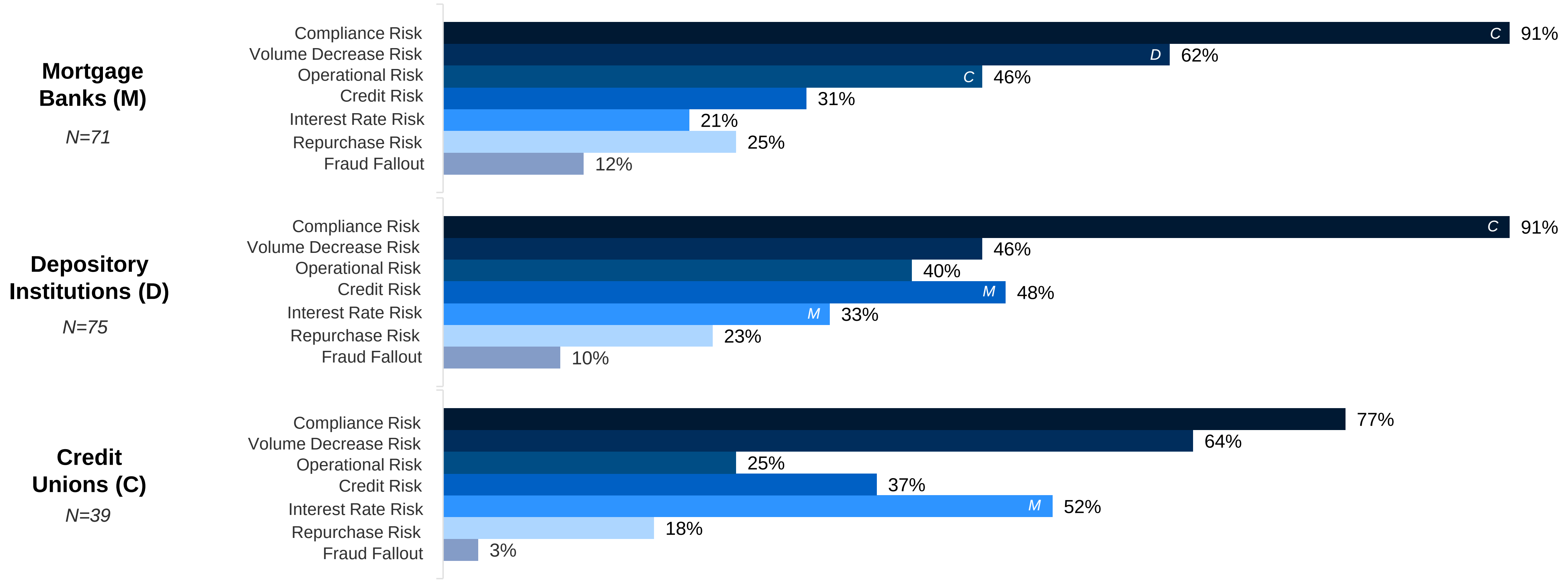


Please see p. 50 for the definitions of risks as used in the study. Full results can be found on pp. 46.
Showing responses that were selected by at least 10% of the total sample. This question was not asked in previous iterations of the Mortgage Lender Sentiment Survey.
L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

Top Risk Concerns for 2016 (by Institution Type)

Going into 2016, credit unions are significantly less likely than mortgage banks and depository institutions to be concerned with compliance risk.

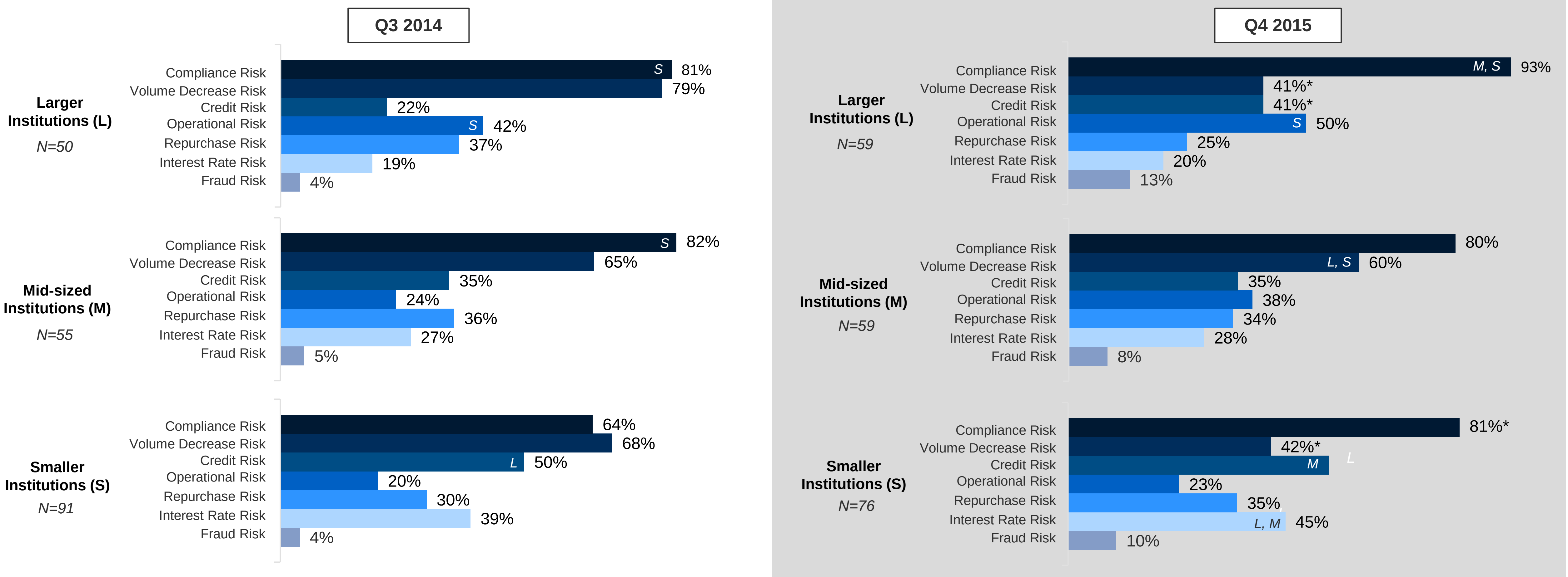
Please select **up to three** risks that you think will be your firm's top areas of focus next year (2016).



