



Fannie Mae®

Mortgage Lender Sentiment Survey®

Providing Insights Into Current Lending Activities and Market Expectations

Q3 2017 Full Report – published September 25, 2017

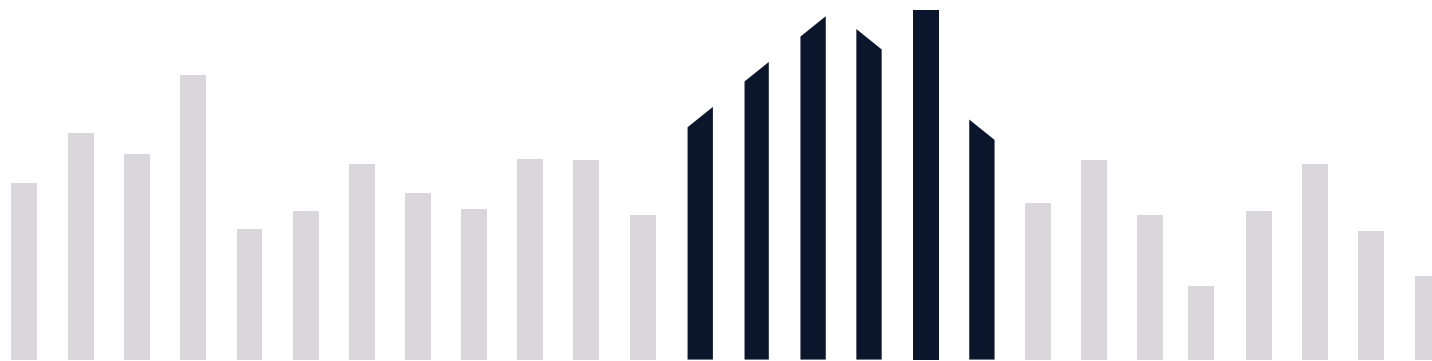




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Key Findings – Q3 2017:

Lenders report survey-high easing of credit standards amid constrained mortgage demand and negative profit margin outlook.

Credit Standards

- The net share of lenders reporting easing of credit standards over the prior three months has continued its upward trend since Q4 2016 across all loan types – reaching new survey highs since its start in March 2014.
- Expectations of future credit easing over the following three months showed marked improvement for all loan types on a year-over-year basis, with the net share reporting easing expectations for GSE Eligible loans reaching a survey high.

Profit Margin Outlook

- Lenders' net profit margin outlook has remained negative for four consecutive quarters (since Q4 2016). "Competition from other lenders" was again cited as the key reason for lenders' decreased profit margin outlook, reaching a new survey high for the third consecutive quarter.

Purchase Mortgage Demand

- The net share of lenders reporting growth in purchase mortgage demand over the prior three months has fallen for all loan types when compared with Q3 2016 and Q3 2015, reaching the lowest reading for any third quarter over the past two years. However, the net share of lenders expecting increased demand over the next three months remains relatively stable for the same quarter year over year.



Research Objectives

- The survey is unique because it is used not only to track lenders' current impressions of the mortgage industry, but also their insights into the future.
- The *Mortgage Lender Sentiment Survey*[®], which debuted in March 2014, is a quarterly online survey among senior executives in the mortgage industry.

Tracks insights and provides benchmarks into current and future mortgage lending activities and practices.

Quarterly Regular Questions

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

Featured Specific-Topic Analyses

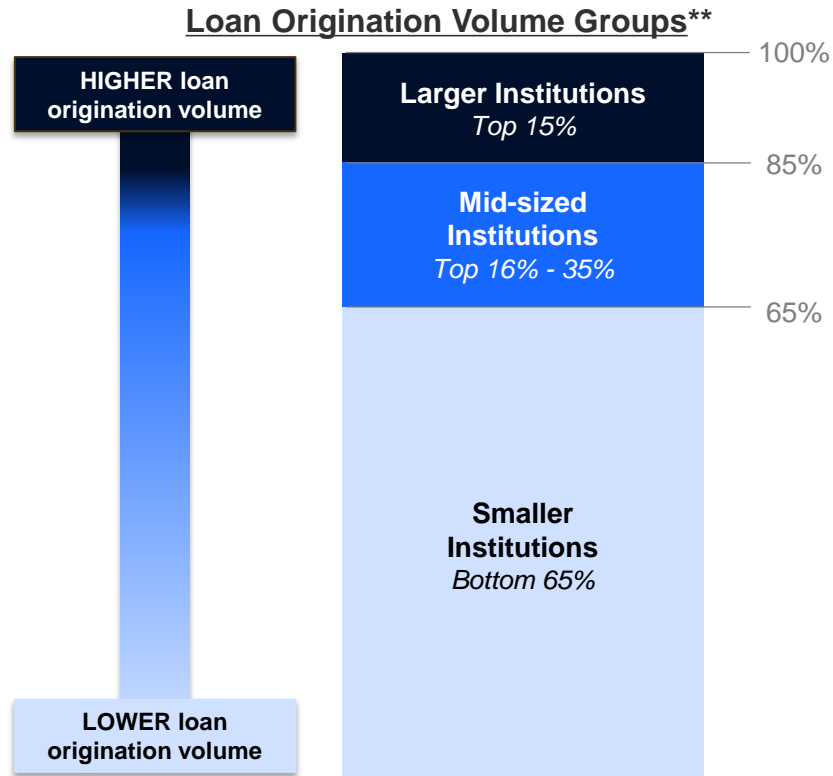
- Lenders' Experiences with APIs and Chatbots
- Next-Gen Technology Service Providers
- Mortgage Technology Innovation
- Lenders' Experiences with TRID
- A Time-Series Look at the Factors Driving Lenders' Profit Margin Outlook

- A quarterly 10-15 minute online survey of senior executives, such as CEOs and CFOs, of Fannie Mae's lending institution customers.
- The results are reported at the lending institution parent-company level. If more than one individual from the same institution completes the survey, their responses are averaged to represent their parent company.



Q3 2017 Respondent Sample and Groups

For Q3 2017, a total of 206 senior executives completed the survey during August 2-13, representing 190 lending institutions.*



Sample Q3 2017		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.		190
Loan Origination Volume Groups	Larger Institutions Fannie Mae's customers whose 2016 total industry loan origination volume was in the top 15% (above \$1.01 billion)	58
	Mid-sized Institutions Fannie Mae's customers whose 2016 total industry loan origination volume was in the next 20% (16%-35%) (between \$248.3 million to \$1.01 billion)	66
	Smaller Institutions Fannie Mae's customers whose 2016 total industry loan origination volume was in the bottom 65% (less than \$248.3 million)	66
Institution Type***	Mortgage Banks (non-depository)	73
	Depository Institutions	75
	Credit Unions	38

* 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 2016 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.



Loan Type Definition

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

Loan Type Definition Used in the Survey	
Loan Type	Definition
GSE Eligible Loans	GSE Eligible Mortgages are defined as mortgages meeting the underwriting guidelines, including loan limit amounts, of the Government-Sponsored Enterprises (GSEs) (Fannie Mae and Freddie Mac). Government loans are excluded from this category.
Non-GSE Eligible Loans	Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and typically 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.



Consumer Demand

(Purchase and Refinance Mortgages)

- For purchase mortgages, the net share of lenders reporting demand growth over the prior three months has fallen for all loan types when compared with Q3 2016 and Q3 2015, reaching the lowest reading for any third quarter over the past two years. However, the net share of lenders expecting increased demand over the next three months remains relatively stable for the same quarter year over year.
- For refinance mortgages, more lenders on net reported declining demand over the prior three months, which has been an on-going condition witnessed this year, despite a slight improvement compared with the prior quarter. Overall, the refinance market remains a stark contrast from a year ago, when the net share reporting rising demand over the prior three months hit a survey high.



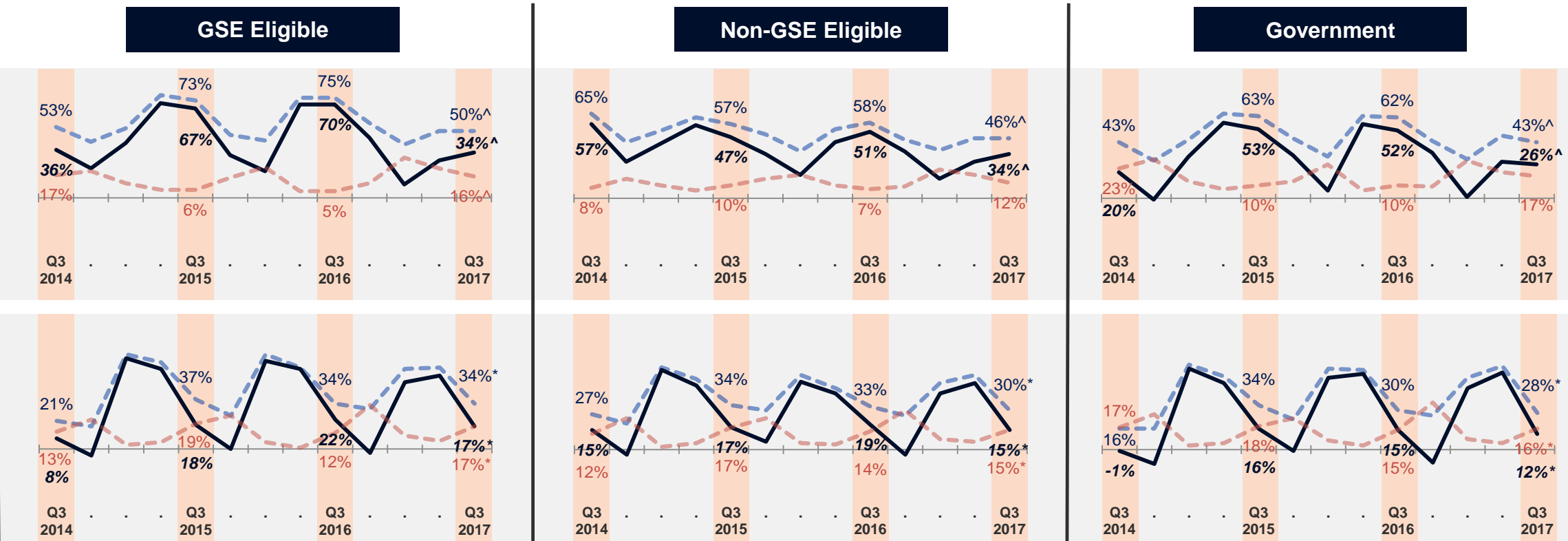
Purchase Mortgage Demand

The net share of lenders reporting demand growth over the prior three months has fallen for all loan types when compared with Q3 2016 and Q3 2015, reaching the lowest reading for any third quarter over the past two years. However, the net share of lenders expecting increased demand over the next three months remains relatively stable for the same quarter year over year.



Past 3 Months

Next 3 Months



Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown

^{*} Denotes a statistically significant change compared with Q2 2017 (previous quarter)
[^] Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat



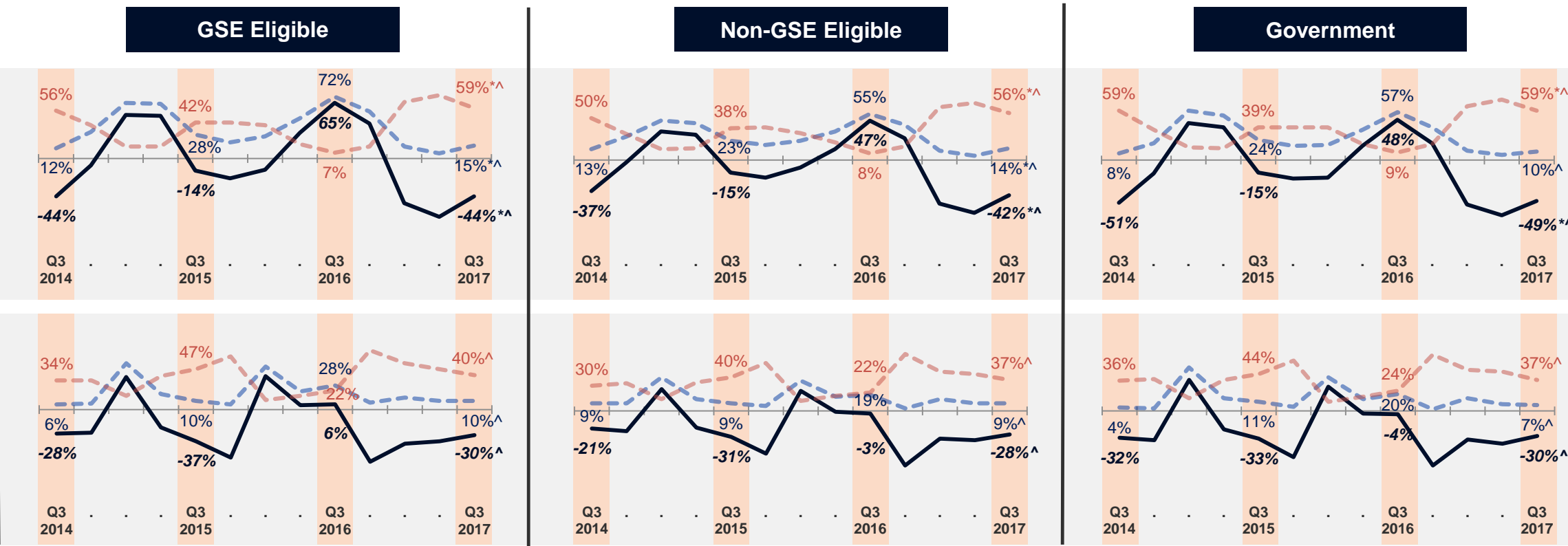
Refinance Mortgage Demand

On net, more lenders reported declining demand over the prior three months, which has been an on-going condition witnessed this year, despite a slight improvement compared with the prior quarter. Overall, the refinance market remains a stark contrast from a year ago, when the net share reporting rising demand over the prior three months hit a survey high.



Past 3 Months

Next 3 Months



Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat



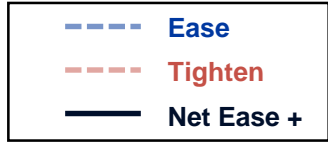
Credit Standards

- The net share of lenders reporting easing of credit standards over the prior three months has continued its upward trend since Q4 2016 across all loan types – reaching new survey highs.
- On net, expectations of future credit easing were essentially unchanged from the prior quarter, with the net share expecting to ease standards for GSE Eligible loans over the next three months reaching a survey high. On a year-over-year basis, expectations of easing showed marked improvement for all loan types.



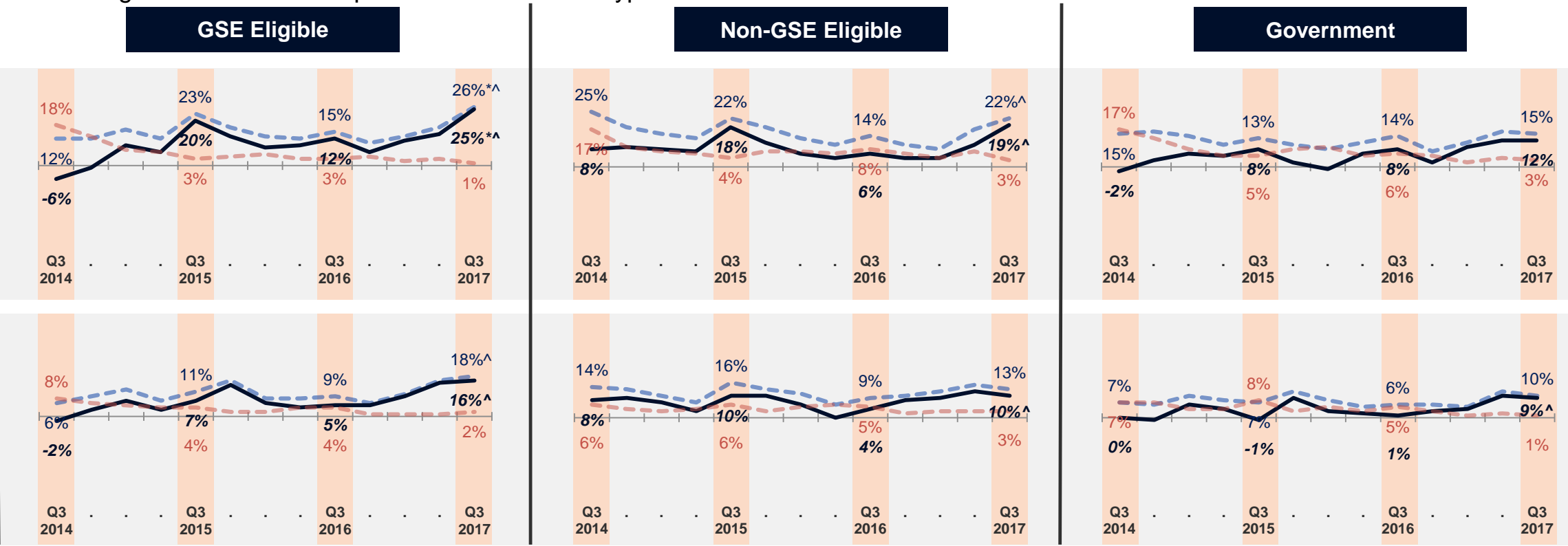
Credit Standards

The net share of lenders reporting easing of credit standards over the prior three months has continued its upward trend since Q4 2016 across all loan types – reaching new survey highs. On net, expectations of future credit easing were essentially unchanged from the prior quarter, with the net share expecting to ease standards for GSE Eligible loans over the next three months reaching a survey high. On a year-over-year basis, lenders' expectations of easing showed marked improvement for all loan types.



Past 3 Months

Next 3 Months



Net Ease + = % of lenders saying ease minus % of lenders saying tighten
 The % saying "remain unchanged" is not shown
 * Denotes a statistically significant change compared with Q2 2017 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)

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



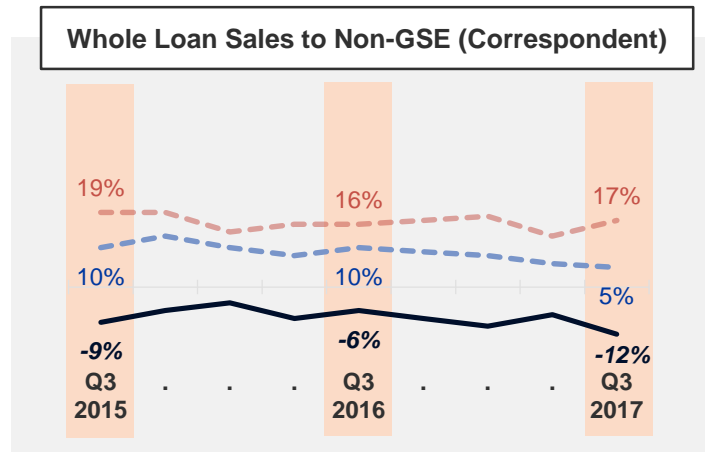
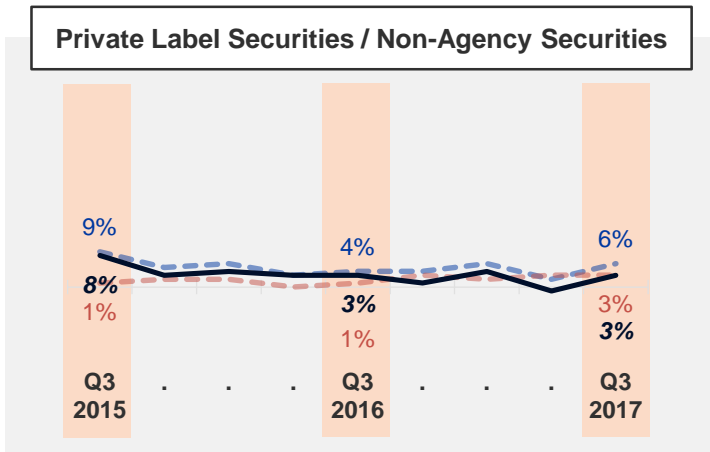
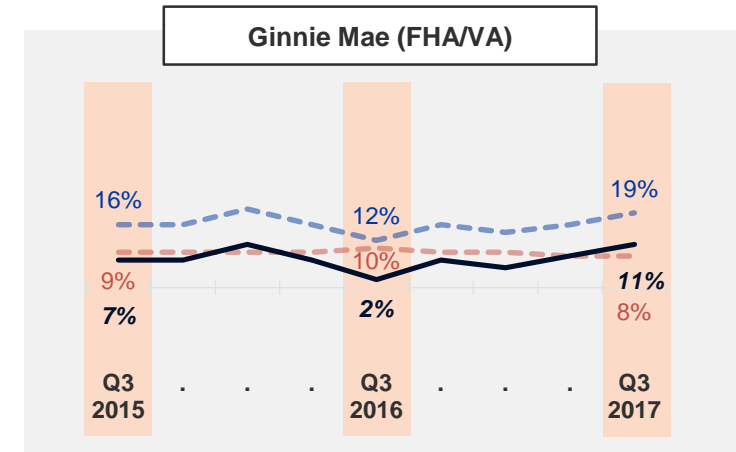
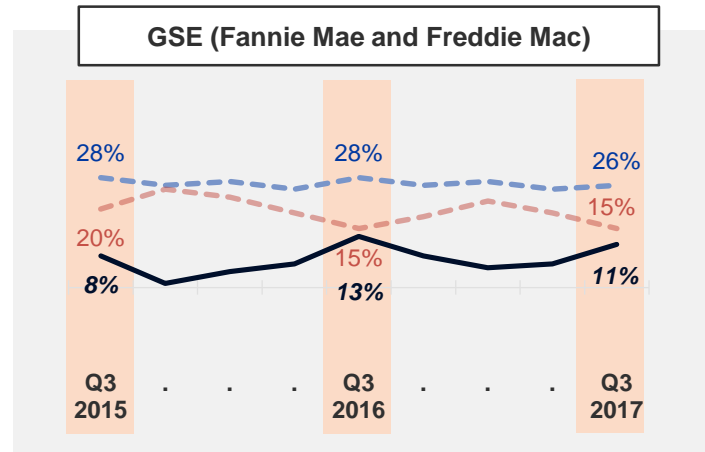
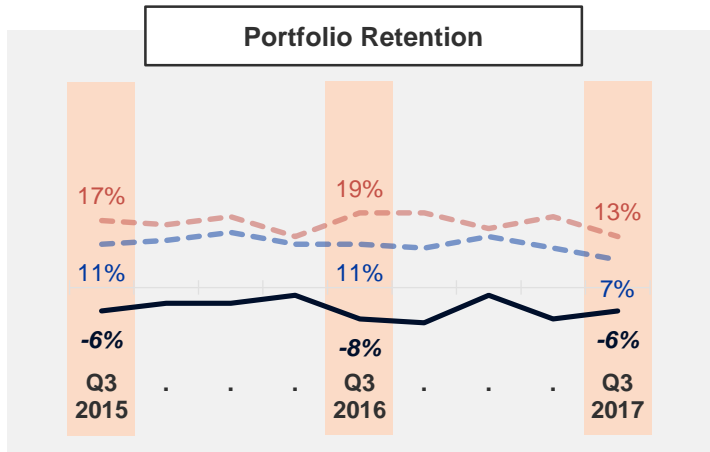
Mortgage Execution Outlook

- On net, lenders continue reporting expectations to grow GSE (Fannie Mae and Freddie Mac) and Ginnie Mae shares over the next 12 months and reduce portfolio retention and whole loan sales shares.



