

Mortgage Lender Sentiment Survey™

Providing Insights Into Current Lending Activities
and Market Expectations

Q2 2015

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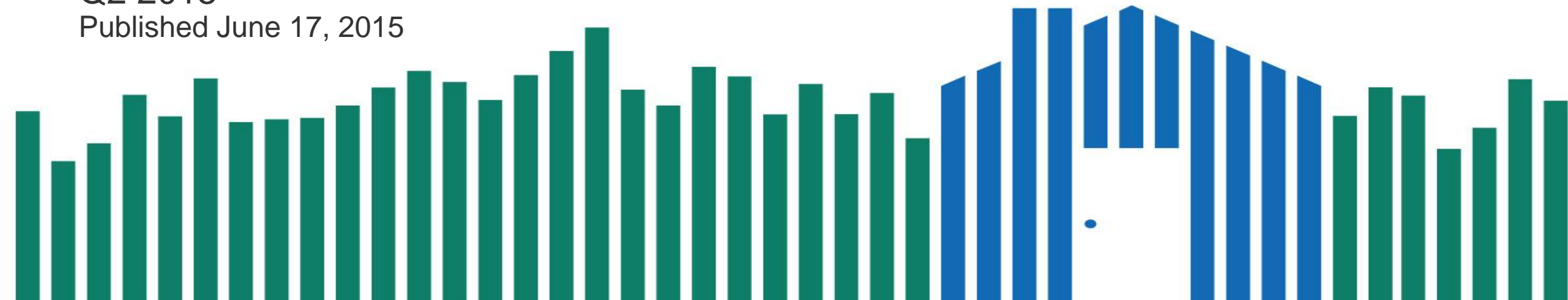


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Summary of Key Findings: A Positive Demand Outlook

Housing Sentiment

Senior mortgage executives are increasingly optimistic, and significantly more optimistic than the general population of consumers about future home prices. This quarter, the share of lenders expecting home prices to go up over the next 12 months reached a survey high of 70%.

Consumer Demand

The share of lenders reporting increased mortgage purchase demand over the prior three months climbed again this quarter, reaching a survey high for GSE-eligible and government loans (77% and 65%, respectively). For the next three months, the share of lenders reporting increased demand expectations fell this quarter from last quarter, but remains at a high level, above the 2014 readings, and may reflect some seasonality influences.

Credit Standards

Credit tightening observed last year has continued to gradually trend down. The positive gap grows between lenders reporting loosening or maintaining existing credit standards, relative to those reporting tightening.

Mortgage Execution

Most institutions reported that they expect to maintain their strategy in relation to secondary market outlets over the next 12 months. More lenders expect to increase rather than to decrease the shares of loans originated and then sold to GSEs.

Mortgage Servicing Rights (MSR)

The majority of institutions expect their current mortgage servicing rights (MSR) execution strategies to stay about the same over the next 12 months.

Profit Margin Outlook

Although lenders' profit margin outlook across institution sizes fell slightly this quarter from last quarter (Q1) with more lenders reporting decreased profit margin expectations over the next three months, it remains similar to the 2014 readings.

Research Objectives

- Previously, there was no broad-based industry survey to track lenders' expectations for the mortgage industry.
- The *Mortgage Lender Sentiment Survey*™, which debuted in March 2014, is a quarterly online survey among senior executives in the mortgage industry, designed to:

Track insights and provide benchmarks into current and future mortgage lending activities and practices.

Quarterly Regular Questions

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

Featured Specific-Topic Questions

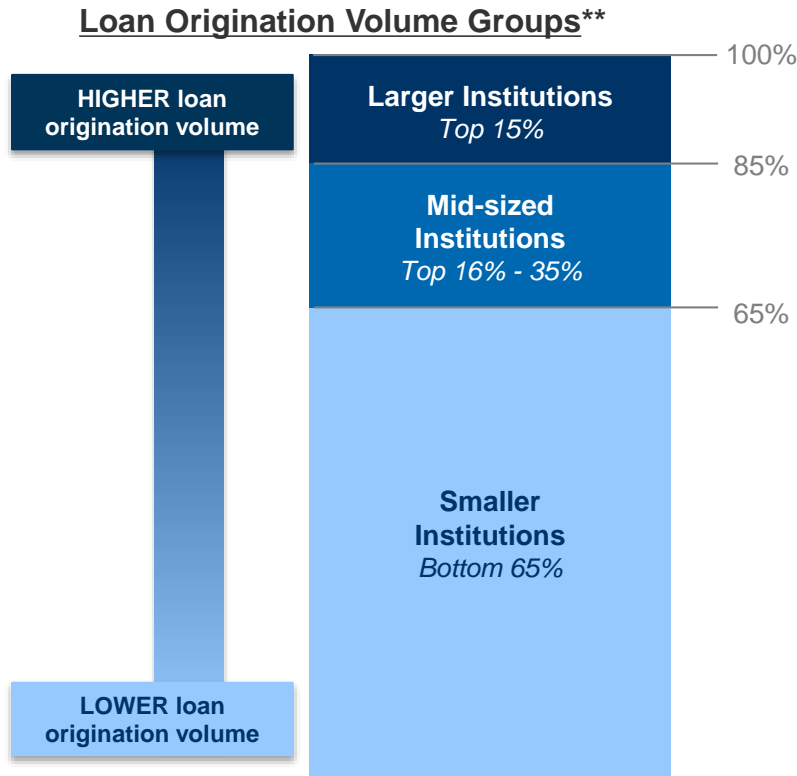
- Impact of Regulatory Compliance
- GSEs' 97% LTV products and the FHA's Mortgage Insurance Premium Reduction
- Credit Overlays (expected release in July 2015)

Methodology

- 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.

Q2 2015 Respondent Sample and Groups

For Q2 2015, a total of 258 senior executives completed the survey from May 7 -17, representing 238 lending institutions.*



| Sample Q2-2015 | | Sample Size |
|---|---|-------------|
| Total Lending Institutions The "Total" data throughout this report is an average of the means of the three loan origination volume groups listed below. | | 238 |
| Loan Origination Volume Groups | Larger Institutions Fannie Mae's customers whose 2013 total industry loan origination volume was in the top 15% (above \$965 million) | 55 |
| | Mid-sized Institutions Fannie Mae's customers whose 2013 total industry loan origination volume was in the next 20% (16%- 35%) (between \$269 million to \$965 million) | 68 |
| | Smaller Institutions Fannie Mae's customers whose 2013 total industry loan origination volume was in the bottom 65% (less than \$269 million) | 115 |
| Institution Type*** | Mortgage Banks (non-depository) | 71 |
| | Depository Institutions | 105 |
| | Credit Unions | 52 |

* 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 2013 total loan volume per lender used here includes the best available annual origination information from sources such as Home Mortgage Disclosure Act (HMDA), Fannie Mae, Freddie Mac, and Marketrac. The most recent loan volume data available when the survey was conducted was 2013.

*** 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 include other programs such as Rural Housing Guaranteed and Direct loans. |

ECONOMIC AND HOUSING SENTIMENT

- Compared with the general population of consumers, senior mortgage executives continue to be more optimistic about the economy and more pessimistic about consumers' ability to get a mortgage today.
- Across all lender sizes, the share of lenders expecting home prices to go up over the next 12 months reached a survey high of 70%.