Please see p. 50 for the definitions of risks as used in the study. Full results can be found on pp. 47.
Showing responses that were selected by at least 10% of the total sample. This question was not asked in previous iterations of the Mortgage Lender Sentiment Survey.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Top Risk Concerns for the Current Year (when the survey is taken) (By Institution Size)

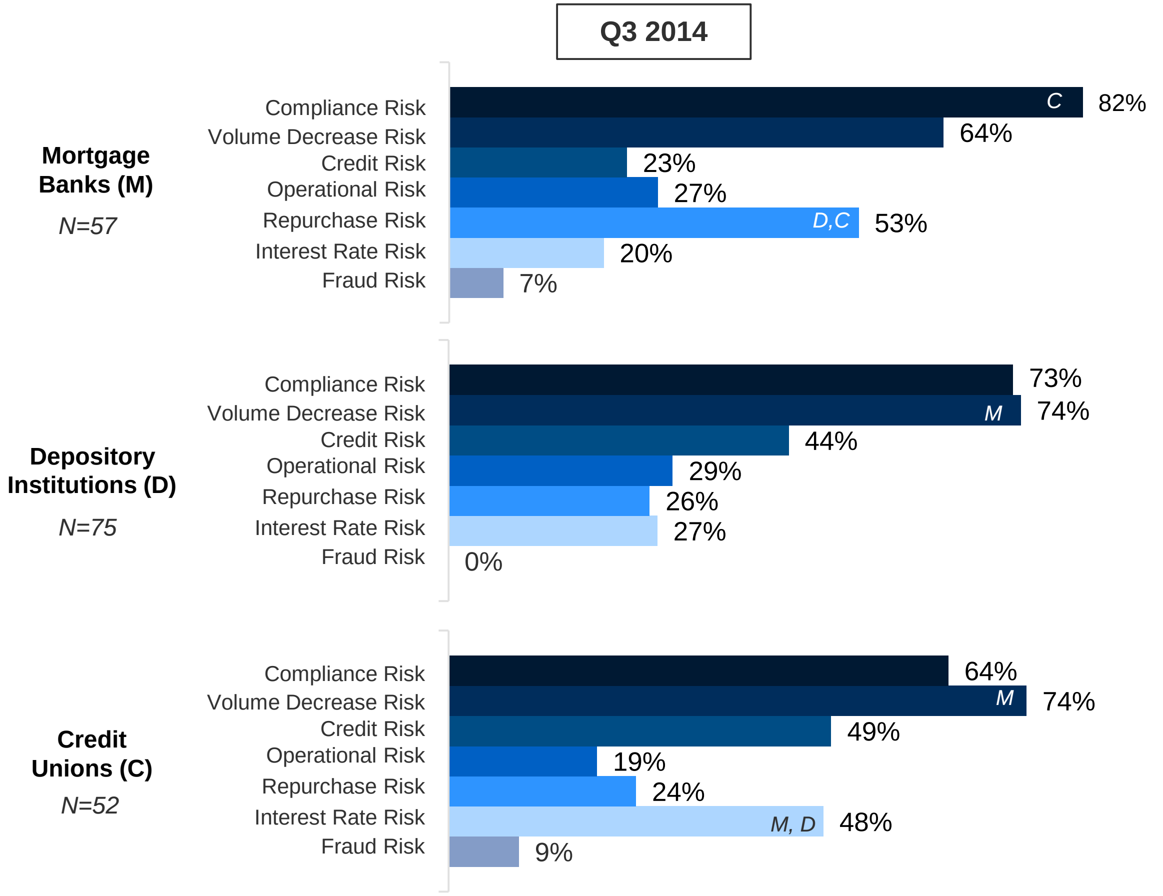
Please select **up to three** risks that are your firm's top areas of focus this year.

