

Mortgage Lender Sentiment Survey

Q3 2014 Data Summary

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

Survey Highlights

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

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

Steady Consumer Purchase Mortgage Demand Over the Prior Three Months

- Consumer demand reported for single-family purchase mortgages over the prior three months remained little changed from Q2 to Q3 2014.

Negative Consumer Purchase Mortgage Demand Outlook for the Next Three Months

- The share of lenders expecting demand growth for the next three months declined significantly from Q2 to Q3 2014.

Expectations of Easing Credit Standards Among Larger Lenders for Non-GSE and Government Loans

- Larger lenders continue to be more likely than smaller lenders to say their credit standards eased over the prior three months and that they expect standards to ease during the next three months, in particular for non-GSE eligible and government loans.

Stable Mortgage Execution Outlook

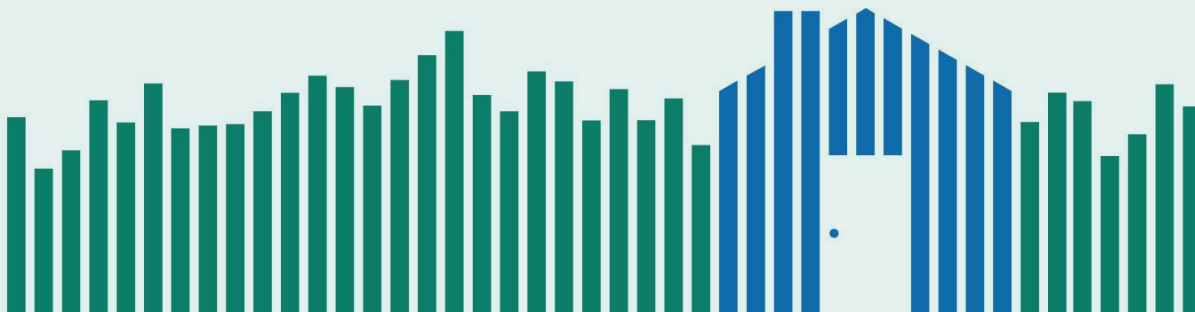
- As in Q1 and Q2, most lending institutions in Q3 reported that they expect to maintain their post mortgage origination execution strategies for the next three months.

Stable Mortgage Servicing Rights (MSR) Execution Outlook

- As in Q1 and Q2, the majority of lenders in Q3 continue to report that they expect to maintain their current Mortgage Servicing Rights (MSR) disposition shares during the next three months.

Slightly Negative Profit Margin Expectations for the Next Three Months

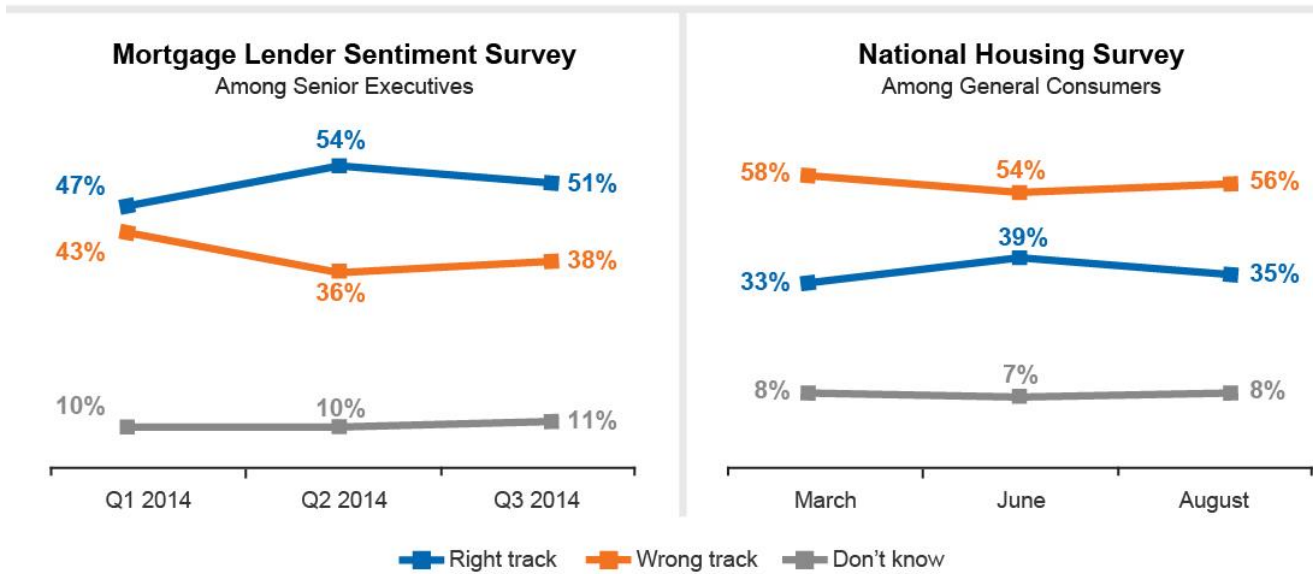
- Lenders' profit margin outlook for the next three months appears to have worsened from Q2 to Q3 2014. The net percentage of larger and mid-sized lenders reporting decreased profit margin expectations increased from Q2 to Q3 2014.