U.S. Economy Overall

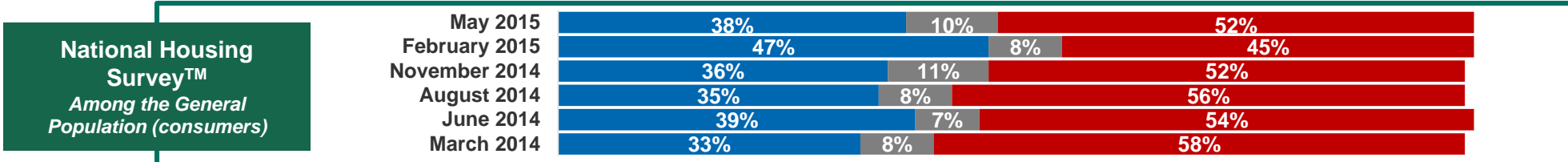
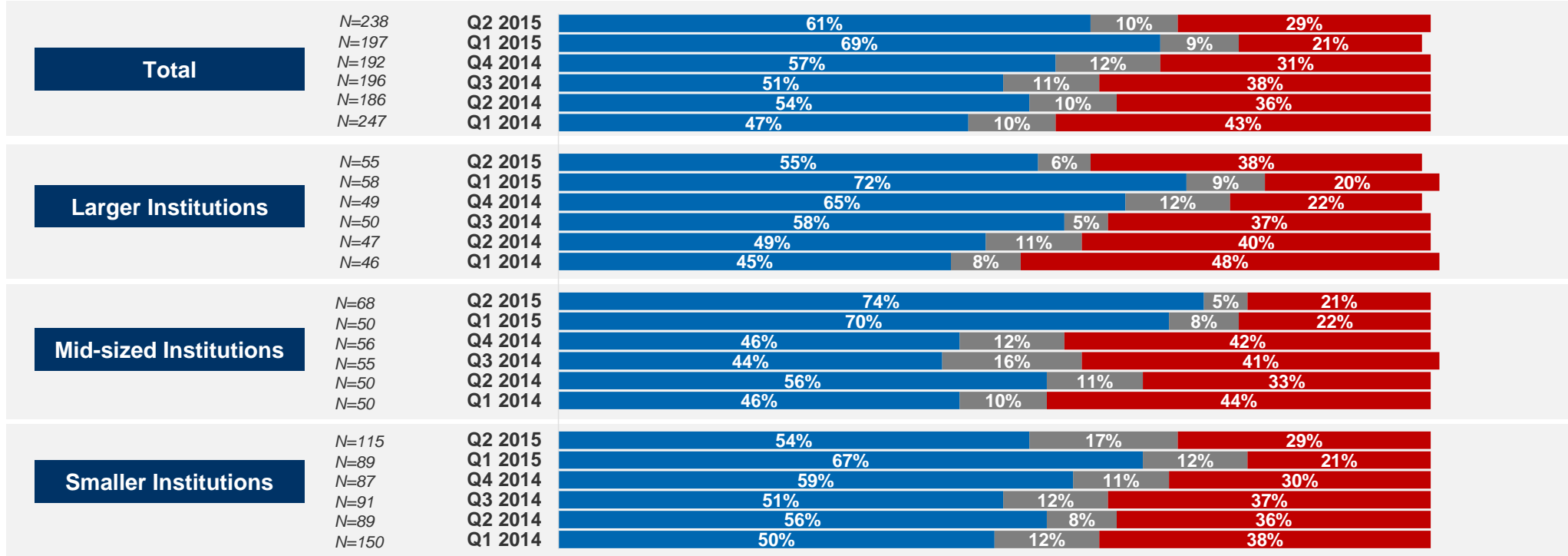
Senior mortgage executives at institutions of all sizes continue to be more optimistic than the general population of consumers about the economy.

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 since Q1 2015; Rows may not sum up to 100% because of rounding and "don't know" responses.

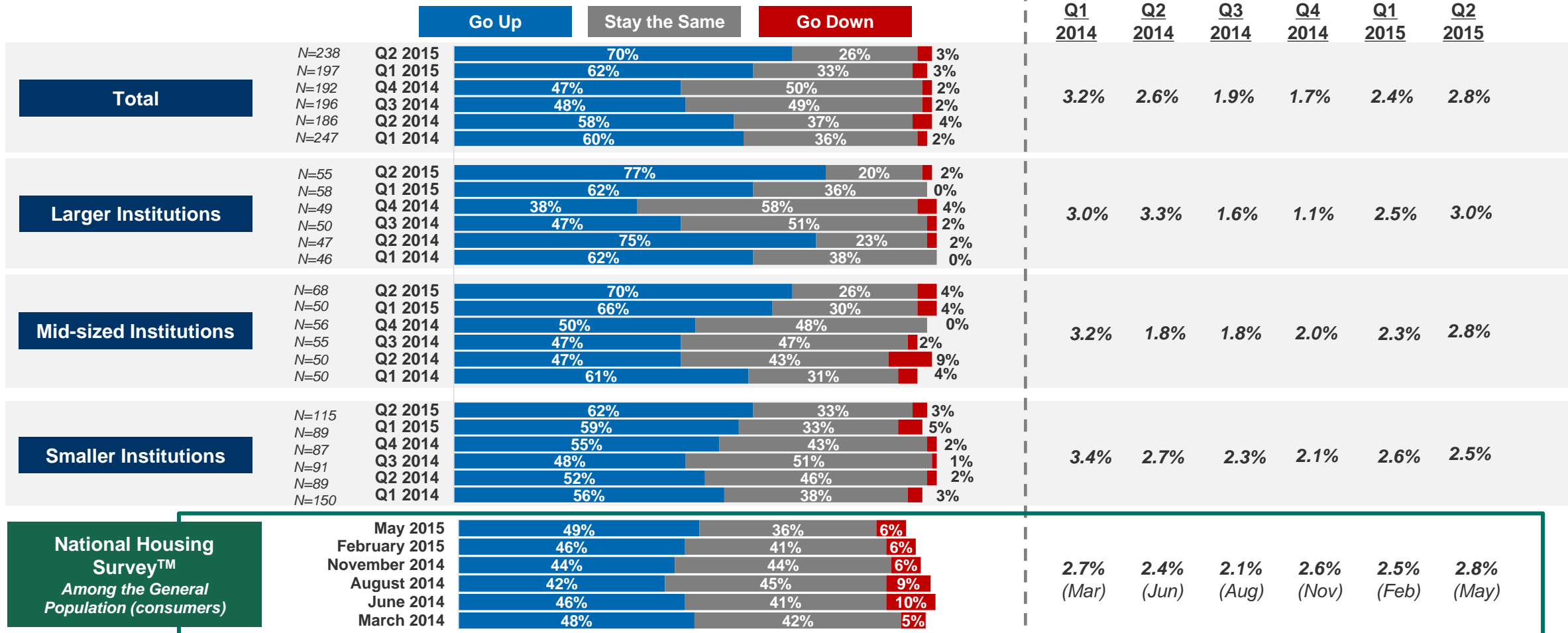
National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

Home Prices – Next 12 Months

Senior mortgage executives are increasingly optimistic, and significantly more optimistic than the general population of consumers, about future home prices. Across all lender sizes, the share of lenders expecting home prices to go up over the next 12 months reached a survey high of 70%.

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?

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?



Rows may not sum up to 100% because of rounding and "don't know" responses.