Mortgage Execution Outlook – Over Next 12 Months

On net, lenders continue reporting expectations to grow GSE (Fannie Mae and Freddie Mac) and Ginnie Mae shares over the next 12 months and reduce portfolio retention and whole loan sales shares.



- - - Increase
 - - - Decrease
 — Net Increase +

Net Increase + = % of lenders saying increase minus % of lenders saying decrease
 The % saying "about the same" is not shown

Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your firm's total mortgage originations goes to each of the following categories?
 Q: Looking forward, what percent of your firm's total mortgage originations over the next year will go to each of the following categories?

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)



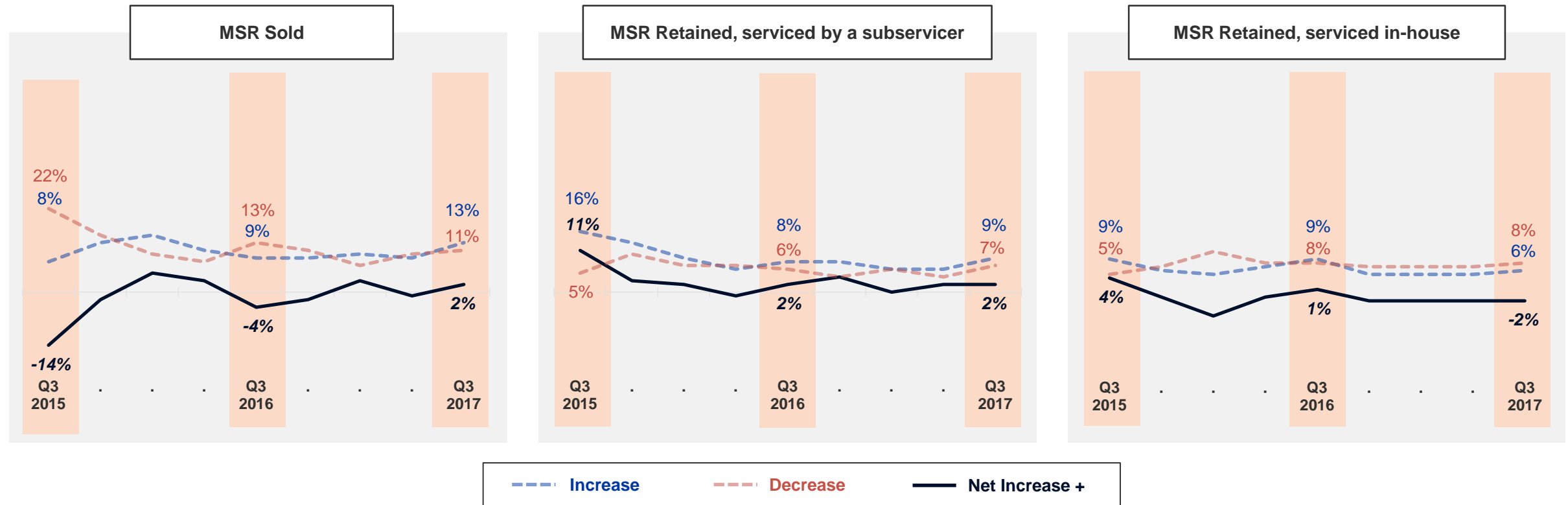
Mortgage Servicing Rights (MSR) Execution Outlook

- This quarter, slightly more lenders reported expectations to increase rather than decrease the share of MSR sold and the share of MSR retained and serviced by a subservicer. The majority of lenders continued to report expectations to maintain their MSR execution strategy.



Mortgage Servicing Rights Execution Outlook – Next 12 Months

This quarter, slightly more lenders reported expectations to increase rather than decrease the share of MSR sold and the share of MSR retained and serviced by a subservicer. The majority of lenders continued to report expectations to maintain their MSR execution strategy.



Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your mortgage servicing rights (MSR) goes to each of the following categories?
 Q: Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next year will go to each of the following categories?

Net Increase + = % of lenders saying increase minus % of lenders saying decrease
 The % saying "about the same" is not shown

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)



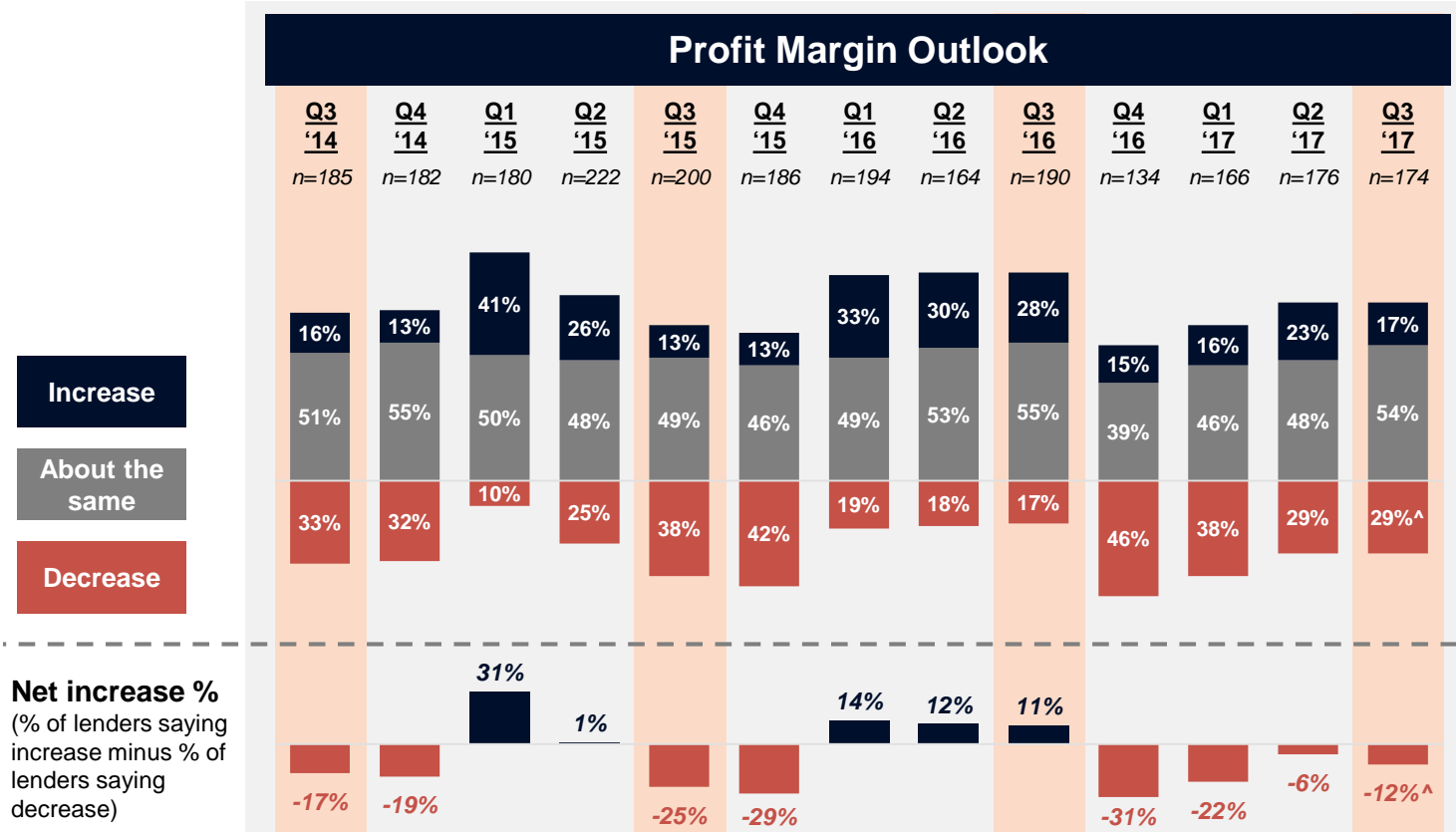
Profit Margin Outlook

- Lenders' net profit margin outlook has remained negative for four consecutive quarters (since Q4 2016) and is significantly lower than this time last year (Q3 2016). Those expecting a lower profit margin outlook point to “competition from other lenders” as the primary reason.
 - While institutions of all size and type generally reported an expected net decrease in profit margin, larger institutions were the most likely to do so.
- Concern about “competition from other lenders” was cited as the key reason for lenders' decreased profit margin outlook, setting a new survey high for the third consecutive quarter across all profit margin drivers. The perceived impact of “government regulatory compliance,” which declined sharply in Q4 2016, has remained low.



Lenders' Profit Margin Outlook – Next 3 Months

Lenders' net profit margin outlook has remained negative for four consecutive quarters (since Q4 2016) and is significantly lower than this time last year (Q3 2016). Those expecting a lower profit outlook generally point to “competition from other lenders” as the primary reason.



Key Reasons for Expected Increase – Q3 2017

Operational efficiency (i.e. technology)	51%
Consumer demand	42%
Market trend changes (i.e. shift from refinance to purchase)	28%
Staffing (personnel costs) reduction	17%
Non-GSE (other investors) pricing and policies	17%

Showing data for selected answer choices only. n=30

Key Reasons for Expected Decrease – Q3 2017

Competition from other lenders	74%
Consumer demand	35%
Government regulatory compliance	19%
Staffing (personnel costs)	17%
Market trend changes (i.e. shift from refinance to purchase)	15%

Showing data for selected answer choices only. n=49

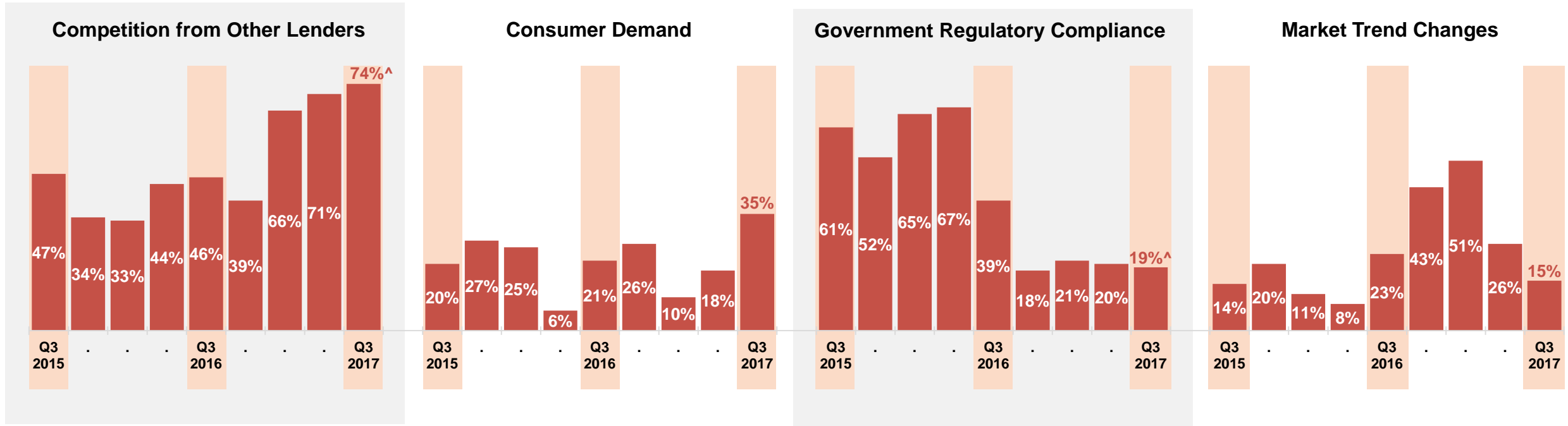
Q: Over the next three months, how much do you expect your firm's profit margin to change for its single-family mortgage production? [Showing: (Substantially Increase (25+ basis points) + Moderately Increase (5 - 25 basis points)), About the same (0 - 5 basis points), (Moderately Decrease (5 - 25 basis points) + Substantially Decrease (25+ basis points))]
 Q: What do you think will drive the increase (decrease) in your firm's profit margin over the next three months? Please select up to two of the most important reasons.

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)



Decreased Profit Margin Outlook – Top Drivers

“Competition from other lenders” set a new survey high for the third consecutive quarter across all profit margin drivers, cited as the key reason for lenders’ lower profit margin outlook. The perceived impact of “government regulatory compliance,” which declined sharply in Q4 2016, has remained low the past four quarters relative to most of the prior two years’ readings.



Q: 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. (Showing % rank 1 + 2)
 Total: Q3 2015: N=74; Q4 2015: N=76; Q1 2016: N=35; Q2 2016: N=29; Q3 2016: N=33; Q4 2016: N=64; Q1 2017: N=63; Q2 2017: N=49; Q3 2017: N=49

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
[^] Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)



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Appendix

Survey Methodology Details



Mortgage Lender Sentiment Survey®

Background

- The Fannie Mae Mortgage Lender Sentiment Survey is a quarterly online survey of 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.

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 3,000 senior executives among Fannie Mae's approved lenders are invited to participate in the study.

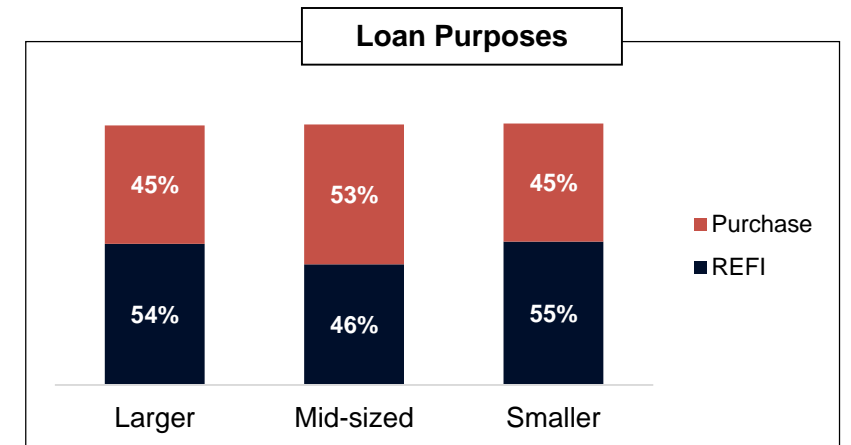
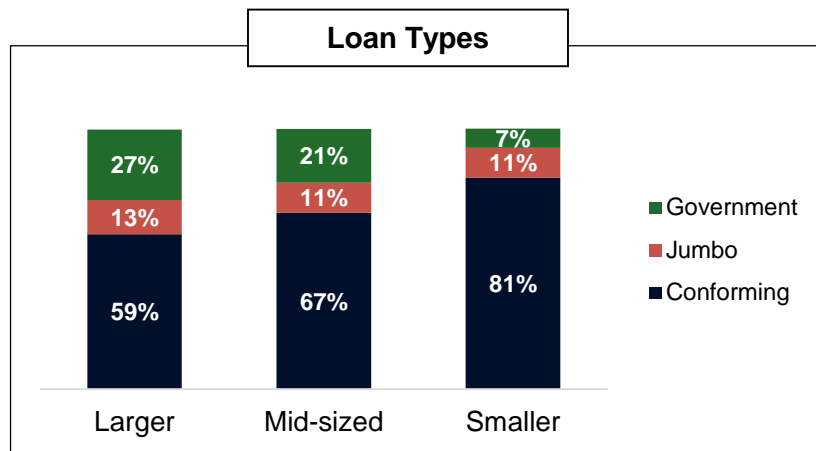
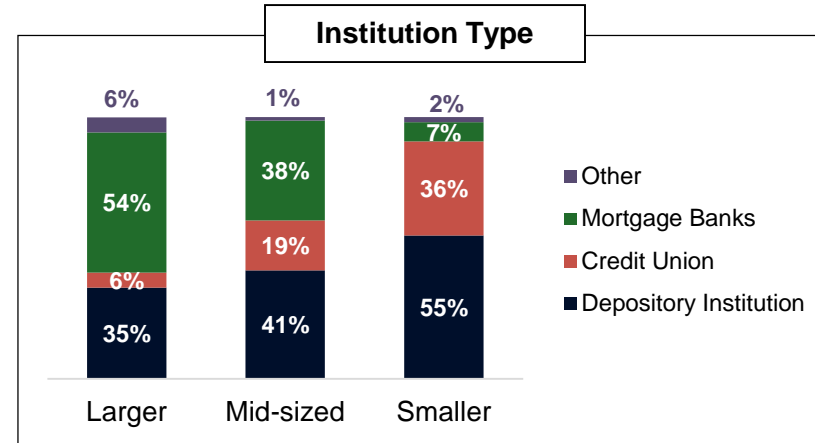
Data Weighting

- 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 2016. Institutions were divided into three groups based on their 2016 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.