Economic and Housing Sentiment Comparison Between Executives and Consumers

Senior mortgage executives continue to be more optimistic about the overall economy than general consumers reported by the Fannie Mae National Housing Survey[†].

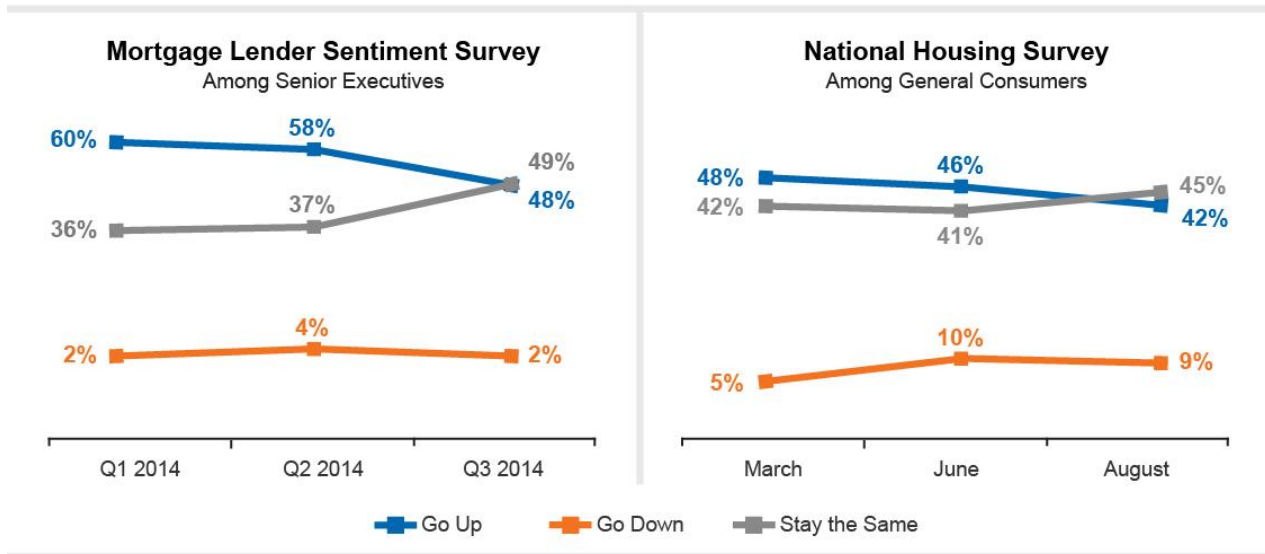
Share of institutions who think the economy is on the right track or the wrong track....