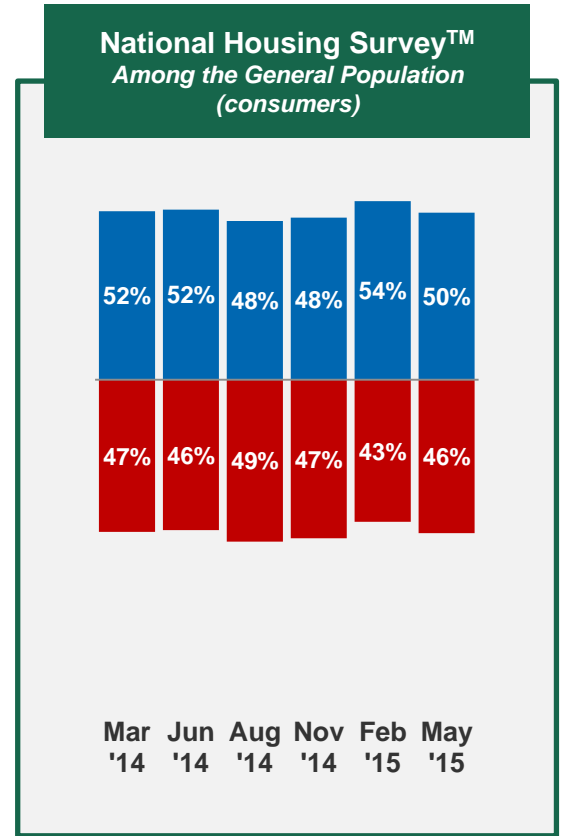
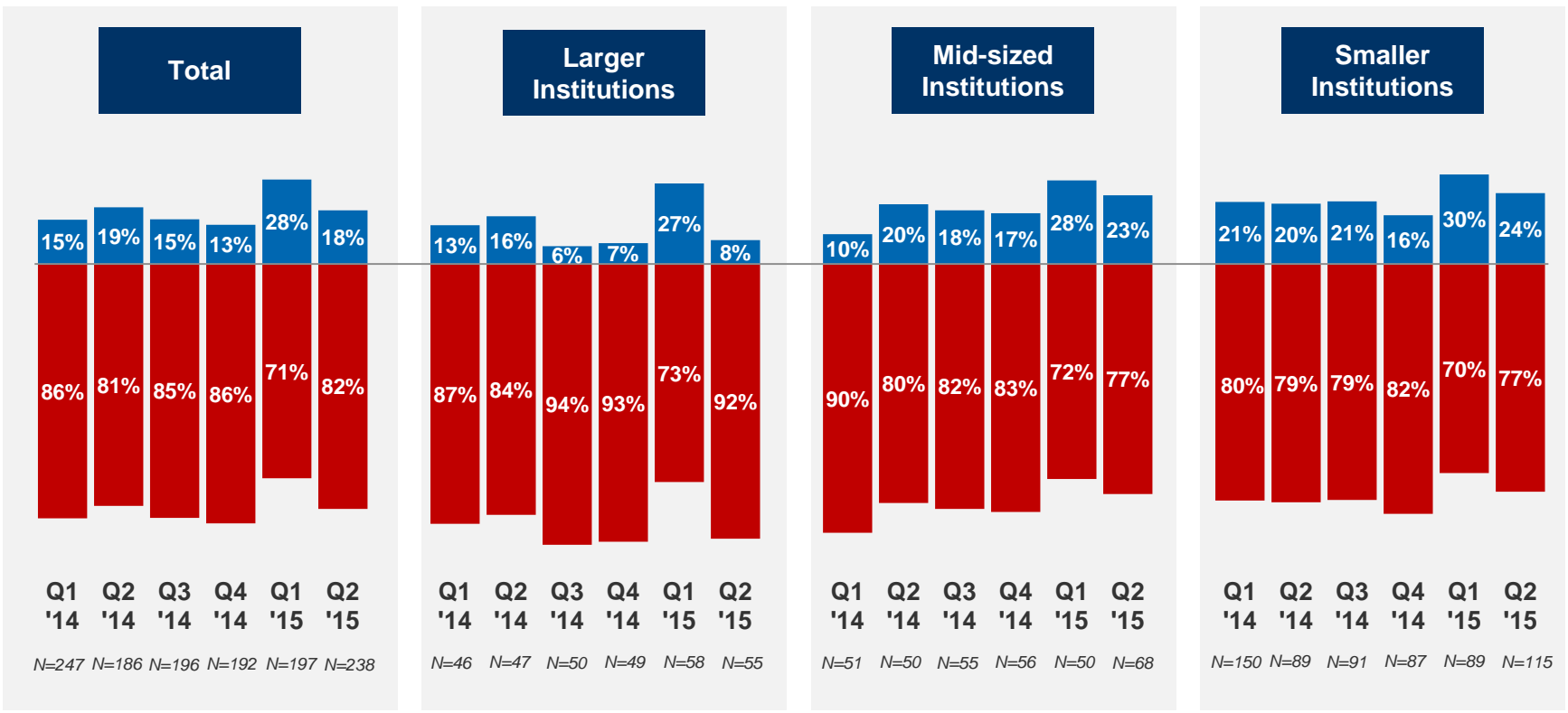
National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

Difficulty of Getting a Mortgage

Senior mortgage executives continue to believe it would be more difficult for consumers to get a mortgage than the general population of consumers, in particular among larger institutions.

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

Easy **Difficult**



* Denotes a statistically significant change since Q1 2015
 Rows may not sum up to 100% because of rounding and "don't know" responses that are not included in the chart.
 "Easy" = Very easy + Somewhat easy; "Difficult" = Very difficult + Somewhat difficult
 National Housing Survey: <http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html>

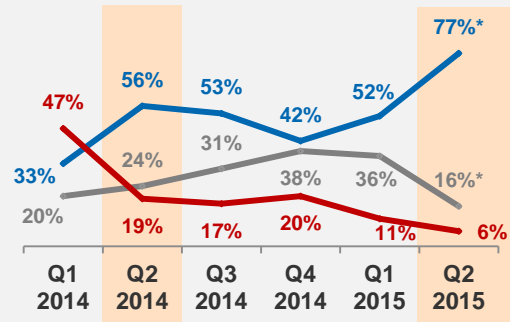
CONSUMER DEMAND (PURCHASE MORTGAGES)

- The share of lenders reporting increased purchase mortgage demand over the prior three months climbed again this quarter, across all loan types.
- In particular, the share of lenders reporting increased demand over the prior three months for GSE eligible and government loans reached a survey high this quarter (77% and 65%, respectively).
- The share of lenders reporting increased demand for government loans over the prior three months has reached a survey high this quarter among mortgage banks and depository institutions (80% and 50%, respectively).
- For the mortgage demand outlook over the next three months, the share of lenders reporting increased demand expectations fell this quarter from last quarter (Q1), but remains at a high level, above the 2014 readings, and may reflect some seasonality influences.

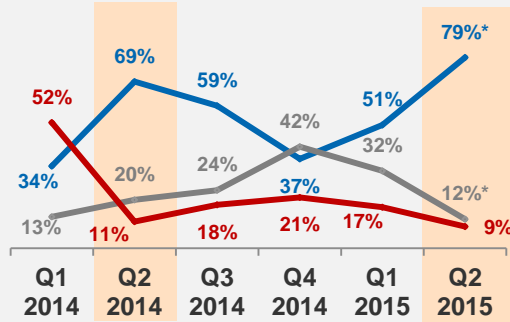
Purchase Mortgage Demand: GSE Eligible

The share of lenders reporting increased demand for GSE eligible loans over the prior three months has been in a steady climb since Q4 2014, reaching a survey high of 77%. Lenders' upward demand expectations for the next three months fell from last quarter, but remain at a high level, above the 2014 readings.

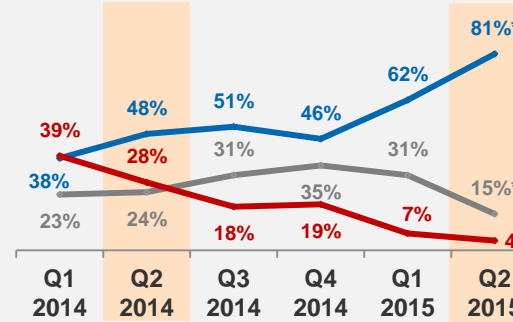
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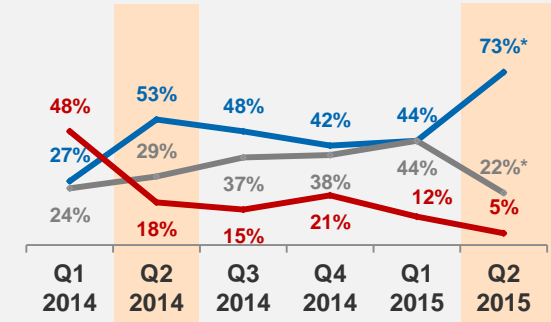
Larger Institutions



Mid-sized Institutions

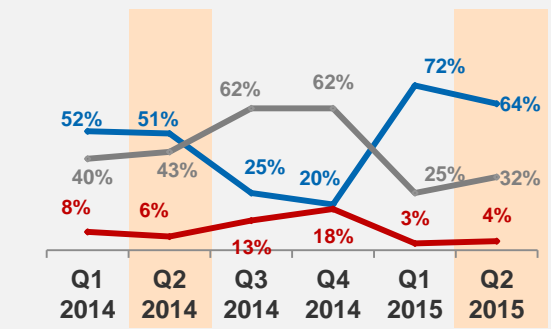
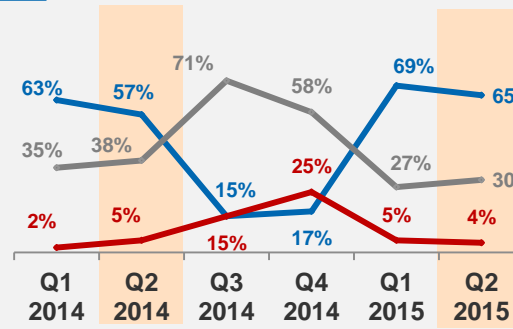
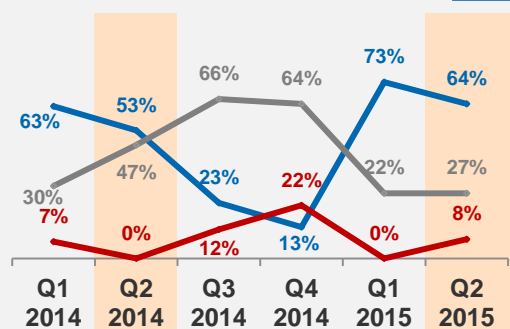
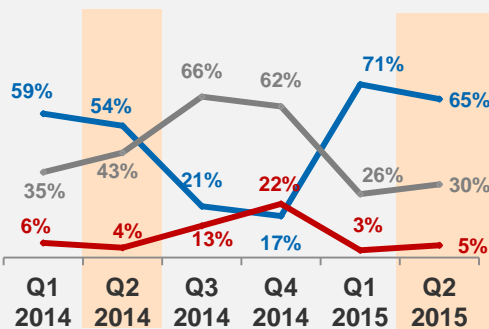