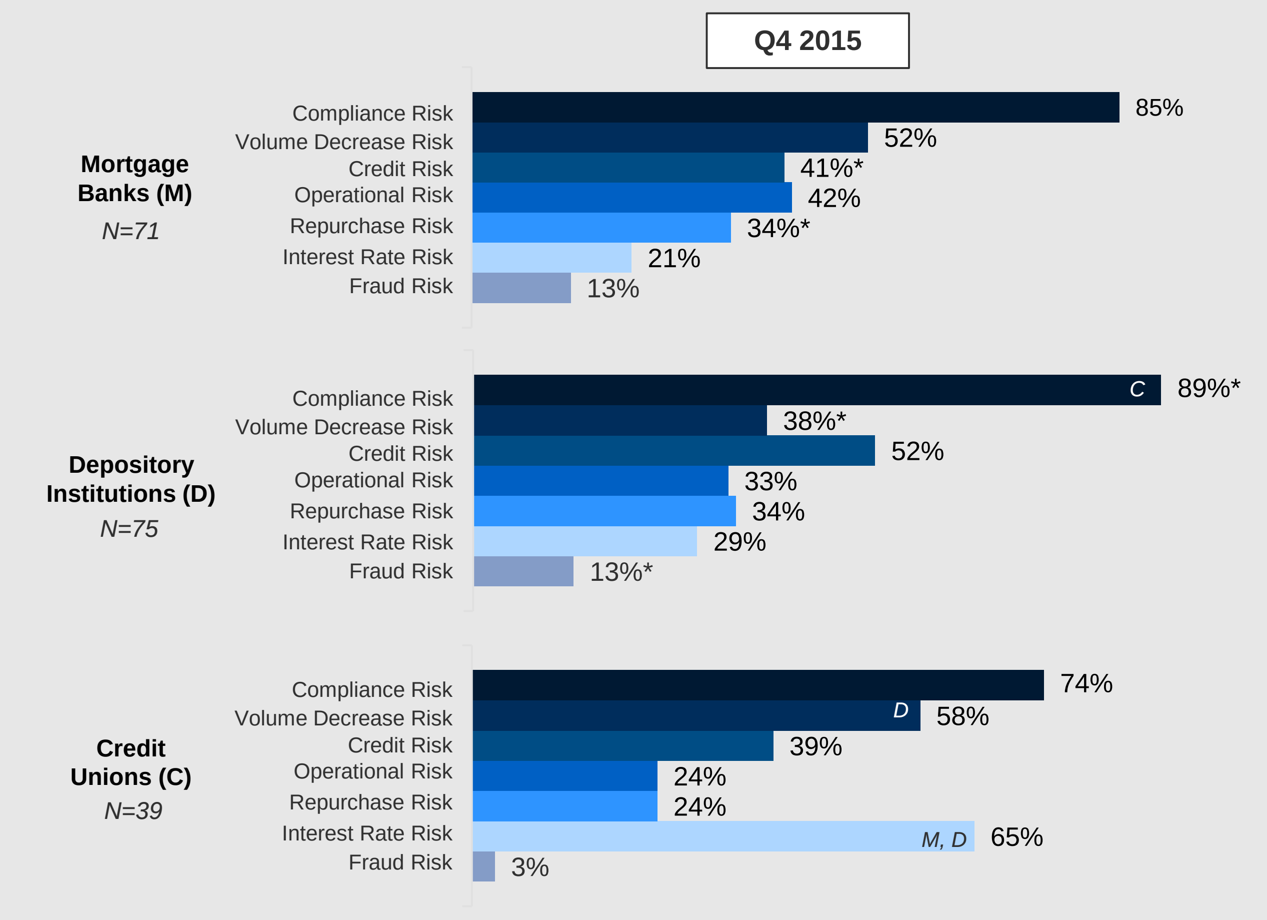


Please see p. 50 for the definitions of risks as used in the study.
Showing responses that were selected by at least 10% of the total sample
L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
** Denotes a statistically significant change compared with Q3 2014 (the last quarter in which the question was asked)*

Top Risk Concerns for the Current Year (when the survey is taken) (By Institution Type)

Please select **up to three** risks that are your firm's top areas of focus this year.