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

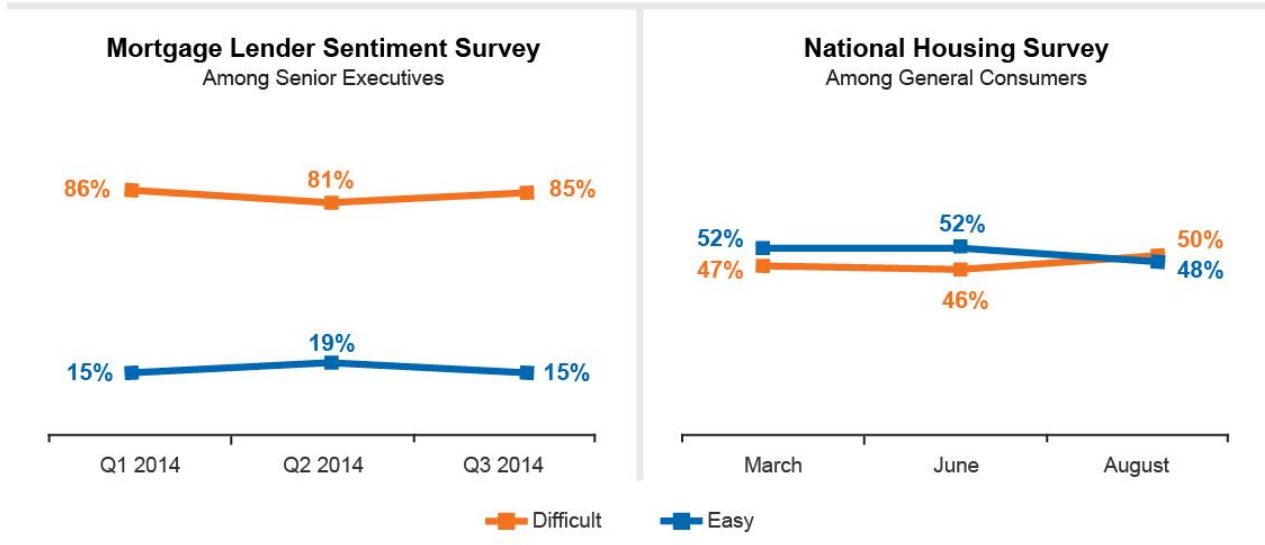
Senior mortgage executives' views about future home prices are generally aligned with consumers'.

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



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

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

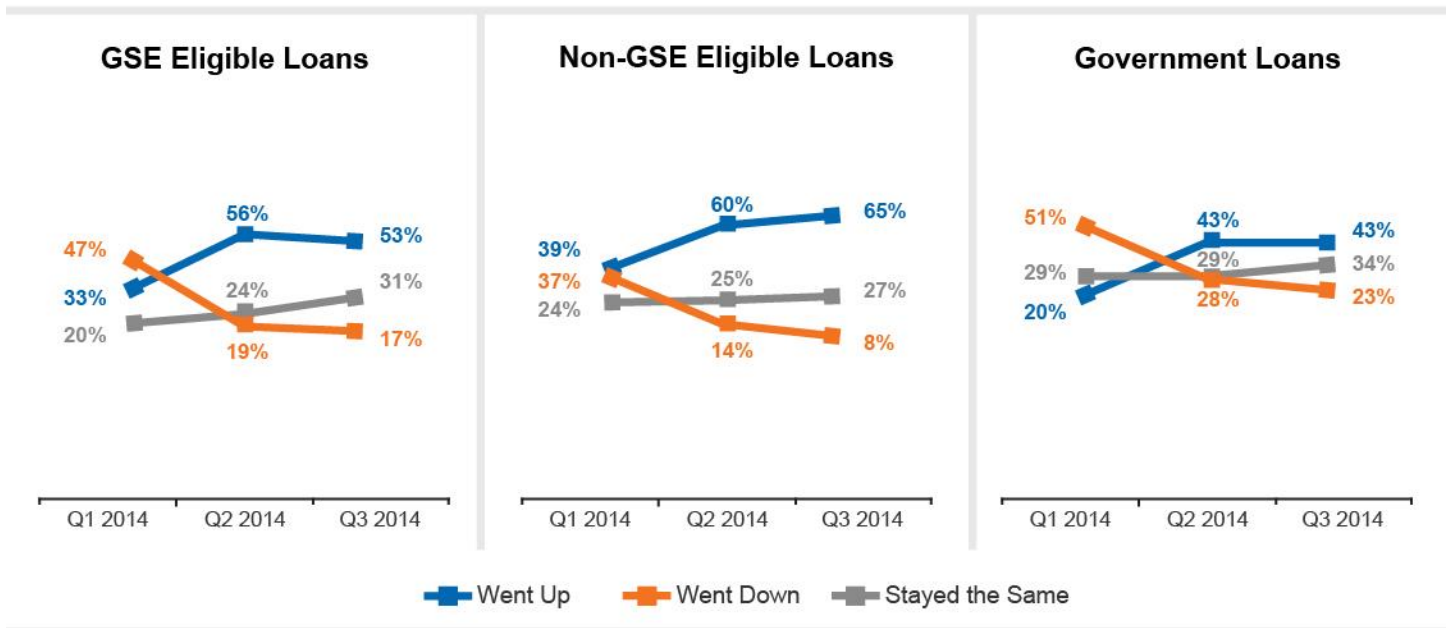


+ For details about the National Housing Survey, please see the [National Housing Survey page](#) on [fanniemae.com](#).