Smaller Institutions



Past 3 Months

Next 3 Months



— Up
— The same
— Down

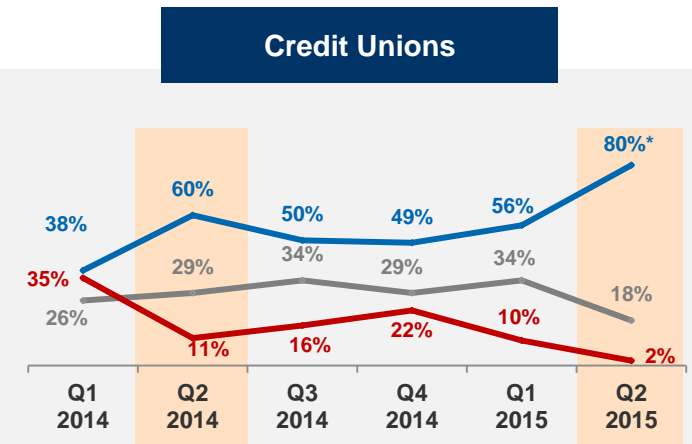
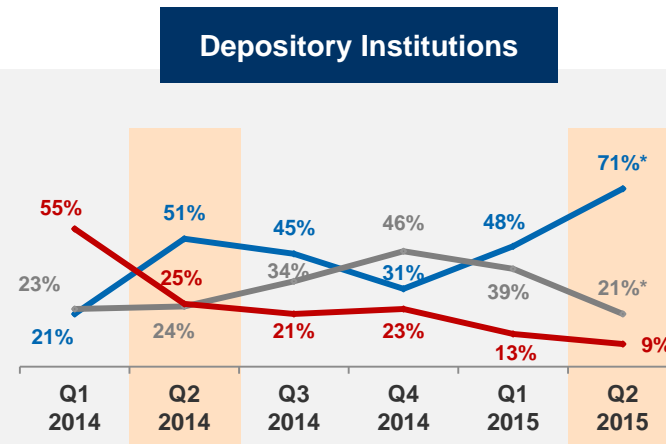
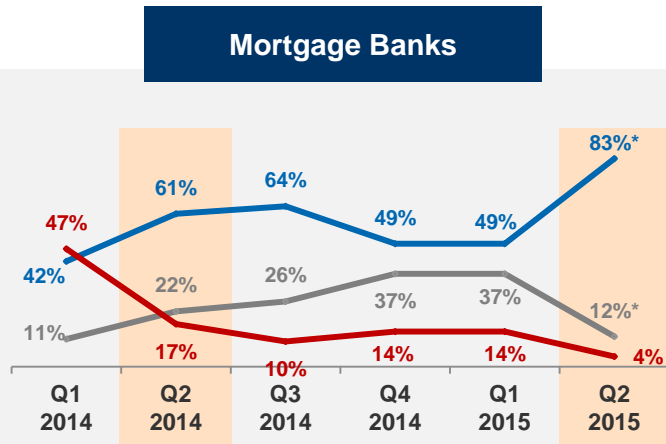
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, 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 since Q1 2015

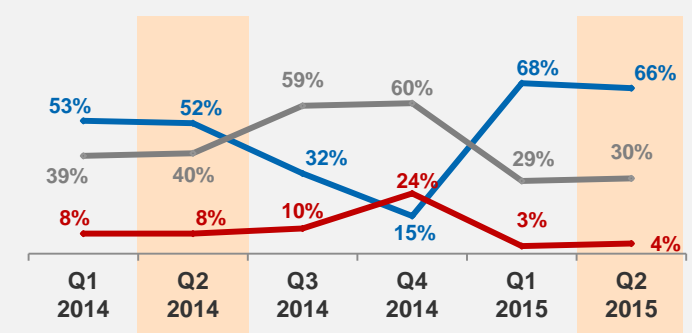
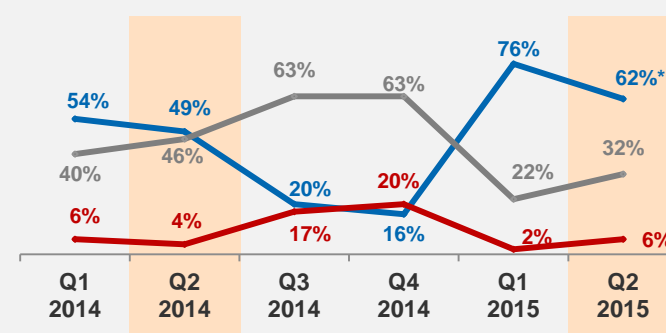
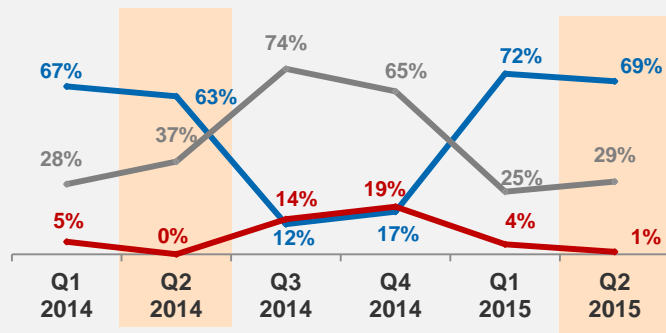
Purchase Mortgage Demand: GSE Eligible (by institution type)

The share of lenders reporting increased demand for GSE eligible loans over the prior three months has reached a survey high this quarter across all lender types. Lenders' upward demand expectations for the next three months fell from last quarter, but remain higher than the records seen in 2014.

Past
3 Months



Next
3 Months



- Up
- The same
- Down

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 since Q1 2015

Purchase Mortgage Demand: Non-GSE Eligible

The share of lenders reporting increased demand for non-GSE eligible loans over the prior three months has been in a steady climb since Q4 2014. Lenders' upward demand expectations for the next three months experienced a small drop from last quarter, in particular among larger lenders, but remain at levels similar to 2014 highs.

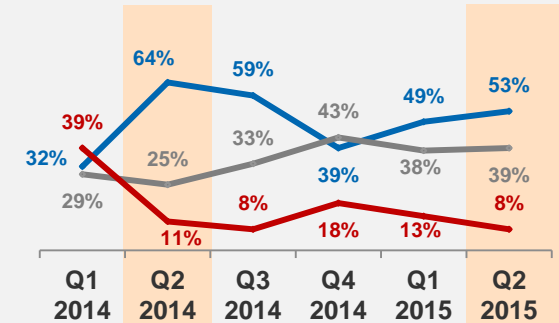
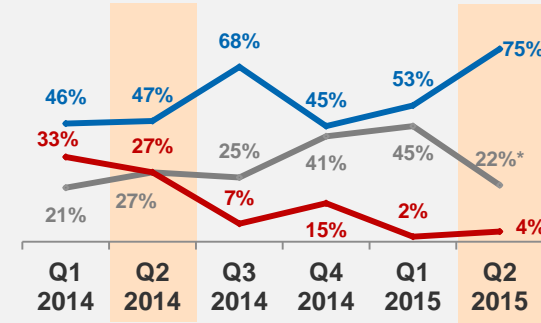
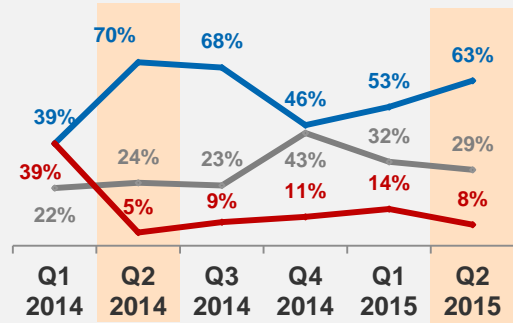
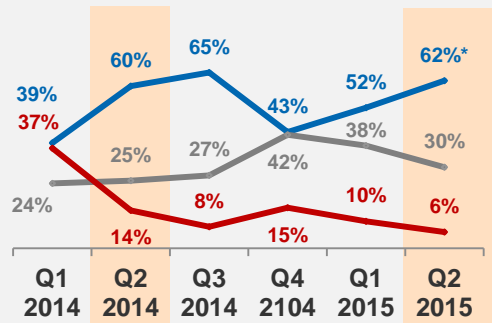
Total