Sample Sizes

		Q3 2015		Q4 2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Q1 2017		Q2 2017		Q3 2017	
		Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error
Total Lending Institutions		209	±6.30%	194	±6.58%	205	±6.72%	169	± 7.12%	200	± 6.47%	139	±7.93%	177	±7.18%	184	±7.22%	190	±6.64%
Loan Origination Volume Groups	Larger Institutions	55	±11.64%	59	±11.03%	57	±12.64%	57	±11.28%	70	±9.82%	50	±12.30%	58	±12.76%	54	±13.34%	58	±11.16%
	Mid-sized Institutions	83	±9.39%	59	±11.48%	68	±11.53%	54	±12.13%	59	±11.50%	45	±13.53%	47	±14.20%	58	±12.87%	66	±10.69%
	Smaller Institutions	71	±11.21%	76	±10.81%	80	±10.82%	58	±12.50%	71	±11.22%	44	±14.46%	72	±11.43%	72	±11.55%	66	±11.65%
Institution Type	Mortgage Banks	78	±9.53%	71	±10.15%	63	±11.96%	65	±10.78%	65	±10.79%	52	±12.40%	53	±13.36%	58	±12.87%	73	±10.12%
	Depository Institutions	81	±10.31%	75	±10.76%	88	±10.29%	63	±11.84%	79	±10.46%	54	±12.87%	72	±11.43%	82	±10.82%	75	±10.71%
	Credit Unions	43	±14.18%	39	±14.98%	47	±14.07%	34	±16.16%	49	±13.21%	29	±17.60%	44	±14.68%	36	±16.33%	38	±15.18%

2015

Q1 was fielded between February 4, 2015 and February 16, 2015
 Q2 was fielded between May 6, 2015 and May 17, 2015
 Q3 was fielded between August 5, 2015 and August 17, 2015
 Q4 was fielded between November 4, 2015 and November 16, 2015

2016

Q1 was fielded between February 3, 2016 and February 16, 2016
 Q2 was fielded between May 4, 2016 and May 16, 2016
 Q3 was fielded between August 3, 2016 and August 15, 2016
 Q4 was fielded between November 10, 2016 and November 20, 2016

2017

Q1 was fielded between February 1, 2017 and February 13, 2017
 Q2 was fielded between May 3, 2017 and May 14, 2017
 Q2 was fielded between August 2, 2017 and August 13, 2017



2017 Q3 Cross-Subgroup Sample Sizes

	Total	Larger Lenders	Mid-Sized Lenders	Smaller Lenders
Total	190	58	66	66
Mortgage Banks (non-depository)	73	33	30	10
Depository Institutions	75	17	23	35
Credit Unions	38	5	12	21



2017 Q3 Sample Sizes: Consumer Demand

Purchase Mortgages:

	Past 3 Months			Next 3 Months		
	GSE Eligible	Non-GSE Eligible	Government	GSE Eligible	Non-GSE Eligible	Government
Total Lending Institutions	185	169	160	186	172	162
Larger Institutions	54	52	51	55	54	52
Mid-sized Institutions	66	61	57	66	61	58
Smaller Institutions	65	57	52	65	58	52

Refinance Mortgages:

	Past 3 Months			Next 3 Months		
	GSE Eligible	Non-GSE Eligible	Government	GSE Eligible	Non-GSE Eligible	Government
Total Lending Institutions	183	165	150	183	166	154
Larger Institutions	54	51	51	54	52	51
Mid-sized Institutions	64	59	52	64	59	54
Smaller Institutions	65	55	48	65	55	48



2017 Q3 Sample Sizes: Credit Standards

	Past 3 Months			Next 3 Months		
	GSE Eligible	Non-GSE Eligible	Government	GSE Eligible	Non-GSE Eligible	Government
Total Lending Institutions	187	173	162	187	175	162
Larger Institutions	56	54	54	56	54	54
Mid-sized Institutions	66	61	57	66	62	57
Smaller Institutions	65	59	52	65	59	52

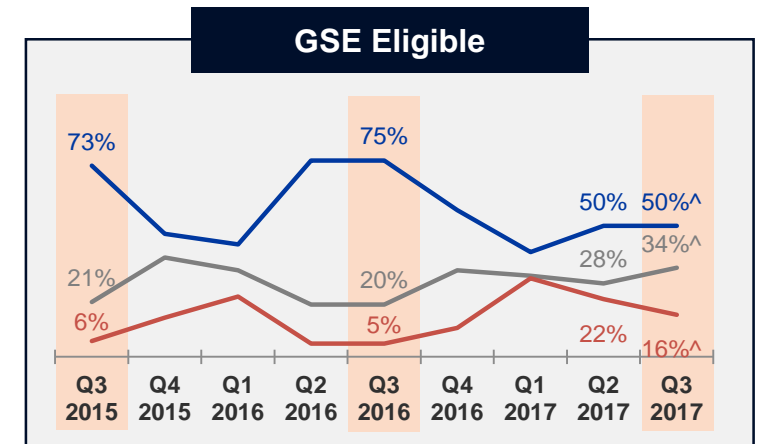


Calculation of the “Total”

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:

Over the past three months, 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 2017)	Larger Institutions	Mid-sized Institutions	Smaller Institutions	Q3 “Total”
Go up	62%	50%	38%	50% [(62% + 50% + 38%)/3]
Stayed the same	23%	35%	43%	34%
Go down	15%	15%	19%	16%





Appendix

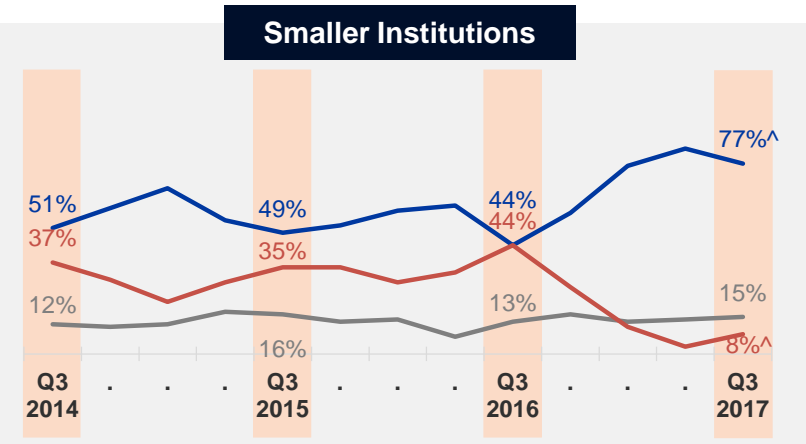
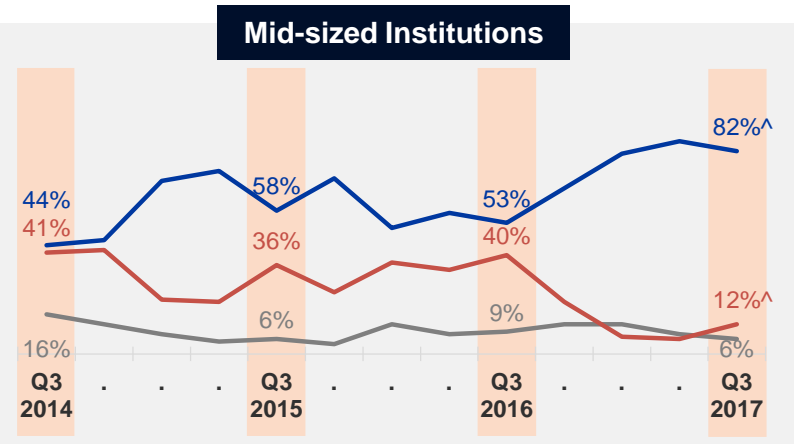
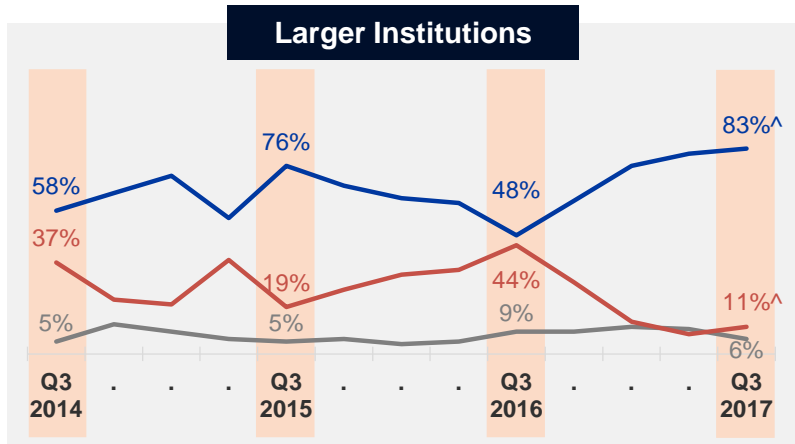
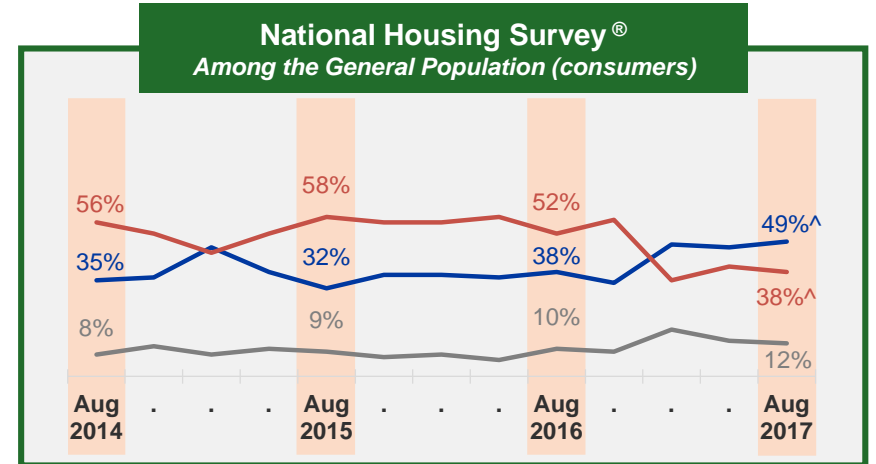
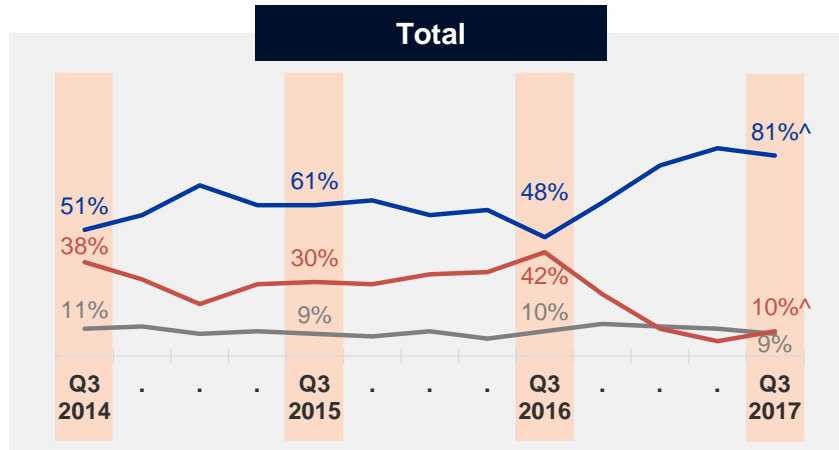
Economic and Housing Sentiment



U.S. Economy Overall

In general, do you, as a senior mortgage executive, think the U.S. economy overall is on the right track or the wrong track?

- Right Track
- Don't know
- Wrong Track



* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
[^] Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)

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

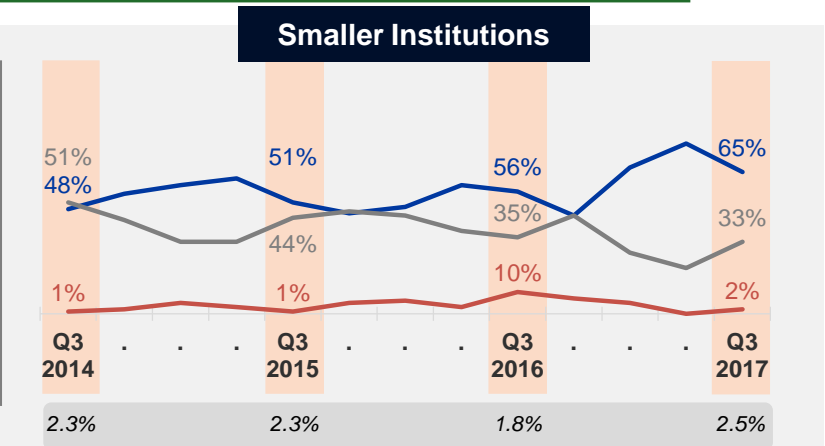
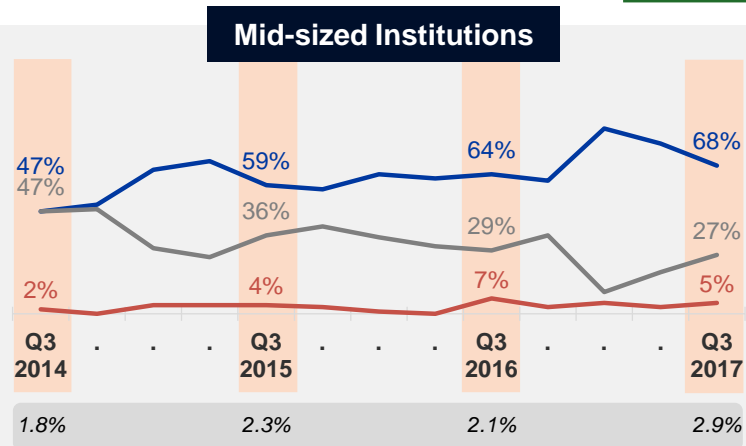
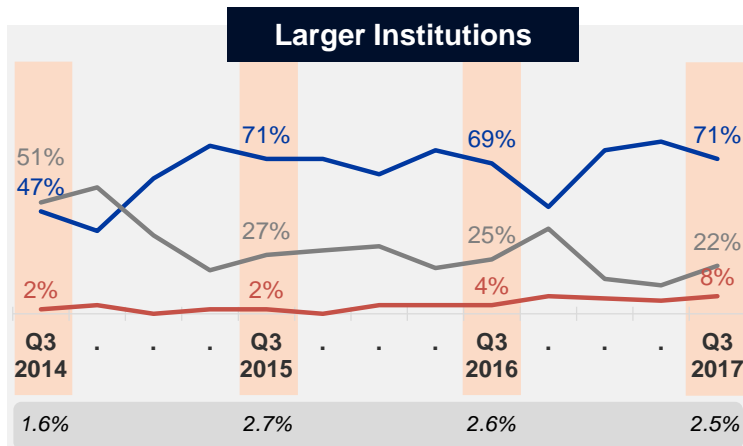
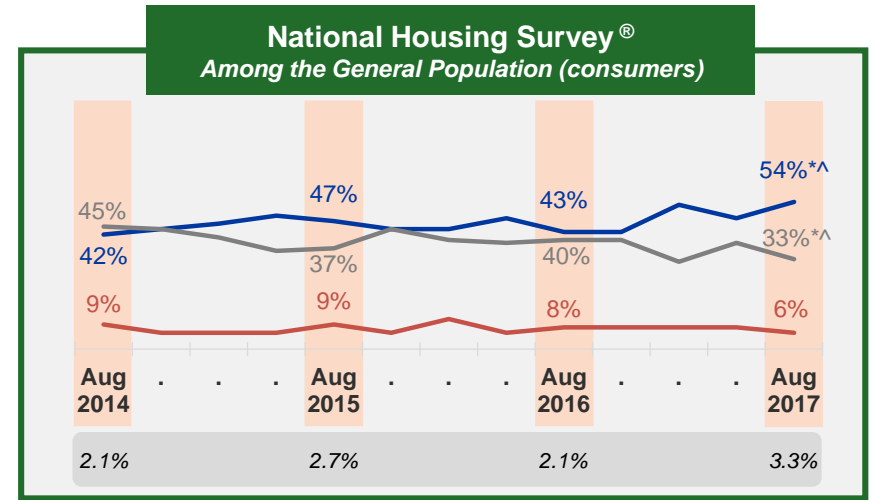
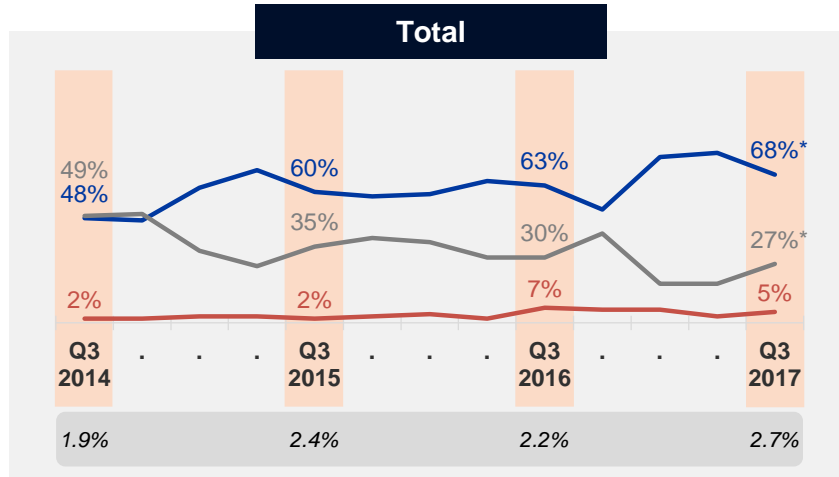


Home Prices – Next 12 Months

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?

- Go Up
- Stay the Same
- Go Down

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



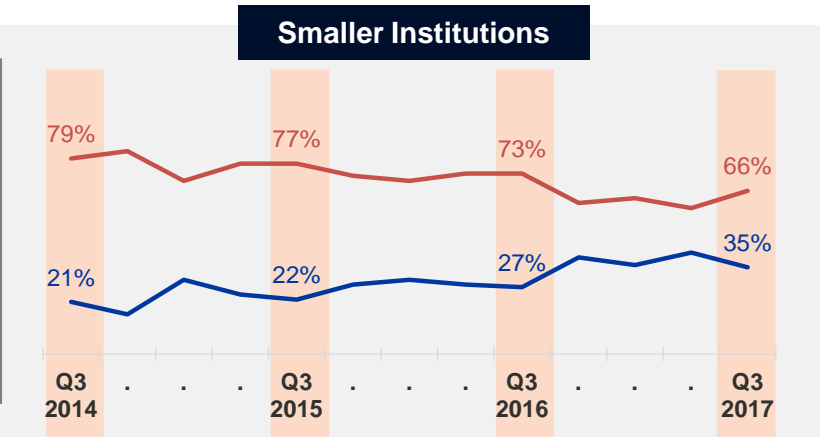
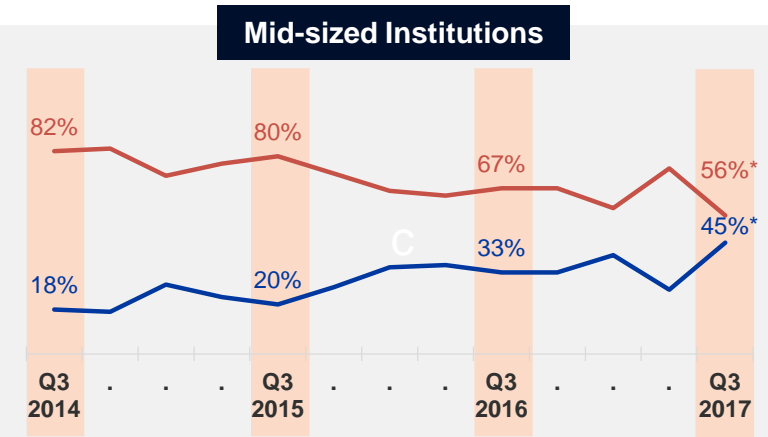
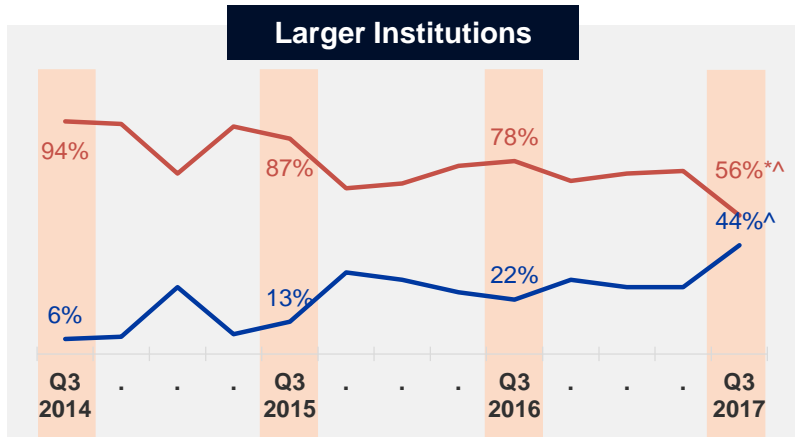
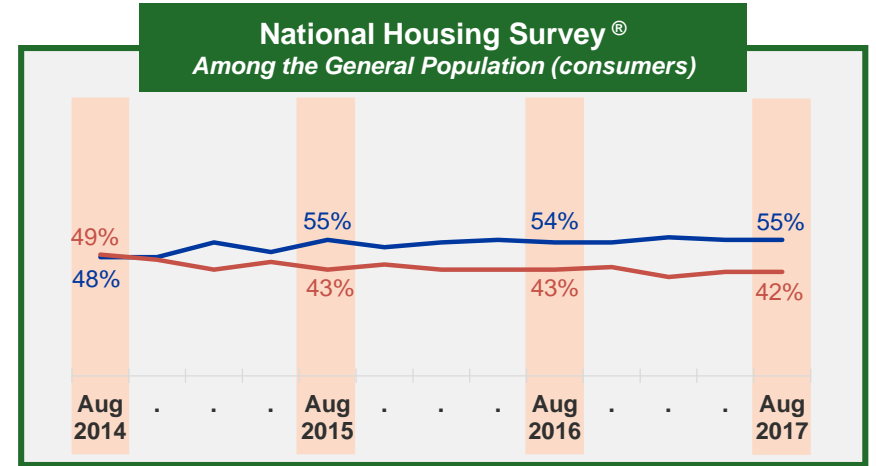
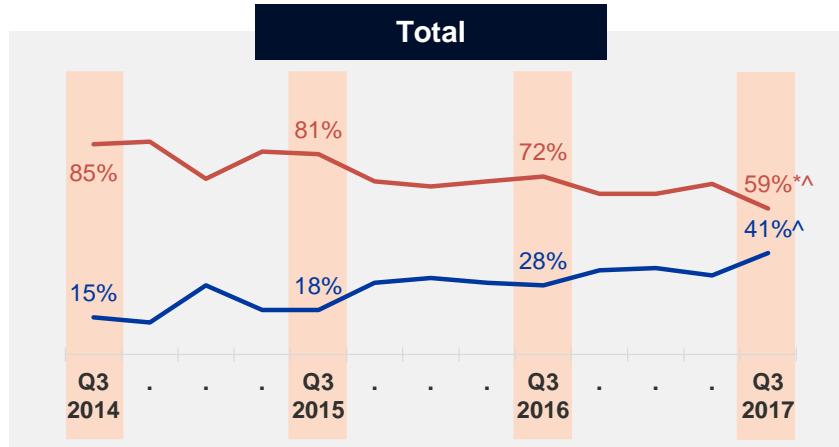
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Difficulty of Getting a Mortgage

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

- Easy**
(Very easy + Somewhat easy)
- Difficult**
(Very difficult + Somewhat difficult)