Consumer Purchase Mortgage Demand: Past Three Months

Consumer demand reported for single-family purchase mortgages over the prior three months remained basically unchanged from Q2 to Q3 across the three mortgage loan type markets (GSE eligible, non-GSE eligible, and government loans).

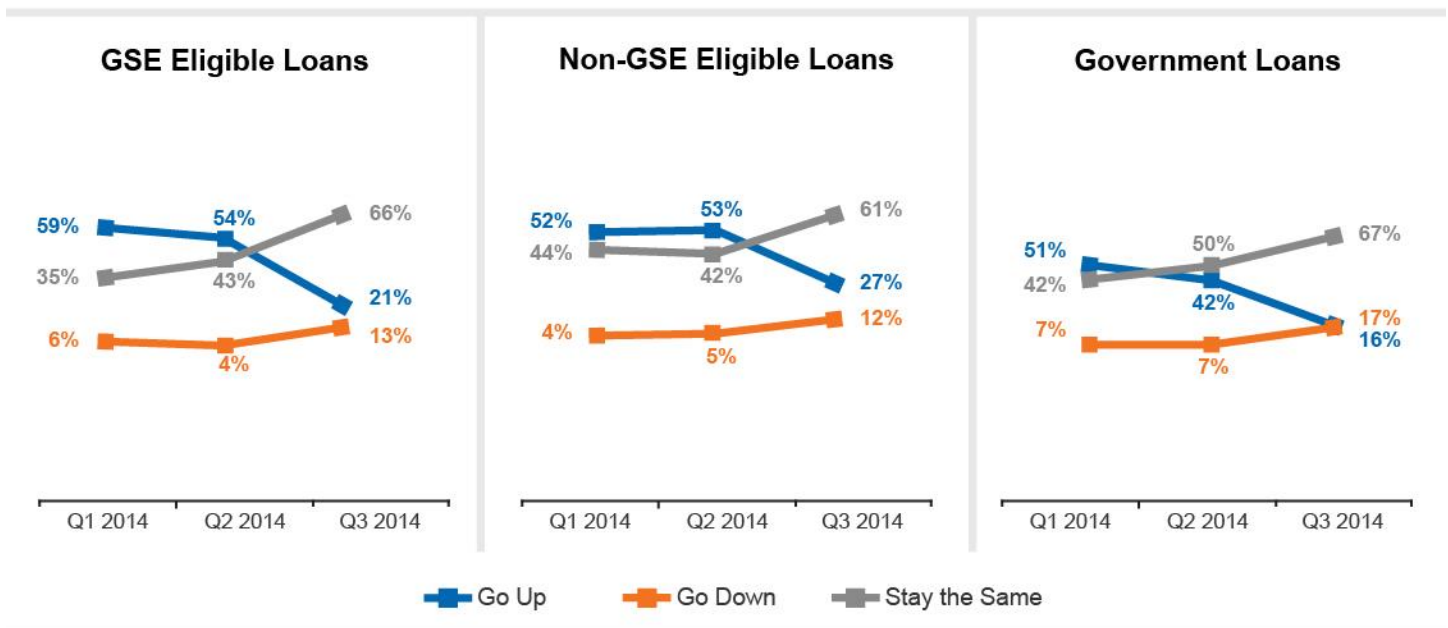
Share of institutions who say purchase mortgage consumer demand over the past 3 months....



Consumer Purchase Mortgage Demand Outlook: Next Three Months

The share of lenders expecting demand growth for the next three months declined significantly from Q2 to Q3 across the three mortgage loan type markets (GSE eligible, non-GSE eligible, and government loans).