Larger Institutions

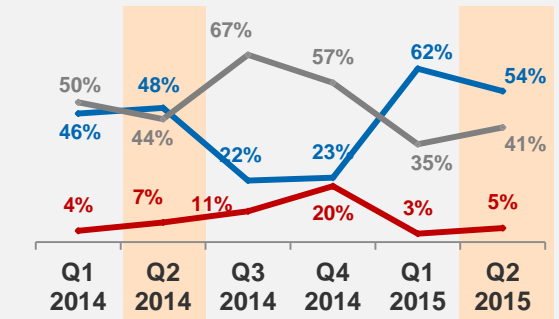
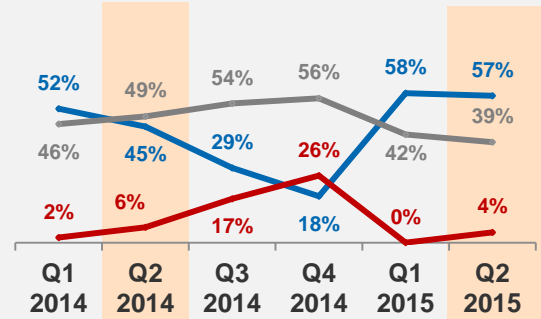
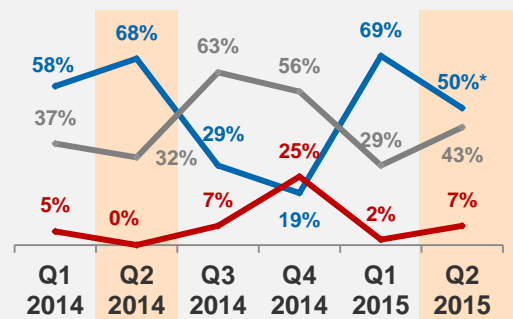
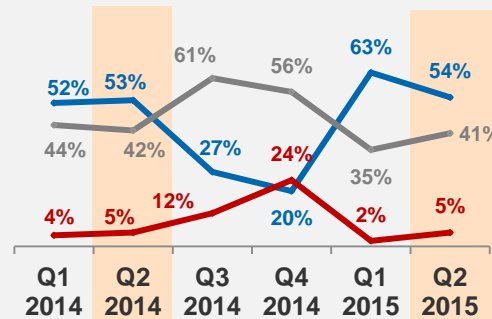
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



- Up
- The same
- Down

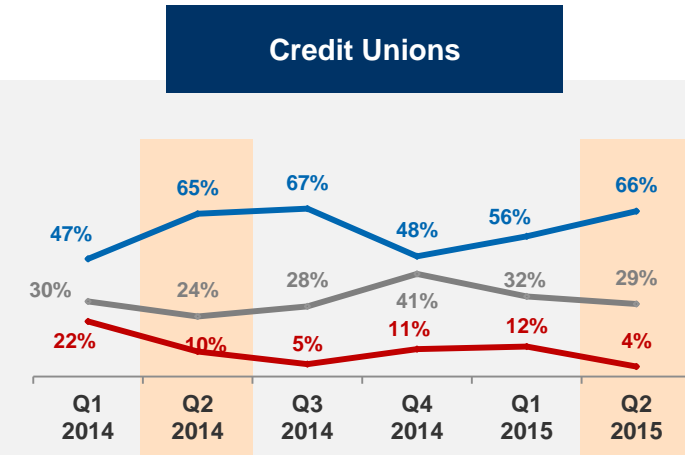
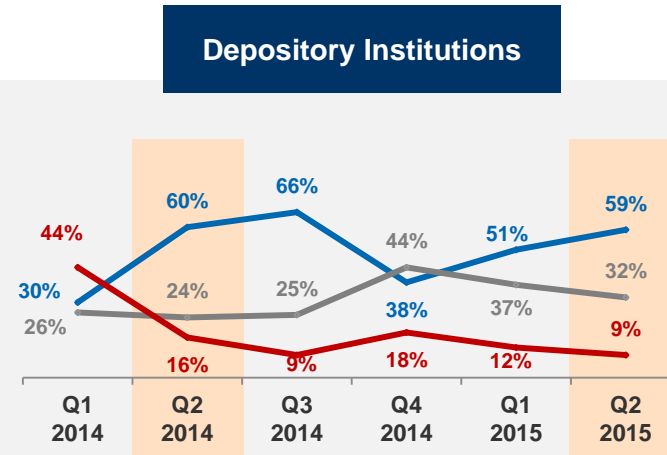
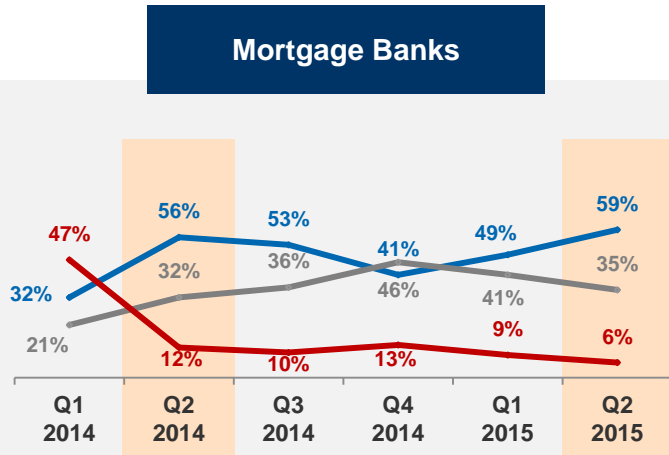
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat
 Q: Over the next three months, 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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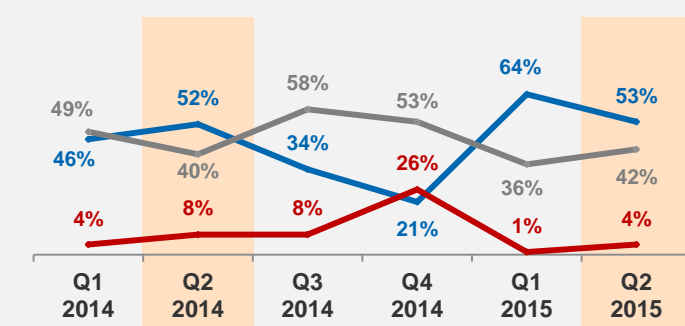
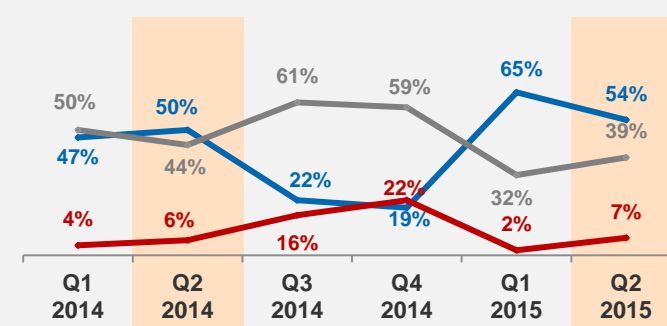
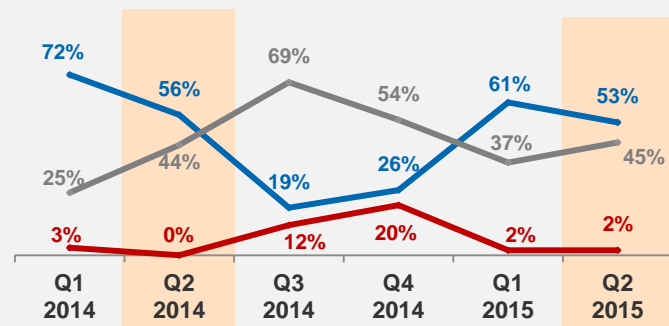
Purchase Mortgage Demand: Non-GSE Eligible (by institution type)

The share of lenders reporting increased demand for non-GSE eligible loans over the prior three months has been in a steady climb since Q4, with mortgage banks reaching a survey high.

Past
3 Months



Next
3 Months



- Up
- The same
- Down

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

Purchase Mortgage Demand: Government

The share of lenders reporting increased demand for government loans over the prior three months has been in a steady climb since Q4 last year, reaching a survey high this quarter. Lenders' upward demand expectations experienced a small drop from last quarter, but remain at a high level and generally above the 2014 readings.