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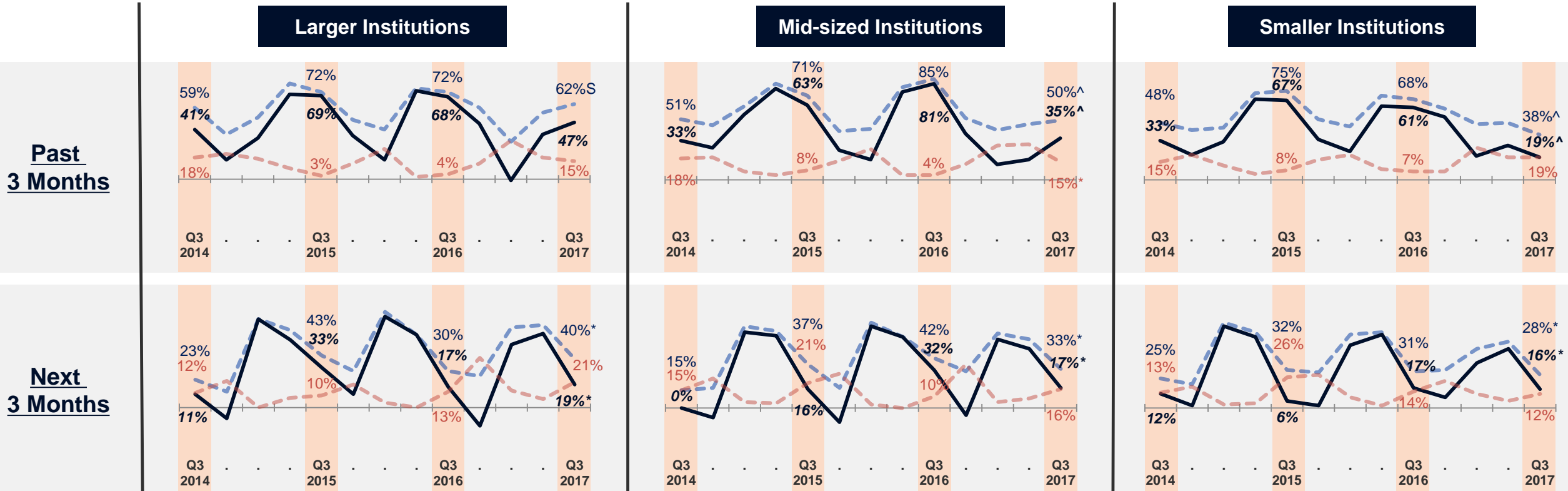


Appendix

Consumer Demand (Purchase Mortgages)



Purchase Mortgage Demand: GSE Eligible (by institution size)



--- Up
--- Down
--- Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

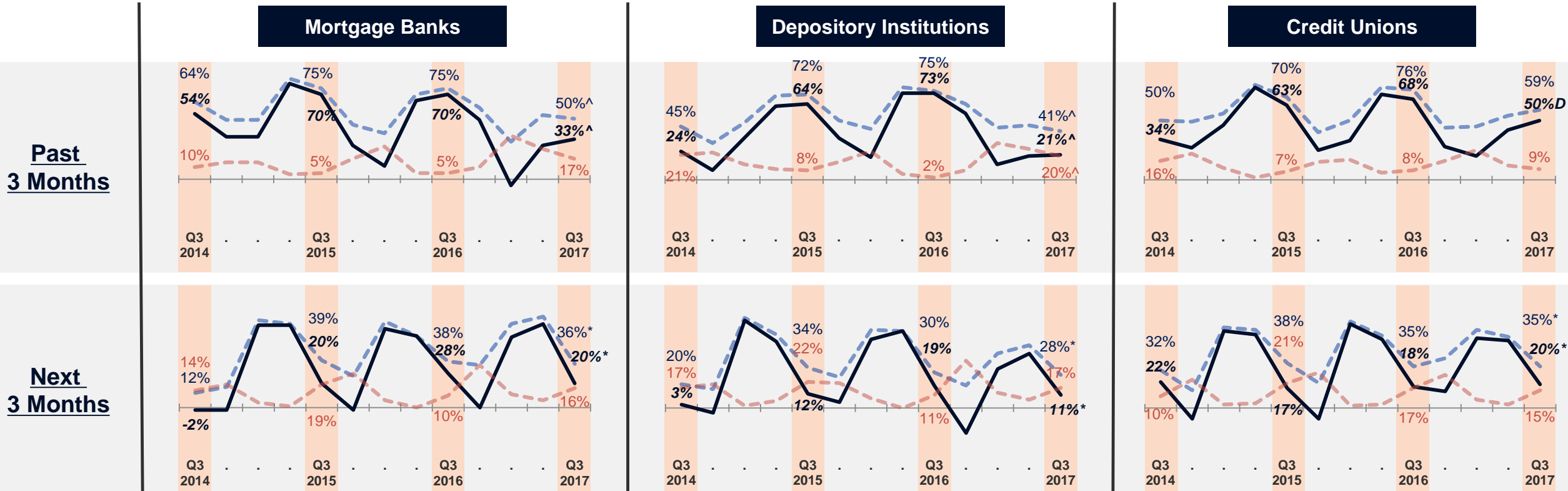
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L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown



Purchase Mortgage Demand: GSE Eligible (by institution type)



--- Up
--- Down
--- Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

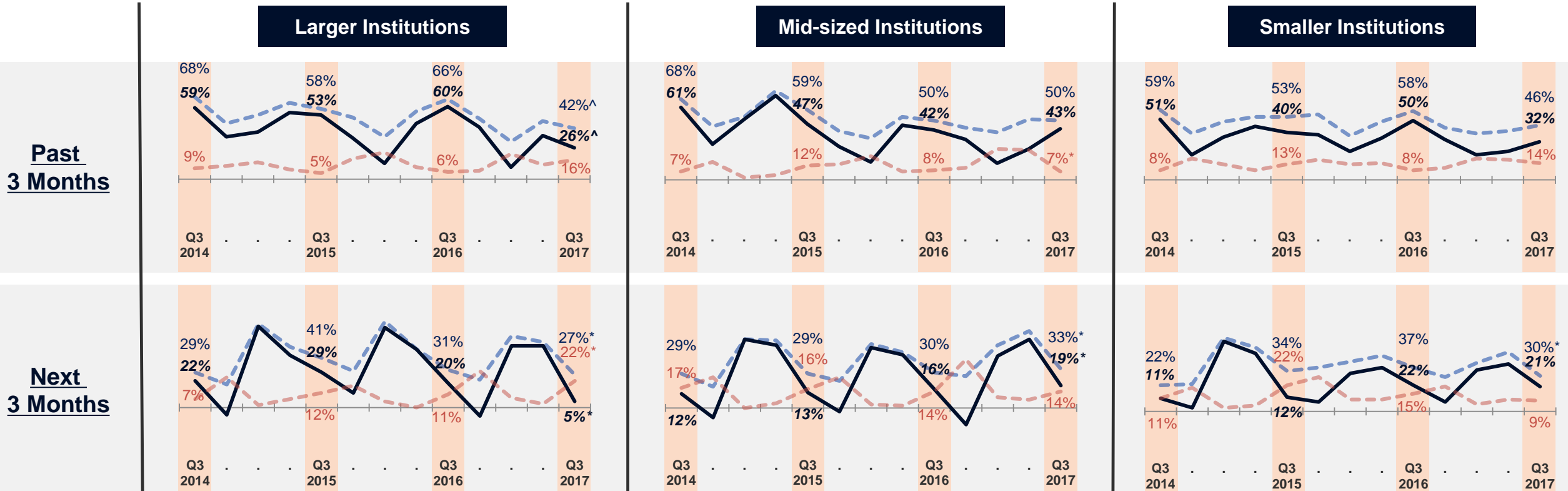
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown



Purchase Mortgage Demand: Non-GSE Eligible (by institution size)



--- Up
--- Down
— Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

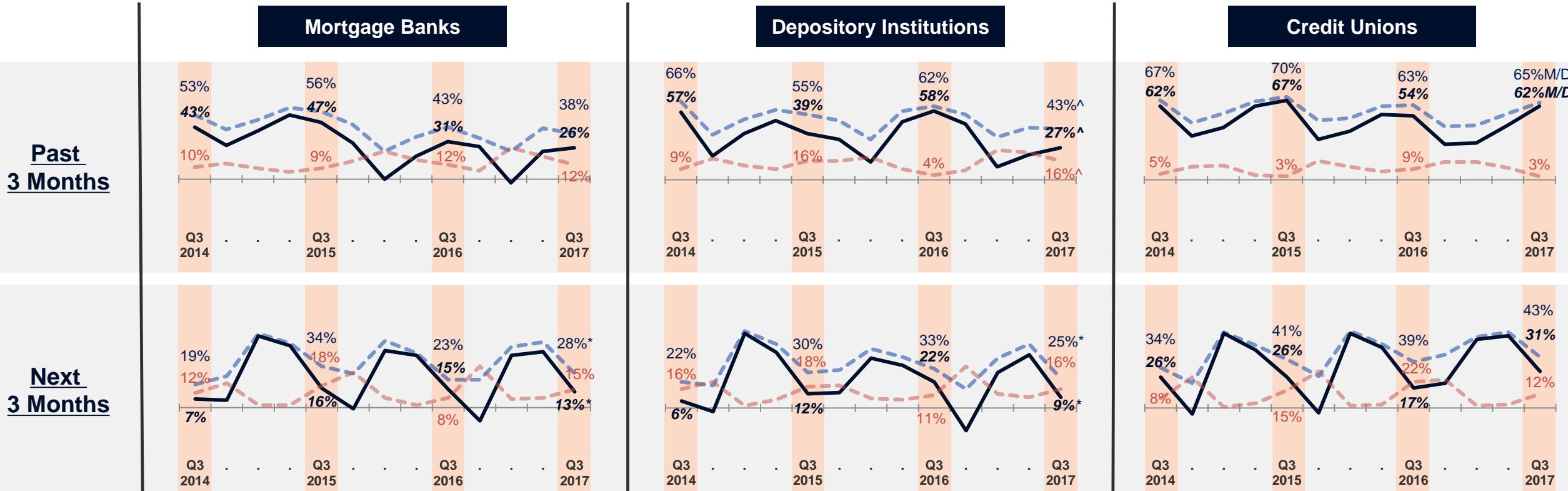
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L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown



Purchase Mortgage Demand: Non-GSE Eligible (by institution type)



--- Up
--- Down
— Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

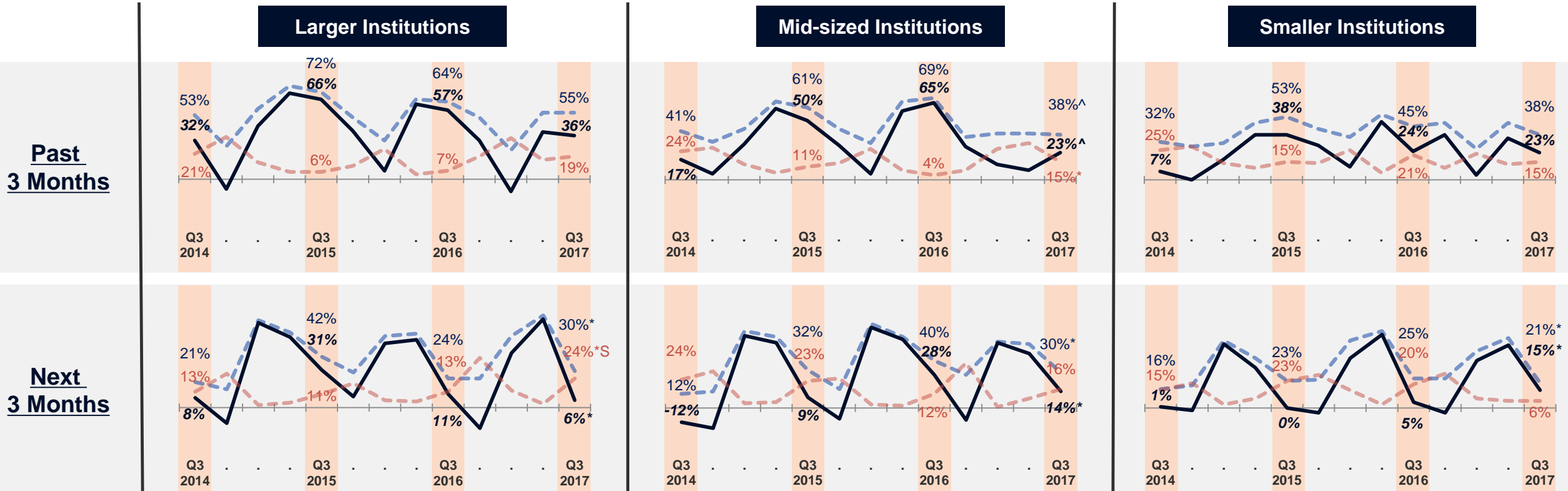
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
 The % saying "stay the same" is not shown



Purchase Mortgage Demand: Government (by institution size)



--- Up
--- Down
--- Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

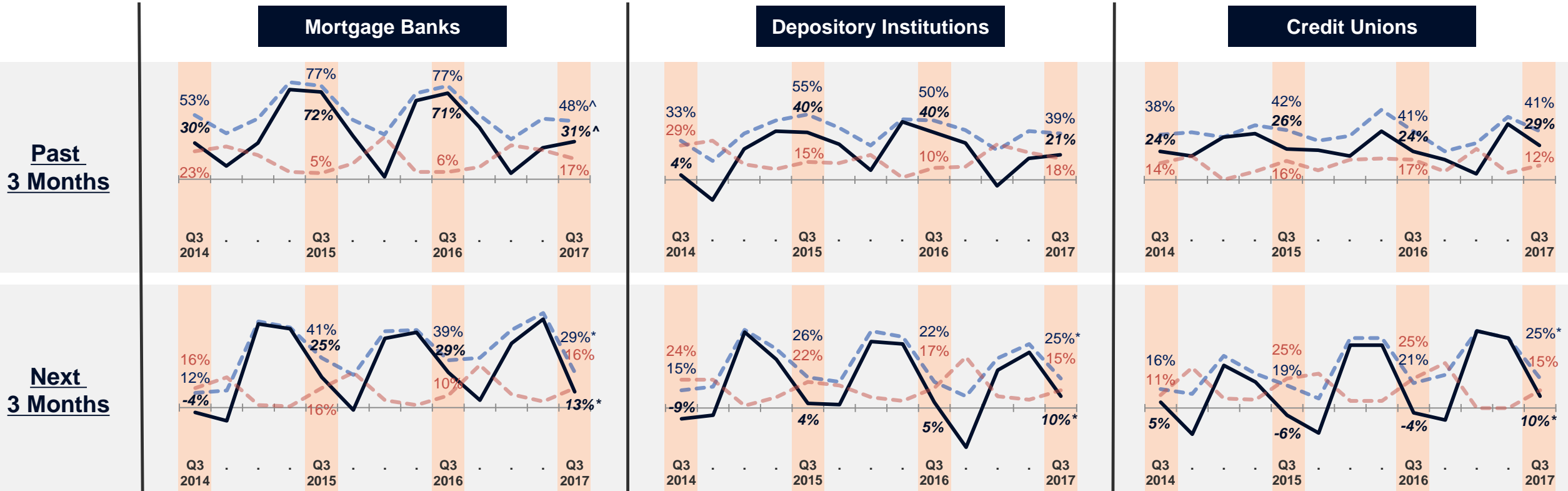
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L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
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Purchase Mortgage Demand: Government (by institution type)



--- Up
--- Down
--- Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

^{*} Denotes a statistically significant change compared with Q2 2017 (previous quarter)
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
 The % saying "stay the same" is not shown



Purchase Mortgage Demand: Drivers of Change (selected verbatim)

Past 3 Months

N=128

- Anticipation of rising interest rates
- Seasonal Variation
- Economic Conditions
- Lack of Inventory

Drivers of Demand Up

Drivers of Demand Down

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

"Lack of supply; not enough houses on the market to buy." – *Larger Institutions*

"Higher interest rate and reduction in home inventory in certain markets." – *Mid-sized Institution*

"There was a bit of seasonality in our volume change with purchases as there always is. In our area we have very limited inventory and our builder relationships ensure we are in the game on as many purchases as we can get in front of." – *Smaller Institutions*

"Stronger economy, increasing confidence in sustainability of the economic growth and high affordability with the current rate environment." "Seasonality". – *Larger Institution*

"As the new administration gets their footing and the positive economic results continue and the prospect for even more jobs, a higher demand for single family purchase mortgages will continue." – *Mid-sized Institution*

"The demand for people purchasing new homes has definitely gone up. The problem is the shortage of inventory." – *Smaller Institution*



Purchase Mortgage Demand: Drivers of Change (GSE Eligible)

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. (Showing % rank 1)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)*
N=	63	22	22	19	
Mortgage rates are favorable	42%	32%	41%	58%	36%
Economic conditions (e.g., employment) overall are favorable	36%	27%	50%	32%	14%
There are many homes available on the market	10%	23%	5%	0%	20%
Home prices are low	3%	9%	0%	0%	12%
It is easy to qualify for a mortgage	0%	0%	0%	0%	5%

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. (Showing % rank 1)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)**
N=	31	12	10	9	
There are not many homes available on the market	61%	61%	74%	44%	10%
Home prices are high	14%	22%	7%	11%	44%
Economic conditions (e.g., employment) overall are not favorable	7%	9%	0%	11%	16%
Mortgage rates are not favorable	3%	0%	0%	11%	9%
It is difficult to qualify for a mortgage	3%	0%	10%	0%	11%

*Q: Please tell me the primary reason why you think this is a good time to buy a house.

**Q: Please tell me the primary reason why you think this is a bad time to buy a house.



Purchase Mortgage Demand: Drivers of Change (Non-GSE Eligible)

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. (Showing % rank 1)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)*
N=	51	14	20	17	
Economic conditions (e.g., employment) overall are favorable	42%	28%	51%	47%	14%
Mortgage rates are favorable	29%	17%	39%	29%	36%
It is easy to qualify for a mortgage	8%	21%	5%	0%	5%
There are many homes available on the market	8%	21%	0%	6%	20%
Home prices are low	2%	7%	0%	0%	12%

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. (Showing % rank 1)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)**
N=	25	12	8	5	
There are not many homes available on the market	66%	67%	70%	60%	10%
Home prices are high	20%	21%	30%	0%	44%
Economic conditions (e.g., employment) overall are not favorable	10%	12%	0%	20%	16%
Mortgage rates are not favorable	0%	0%	0%	0%	9%
It is difficult to qualify for a mortgage	0%	0%	0%	0%	11%

*Q: Please tell me the primary reason why you think this is a good time to buy a house.

**Q: Please tell me the primary reason why you think this is a bad time to buy a house.



Purchase Mortgage Demand: Drivers of Change (Government)

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. (Showing % rank 1)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)*
N=	44	16	18	11	
Economic conditions (e.g., employment) overall are favorable	41%	35%	44%	45%	14%
Mortgage rates are favorable	32%	19%	36%	45%	36%
There are many homes available on the market	10%	19%	6%	0%	20%
It is easy to qualify for a mortgage	6%	6%	9%	0%	5%
Home prices are low	5%	13%	0%	0%	12%

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. (Showing % rank 1)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey Among the General Population (consumers)**
N=	25	12	10	3	
There are not many homes available on the market	59%	56%	71%	33%	10%
Home prices are high	21%	20%	29%	0%	44%
Economic conditions (e.g., employment) overall are not favorable	8%	8%	0%	33%	16%
Mortgage rates are not favorable	6%	12%	0%	0%	9%
It is difficult to qualify for a mortgage	0%	0%	0%	0%	11%

*Q: Please tell me the primary reason why you think this is a good time to buy a house.

**Q: Please tell me the primary reason why you think this is a bad time to buy a house.



Downward Purchase Demand Outlook Drivers

The share of lenders citing “there are not many homes available on the market” as one of the two most important reasons in driving next-three-months purchase demand down reaches a survey high this quarter, across all loan types.