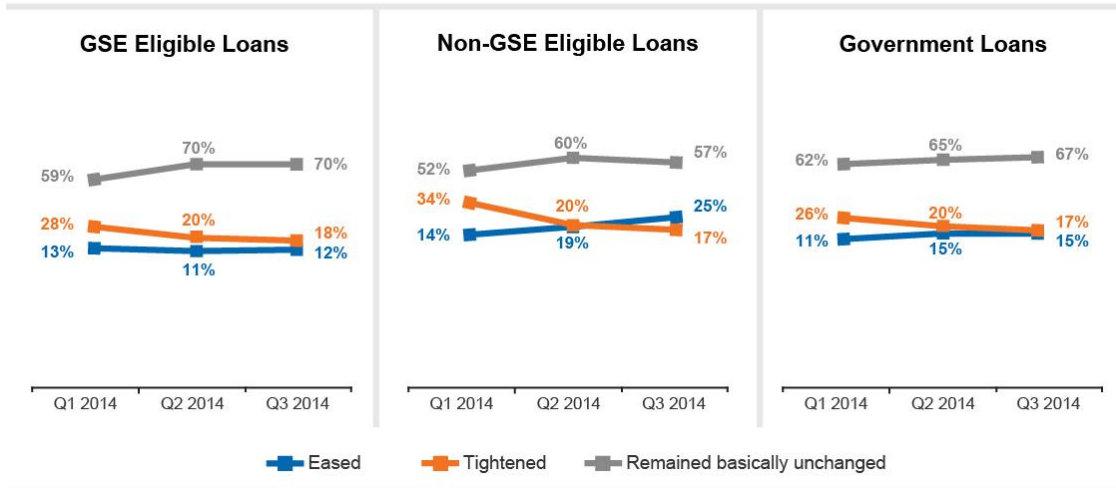
Share of institutions who say purchase mortgage consumer demand over the next 3 months will...



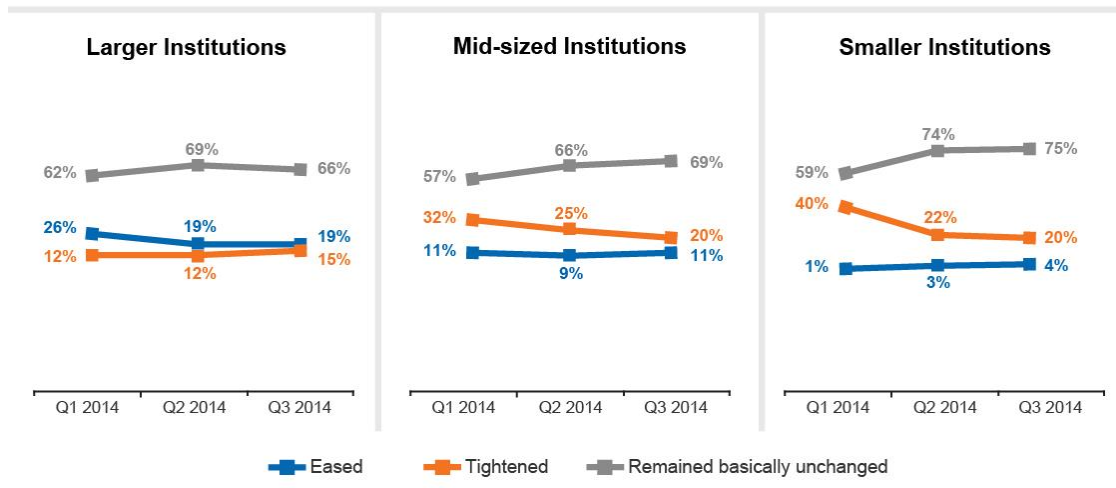
Credit Standards: Past Three Months

Underwriting standards reported by lenders over the prior three months seem to have slowly and gradually eased from Q1 to Q2 and Q3.

