FANNIE MAE MORTGAGE LENDER SENTIMENT SURVEY QUESTIONNAIRE
2015 QUARTERLY TRACKER – Q2

/* DISPLAY */ Welcome to the *Mortgage Lender Sentiment Survey*™, a quarterly survey conducted by Fannie Mae among senior mortgage executives like you. We need your help to gather your views and experience with the mortgage market. Your participation is critical to ensure that results portray a representative view of key mortgage industry indicators. We hope this research will provide intelligence to help you manage your business practices.

The information you provide in this survey will be kept confidential. All results will be reported in the aggregate, and responses will not be linked to any individual person or company.

Thank you for taking part in this survey, your participation is greatly appreciated.

NHS Questions

/* DISPLAY */ This first series of questions asks about the overall economy and mortgage lending industry, nationwide. We're specifically interested in your opinion as a senior mortgage executive.

/* 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?

1) Right track
2) Wrong track
3) Don't know

/* Q1A */ Do you think it is very difficult, somewhat difficult, somewhat easy, or very easy for consumers to get a home mortgage today?

1) Very difficult
2) Somewhat difficult
3) Somewhat easy
4) Very easy
5) Don't know

/* 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?

1) Go up
2) Go down
3) Stay the same
4) Don't know

/* Q4a */ ## IF Q2=C1 ## 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? **/* OPEN END NUMERIC (0 TO 100) */**

/* Q5a */ ## IF Q2=C2 ## 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? **/* OPEN END NUMERIC (0 TO 100) */**

CONSUMER DEMAND

/* DISPLAY */ This section is about consumer demand for single-family mortgages. We will be asking you these questions across three market categories, GSE-Eligible, Non-GSE-Eligible, and Government. We will also be asking these questions separately by <u>purchase</u> market and <u>refinance</u> market.

/* DISPLAY */ Now, let's focus on the consumer demand for single-family <u>purchase</u> mortgages your firm has experienced over the <u>past three months</u>.

/* METRIC A */ Over the <u>past three months</u>, apart from normal seasonal variation, did your firm's consumer demand for single-family <u>purchase</u> mortgages go up, go down, or stay the same?

Hover over the terms "GSE Eligible," "Non-GSE Eligible," and "Government" in the table below to see the definitions.

<u>Consumer Demand for Purchase Mortgages for the Past 3 Months</u>

1) Went up significantly
2) Went up somewhat
3) Stayed the same
4) Went down somewhat
5) Went down significantly
6) Not applicable

/* REPEAT CODES */

/* Q6a */ Purchase - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**

/* Q6b */ Purchase - **[* Non-GSE Eligible *] [- Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and typically carry higher interest rates than GSE loans. Exclude Government loans from this category. -]**

/* Q6c */ Purchase - **[* Government *] [- 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. -]**

/* END SERIES */

/* Q7 */ **## IF (Q6a=c1, c2, c4, c5) OR (Q6b= c1, c2, c4, c5) OR (Q6c= c1, c2, c4, c5) ##** What do you think drove the change in your firm's consumer demand for single family <u>purchase</u> mortgages over the past three months? Please be as specific as possible. (Optional) **/* OPEN END 1 BOXES 0 REQ */**

/* END SERIES */

/* DISPLAY */ Now you'll see some questions about your firm's consumer demand for single-family mortgages over the <u>next three months</u>. We will be asking you these questions across three market categories, GSE-Eligible, Non-GSE-Eligible, and Government.

/* METRIC A */ Now, let's focus on the purchase mortgages over the next three months.

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?