GSE Eligible	N=	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
		41	49	11	1	26	48	19	12	31
There are not many homes available on the market		41%	44%	53%	0%	55%	37%	34%	73%	82%^
Home prices are high		27%	22%	40%	0%	33%	33%	39%	48%	47%
Mortgage rates are not favorable		29%	31%	0%	0%	19%	67%	74%	25%	20%
It is difficult to qualify for a mortgage		42%	27%	38%	100%	28%	19%	24%	30%	16%
Economic conditions (e.g., employment) overall are not favorable		41%	42%	57%	100%	41%	26%	12%	7%	12%^

Non-GSE Eligible	N=	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
		31	42	11	6	24	38	13	11	25
There are not many homes available on the market		42%	41%	47%	0%	37%	30%	18%	41%	84%^
Home prices are high		24%	22%	41%	0%	19%	35%	38%	44%	53%^
Mortgage rates are not favorable		20%	32%	16%	32%	21%	66%	77%	43%	19%
Economic conditions (e.g., employment) overall are not favorable		36%	38%	47%	49%	59%	30%	10%	26%	15%^
It is difficult to qualify for a mortgage		51%	35%	38%	100%	39%	17%	52%	28%	12%^

Government	N=	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
		33	40	13	4	23	42	12	8	25
There are not many homes available on the market		46%	35%	44%	0%	37%	35%	37%	65%	81%^
Home prices are high		24%	27%	46%	0%	33%	29%	24%	53%	47%
Economic conditions (e.g., employment) overall are not favorable		31%	47%	40%	0%	54%	40%	22%	12%	27%
Mortgage rates are not favorable		35%	35%	0%	22%	16%	56%	75%	22%	18%
It is difficult to qualify for a mortgage		39%	27%	55%	67%	25%	20%	33%	37%	13%

*Q: You mentioned that you expect your firm’s consumer demand for GSE Eligible/Non-GSE Eligible/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. (**Showing Total, % rank 1+2**)

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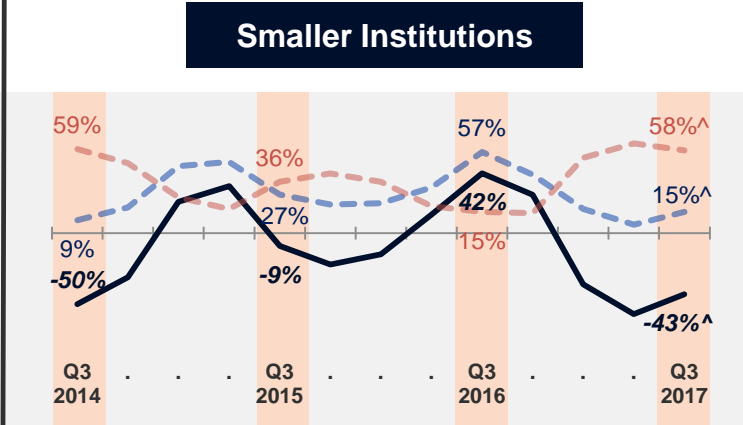
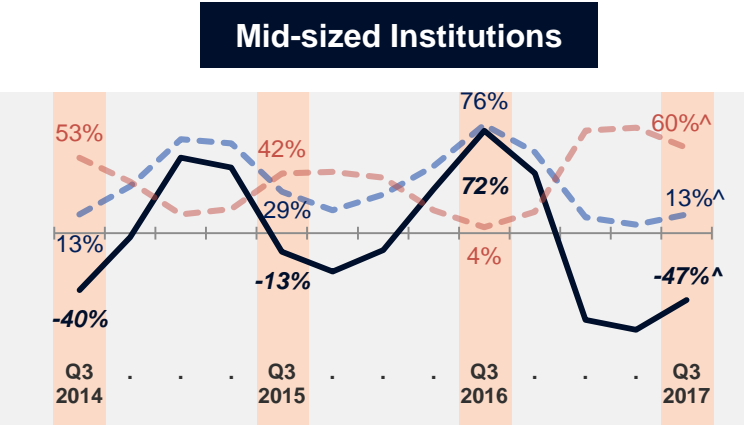
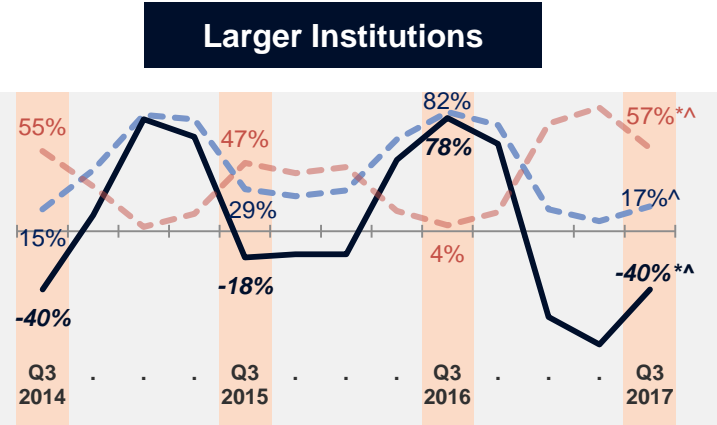
Appendix

Consumer Demand (Refinance Mortgages)

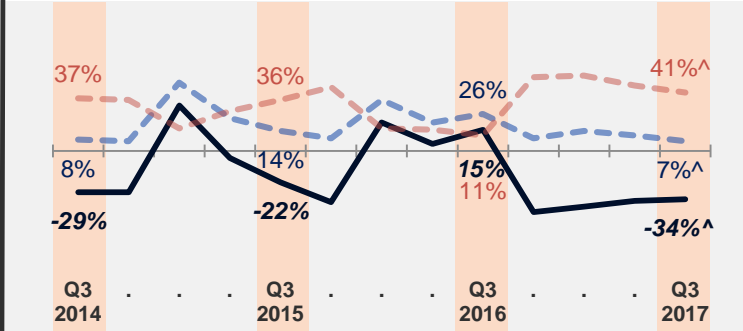
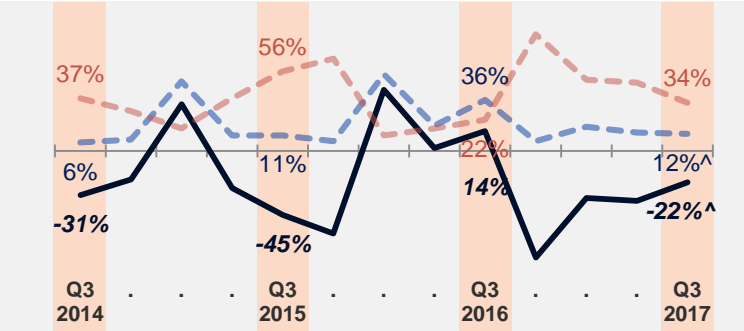
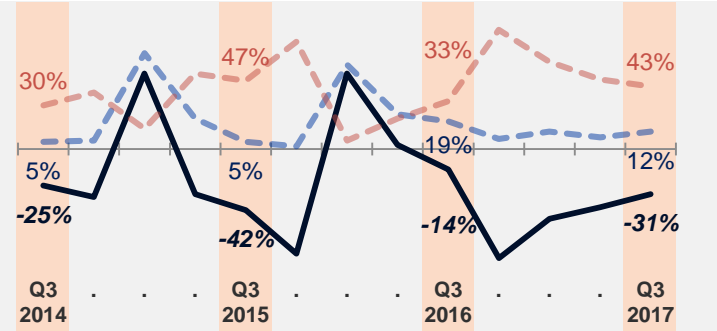


Refinance Mortgage Demand: GSE Eligible (by institution size)

Past 3 Months



Next 3 Months



--- Up
--- Down
--- Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

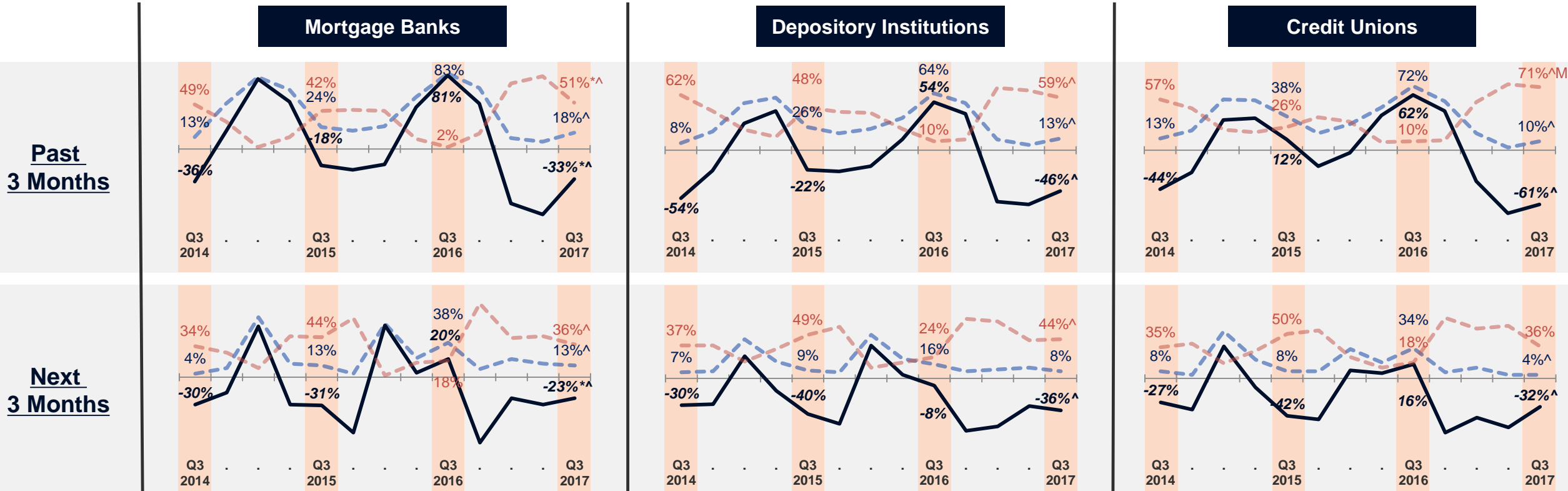
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L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown



Refinance Mortgage Demand: GSE Eligible (by institution type)



--- Up
--- Down
--- Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

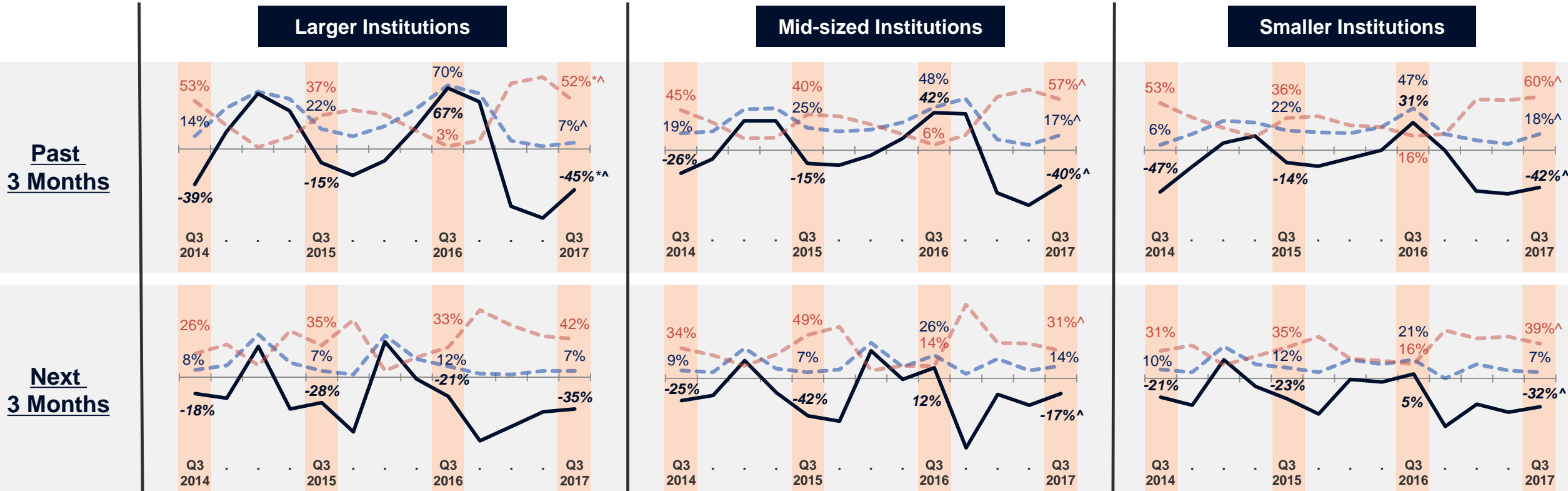
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown



Refinance Mortgage Demand: Non-GSE Eligible (by institution size)



--- Up
--- Down
--- Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

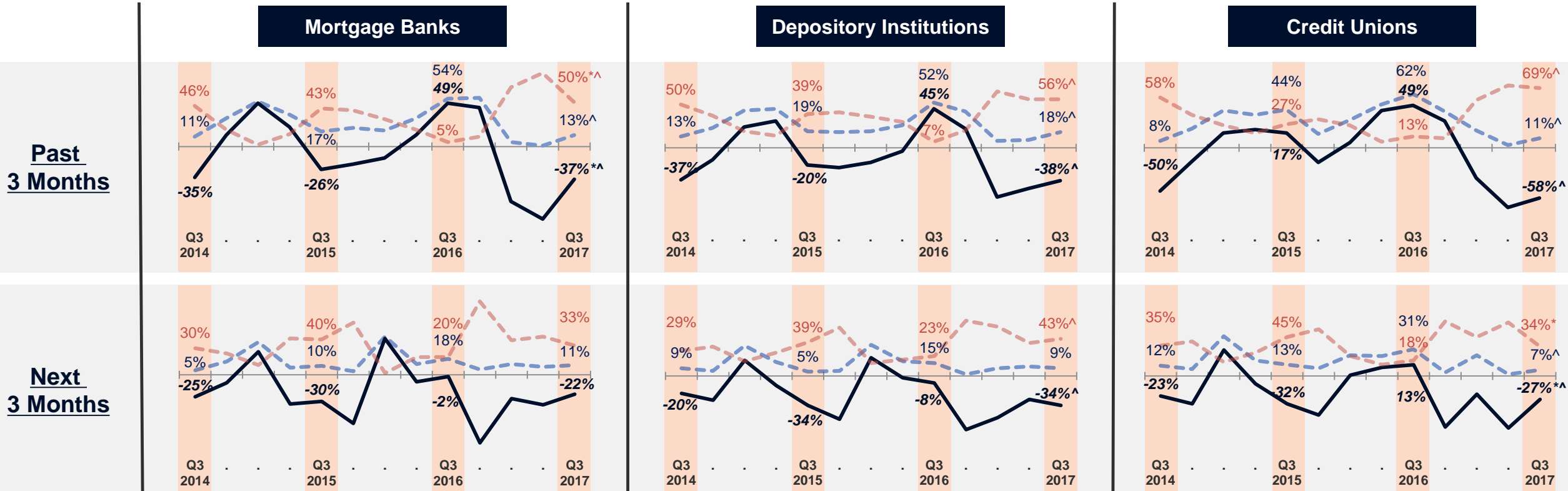
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L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown



Refinance Mortgage Demand: Non-GSE Eligible (by institution type)



--- Up
--- Down
--- Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

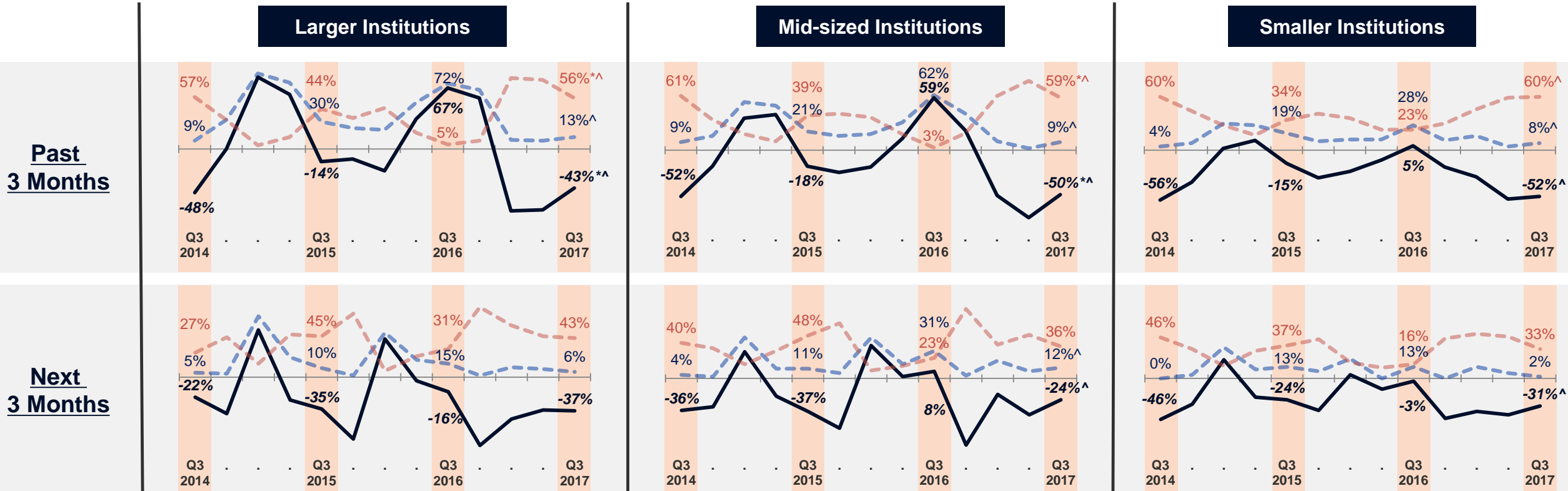
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
 The % saying "stay the same" is not shown



Refinance Mortgage Demand: Government (by institution size)



--- Up
--- Down
--- Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

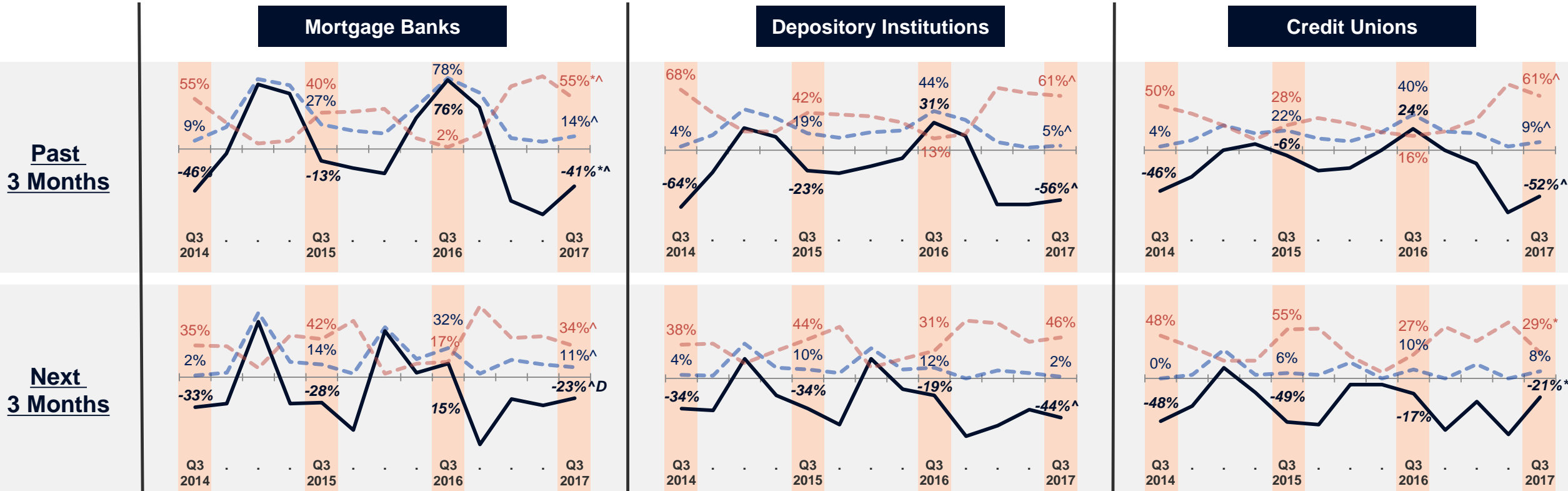
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Net Up + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown



Refinance Mortgage Demand: Government (by institution type)



--- Up
--- Down
--- Net Up +

Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

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 ^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)

M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Net Up + = % of lenders saying up minus % of lenders saying down
 The % saying "stay the same" is not shown

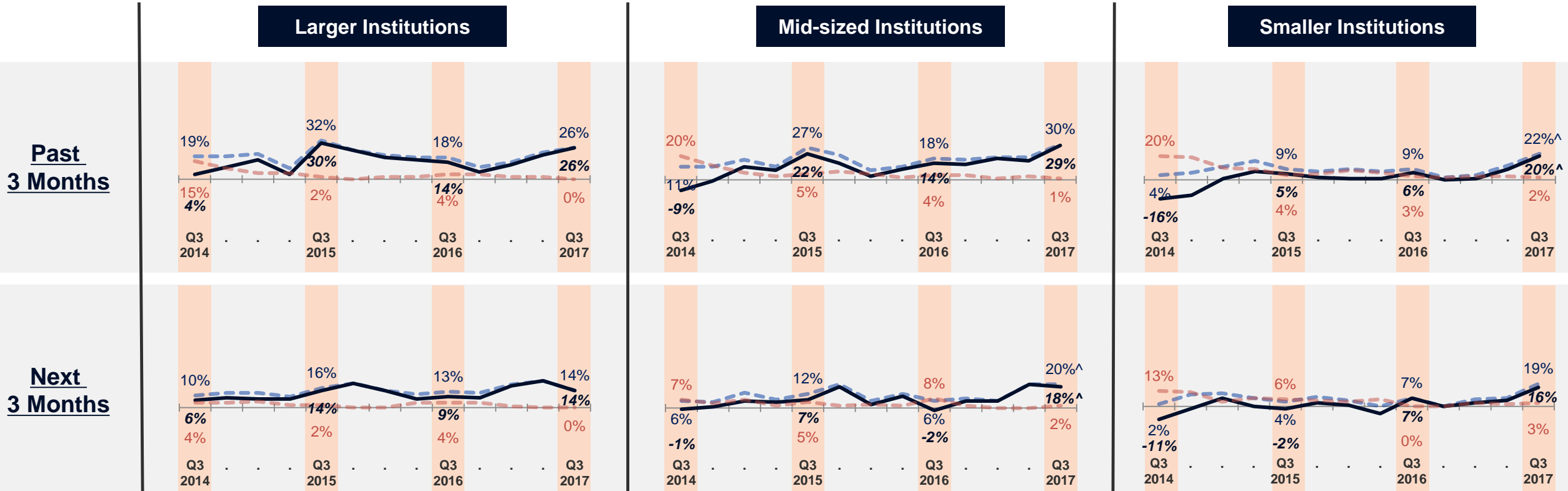


Appendix

Credit Standards



Credit Standards: GSE Eligible (by institution size)