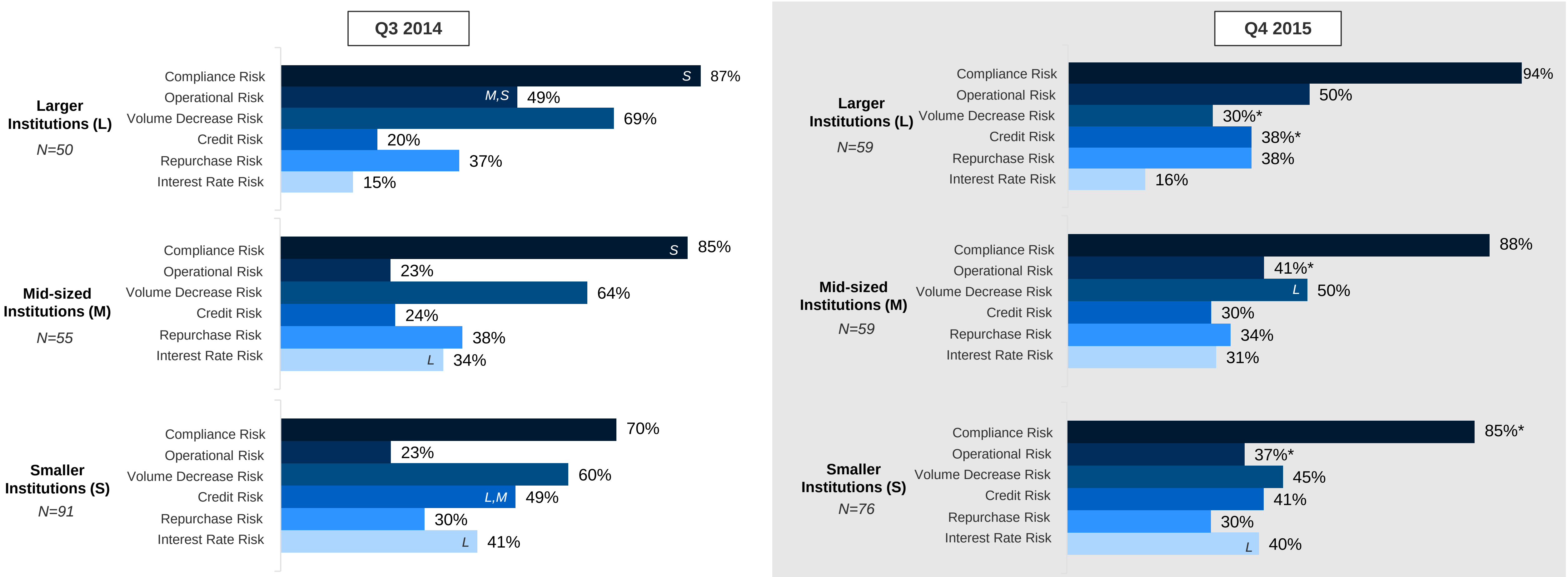




Please see p. 50 for the definitions of risks as used in the study.
Showing responses that were selected by at least 10% of the total sample.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level
** Denotes a statistically significant change compared with Q3 2014 (the last quarter in which the question was asked)*

Risk Concern Growth Since the Previous Year (By Institution Size)

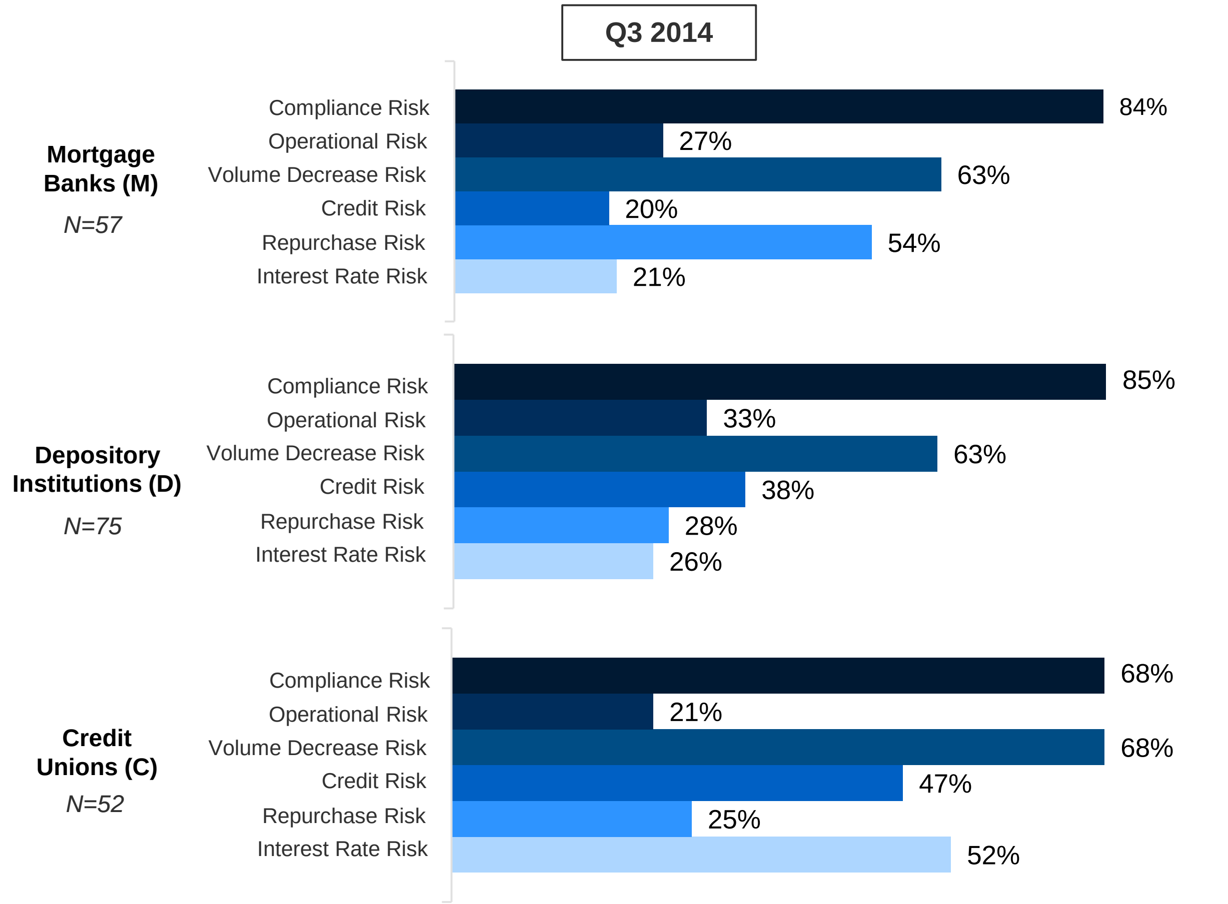
Please select **up to three** risks whose concern level has grown at your firm since last year.