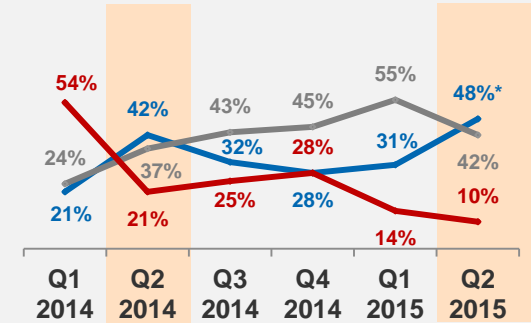
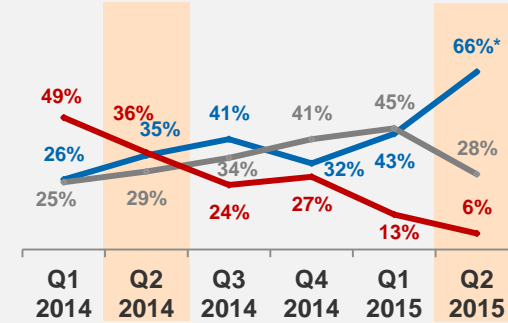
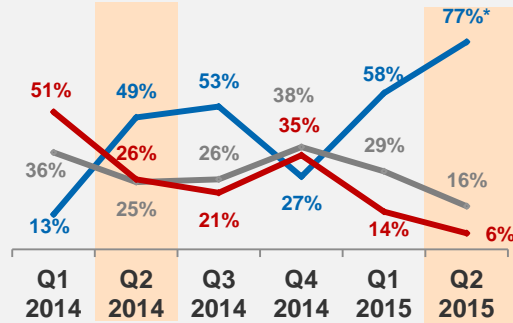
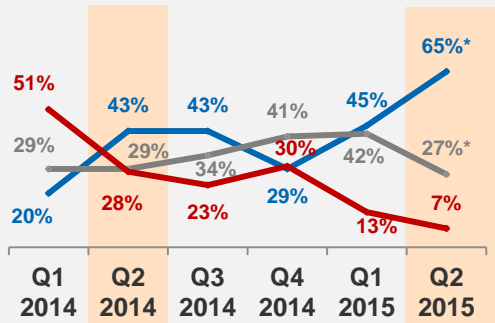
Total

Larger Institutions

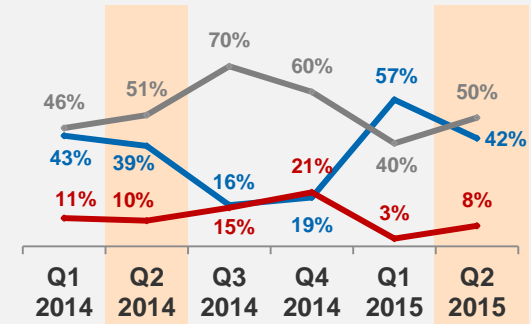
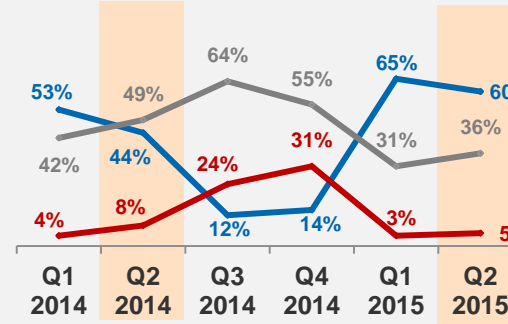
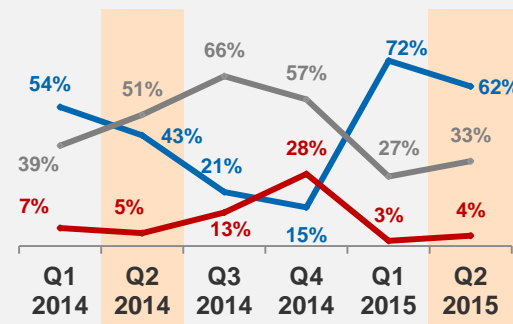
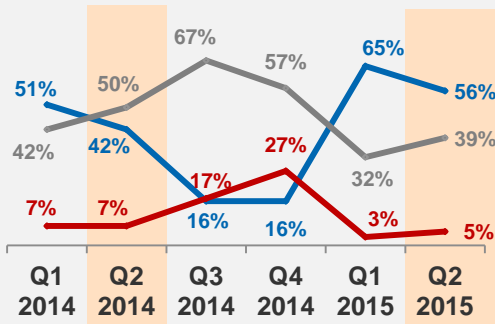
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



- Up
- The same
- Down

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

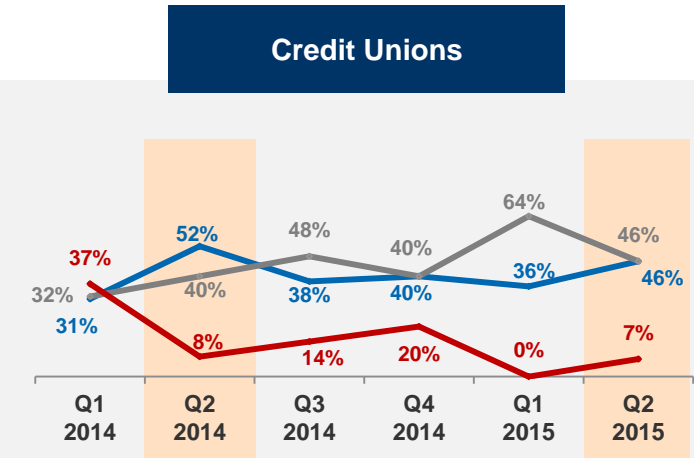
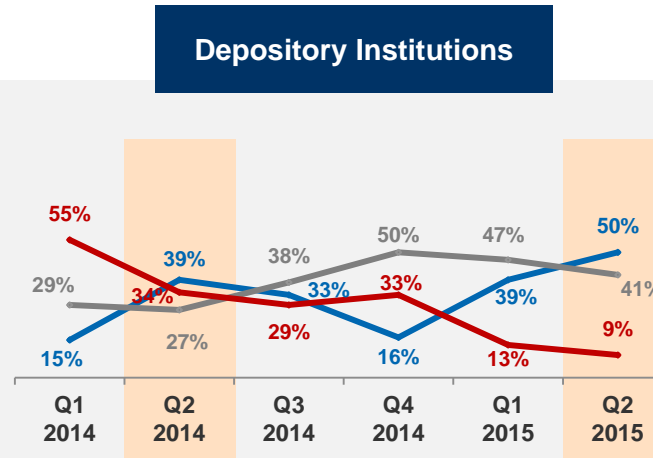
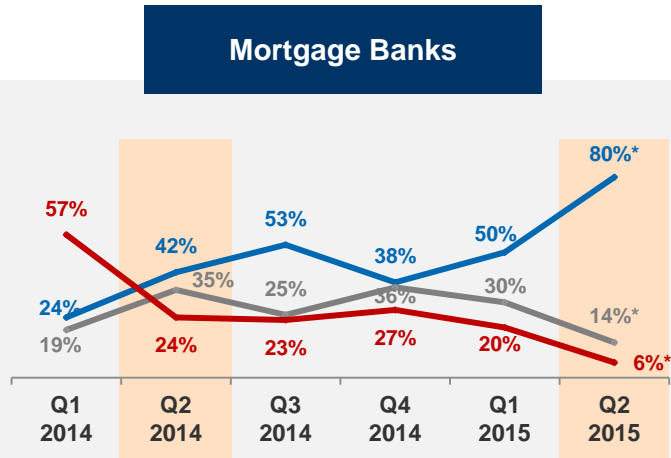
Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat

* Denotes a statistically significant change since Q1 2015

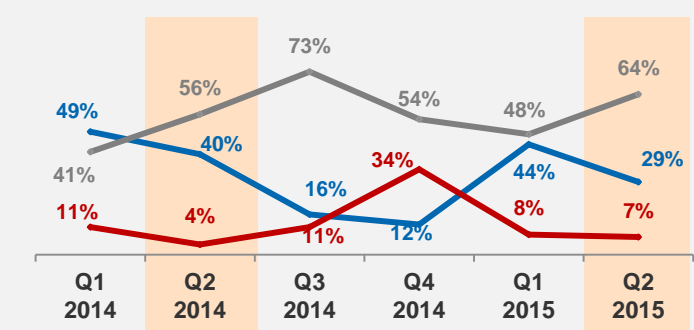
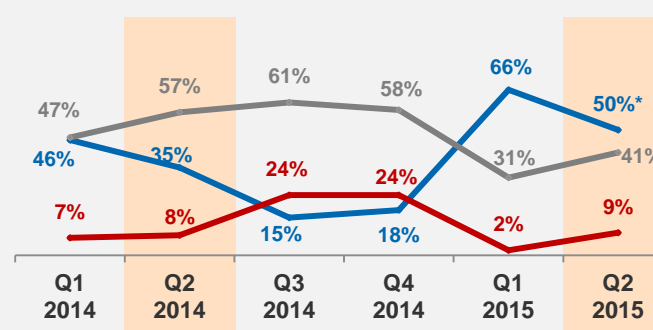
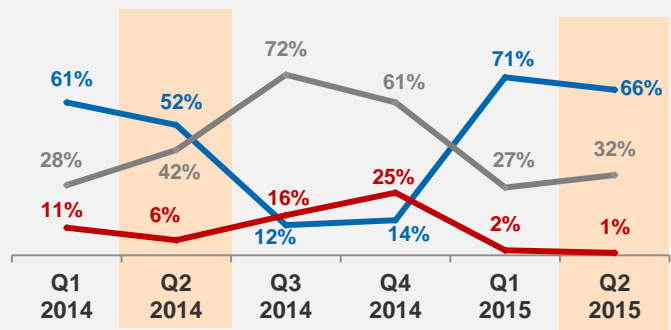
Purchase Mortgage Demand: Government (by institution type)

The share of lenders reporting increased demand for government loans over the prior three months has reached a survey high this quarter among mortgage banks and depository institutions (80% and 50%, respectively).