<u>Consumer Demand for Purchase Mortgages for the Next 3 Months</u>

1) Go up significantly
2) Go up somewhat
3) Stay the same
4) Go down somewhat
5) Go down significantly
6) Not applicable

/* REPEAT CODES */

/* Q14a */ Purchase - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q14b */ Purchase - **[* Non-GSE Eligible *] [- Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and typically carry higher interest rates than GSE loans. Exclude Government loans from this category. -]**
/* Q14c */ Purchase - **[* Government *] [- 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. -]**

/* END SERIES */

/* METRIC A */ ## IF Q14a=C1, C2 ## You mentioned that you expect your firm's consumer demand for GSE eligible loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select up to two of the most important reasons and rank them in order of importance. **/* RANDOM ROTATE CHOICES */**

1) Home prices are low
2) Mortgage rates are favorable
3) There are many homes available on the market
4) It is easy to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q46a */ 1 - Most important
/* Q46b */ 2 **-** Second most important

/* END SERIES */

/* METRIC A */ ## IF Q14a=C4, C5 ## You mentioned that you expect your firm's consumer demand for GSE eligible loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select up to two of the most important reasons and rank them in order of importance.
/* RANDOM ROTATE CHOICES */

1) Home prices are high

2) Mortgage rates are not favorable
3) There are not many homes available on the market
4) It is difficult to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are not favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q47a */ 1 - Most important
/* Q47b */ 2 **-** Second most important

/* END SERIES */

/* METRIC A */ ## IF Q14b=C1, C2 ## You mentioned that you expect your firm's consumer demand for Non-GSE eligible loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select up to two of the most important reasons and rank them in order of importance. **/* RANDOM ROTATE CHOICES */**

1) Home prices are low
2) Mortgage rates are favorable
3) There are many homes available on the market
4) It is easy to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q49a */ 1 - Most important
/* Q49b */ 2 **-** Second most important

/* END SERIES */

/* METRIC A */ ## IF Q14b=C4, C5 ## You mentioned that you expect your firm's consumer demand for Non-GSE eligible loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select up to two of the most important reasons and rank them in order of importance. **/* RANDOM ROTATE CHOICES */**

1) Home prices are high
2) Mortgage rates are not favorable
3) There are not many homes available on the market
4) It is difficult to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are not favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q50a */ 1 - Most important
/* Q50b */ 2 **-** Second most important

/* END SERIES */

/* METRIC A */ ## IF Q14c=C1, C2 ## You mentioned that you expect your firm's consumer demand for government loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select up to two of the most important reasons and rank them in order of importance. **/* RANDOM ROTATE CHOICES */**

1) Home prices are low
2) Mortgage rates are favorable
3) There are many homes available on the market
4) It is easy to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q51a */ 1 - Most important
/* Q51b */ 2 **-** Second most important

/* END SERIES */

/* METRIC A */ ## IF Q14c=C4, C5 ## You mentioned that you expect your firm's consumer demand for government loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select up to two of the most important reasons and rank them in order of importance. **/* RANDOM ROTATE CHOICES */**

1) Home prices are high
2) Mortgage rates are not favorable
3) There are not many homes available on the market
4) It is difficult to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are not favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q52a */ 1 - Most important
/* Q52b */ 2 **-** Second most important

/* END SERIES */

/* DISPLAY */ Now, let's focus on the consumer demand for single-family refinance mortgages your firm has experienced over the past three months.

/* METRIC A */ 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?

Consumer Demand for Refinance Mortgages for the Past 3 Months

1) Went up significantly
2) Went up somewhat
3) Stayed the same

4) Went down somewhat
5) Went down significantly
6) Not applicable

/* REPEAT CODES */

/* Q10a */ Refinance - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q10b */ Refinance - **[* Non-GSE Eligible *] [- Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and typically carry higher interest rates than GSE loans. Exclude Government loans from this category. -]**
/* Q10c */ Refinance - **[* Government *] [- 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. -]**

/* END SERIES */

/* DISPLAY */ Now, let's focus on the refinance mortgages over the next three months.

/* METRIC A */ Over the <u>next three months</u>, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family <u>refinance</u> mortgages to go up, go down, or stay the same?