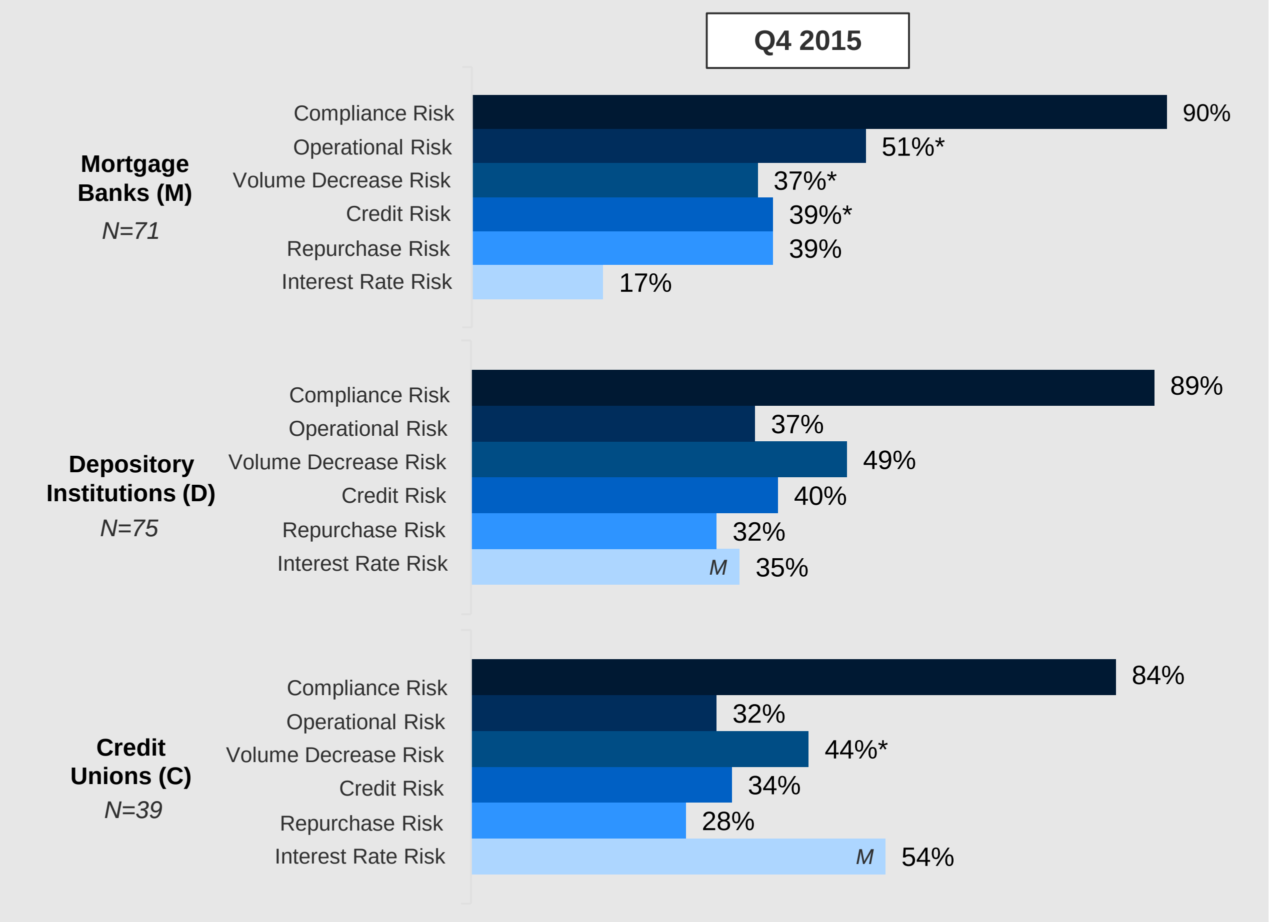


Please see p. 50 for the definitions of risks as used in the study.
Showing responses that were selected by at least 10% of the total sample.
L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
** Denotes a statistically significant change compared with Q3 2014 (the last quarter in which the question was asked).*

Risk Concern Growth Since the Previous Year (By Institution Type)

Please select **up to three** risks whose concern level has grown at your firm since last year.