--- Ease
--- Tighten
— Net Ease +

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

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)

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

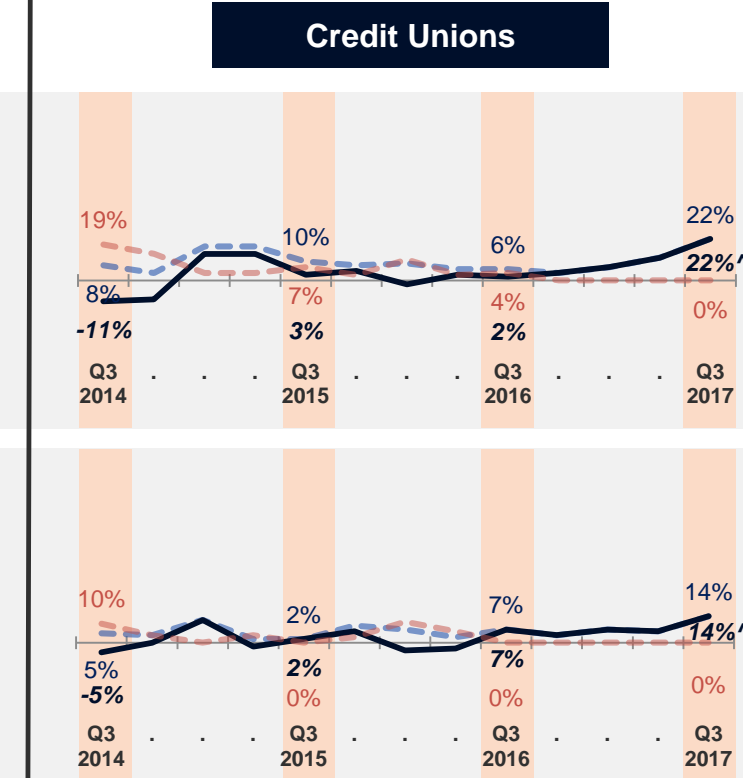
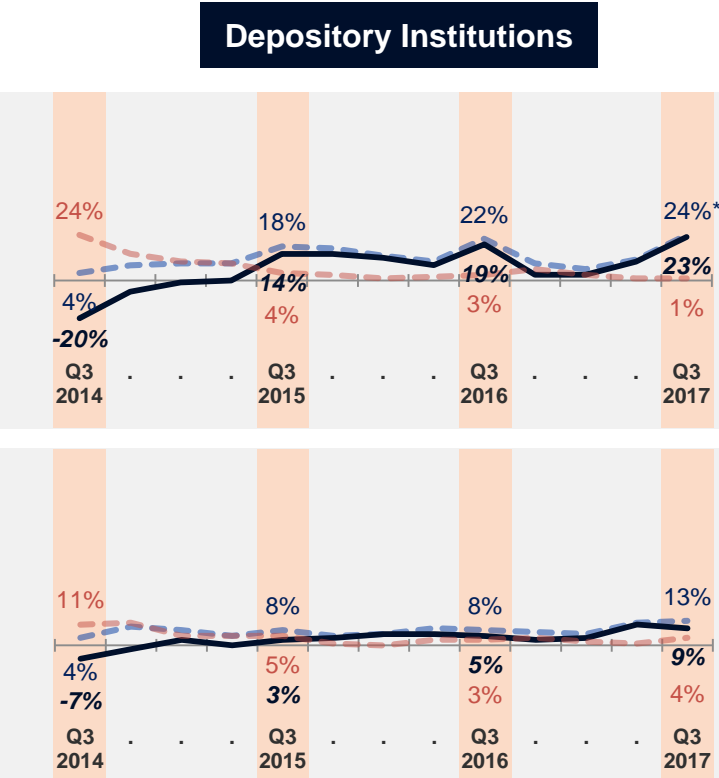
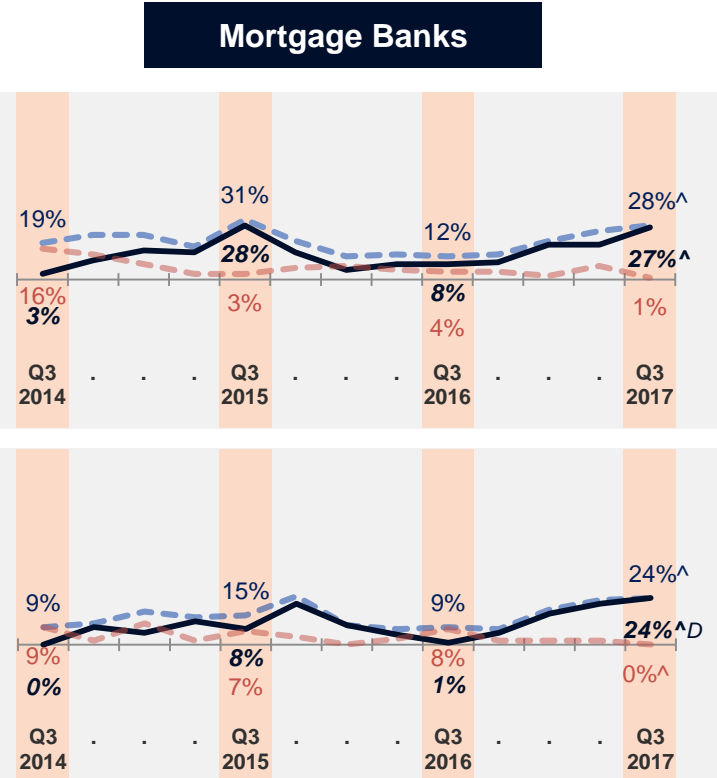
Net Ease + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown



Credit Standards: GSE Eligible (by institution type)

Past 3 Months

Next 3 Months



--- Ease
--- Tighten
— Net Ease +

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

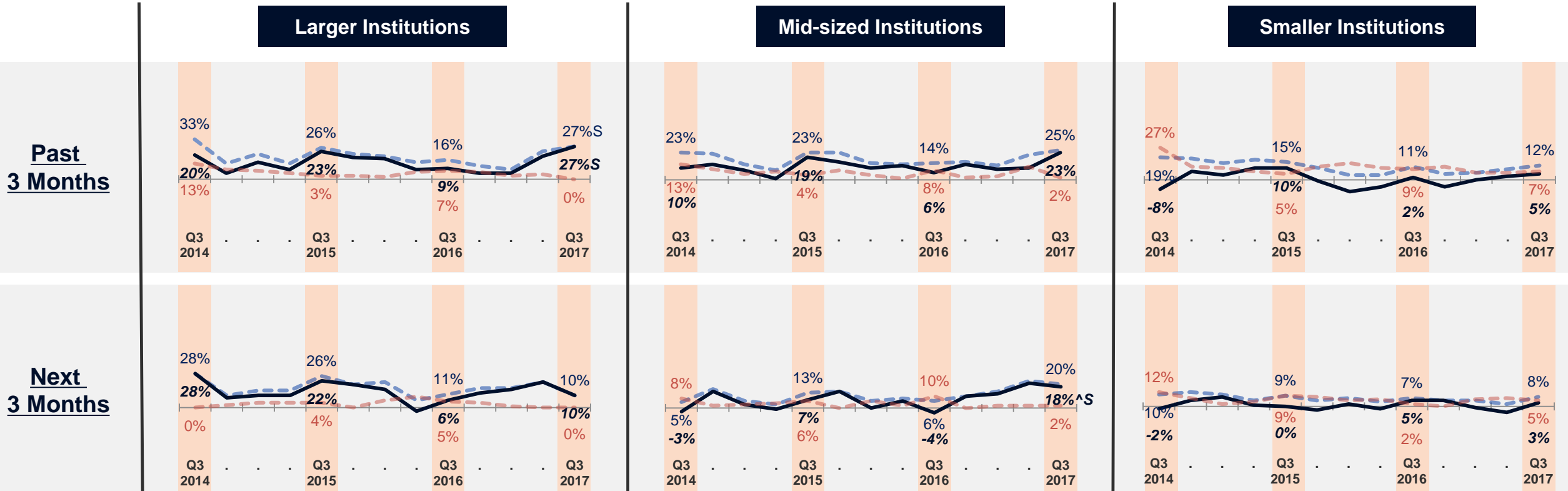
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Net Ease + = % of lenders saying up minus % of lenders saying down
The % saying "stay the same" is not shown



Credit Standards: Non-GSE Eligible (by institution size)



--- Ease
--- Tighten
— Net Ease +

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

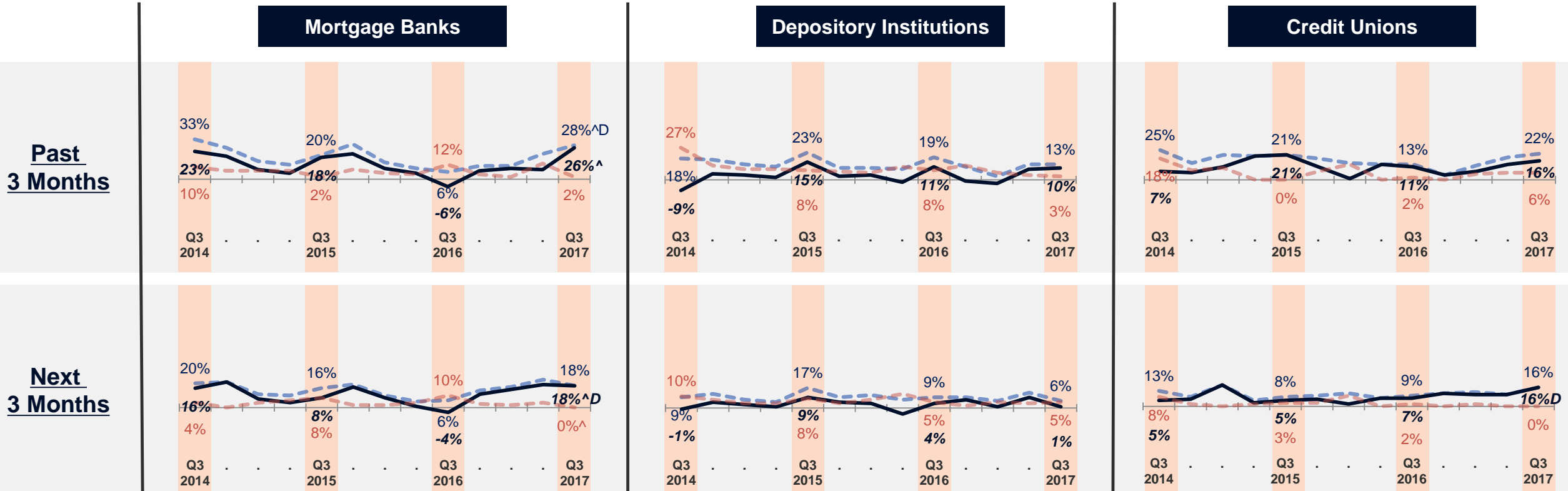
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The % saying "stay the same" is not shown



Credit Standards: Non-GSE Eligible (by institution type)



--- Ease
--- Tighten
--- Net Ease +

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

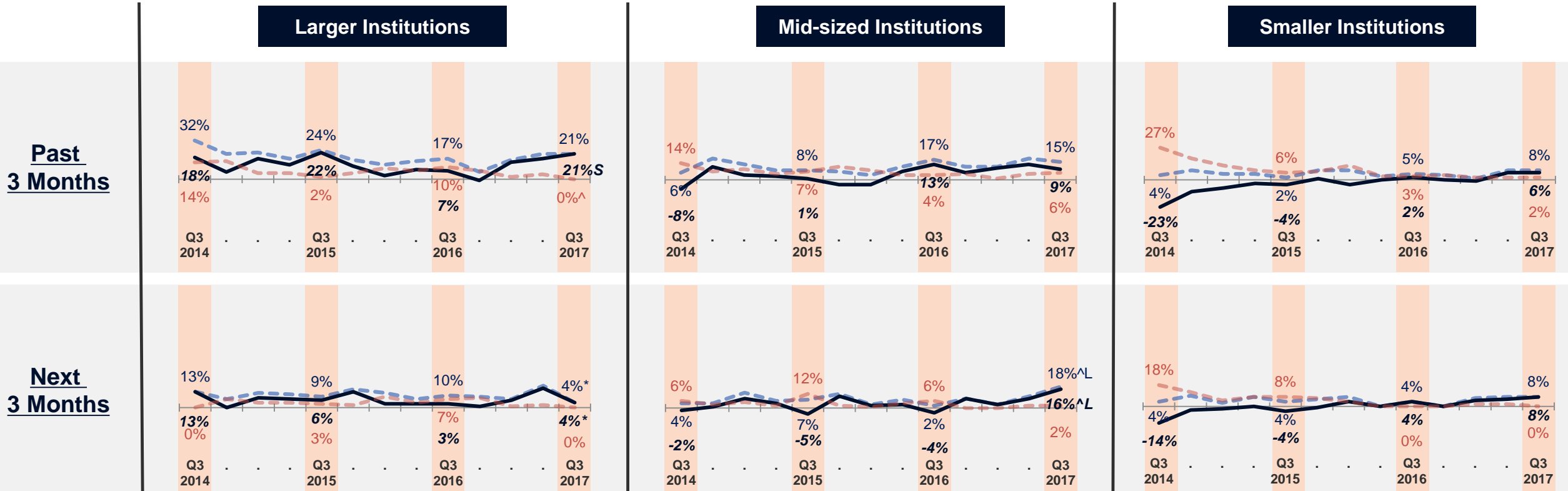
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

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The % saying "stay the same" is not shown



Credit Standards: Government (by institution size)



--- Ease
--- Tighten
— Net Ease +

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

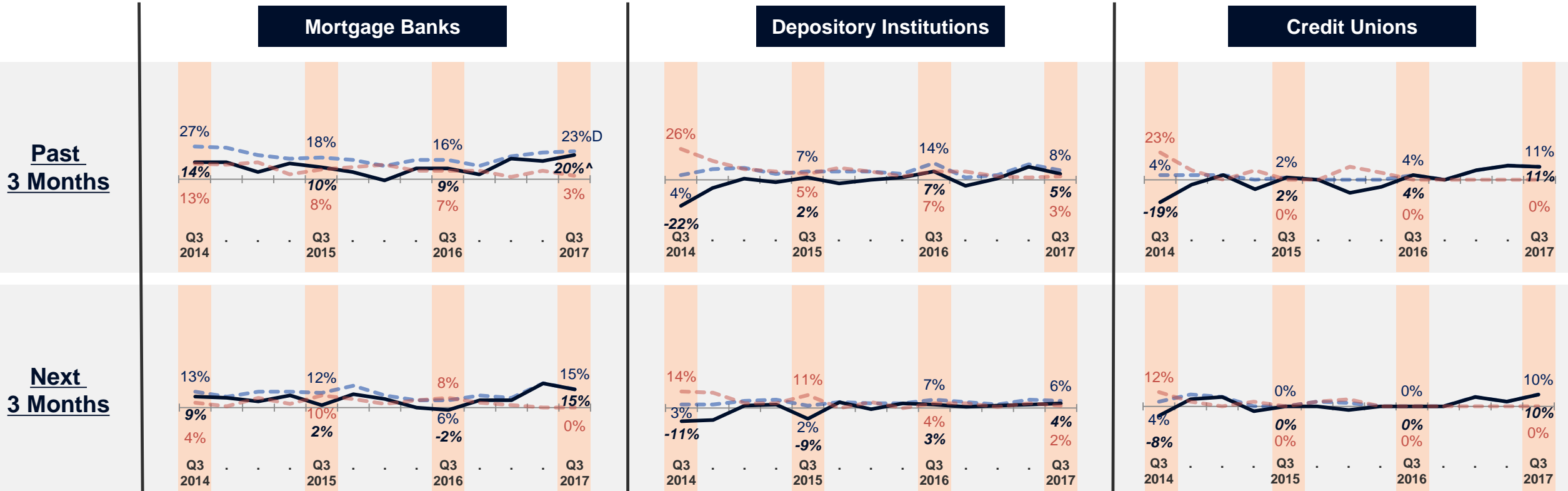
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Credit Standards: Government (by institution type)



--- Ease
--- Tighten
— Net Ease +

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

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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

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Credit Standards: Drivers of Change (selected verbatim)

Drivers of Loosening Change

Drivers of Tightening Change

Past 3 Months

N=53

- Competition/strategic considerations
- Changes to guidelines/GSE requirements
- Reduction of overlays

Q: What do you think drove the change in your firm's credit standards for approving consumer applications for purchase mortgage loans over the **last three months**? Please be as specific as possible. (Optional)

"Tightened standards due to patterns in government loan delinquencies."
– *Mid-sized Institution*

"Concerns about the overall economy."
– *Smaller Institution*

"Due to competitive pressures our company has removed a few internal overlays that we felt were prudent." "Recent DU updates" – *Larger Institutions*

"Guideline for GSE's have become more favorable." – *Mid-sized Institutions*

"Slight easing of eligibility requirements by GSE's and Government lending providers providing more flexibility with down payments, DTI." – *Smaller Institution*

Next 3 Months

N=37

- FNMA changing DU/DTI to 50%
- Reduction of overlays
- Competition

Q: What do you think will drive the change in your firm's credit standards for approving consumer applications for purchase mortgage loans over the **next three months**? Please be as specific as possible. (Optional)

"Our ability to sell loans in the market is becoming tougher." – *Mid-sized Institution*

"It seems like it is getting harder to get people approved without a lot of extra work, etc."
– *Smaller Institution*

"Removal of internal overlays and better alignment with the GSE AUS findings."
– *Larger Institution*

"FNMA will go up to a 50% ratio on more loans now and the student loans payment calculation that changed is making more people qualify for loans." – *Mid-sized Institution*

"Competition and our desire to book new loans." – *Smaller Institution*



Appendix

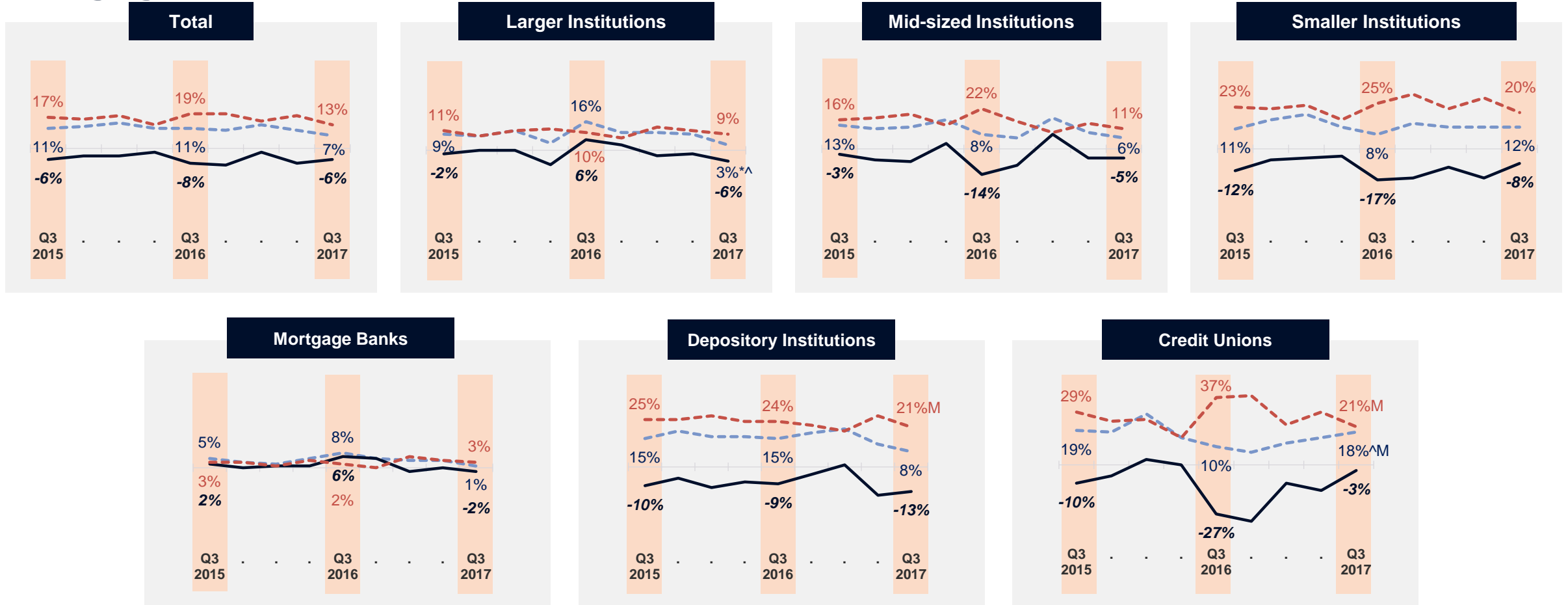
Mortgage Execution Outlook



Mortgage Execution Outlook – Next 12 Months

Portfolio Retention

--- Increase - - - Decrease — Net Increase +



Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your firm's total mortgage originations goes to each of the following categories?
 Q: Looking forward, what percent of your firm's total mortgage originations over the next year will go to each of the following categories?