<u>Consumer Demand for Refinance Mortgages for the Next 3 Months</u>

1) Go up significantly
2) Go up somewhat
3) Stay the same
4) Go down somewhat
5) Go down significantly
6) Not applicable

/* REPEAT CODES */

/* Q18a */ Refinance - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q18a */ Refinance - **[* Non-GSE Eligible *] [- Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and typically carry higher interest rates than GSE loans. Exclude Government loans from this category. -]**
/* Q18c */ Refinance - **[* Government *] [- 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. -]**

/* END SERIES */

Profit Margin

/* Q22 */ Over the next three months, how much do you expect your firm's profit margin to change for its single-family mortgage production?

1) Increase significantly (25+ basis points)
2) Increase somewhat (5 - 25 basis points)
3) Remain about the same (0 - 5 basis points)
4) Decrease somewhat (5 - 25 basis points)
5) Decrease significantly (25+ basis points)
6) Not sure/Prefer not to answer/Not applicable

/* METRIC A */ ## IF Q22=4,5 ## What primary strategies, if any, is your firm planning to use to address your decreased profit margin? Please select the two most important strategies and rank them in order of importance. **/* RANDOM ROTATE CHOICES */**

1) Loan officer staffing adjustments
2) Back-office staffing adjustments
3) Operational efficiency (i.e. technology) investments
4) New or re-allocation of origination channels (i.e. retail or online or third-party channels)
5) New or re-allocation of mortgage product offerings
6) Underwriting standard changes
7) New borrower segments
8) Business acquisition/merger/divestment
9) Marketing outreach expansion/contraction
10) Price adjustments
11) MSR (Mortgage Servicing Rights) sales
12) Investor outlet expansion/contraction
13) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q23a */ 1 - Most important
/* Q23b */ 2 **-** Second most important

/* END SERIES */

/* METRIC A */ ## IF Q22=4,5 ## What do you think will drive the decrease in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance. **/* RANDOM ROTATE CHOICES */**

1) Consumer demand
2) Competition from other lenders
3) Government monetary or fiscal policy
4) Government regulatory compliance
5) GSE pricing and policies
6) Non-GSE (other investors) pricing and policies
7) Operational efficiency (i.e. technology)
8) Staffing (personnel costs)
9) Marketing expenses
10) Servicing costs
11) Market trend changes (i.e. shift from refinance to purchase)

12) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q24a */ 1 - Most important
/* Q24b */ 2 **-** Second most important

/* END SERIES */

/* METRIC A */ ## IF Q22=1,2 ## What primary strategies, if any, is your firm planning to use to achieve your increased profit margin? Please select the two most important strategies and rank them in order of importance. **/* RANDOM ROTATE CHOICES */**

1) Loan officer staffing adjustments
2) Back-office staffing adjustments
3) Operational efficiency (i.e. technology) investments
4) New or reallocation of origination channels (i.e. retail or online or third-party channels)
5) New or reallocation of mortgage product offerings
6) Underwriting standard changes
7) New borrower segments
8) Business acquisition/merger/divestment
9) Marketing outreach expansion/contraction
10) Price adjustments
11) MSR (Mortgage Servicing Rights) sales
12) Investor outlet expansion/contraction
13) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q25a */ 1 - Most important
/* Q25b */ 2 **-** Second most important

/* END SERIES */

/* METRIC A */ ## IF Q22=1,2 ## What do you think will drive the increase in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance. **/* RANDOM ROTATE CHOICES */**

1) Consumer demand
2) Less competition from other lenders
3) Government monetary or fiscal policy
4) Government regulatory compliance
5) GSE pricing and policies
6) Non-GSE (other investors) pricing and policies
7) Operational efficiency (i.e., technology)
8) Staffing (personnel costs) reduction
9) Marketing expense reduction
10) Servicing cost reduction
11) Market trend changes (i.e. shift from refinance to purchase)

12) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q26a */ 1 - Most important
/* Q26b */ 2 **-** Second most important

/* END SERIES */

Credit Standards

/* DISPLAY */ This section is about your firm's credit standards for approving applications from individuals for mortgage loans.