Please see p. 50 for the definitions of risks as used in the study.
Showing responses that were selected by at least 10% of the total sample.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.
** Denotes a statistically significant change compared with Q3 2014 (the last quarter in which the question was asked).*

Top Risk Concerns for the Current Year (when the survey is taken)

Listed below are different risks associated with mortgage banking. Please select **up to three** risks that are your firm's top areas of focus this year. Please rank them in order of importance, with 1 = "Most Important Focus." ***Showing % ranked 1 + 2 + 3***	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q3 2014	Q4 2015	Q3 2014	Q4 2015	Q3 2014	Q4 2015	Q3 2014	Q4 2015	Q3 2014	Q4 2015	Q3 2014	Q4 2015	Q3 2014	Q4 2015
N=	196	194	50	59	55	59	91	76	57	71	75	75	52	39
Compliance Risk	76%	85%*	81%[S]	93%[M,S]	82%[S]	80%	64%	81%*	82%[C]	85%	73%	89%*[C]	64%	74%
Volume Decrease Risk	70%	47%*	79%	41%*	65%	60%[L,S]	68%	42%*	64%	52%	74%[M]	38%*	74%[M]	58%[D]
Credit Risk	36%	44%	22%	41%*	35%	35%	50%[L]	54%[M]	23%	41%*	44%	52%	49%	39%
Operational Risk	29%	37%	42%	50%[S]	24%	38%	20%	23%	27%	42%	29%	33%	19%	24%
Repurchase Risk	35%	32%	37%	25%	36%	34%	30%	35%	53%[D,C]	34%*	26%	34%	24%	24%
Interest Rate Risk	29%	31%	19%	20%	27%	28%	39%	45%[L,M]	20%	21%	27%	29%	48%[M,D]	65%[M,D]
Fraud Risk	4%	10%*	4%	13%	5%	8%	4%	10%	7%	13%	0%	13%*	9%	3%
Pipeline Risk – Borrower Fallout	10%	4%*	9%	6%	9%	3%	11%	3%	9%	2%	12%	2%	6%	4%
Investor Risk	7%	4%	6%	2%	7%	8%	8%	2%	8%	5%	8%	2%	5%	5%
Pipeline Risk – Investor Fallout Risk	3%	3%	2%	4%	5%	2%	1%	0%	4%	1%	2%	2%	0%	0%
Pipeline Risk – Product/Liquidity Risk	3%	2%	1%	3%	7%	2%	3%	4%	3%	2%	4%	3%	5%	3%

Please see p. 50 for the definitions of risks as used in the study.
L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.
** Denotes a statistically significant change compared with Q3 2014 (the last quarter in which the question was asked).*

Risk Concern Growth Since the Previous Year

Listed below are different risks associated with mortgage banking. Please select **up to three** risks whose concern level has grown at your firm since last year. Please rank them in order of increased concern level, with 1 = "Concern that increased the most." ***Showing % ranked 1 + 2 + 3***	Total		Larger Institutions (L)		Mid-sized Institutions (M)		Smaller Institutions (S)		Mortgage Banks (M)		Depository Institutions (D)		Credit Unions (C)	
	Q3 2014	Q4 2015	Q3 2014	Q4 2015	Q3 2014	Q4 2015	Q3 2014	Q4 2015	Q3 2014	Q4 2015	Q3 2014	Q4 2015	Q3 2014	Q4 2015
N=	*196*	*194*	*50*	*59*	*55*	*59*	*91*	*76*	*57*	*71*	*75*	*75*	*52*	*39*
Compliance Risk	82%	89%*	88% [S]	94%	85% [S]	88%	70%	85%*	84% [C]	90%	85% [C]	89%	68%	84%
Operational Risk	31%	43%*	49% [M,S]	50%	23%	41%*	22%	37%*	27%	51%*	33%	37%	21%	32%
Volume Decrease Risk	65%	42%*	70%	30%*	65%	50% [L]	60%	45%	63%	37%*	63%	49%	68%	44%*
Credit Risk	31%	36%	20%	38%*	25%	30%	49% [L,M]	41%	20%	39%*	38% [M]	40%	47% [M]	34%
Repurchase Risk	35%	33%	38%	38%	39%	34%	30%	30%	54% [D,C]	39%	28%	32%	25%	28%
Interest Rate Risk	31%	30%	15%	16%	34% [L]	31%	41% [L,M]	40% [L]	21%	17%	26%	35% [M]	52% [M,D]	54% [M]
Fraud Risk	4%	9%	5%	14%	5%	5%	3%	9%	7%	12%	1%	7%	7%	3%
Pipeline Risk – Borrower Fallout	10%	6%	8%	7%	12%	4%	10%	7%	12%	3%	10%	2%	7%	14% [D]
Investor Risk	8%	6%	7%	6%	8%	12% [S]	7%	1%	10%	9%	9%	4%	5%	6%
Pipeline Risk – Product/Liquidity Risk	3%	4%	1%	4%	4%	6%	6%	2%	5%	3%	4%	3%	2%	0%
Pipeline Risk – Investor Fallout Risk	1%	1%	0%	2%	2%	0%	0%	0%	0%	0%	1%	1%	0%	0%

Please see p. 50 for the definitions of risks as used in the study.
L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.
** Denotes a statistically significant change compared with Q3 2014 (the last quarter in which the question was asked).*

Top Risk Concerns for 2016 (By Institution Size)