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
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L/M/S; M/D/C - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

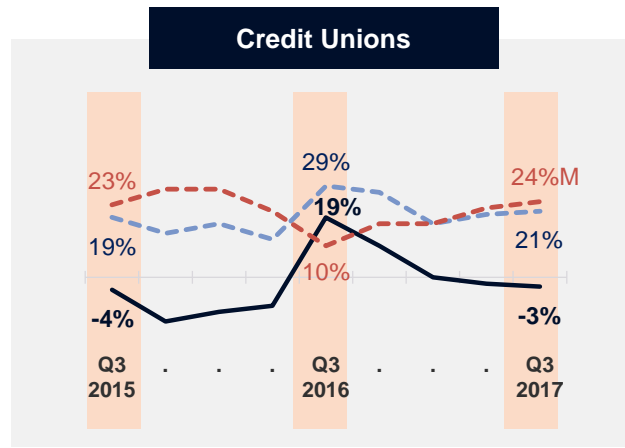
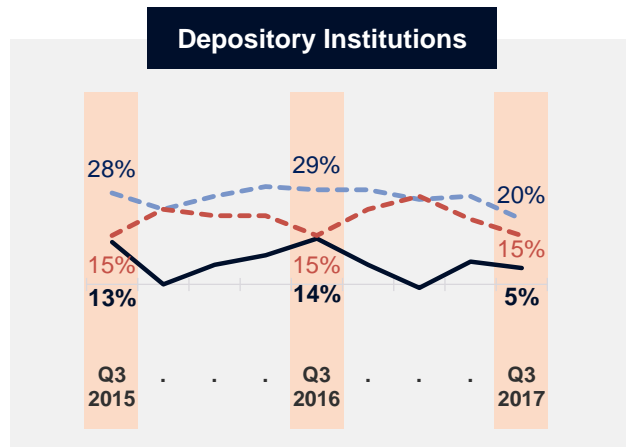
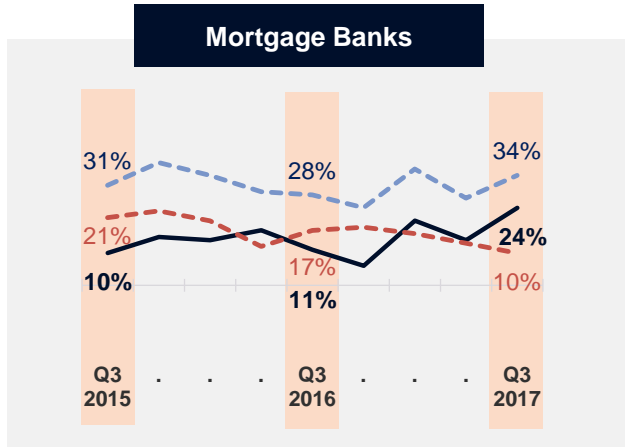
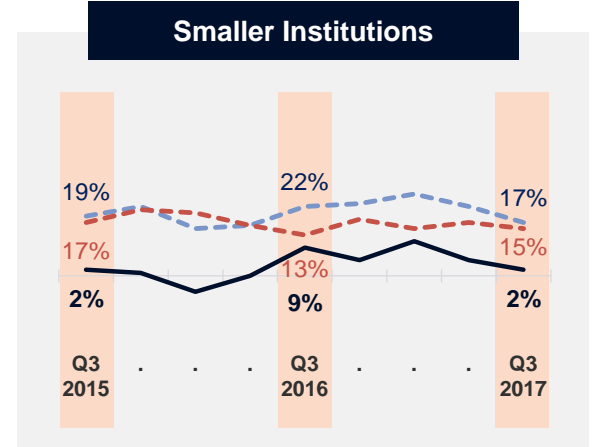
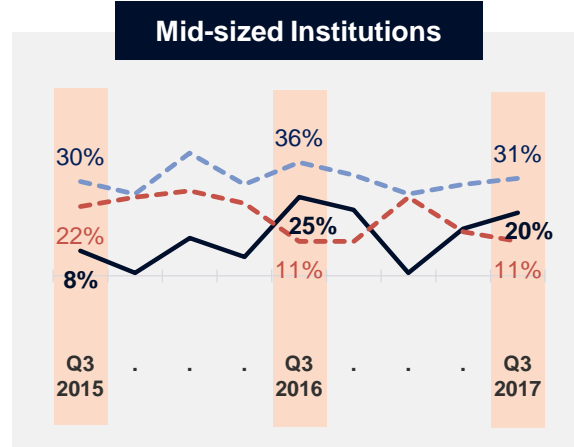
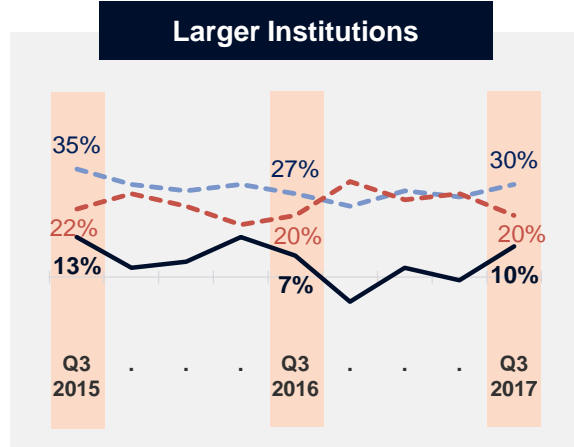
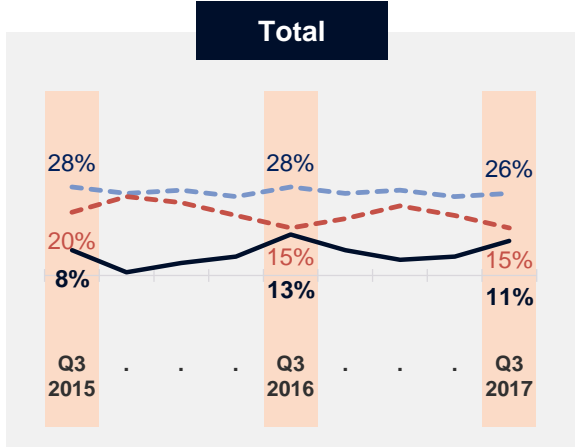
Net Increase + = % of lenders saying up minus % of lenders saying down
 The % saying "stay the same" is not shown



Mortgage Execution Outlook – Next 12 Months

GSE (Fannie Mae and Freddie Mac)

--- Increase - - - Decrease — Net Increase +



Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your firm's total mortgage originations goes to each of the following categories?
 Q: Looking forward, what percent of your firm's total mortgage originations over the next year will go to each of the following categories?

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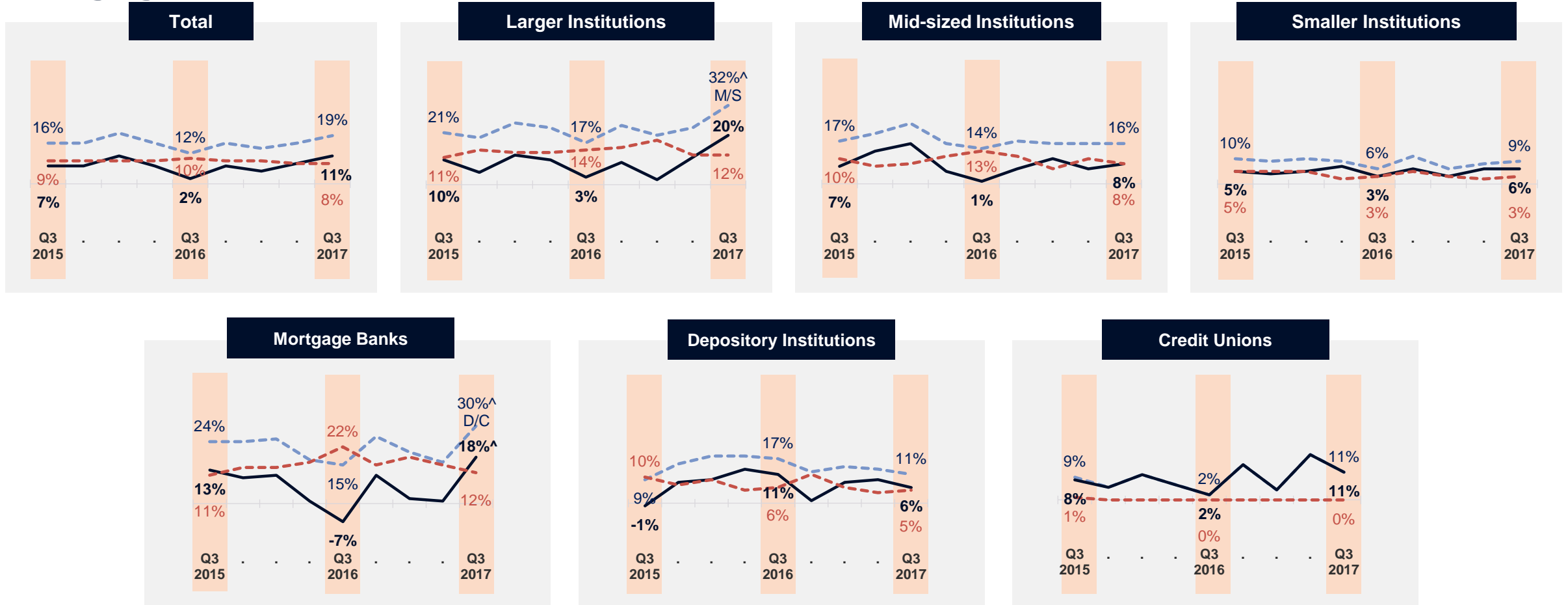
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Mortgage Execution Outlook – Next 12 Months

Ginnie Mae (FHAVA)

--- Increase --- Decrease — Net Increase +



Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your firm's total mortgage originations goes to each of the following categories?
 Q: Looking forward, what percent of your firm's total mortgage originations over the next year will go to each of the following categories?

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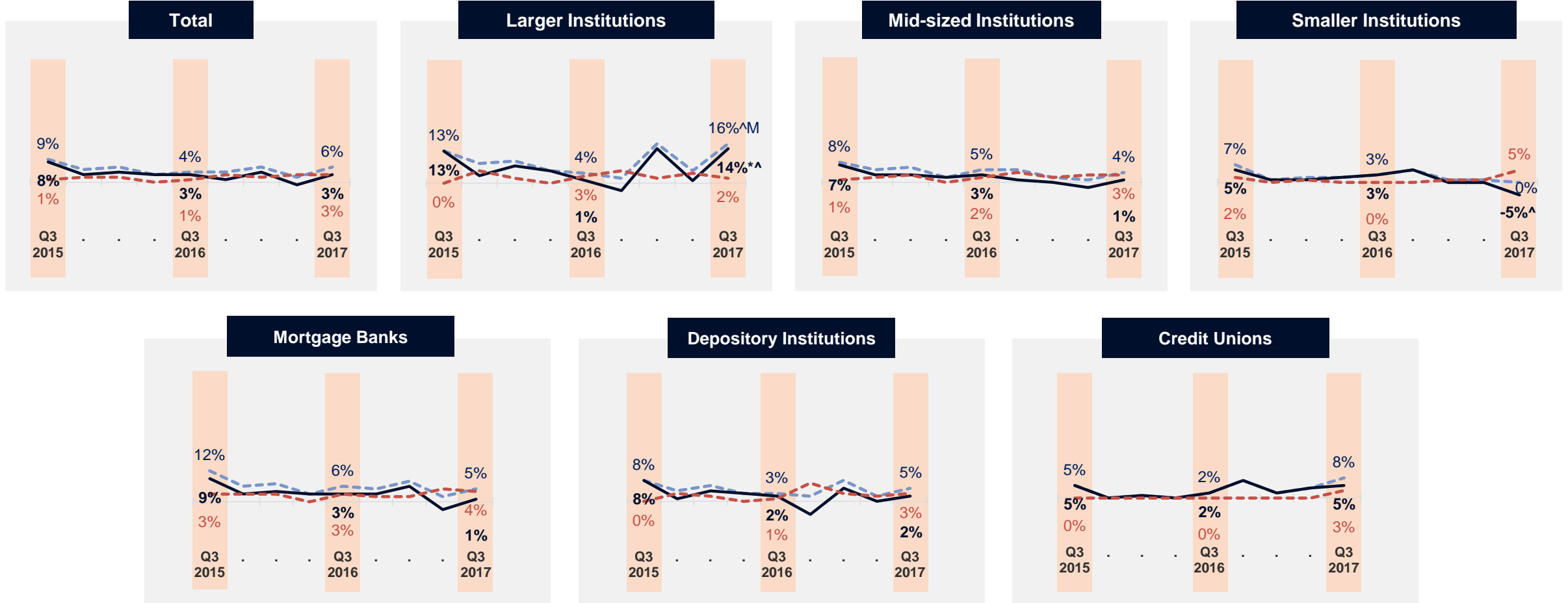
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Private Label Securities/Non-Agency Securities

Mortgage Execution Outlook – Next 12 Months

--- Increase - - - Decrease — Net Increase +



Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your firm's total mortgage originations goes to each of the following categories?
 Q: Looking forward, what percent of your firm's total mortgage originations over the next year will go to each of the following categories?

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

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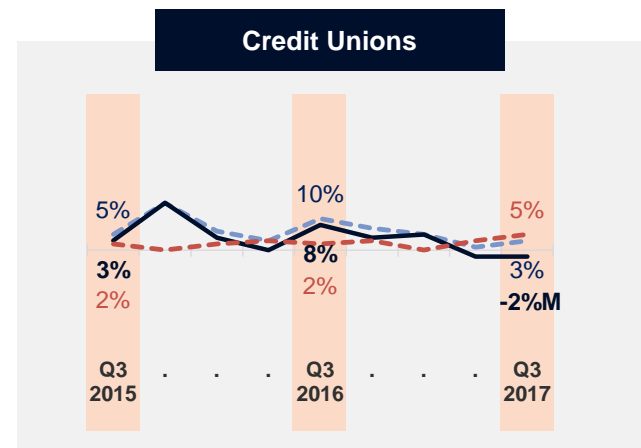
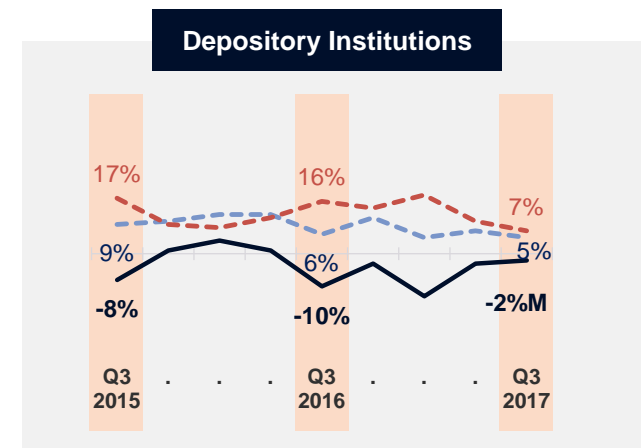
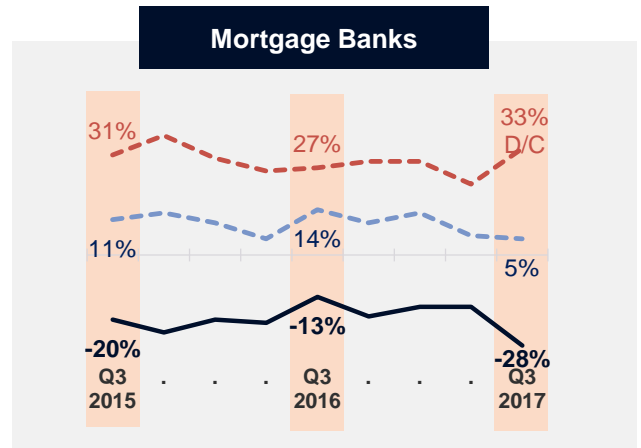
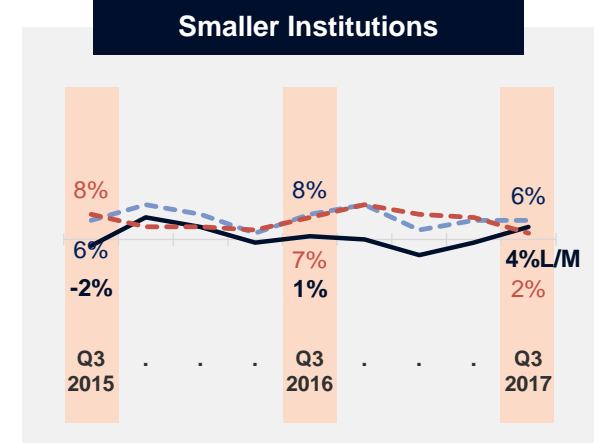
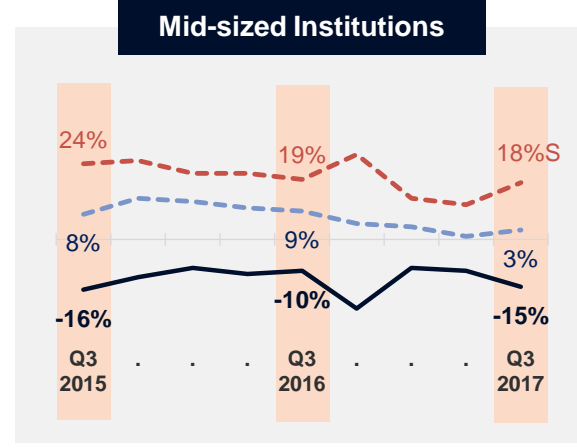
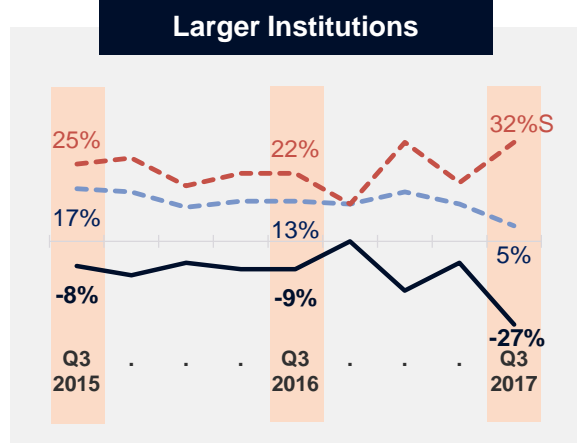
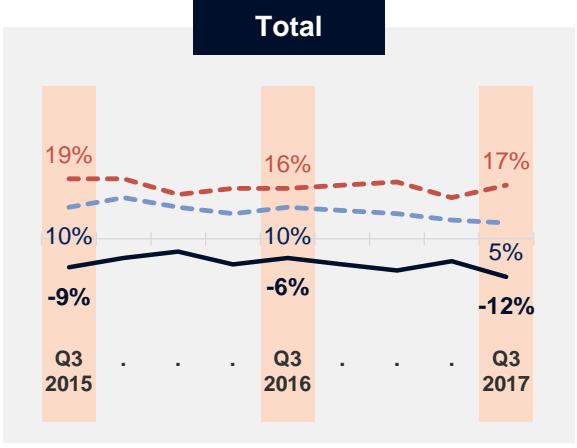
Net Increase + = % of lenders saying up minus % of lenders saying down
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Whole Loan Sales to Non-GSE (Correspondent)

Mortgage Execution Outlook – Next 12 Months

--- Increase - - - Decrease — Net Increase +



Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your firm's total mortgage originations goes to each of the following categories?
 Q: Looking forward, what percent of your firm's total mortgage originations over the next year will go to each of the following categories?