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



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

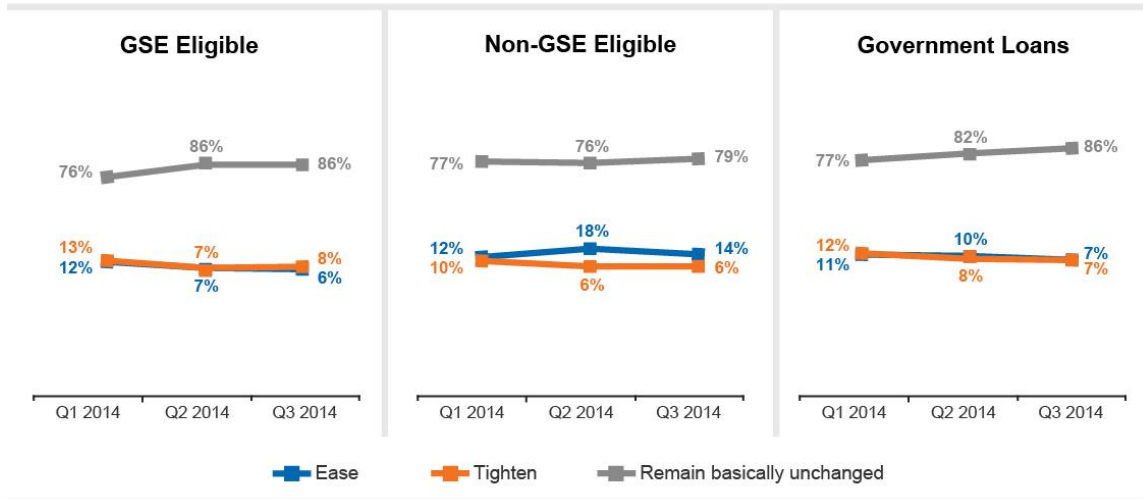


⁺ Similar results are found for the other two loan type markets. Data for the GSE eligible loan type market is shown here, as an example. Please click [here](#) for detailed findings about the other mortgage loan type markets.

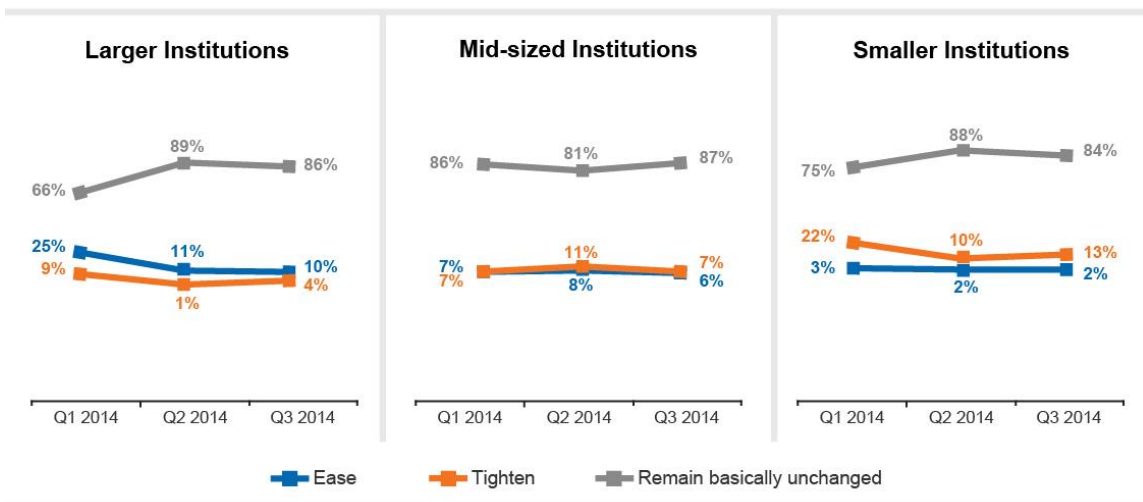
Credit Standard Expectations: Next Three Months

Larger lenders continue to be more likely than smaller lenders to report that they expect standards to ease during the next three months, in particular for non-GSE eligible and government loans.