/* METRIC B */ Now, let's focus on the past three months.

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.

Credit Standards over the Past 3 Months

1) Eased considerably
2) Eased somewhat
3) Remained basically unchanged
4) Tightened somewhat
5) Tightened considerably
6) Not applicable

/* REPEAT CODES */

/* Q27a */ [* GSE Eligible *] [- 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). Exclude Government loans from this category. -]
/* Q27b */ [* Non-GSE Eligible *] [- Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and typically carry higher interest rates than GSE loans. Exclude Government loans from this category. -]
/* Q27c */ [* Government *] [- 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. -]

/* END SERIES */

/* Q28 */ ## IF ANY (Q27a, Q27b, Q27c) = c1,c2,c4,c5 ## 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) **/* OPEN END 1 BOXES 0 REQ */**

/* DISPLAY */ Now let's focus on the next three months.

/* METRIC A */ 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)?

Credit Standards over the Next 3 Months

1) Ease considerably
2) Ease somewhat
3) Remain basically unchanged
4) Tighten somewhat
5) Tighten considerably
6) Not applicable

/* REPEAT CODES */

/* Q31a */ [* GSE Eligible *] [- 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). Exclude Government loans from this category. -]

/* Q31b */ [* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]

/* Q31c */ [* Government *] [- 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. -]

/* END SERIES */

/* Q32 */ ## IF ANY (Q31a, Q31b, Q31c) = c1,c2,c4,c5 ## 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) **/* OPEN END 1 BOXES 0 REQ */**

Mortgage Execution Share

/* DISPLAY */ The next series of questions is about your firm's mortgage-origination execution strategy.

/* METRIC A */ Approximately, what percent of your firm's total mortgage originations goes to each of the following categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. **/* OPEN END NUMERIC (0 TO 100) */**

/* REPEAT CODES */

/* Q35a */ Portfolio Retention
/* Q35b */ GSE (Fannie Mae and Freddie Mac)
/* Q35c */ Ginnie Mae (FHA/VA)
/* Q35d */ Private Label Securities / Non-Agency Securities
/* Q35e */ Whole Loan Sales to NON-GSE (Correspondent)
/* Q35f */ Other

/* END SERIES */

/* q35fother */ ## IF Q35f > 0 ## On the previous page you indicated "other." Please specify your firm's other mortgage-origination execution category. **/* OPEN END 1 BOXES 1 REQ */ ## QUESTION IS REQUIRED ##**

/* METRIC A */ Looking forward, what percent of your firm's total mortgage originations over the next year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. **/* OPEN END NUMERIC (0 TO 100) */**

/* REPEAT CODES */

/* Q44a */ **## IF Q35a > 0 ##** Portfolio Retention
/* Q44b */ **## IF Q35b > 0 ##** GSE (Fannie Mae and Freddie Mac)
/* Q44c */ **## IF Q35c > 0 ##** Ginnie Mae (FHA/VA)
/* Q44d */ **## IF Q35d > 0 ##** Private Label Securities / Non-Agency Securities
/* Q44e */ **## IF Q35e > 0 ##** Whole Loan Sales to NON-GSE (Correspondent)
/* Q44f */ **## IF Q35f > 0 ## ## INSERT RESPONSE FROM q35fother ##**

/* END SERIES */

Mortgage Servicing Rights

/* DISPLAY */ Now, we will be asking you about your firm's mortgage servicing rights (MSR) strategy.

/* METRIC B */ 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%. **/* OPEN END NUMERIC (0 TO 100) */**

/* REPEAT CODES */

/* Q38a */ MSR retained, serviced in-house
/* Q38b */ MSR retained, serviced by a subservicer
/* Q38c */ MSR sold

/* END SERIES */

/* METRIC A */ Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. **/* OPEN END NUMERIC (0 TO 100) */**

/* REPEAT CODES */

/* Q45a */ **## IF Q38a > 0 ##** MSR retained, serviced in-house
/* Q45b */ **## IF Q38b > 0 ##** MSR retained, serviced by a subservicer
/* Q45c */ **## IF Q38c > 0 ##** MSR sold

/* END SERIES */

Rotating Questions - Loan Denial Rate & Reasons

/* DISPLAY */ In this section, we will be asking you questions about your firm's process of approving or denying single-family mortgage loan applications.