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Net Increase + = % of lenders saying up minus % of lenders saying down
 The % saying "stay the same" is not shown



Mortgage Execution Share – Current

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%. Showing Mean %	Total								
	2015		2016				2017		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	209	194	205	169	200	139	177	184	190
GSE (Fannie Mae and Freddie Mac)	44%	44%	48%	46%	45%	46%	46%	47%	45%
Portfolio Retention	19%	20%	20%	23%	24%	22%	22%	21%	16% [^]
Ginnie Mae (FHA/VA)	15%	16%	15%	13%	14%	14%	14%	15%	16%
Whole Loan Sales to Non-GSE (Correspondent)	19%	18%	15%	17%	15%	15%	14%	13%	20%
Private Label Securities / Non-Agency Securities	1%	1%	1%	1%	1%	2%	2%	1%	1%
Other	1%	1%	1%	0%	1%	1%	1%	1%	2%

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
[^] Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)



Mortgage Execution Share – Over Next 12 Months

Looking forward, what percent of your firm's total mortgage originations over the next 12 months 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%. Showing Mean %	Total								
	2015		2016				2017		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	209	194	205	169	200	139	177	184	190
GSE (Fannie Mae and Freddie Mac)	46%	44%	49%	46%	47%	47%	47%	48%	46%
Portfolio Retention	18%	20%	19%	23%	23%	21%	22%	20%	16%
Ginnie Mae (FHA/VA)	16%	16%	16%	14%	14%	15%	13%	17%	17%
Whole Loan Sales to Non-GSE (Correspondent)	17%	18%	14%	15%	13%	14%	15%	12%	17%
Private Label Securities / Non-Agency Securities	3%	1%	1%	2%	1%	2%	2%	2%	2%
Other	1%	1%	1%	1%	1%	1%	1%	1%	1%

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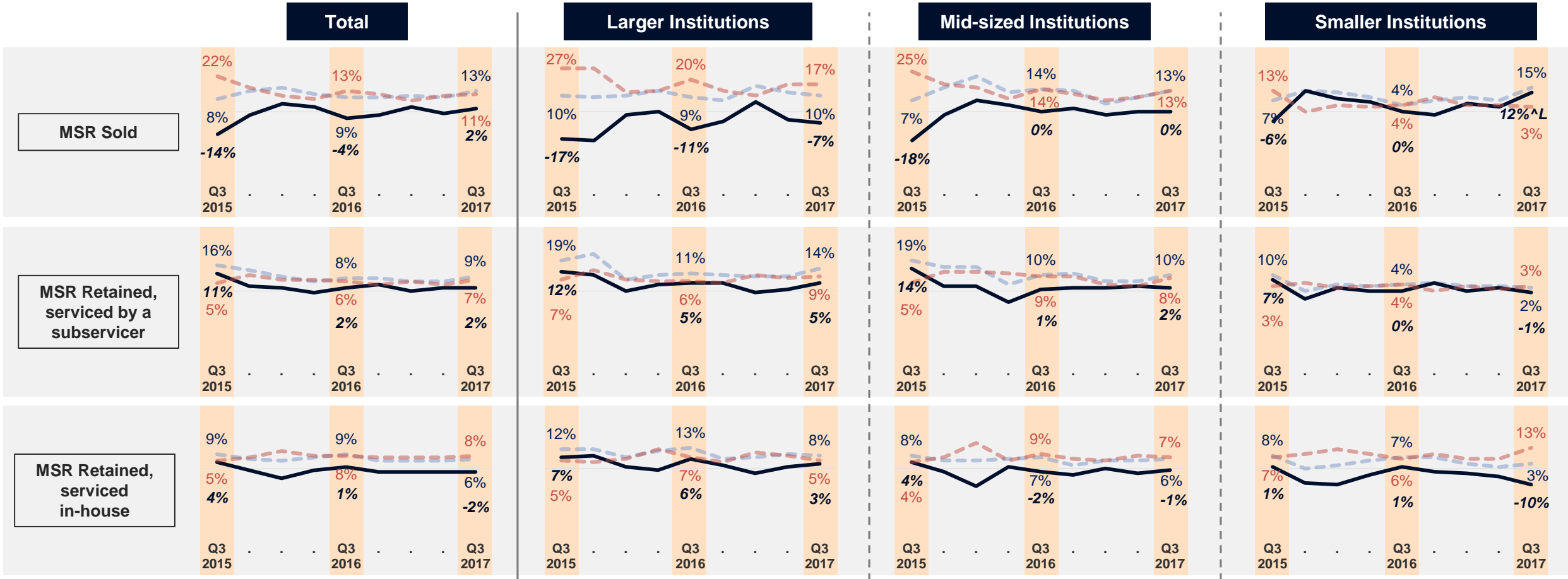
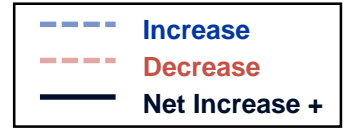


Appendix

Mortgage Servicing Rights (MSR) Execution



Mortgage Servicing Rights Execution Outlook – Next 12 Months



Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your mortgage servicing rights (MSR) goes to each of the following categories?
 Q: Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next year will go to each of the following categories?

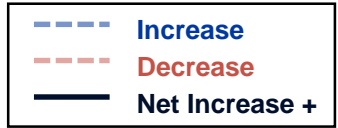
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Mortgage Servicing Rights Execution Outlook – Next 12 Months

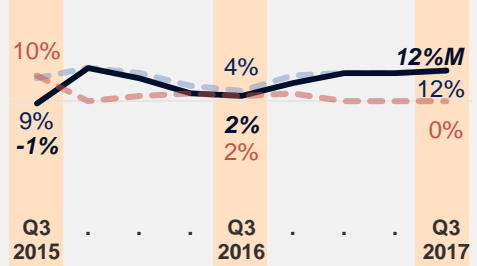
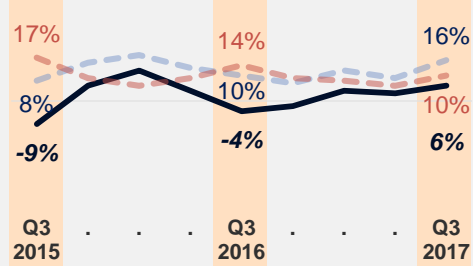
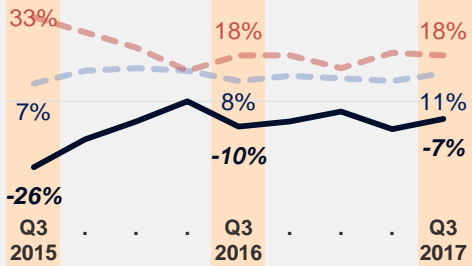


Mortgage Banks

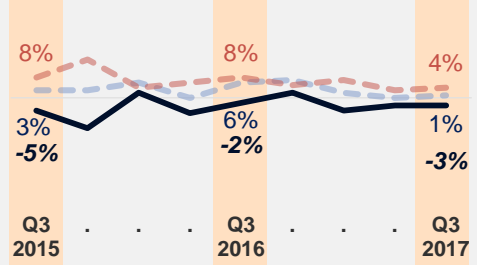
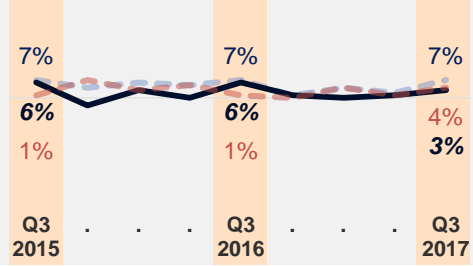
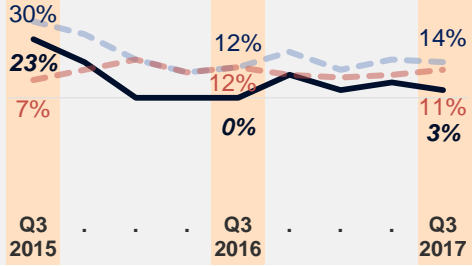
Depository Institutions

Credit Unions

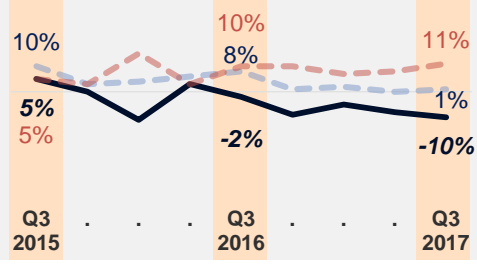
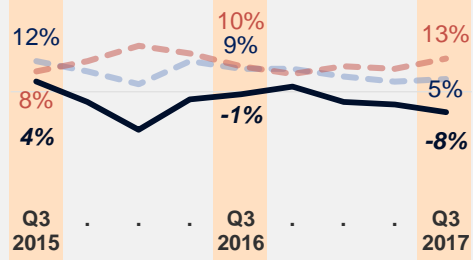
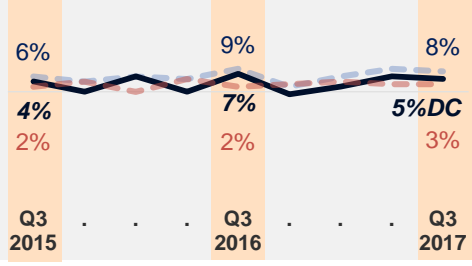
MSR Sold



MSR Retained, serviced by a subservicer



MSR Retained, serviced in-house



Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your mortgage servicing rights (MSR) goes to each of the following categories?
 Q: Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next year will go to each of the following categories?

M/D/C - 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 Q2 2017 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)

Net Increase + = % of lenders saying up minus % of lenders saying down
 The % saying "stay the same" is not shown



Mortgage Servicing Rights (MSR) Execution Share – Current

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%. Showing Mean %	Total								
	2015		2016				2017		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	209	194	205	169	200	139	177	184	190
MSR retained, serviced in-house	44%	46%	52%	47%	52%	50%	50%	49%	40%^
MSR sold	37%	34%	30%	31%	29%	32%	33%	34%	40%^
MSR retained, serviced by a subservicer	18%	20%	18%	22%	20%	19%	17%	17%	20%

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)



Mortgage Servicing Rights (MSR) Execution Share – Over Next 12 Months

Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next 12 months 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%. Showing Mean %	Total								
	2015		2016				2017		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	209	194	205	169	200	139	177	184	190
MSR retained, serviced in-house	44%	46%	51%	48%	52%	50%	50%	50%	39% [*]
MSR sold	36%	34%	32%	31%	28%	31%	34%	33%	41% [^]
MSR retained, serviced by a subservicer	20%	20%	17%	21%	20%	19%	16%	17%	20%

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)

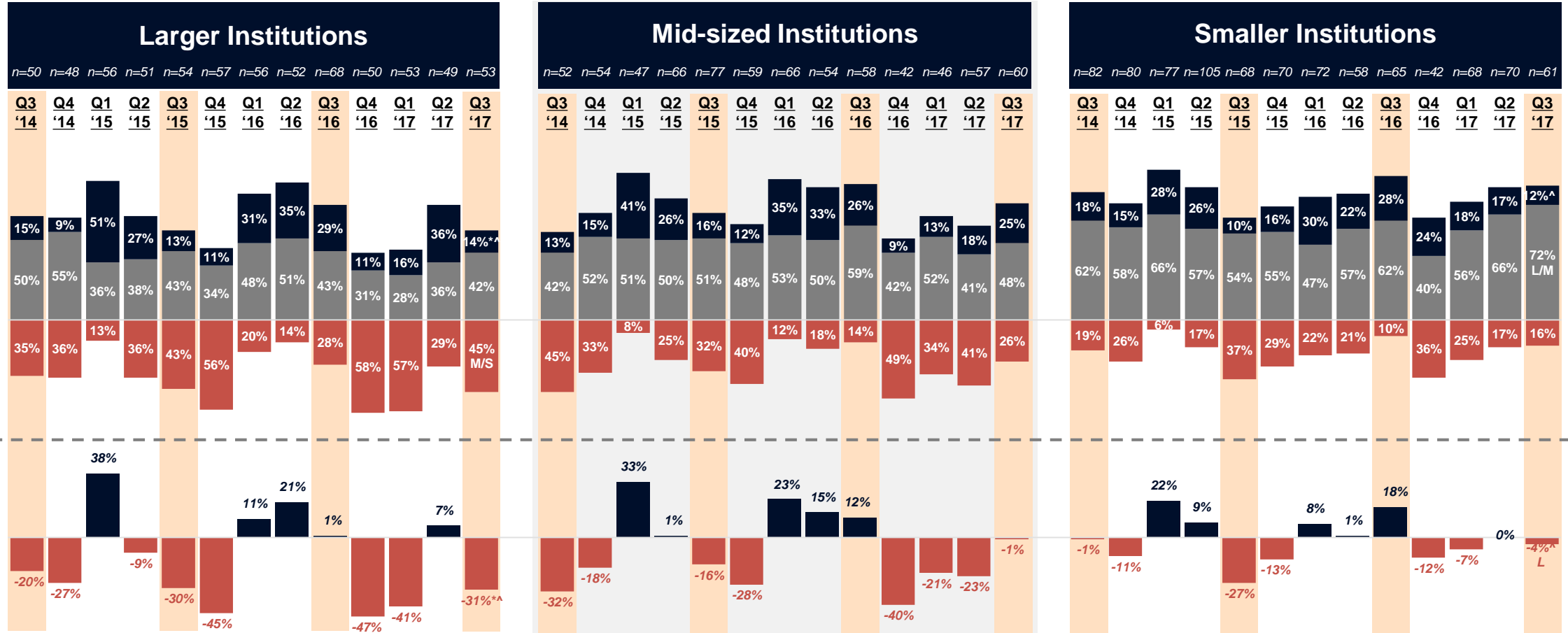


Appendix

Profit Margin Outlook



Profit Margin Outlook – Next 3 Months (by institution size)



Net increase %
(% of lenders saying increase minus % of lenders saying decrease)

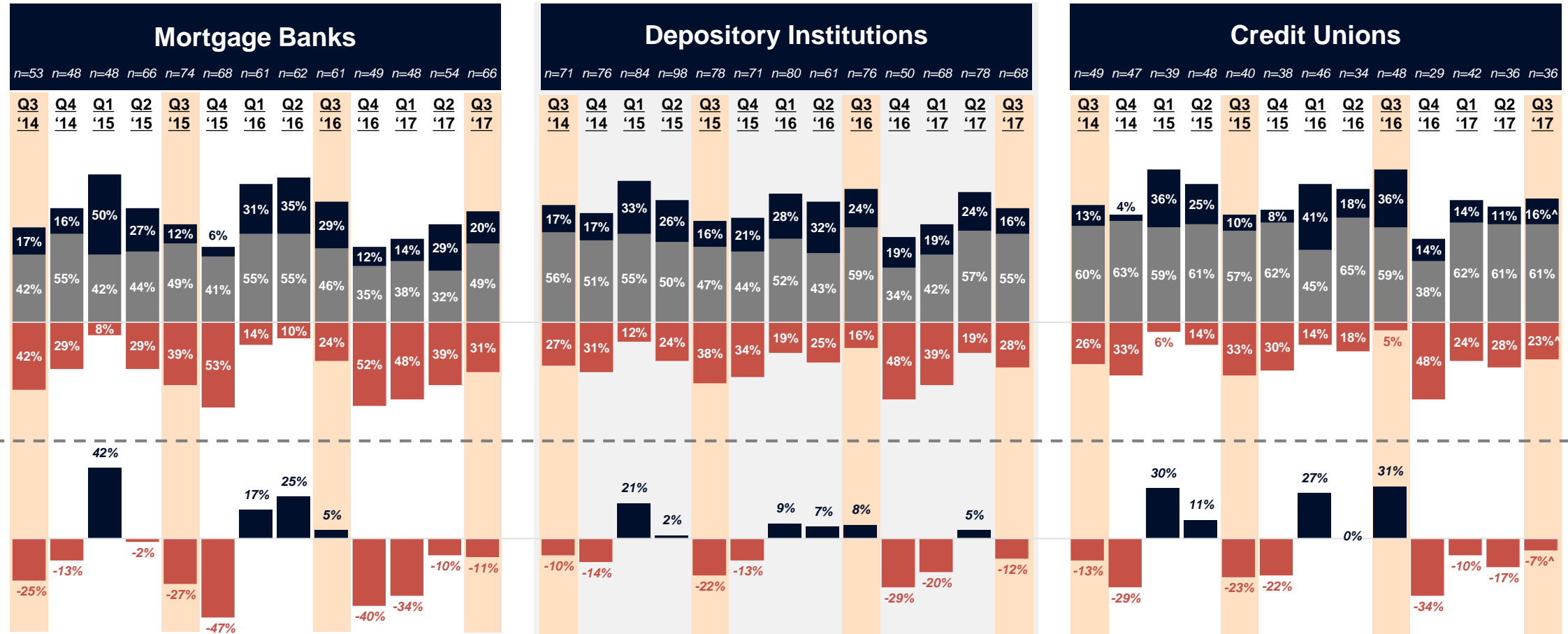
Q: Over the next three months, how much do you expect your firm's profit margin to change for its single-family mortgage production? [Showing: (Substantially Increase (25+ basis points) + Moderately Increase (5 - 25 basis points)), About the same (0 - 5 basis points), (Moderately Decrease (5 - 25 basis points) + Substantially Decrease (25+ basis points))]

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)

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



Profit Margin Outlook – Next 3 Months (by institution size)



Q: Over the next three months, how much do you expect your firm's profit margin to change for its single-family mortgage production? [Showing: (Substantially Increase (25+ basis points) + Moderately Increase (5 - 25 basis points)), About the same (0 - 5 basis points), (Moderately Decrease (5 - 25 basis points) + Substantially Decrease (25+ basis points))]

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)
 ^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)

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



Increased Profit Margin – Drivers

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. (Showing % rank 1 + 2)	Total								
	2015		2016				2017		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	26	24	63	49	54	20	26	40	30
Operational efficiency (i.e., technology)	56%	51%	52%	42%	54%	42%	55%	59%	51%
Consumer demand	58%	26%	52%	69%	49%	18%	44%	40%	42%
Market trend changes (i.e. shift from refinance to purchase)	21%	29%	30%	33%	27%	40%	33%	33%	28%
Staffing (personnel costs) reduction	4%	13%	9%	12%	14%	33%	9%	8%	17%
Non-GSE (other investors) pricing and policies	3%	12%	13%	2%	4%	11%	7%	3%	17%
GSE pricing and policies	28%	16%	17%	10%	17%	20%	19%	13%	11%
Government monetary or fiscal policy	5%	9%	5%	5%	5%	6%	7%	6%	9%
Government regulatory compliance	0%	12%	3%	2%	2%	6%	0%	2%	7%
Less competition from other lenders	15%	20%	7%	11%	10%	11%	9%	10%	6%
Servicing cost reduction	5%	0%	1%	4%	4%	0%	0%	12%	4%
Marketing expense reduction	4%	5%	3%	4%	11%	11%	5%	3%	3%

For detailed data by lender size and lender type, please check out the excel file posted on the [Mortgage Lender Sentiment Survey](#) web page, together with the report.

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)

^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)



Decreased Profit Margin – Drivers

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. (Showing % rank 1 + 2)	Total								
	2015		2016				2017		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	74	76	35	29	33	64	63	49	49
Competition from other lenders	47%	34%	33%	44%	46%	39%	66%	71%	74%^
Consumer demand	20%	27%	25%	6%	21%	26%	10%	18%	35%
Government regulatory compliance	61%	52%	65%	67%	39%	18%	21%	20%	19%^
Staffing (personnel costs)	19%	27%	26%	12%	31%	19%	7%	21%	17%
Market trend changes (i.e. shift from refinance to purchase)	14%	20%	11%	8%	23%	43%	51%	26%	15%
Operational efficiency (i.e. technology)	12%	8%	13%	10%	9%	6%	7%	10%	13%
GSE pricing and policies	11%	11%	13%	22%	6%	20%	13%	9%	7%
Government monetary or fiscal policy	6%	10%	4%	16%	5%	16%	10%	9%	7%
Marketing expenses	2%	0%	2%	3%	6%	0%	4%	4%	4%
Servicing costs	4%	3%	2%	0%	9%	2%	2%	0%	2%
Non-GSE (other investors) pricing and policies	2%	2%	2%	10%	4%	7%	8%	10%	0%

For detailed data by lender size and lender type, please check out the excel file posted on the [Mortgage Lender Sentiment Survey](#) web page, together with the report.

* Denotes a statistically significant change compared with Q2 2017 (previous quarter)

^ Denotes a statistically significant change compared with Q3 2016 (same quarter of last year)



Appendix

Survey Question Text



Question Text

Economic and Housing Sentiment

q1. In general, do you, as a senior mortgage executive, think the U.S. economy overall is on the right track or the wrong track?

q1a. Do you think it is very difficult, somewhat difficult, somewhat easy, or very easy for consumers to get a home mortgage today?

q2. Nationally, during the next 12 months, do you, as a senior mortgage executive, think home prices in general will go up, go down, or stay the same as where they are now?

q4a. By about what percent do you, as a senior mortgage executive, think home prices nationally will go up on average over the next 12 months?

q5a. By about what percent do you, as a senior mortgage executive, think home prices nationally will go down on average over the next 12 months?

Consumer Demand

q6. Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.

q7. What do you think drove the change in your firm's consumer demand for single family purchase mortgages over the past three months? Please be as specific as possible. (Optional)

q14. Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.

q46. 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.

q47. 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.

q49. 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.

q50. 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.

q51. 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.

q52. 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.



Question Text Continued

- q10. Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.
- q18. Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family refinance mortgages to go up, go down, or stay the same? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.
- q20. You indicated that you expect your firm's demand to **go down** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family refinance mortgages to go down over the next three months?
- q21. You said that you expect your firm's demand to **go up** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family refinance mortgages to go up over the next three months?

Profit Margin Outlook

- q22. Over the next three months, how much do you expect your firm's profit margin to change for its single-family mortgage production?
- q23. What primary strategies, if any, is your firm planning to use to address your decreased profit margin? Please select the two most important strategies and rank them in order of importance.
- q24. What do you think will drive the decrease in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance.
- q25. What primary strategies, if any, is your firm planning to use to achieve your increased profit margin? Please select the two most important strategies and rank them in order of importance.
- q26. What do you think will drive the increase in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance.

Credit Standards

- q27. Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.
- q28. What do you think drove the change in your firm's credit standards for approving consumer applications for purchase and refinance mortgage loans over the last three months? Please be as specific as possible. (Optional)
- q31. 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)? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and government mortgages.
- q32. What do you think will drive the change in your firm's credit standards for approving consumer applications for purchase and refinance mortgage loans over the next three months? Please be as specific as possible. (Optional)



Question Text Continued

Mortgage Execution Share

- q35. 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%.
- q44. Looking forward, what percent of your firm's total mortgage originations over the next 12 months 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%.

Mortgage Servicing Rights Execution Share

- q38. 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%.
- q45. Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next 12 months 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%.
- q45d. What do you think will drive the change in your firm's percentage of MSR sold over the next 12 months? Please be as specific as possible. (Optional)