Listed below are different risks associated with mortgage banking. Please select **up to three** risks that you think will be your firm's top areas of focus next year (2016). Please rank them in order of importance, with 1 = "Most Important Focus." ***Showing %***	**Total** *N=194*				**Larger Lenders (L)** *N=59*				**Mid-sized Lenders (M)** *N=59*				**Smaller Lenders (S)** *N=76*			
Rank=	1	2	3	Total	1	2	3	Total	1	2	3	Total	1	2	3	Total
Compliance Risk	58%	21%	9%	88%	68%	20%	8%	96% M	55%	18%	8%	81%	52%	23%	11%	86%
Volume Decrease Risk	21%	16%	18%	55%	14%	15%	21%	50%	34%	17%	11%	62%	16%	14%	23%	53%
Operational Risk	5%	24%	13%	42%	4%	30%	17%	51% S	3%	25%	13%	41%	6%	16%	8%	30%
Credit Risk	7%	13%	18%	38%	8%	11%	14%	33%	2%	8%	19%	29%	11%	18%	20%	49% M
Interest Rate Risk	5%	12%	13%	30%	2%	9%	13%	24%	3%	12%	15%	30%	11%	15%	12%	38%
Repurchase Risk	1%	7%	14%	22%	2%	8%	10%	20%	0%	6%	21%	27%	3%	8%	11%	22%
Fraud Risk	.%	2%	8%	10%	0%	0%	12%	12%	0%	5%	3%	8%	1%	0%	8%	9%
Investor Risk	1%	3%	2%	6%	0%	2%	0%	2%	2%	6%	5%	13% S	0%	0%	1%	1%
Pipeline Risk – Borrower Fallout	1%	2%	.%	3%	2%	2%	0%	4%	0%	2%	0%	2%	1%	3%	1%	5%
Pipeline Risk – Product/Liquidity Risk	.%	2%	1%	3%	1%	3%	0%	4%	0%	0%	2%	2%	0%	2%	1%	3%
Pipeline Risk – Investor Fallout Risk	0%	0%	1%	1%	0%	0%	3%	3%	0%	0%	0%	0%	0%	0%	0%	0%

Please see p. 50 for the definitions of risks as used in the study.
L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level.

Top Risk Concerns for 2016 (By Institution Type)

Listed below are different risks associated with mortgage banking. Please select **up to three** risks that you think will be your firm's top areas of focus next year (2016). Please rank them in order of importance, with 1 = "Most Important Focus." ***Showing %***	**Mortgage Banks (M)** *N=71*				**Depository Institutions (D)** *N=75*				**Credit Unions (C)** *N=39*			
Rank=	1	2	3	Total	1	2	3	Total	1	2	3	Total
Compliance Risk	57%	23%	11%	91% *C*	65%	19%	7%	91% *C*	53%	15%	9%	77%
Volume Decrease Risk	27%	20%	15%	62% *D*	15%	10%	21%	46%	21%	18%	25%	64%
Operational Risk	3%	24%	19%	46% *C*	3%	28%	9%	40%	6%	16%	3%	25%
Credit Risk	5%	11%	15%	31%	11%	16%	21%	48% *M*	3%	13%	21%	37%
Interest Rate Risk	3%	7%	11%	21%	4%	12%	17%	33% *M*	15%	26%	11%	52% *M*
Repurchase Risk	3%	7%	15%	25%	1%	11%	11%	23%	0%	0%	18%	18%
Fraud Risk	0%	4%	8%	12%	1%	0%	9%	10%	0%	0%	3%	3%
Investor Risk	1%	2%	3%	6%	0%	0%	1%	1%	0%	5%	3%	8%
Pipeline Risk – Borrower Fallout	0%	2%	0%	2%	0%	1%	0%	1%	1%	5%	3%	9%
Pipeline Risk – Product/Liquidity Risk	1%	1%	1%	3%	0%	3%	1%	4%	0%	1%	0%	1%
Pipeline Risk – Investor Fallout Risk	0%	0%	0%	0%	0%	0%	3%	3%	0%	0%	0%	0%

Please see p. 50 for the definitions of risks as used in the study.
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level.

Question Text

Mortgage Origination Strategy

qR44. Which of the following statements best describes your firm's mortgage origination strategy moving forward?

- We are looking to grow our mortgage origination volume
- We are looking to maintain our mortgage origination volume
- We are looking to downsize our mortgage origination volume
- We are looking to exit the mortgage origination industry
- My firm does not originate mortgages
- Not sure/Prefer not to answer/Not applicable

qR45a. Listed below are some possible reasons for firms to grow/maintain their mortgage origination volume. Please select **up to two** of the most important reasons that best describe your firm's decision to grow/maintain its mortgage origination volume and rank them in order of importance

- Additional revenue/profit from mortgage origination
- Additional operating margin
- Intend to increase or enhance servicing portfolio
- Macro hedge: balance or offset fluctuations in MSR (Mortgage Servicing Rights) valuation
- Cross-sell opportunities for other financial products
- Other

qR45c. Listed below are some possible reasons for firms to [downsize their mortgage origination volume/exit the mortgage origination industry]. Please select **up to two** of the most important reasons that best describe your firm's decision to [downsize their mortgage origination volume/exit the mortgage origination industry] and rank them in order of importance.