/* METRIC A */ Please indicate below whether your firm originates single-family purchase or refinance mortgages

1) Yes
2) No

/* REPEAT CODES */

/* QR72a */ Purchase mortgages
/* QR72b */ Refinance mortgages

/* END SERIES */

/* QR73 */ ## IF QR72a=C1 - Originates Purchase Mortgages ## Approximately what was the loan **denial (disqualify)** rate of single-family purchase mortgage applications at your firm over the past year?
/* OPEN END NUMERIC (1 TO 100) */ ## SHOW PERCENT SIGN NEXT TO OE BOX ##

/* METRIC A */ ## IF QR72a=C1 - Originates Purchase Mortgages ## Listed below are some common reasons that lenders deny single-family purchase mortgage loan applications. Please select the two most common reasons at your firm. **/* RANDOM ROTATE CHOICES */**

Two Most Common Reasons for Denying Purchase Loan Applications

1) LTV (Loan to Home Value) ratio is too high
2) Insufficient collateral (appraisal issues)
3) Borrower's DTI (Debt-to-Income) ratio is too high or loans not eligible for QM (qualified mortgages) with a DTI ratio of 43% or less
4) Borrower's credit score is too low or borrower has credit issues
5) Borrower has temporary or irregular employment history
6) Borrower does not have enough cash or savings to cover down payments or closing costs
7) Borrower could not provide acceptable documentation of income, assets, etc., or documentation is incomplete or with unverifiable information
8) Mortgage insurance is denied
9) Loans not eligible to meet investors' other product requirements such as loan limit or property type **/* DO NOT ROTATE */**
10) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* QR74a */ Most Common Reason
/* QR74b */ 2nd Most Common Reason

/* END SERIES */

/* QR75 */ ## IF QR72b=C1 - Originates Refinance Mortgages ## Approximately what was the loan **denial (disqualify)** rate of single-family refinance mortgage applications at your firm over the past year?
/* OPEN END NUMERIC (1 TO 100) */ ## SHOW PERCENT SIGN NEXT TO OE BOX ##

/* METRIC A */ ## IF QNEW2=C1 - Originates Refinance Mortgages ## Listed below are some common reasons that lenders deny single-family refinance mortgage loan applications. Please select two most common reasons at your firm. **/* RANDOM ROTATE CHOICES */**

Two Most Common Reasons for Denying Refinance Loan Applications

1) LTV (Loan to Home Value) ratio is too high
2) Insufficient collateral (appraisal issues)
3) Borrower's DTI (Debt-to-Income) is too high or loans not eligible for QM (qualified mortgages) with a DTI ratio of 43% or less
4) Borrower's credit score is too low or borrower has credit issues
5) Borrower has temporary or irregular employment history
6) Borrower does not have enough cash or savings to cover down payments or closing costs
7) Borrower could not provide acceptable documentation of income, assets, etc., or documentation is incomplete or with unverifiable information
8) Mortgage insurance is denied
9) Loans not eligible to meet investors' other product requirements such as loan limit or property type **/* DO NOT ROTATE */**
10) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* QR76a */ Most Common Reason
/* QR76b */ 2nd Most Common Reason

/* END SERIES */

ROTATING QUESTIONS - CREDIT OVERLAYS

/* QR77 */ Does your firm securitize or sell mortgage loans with/to Fannie Mae, Freddie Mac or Ginnie Mae?

1) Yes
2) No

/* QR78 */ Does your firm securitize or sell mortgage loans to investors or aggregators other than the GSEs and Ginnie Mae?