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



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

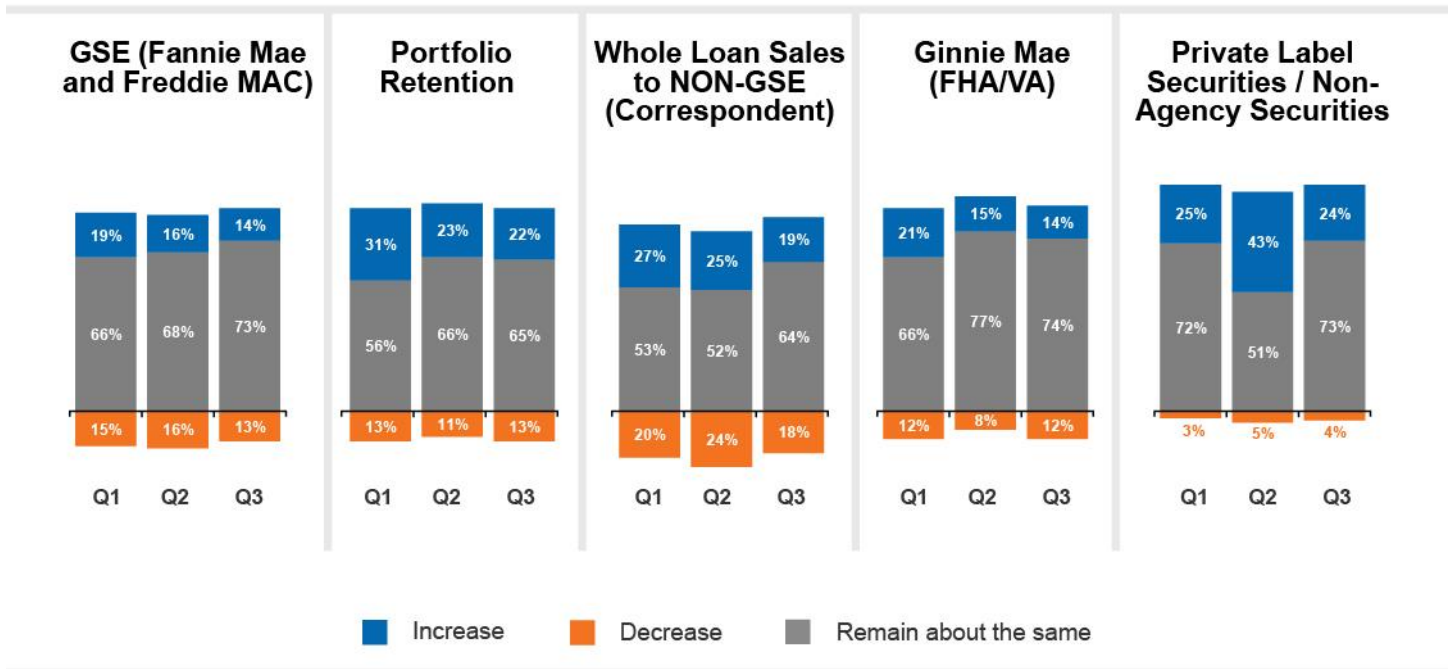


⁺Similar results are found for the other two loan type markets. Data for the GSE eligible loan type market is shown here, as an example. Please click [here](#) for detailed findings about the other mortgage loan type markets.

Mortgage Execution Outlook

Like in Q1 and Q2, most lending institutions in Q3 reported that they expect to maintain their post mortgage origination execution strategies for the next three months.

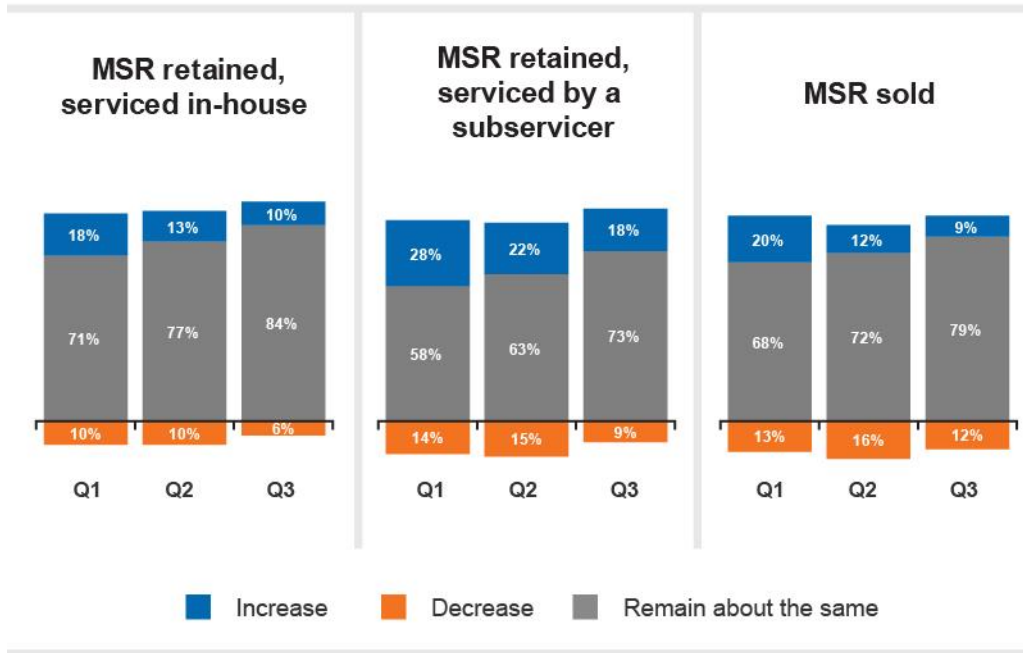
Share of institutions who say the share of each of the following mortgage execution channels for the next 3 months will...



Mortgage Servicing Rights (MSR) Execution Outlook

As in Q1 and Q2, the majority of lenders in Q3 reported that they expect to maintain their current Mortgage Servicing Rights (MSR) strategies over the next three months.