Past
3 Months



Next
3 Months



- Up
- The same
- Down

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 since Q1 2015

CREDIT STANDARDS

- Credit tightening observed last year has continued to gradually trend down. The positive gap grows between lenders reporting loosening or maintaining existing credit standards, relative to those reporting tightening.
- The share of lenders reporting credit standards to remain unchanged for the prior three months has been in a steady climb for the 6th straight quarter since Q1 2014.
- Mortgage banks continue to be more likely than depository institutions to report credit easing across all loan types.
- Smaller institutions are more likely than larger and mid-sized institutions to report easing for GSE and non-GSE eligible loans.

Credit Standards: GSE Eligible

Credit tightening reported for GSE eligible loans over the prior three months has continued its gradual trend down across all lender sizes. At the same time, the share of lenders reporting credit standards to remain unchanged for the prior three months has been in a steady climb since Q1 2014.

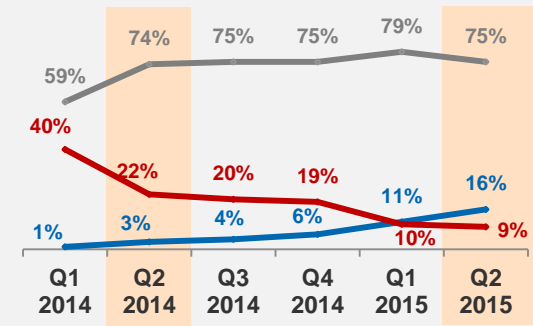
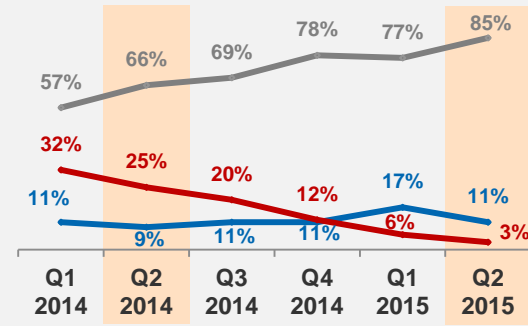
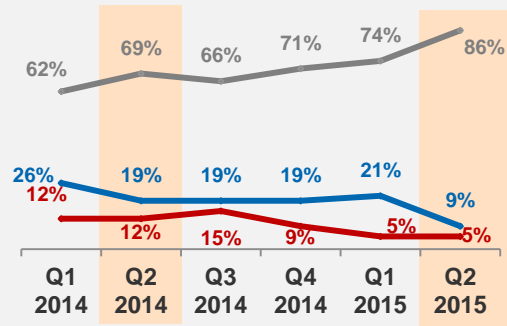
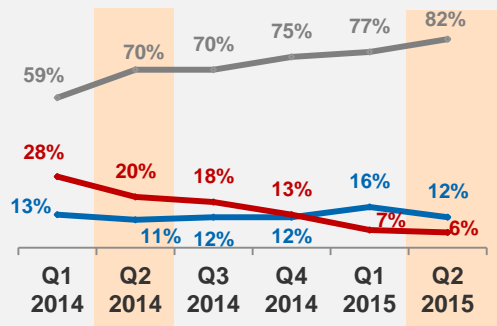
Total

Larger Institutions

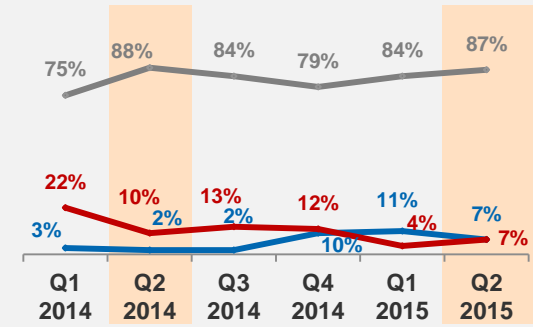
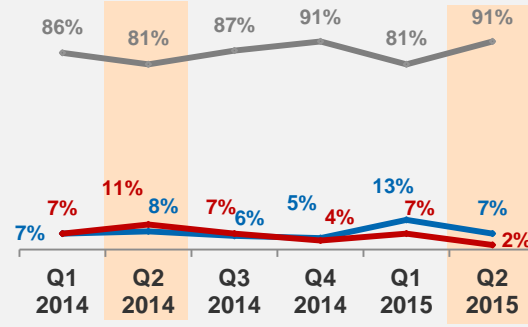
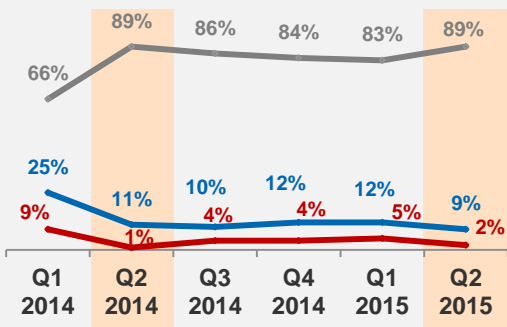
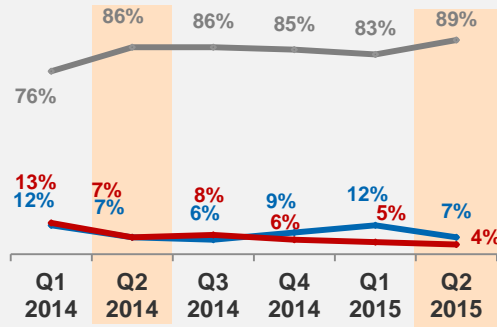
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



- Ease
- Remain Unchanged
- Tighten

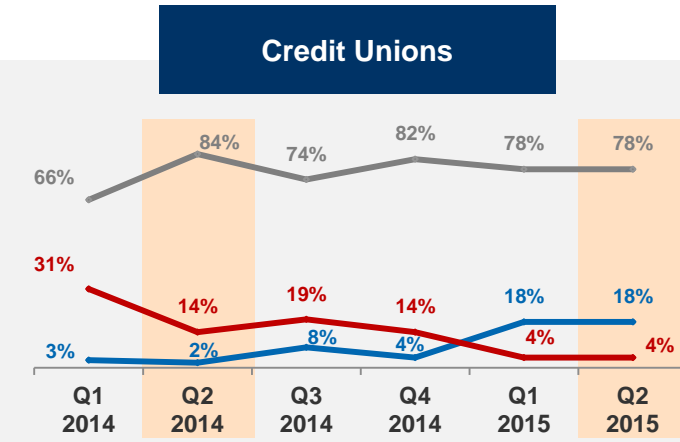
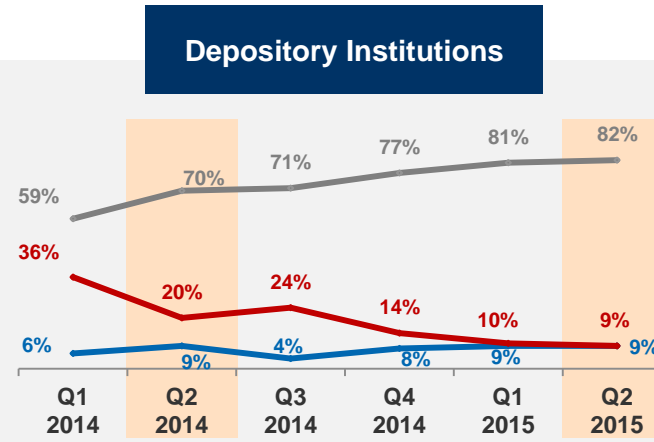
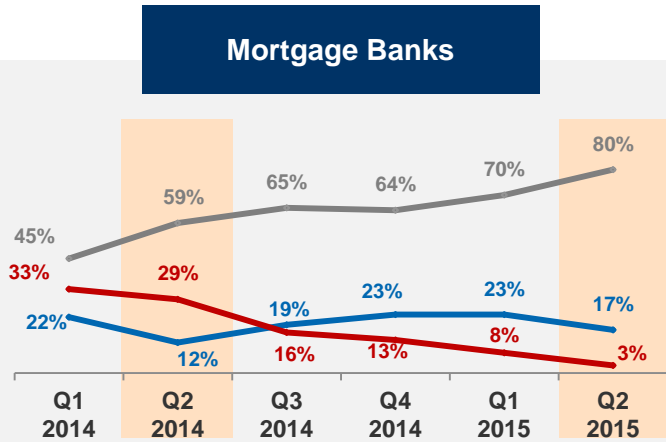
Q: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? "Ease" = Eased considerably + Eased somewhat, "Tighten" = Tightened somewhat + Tightened considerably