1) Yes
2) No

/* QR79 */ ## IF QR77=C1 – Sells loans to GSEs or Finnie Mae ## You mentioned that your firm securitizes or sells mortgage loans with/to Fannie Mae, Freddie Mac or Ginnie Mae. Does your firm apply credit overlays that are more stringent than what Fannie Mae, Freddie Mac or Ginnie Mae require?

[Note: In the link, the following definition will show when you hover over the work "overlays" in the question text: Lenders' own underwriting guidelines that exceed requirements in the guides published by the investor to which the loan is being sold. Lender overlays can address various borrower and property attributes, including, but not limited to, credit

score, debt-to-income ratio, amount of assets and the type of assets, minimum down payment, property type, and other attributes.]

1) Yes
2) No

/* QR80 */ ## IF QR79=C1 – Apply credit overlays ## Approximately what percent of your <u>annual single-family mortgage origination loan count</u> does your firm apply credit overlays? **/* OPEN END NUMERIC (1 TO 100) */ ## SHOW PERCENT SIGN NEXT TO OE BOX ##**

/* QR81 */ ## IF QR79=C1 – Apply credit overlays ## What type of overlay does your firm apply most often? **/* RANDOM ROTATE CHOICES */**

1) Higher credit scores
2) Lower LTV ratio
3) Lower DTI ratio
4) Additional documentation
5) Restrictions on property type
6) Limitations on sources of funds permitted for down payment and closing costs
7) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* QR82 */ ## IF QR79=C1 – Apply credit overlays ## Does your firm apply the same credit overlay criteria across investors so that all loans will be eligible for sale to all investors? Or does your firm apply specific credit overlays that depend on the investor to which your firm intends to sell the loan?

1) Applies credit overlays to make loans eligible for sale to all investors
2) Applies different credit overlays per intended investor
3) Not sure/don't know **/* DO NOT ROTATE */**

/* QR83 */ Does your firm originate or acquire loans through wholesale channels such as mortgage brokers or correspondent channels?

1) Yes
2) No
3) Not sure/don't know

/* QR84 */ ## IF QR83=C1 – Purchases loans ## Does your firm apply credit overlays when originating or acquiring loans through wholesale channels?

1) Yes
2) No
3) Not sure/don't know

/* QR85 */ ## IF QR84=C1 – Apply credit overlays ## What type of overlay does your firm apply most often when originating or acquiring loans through wholesale channels? **/* RANDOM ROTATE CHOICES */**

1) Higher credit scores
2) Lower LTV ratio
3) Lower DTI ratio
4) Additional documentation
5) Restrictions on property type
6) Limitations on sources of funds permitted for down payment and closing costs
7) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* QR86 */ ## IF QR84=C1 – Apply credit overlays ## What is the primary reason your firm requires credit overlays when originating or acquiring loans through wholesale channels? **/* RANDOM ROTATE CHOICES */**

1) To reduce repurchase risks when selling to investors
2) To reduce compliance risks
3) To reduce risks or costs associated with purchasing and servicing loans that have higher default risks
4) To better manage operational complexity by focusing on certain credit segments
5) Other **/* SPECIFY */ /* DO NOT ROTATE */**

Rotating Questions - Access to Credit

/* METRIC A */ There has been some discussion about "increasing access to credit" to mid-tier credit consumers with 680-740 credit scores. Which of the following factors do you think account for a relatively weak purchase mortgage demand among borrowers with mid-tier credit (680-740 credit scores)? Please select **up to two** of the most important factors and rank them in order of importance. **/* RANDOM ROTATE CHOICES */**

[Note: We're working on finding a way to be able to randomly rotate choices within "consumer-related reasons" and "mortgage-related reasons," but show them all in the same grid.]

Consumer-Related Reasons

1) Consumers/borrowers with mid-tier credit are reluctant to apply because they do not think that they will be qualified.
2) The mortgage process is too painful (such as documentation).
3) There's a lack of marketing outreach programs for consumers/borrowers with mid-tier credit.