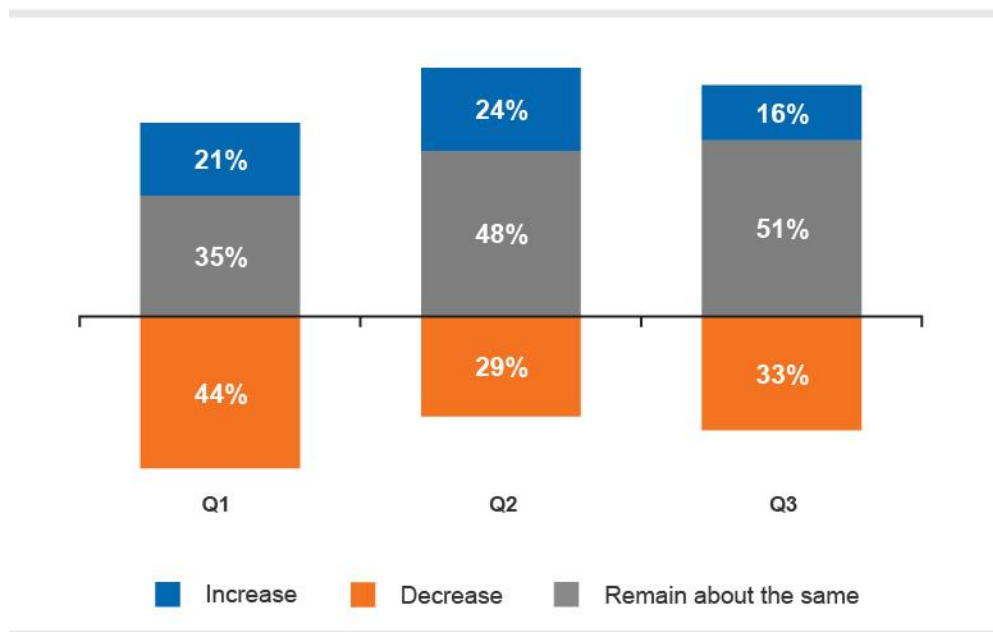
Share of institutions who say the share of their mortgage servicing rights execution channel will....



Profit Margin Outlook: Next Three Months

- Lenders' profit margin outlook appears to have worsened from Q2 to Q3, in particular among larger and mid-sized lenders.
- "Government regulatory compliance" and "competition from other lenders" were cited as the most popular reasons driving the **decrease** in profit margin over the next three months.⁺
- "Consumer demand" and "operation efficiency" were cited as the most popular reasons driving the **increase** in profit margin over the next three months.⁺

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



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

Addendum

About the Survey

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

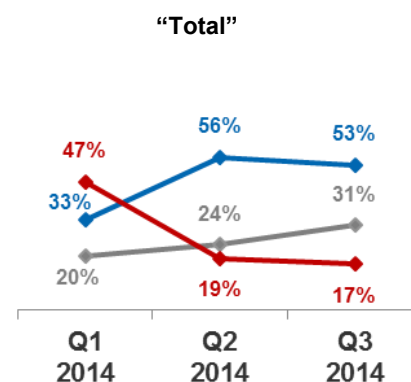
The results of the Mortgage Lender Sentiment Survey are reported at the lending institutional level. If more than one individual from the same institution completes the survey, their responses are averaged to represent their institution.

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

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

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

Over the <u>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? GSE Eligible (Q3)	Larger Institutions	Mid-sized Institutions	Smaller Institutions	Q3 Average
Went up	59%	51%	48%	53% [(59% + 51% + 48%)/3]
Stayed the same	24%	31%	37%	31%
Went down	18%	18%	15%	17%



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

Sample Q3-2014		Sample Size
Total Lending Institutions The "Total" data throughout this report is an average of the means of the three loan origination volume groups listed below (with ~33% weight per group).		196
Loan Origination Volume Groups	Larger Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the top 15% (above \$1.14 billion)	50
	Mid-sized Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the next 20% (16%- 35%) (between \$325 million to \$1.14 billion)	55
	Smaller Institutions Fannie Mae's customers whose 2012 total industry loan origination volume was in the bottom 65% (less than \$325 million)	91
Institution Type	Mortgage Banks	57
	Depository Institutions	128

Loan Type Definitions

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

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

National Housing Survey

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

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