Fannie Mae

Mortgage Lender Sentiment Survey Questionnaire
Quarterly Tracking Study – Q1 2018

/* 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 purchase market and refinance market.

/* DISPLAY */ Now, let's focus on the consumer demand for single-family purchase 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 purchase 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.

Consumer Demand for Purchase 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 */

/* 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 purchase mortgages over the past three months? Please be as specific as possible. (Optional) **/* OPEN END 1 BOXES 0 REQ */**

/* END SERIES */

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

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

Consumer Demand for Purchase Mortgages for the Next 3 Months

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 **<u>Non-GSE</u>** 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 **<u>government</u>** 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 */ The next section is about consumer demand for refinance mortgages. Similarly, we will be asking these questions across three market categories, GSE-Eligible, Non-GSE-Eligible, and Government.

/* 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 typically and 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 <u>refinance</u> mortgages over the <u>next three months</u>.

/* 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

/* DISPLAY */ Now you will see some questions regarding your firm's profit margin outlook.

/* Q22 */ Over <u>the next three months</u>, 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 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 **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

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

/* END SERIES */

/* 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 **/* SPECIFY */ /* 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 A */ 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 typically 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 */**

/* 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** ## Does your firm apply credit overlays when originating or acquiring loans through wholesale channels?

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

/* QR84a */ ## IF QR84=c1## How does your firm anticipate changing your credit overlays to brokers/correspondents over the next 6 months?

1) We plan on reducing credit overlays
2) We plan on increasing credit overlays
3) We plan on keeping credit overlays about the same

Rotating Questions – Gig Economy Questions

/* DISPLAY */ In the next section, we would like to gather your views about the so-called "gig economy" or "on-demand economy." Examples include transportation (e.g., Uber and Lyft), lodging rental (e.g., Airbnb and VRBO), food/goods delivery (e.g., Postmates), and personal task services (e.g., TaskRabbit). Gig workers often have flexible work arrangements, working on single projects or tasks, commonly on demand. As a result, the income stream from their gig work tends to be less stable and the amount earned tends to be variable. Because of flexible work arrangements, gig workers could choose to offer their services for just a few hours a month or as a full-time self-employed job, or choose to pursue their gig work in addition to a full-time regular job.

/* QR241 */ Over the past year, how many consumers with income from the gig economy attempted to apply for a mortgage with your firm, regardless of the amount earned from the gig economy? **/* RANDOMLY REVERSE CHOICES */**

1) None
2) Only a few
3) Some
4) Many
5) Quite a lot

/* QR242 */ Over the next 3-5 years, to what extent do you think the share of the U.S. adult population earning income from the gig economy will grow or decline? **/* RANDOMLY REVERSE CHOICES */**

1) Grow significantly
2) Grow somewhat
3) Stay about the same
4) Decline somewhat
5) Decline significantly

/* QR243 */ Over the next 3-5 years, to what extent do you think the number of borrowers who want to use gig-economy income to qualify for mortgages will grow or decline? **/* RANDOMLY REVERSE CHOICES */**

1) Grow significantly
2) Grow somewhat
3) Stay about the same
4) Decline somewhat
5) Decline significantly

/* QR244 */ With today's lending practices, in your view, how easy or difficult is it to use gig-economy income to approve a borrower's mortgage application? **/* RANDOMLY REVERSE CHOICES */**

1) Very difficult
2) Somewhat difficult
3) Somewhat easy
4) Very easy

/* QR245 */ Why do you find it **/* [INSERT QR244] */** to use gig-economy income to approve a borrower's mortgage application? Please share your thoughts. (optional) **/* OPEN END 1 BOXES 0 REQ */**

/* QR246 */ What concerns, if any, does your firm have in accepting gig-economy income for mortgage applications? Please share your thoughts. (optional) **/* OPEN END 1 BOXES 0 REQ */**

/* QR247 */ Overall, how do you think accepting income earned in the gig economy for mortgage applications will impact consumers' access to mortgage credit? **/* RANDOMLY REVERSE CHOICES */**

1) Significantly help
2) Somewhat help
3) Have no impact
4) Somewhat hurt
5) Significantly hurt

/* QR248 */ Now, talking about low- and moderate-income consumers, how do you think accepting income earned in the gig economy for mortgage applications will impact ***low- and moderate-income*** consumers' access to mortgage credit? **/* RANDOMLY REVERSE CHOICES */**

1) Significantly help
2) Somewhat help
3) Have no impact
4) Somewhat hurt
5) Significantly hurt

/* QR249 */ Any thoughts you would like to share about how or why you think accepting gig-economy income will **/* [INSERT QR248] */** ***low- and moderate-income*** consumers' access to mortgage credit? (optional) **/* OPEN END 1 BOXES 0 REQ */**

/* DISPLAY */ Last, we would like to know your views about <u>self-employment</u> income for mortgage qualifications. Self-employment income could include income earned in the gig economy, or as full-time or part-time independent contractors, or as small-business owners.

/* QR250 */ Overall, do you think current underwriting guidelines for self-employment income verification are… **/* RANDOMLY REVERSE CHOICES */**

1) Too strict
2) About right
3) Too loose

/* QR251 */ Any thoughts you would like to share about how or why you think current underwriting guidelines for self-employment income verification are **/* [INSERT QR250] */**? (optional) **/* OPEN END 1 BOXES 0 REQ */**

/* METRIC A */ Listed below are different risk factors commonly used for mortgage qualifications. When originating mortgages for self-employed borrowers, which risks are your firm's top concerns? Please select up to two concerns and rank them in order of importance.

/* RANDOM ROTATE CHOICES */

1) Poorer Credit Quality (e.g., credit score or history)
2) Higher DTI (Debt to Income ratio)
3) Higher LTV (Loan to Home Value ratio)
4) Lower Liquid Reserves
5) Above GSE Maximum Conforming Loan Limits
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* QR252a */ Top Risk Concern
/* QR252b */ 2nd Risk Concern

/* END SERIES */

/* METRIC A */ How could GSEs, Government, or non-GSE investors improve access to mortgage credit for self-employed individuals? Listed below are some ideas. Please select up to two ideas you think would work the best and rank them in order of importance.

/* RANDOM ROTATE CHOICES */

1) Create new policies or loan programs for self-employed individuals
2) Ease existing income documentation and verification standards (current common standards require 2-year income documentation and, if income varies year by year, to use the lower annual income amount)
3) Allow using a combination of factors such as higher reserves, higher FICO, or lower LTV to compensate for the risk of income variability
4) Adjust investors' risk assessment methods to accommodate the unique characteristics of self-employed individuals such as putting a higher weight on reserves and a lower weight on DTI
5) Other **/* SPECIFY */ /* DO NOT ROTATE */**
6) Don't know/Not sure **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* QR253a */ Most Important
/* QR253b */ 2nd Most Important

/* END SERIES */

/* Q43 */ 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.

At this point, you may close your browser window or **click below** to enter your email address if you would like to receive a copy of the Q1 2018 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.