Market-Related Reasons

4) Economic conditions (e.g., wage growth or employment) are not favorable for consumers/borrowers with mid-tier credit.
5) It is difficult for mid-tier credit consumers to qualify for a mortgage.
6) Mortgage rates are not favorable.
7) Home prices are high.
8) There's a lack of supply or inventory of affordable housing stock.
9) There's a lack of mortgage products tailored to consumers/borrowers with mid-tier credit.

10) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* QR87a */ 1 – Most important
/* QR87b */ 2 – Second most important

/* END SERIES */

/* QR88 */ Does your firm originate purchase mortgages directly with consumers or directly interact with borrowers/consumers when originating purchase mortgages?

1) Yes
2) No
3) Not sure/don't know

/* METRIC A */ ## IF QR88=C1 – Originates purchase mortgages ## Listed below are three common consumer segments. For each consumer segment, please indicate whether your firm plans to do more or do less business with each segment this year.

1) Do more
2) Status quo (no major changes)
3) Do less
4) My firm rarely focuses on this segment

/* REPEAT CODES */ /* ROTATE SERIES */

/* QR89a */ Consumers with mid-tier credit (680 - 740 credit score)
/* QR89b */ Consumers with lower than median income of the geographic area where they live
/* QR89c */ Consumers in rural areas (places with a population less than 2,500)

/* END SERIES */

/* NEW PAGE */

/* METRIC A */ ## IF QR89a=C3,4 or QR89b =C3,4 or Q89c =C3,4 – Do less/rarely focuses on any segment ## You indicated that your firm plans to do less business with, or rarely focuses on, the following consumer segments:

- **[IF QR89a=C3,C4]** Consumers with mid-tier credit (680 - 740 credit score)
- **[IF QR89b=C3,C4]** Consumers with lower than median income of the geographic area where they live
- **[IF QR89c=C3,C4]** Consumers in rural areas (places with a population less than 2,500)

Listed below are some possible reasons that lenders might NOT focus on the consumer segments listed above. Please select **up to two** of the most likely reasons for your firm and rank them in order of likelihood. **/* RANDOM ROTATE CHOICES */**

1) Risk of decline in operating margin (profitability)
2) Increased repurchase risk for these consumer segments
3) Increased marketplace competition in attracting these consumer segments
4) Increased regulatory/compliance risk
5) Increased costs associated with servicing these consumer segments
6) Limited cross-sell opportunities

7) Limited resources in my firm's marketing or outreach programs
8) Not a good fit for my firm's business model or footprints
9) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* QR90a */ 1 – Most likely reason
/* QR90b */ 2 – Second most likely reason

/* END SERIES */

/* QR91 */ ## IF QR88=C1 – Originates purchase mortgages ## Please share any thoughts you have about what would make your firm or other firms more likely to do more business with the three consumer segments listed in the previous question. Please be as specific as possible.

Consumer Segments:

- Consumers with mid-tier credit (680 - 740 credit score)
- Consumers with lower than median income of the geographic area where they live
- Consumers in rural areas (places with a population less than 2,500)

/* OPEN END 1 BOXES 1 REQ */

43. This is the last question. Are there other topics that you think would be interesting or useful to be included in the future quarterly survey among senior mortgage executives like yourself? (Optional) **/* OPEN END 1 BOXES 0 REQ */**

/* DISPLAY */ This now completes the survey. We really appreciate you taking the time to contribute to this important industry research.

You can find the previous quarters' results as well as special topic analyses on the Mortgage Lender Sentiment Survey page on FannieMae.com.

Please note that responses to the survey questions will be aggregated and analyzed solely to identify important topics, trends, and issues surrounding the mortgage industry. Fannie Mae will not publish respondent names or affiliated institutions.

Click here to enter your email address if you would like to receive a copy of the Q2 2015 Mortgage Lender Sentiment Survey report when it's released. To ensure that your survey responses remain anonymous, after clicking on the link you will be directed to a separate website to enter your email address.