- Risk of decline in operating margin
- Intend to reduce servicing portfolio
- Increased pipeline management risk
- Increased competition
- Increased operational risk
- Increased regulatory risk
- Elimination of a product/acquisition channel
- Other

qR46a. You indicated that your firm is looking to grow/maintain your mortgage origination volume. What primary strategies/tactics, if any, is your firm planning to use to grow/maintain its origination volume? Please check all that apply. qR15. Excluding legal resources needed for Quality-Control (Quality-Review) and Servicing, how many full-time, in-house compliance personnel does your firm currently have (including analysts, paralegals, lawyers, etc.)?

- Adjust pricing/profit margin
- Enhance servicing
- Increase the number of retail branches or loan officers
- Increase the number of brokers from which you source loans
- Increase the number of correspondent lenders from which you buy loans
- Start or expand Direct-to-Consumer online lending capabilities
- Start or expand Direct-to-Consumer call center capabilities
- Expand marketing outreach
- Attract new borrower segments (e.g., first-time homebuyers, underserved communities)
- Offer new mortgage products
- Mergers and acquisitions
- Not sure/Prefer not to answer/Not applicable

Question Text

Mortgage Servicing Portfolio

qR51. Which of the following statements best describes your firm's long-term mortgage servicing strategy?

- We are looking to grow our mortgage servicing portfolio
- We are looking to maintain our mortgage servicing portfolio
- We are looking to downsize our mortgage servicing portfolio
- We are looking to exit the mortgage servicing industry
- My firm does not provide mortgage servicing
- Not sure/Prefer not to answer/Not applicable

qR52a. Listed below are some possible reasons for firms to grow/maintain their mortgage servicing portfolio. Please select **up to two** of the most important reasons that best describe your firm's decision to grow/maintain its mortgage servicing portfolio and rank them in order of importance.

- Additional revenue/profit from mortgage servicing
- Additional operating margin
- Attractive market price for servicing assets
- Hedge against declining origination volume
- Cross-sell opportunities for other financial products
- Other

qR52c. Listed below are some possible reasons for firms to [downsize their mortgage origination volume/exit the mortgage origination industry]. Please select **up to two** of the most important reasons that best describe your firm's decision to [downsize their mortgage origination volume/exit the mortgage origination industry] and rank them in order of importance.

- Increased capital requirements for MSR assets under Basel III capital rule
- Risks or costs associated with servicing operations (e.g. servicing defaulted loans)
- Regulatory burden associated with servicing
- Attractive market price for selling MSR assets
- Risks associated with managing MSR assets
- Other

Question Text

Risks Associated with Mortgage Lending

qR22. Listed below are different risks associated with mortgage banking. Please select **up to three** risks that are your firm's top areas of focus this year (2015). Please rank them in order of importance, with 1 = "Most Important Focus."

qR33. Please select **up to three** risks whose concern level has grown at your firm since last year (2014). Please rank them in order of increased concern level, with 1 = "Concern that increased the most."

qR105. Please select **up to three** risks that you think will be your firm's top areas of focus next year (2016). Please rank them in order of importance, with 1 = "Most Important Focus."

Risk Definitions:

Credit Risk - Credit Risk rises as loan quality deteriorates, affecting both the ability to sell originated loans and the market value and profitability of the servicing portfolio.

Volume Decrease Risk - Volume Decrease Risk rises when consumer demand for new mortgages (purchasing and refinancing) declines. Factors could include interest rate, job prospect, living expense changes, economy, demographic trends, etc.

Interest Rate Risk - When rates rise, lenders could face extension risk (i.e., they risk being "stuck" with a portfolio of super low rates in a rising rate environment), but their servicing income and the value of their Mortgage Servicing Assets (MSA) portfolio may increase. When rates fall, they face prepayment risk (i.e., that borrowers will refinance their loans causing a decline in the institutions' revenue and income) and a decline in MSA values.

Pipeline Risk

- **Borrower Fallout** - Borrower Fallout is the risk that a loan that has been issued a rate lock does not close.
- **Product/Liquidity Risk** - Product/Liquidity Risk is the potential that a loan product will have no liquidity once it is ready for sale (e.g., from failure to underwrite or service loans according to investor and insurer requirements).
- **Investor Fallout** - Investor Fallout Risk is the risk that an investor fails to meet the terms of its commitment to purchase a mortgage loan(s).

Investor Risk - Investor Risk is the risk that an investor fully or partially exits the business of acquiring mortgage loans or severs its relationship with a lender.

Repurchase Risk - Repurchase Risk is a risk that a loan purchased from a lender/seller violates the terms of the seller agreement, requiring the seller to repurchase the loan from the investor.

Fraud Risk - Fraud Risk is the risk that a borrower or participant in the mortgage process misrepresents or omits material information associated with a loan.

Operational Risk - Operational Risk reflects the strain on operating systems as supported by internal controls, information systems, employee capability and integrity and operating processes, including oversight of third-party providers.

Compliance Risk - Compliance Risk is rooted in standards established by the extensive array of consumer protection laws, with special emphasis on the quality of information given to consumers, deterrence of steering consumers to particular mortgage products, and procedures for promoting fair lending.

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