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

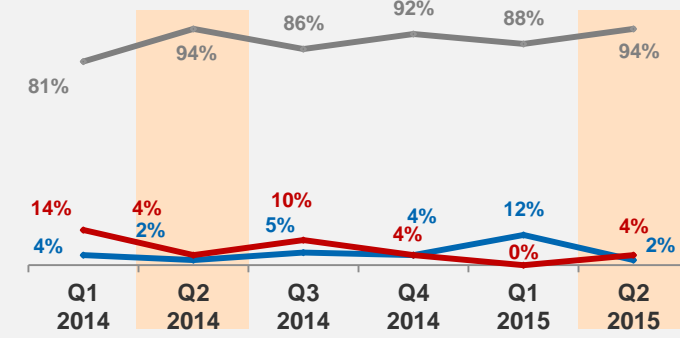
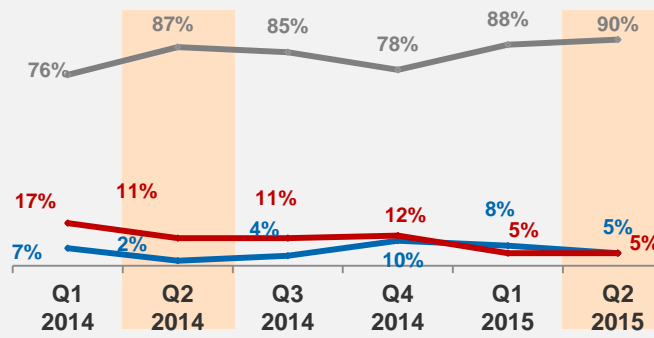
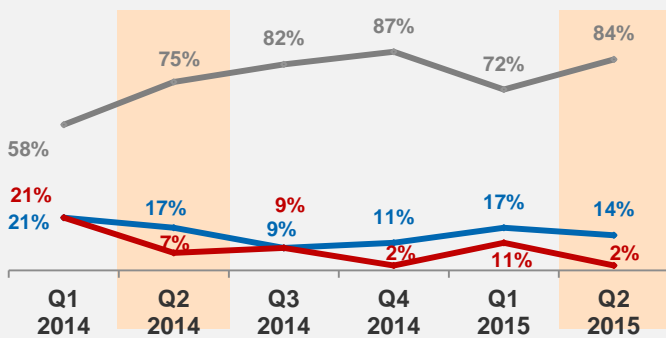
Credit Standards: GSE Eligible (by institution type)

Credit tightening reported for GSE eligible loans over the prior three months has gradually trended down. Mortgage banks and credit unions continue to be more likely than depository institutions to report credit easing.

Past 3 Months



Next 3 Months



- Ease
- Remain Unchanged
- Tighten

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

Credit Standards: Non-GSE Eligible

Reported credit tightening for non-GSE eligible loans over the prior three months has gradually trended down while increasingly more lenders say credit standards have remained unchanged.

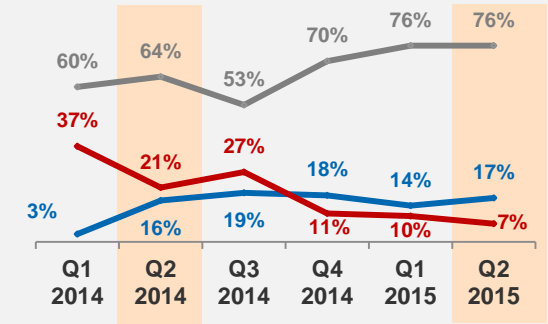
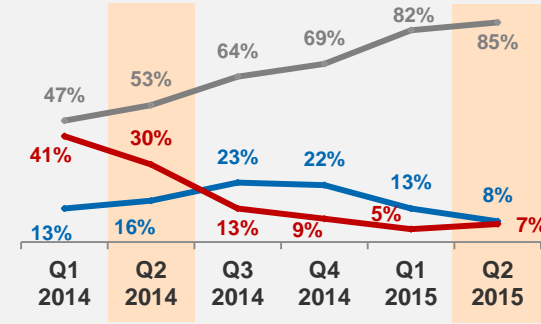
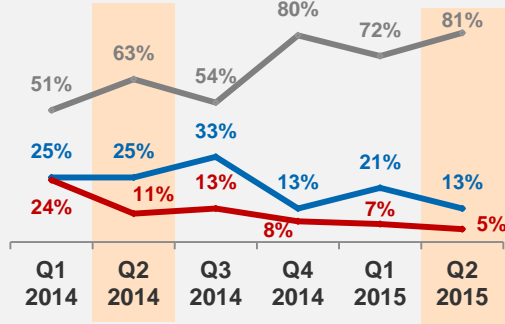
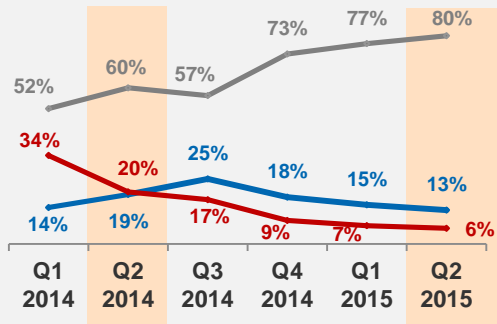
Total

Larger Institutions

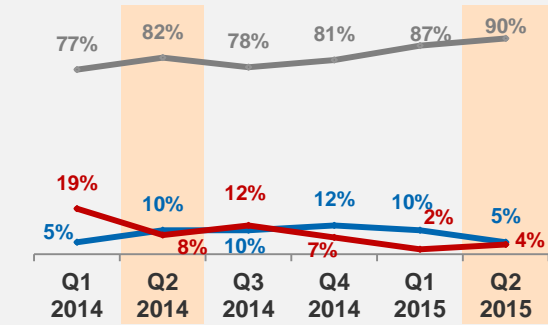
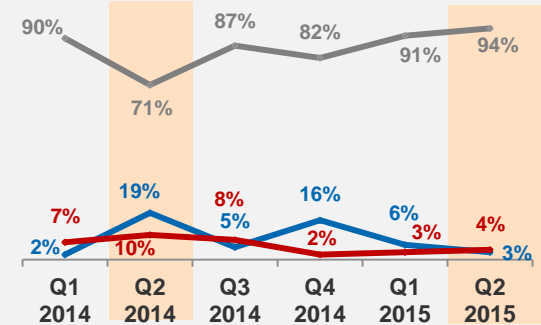
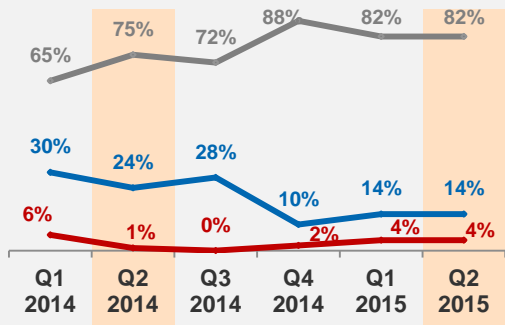
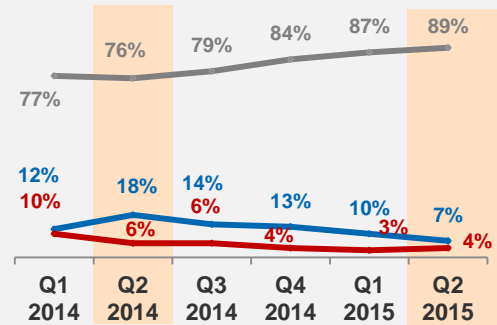
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



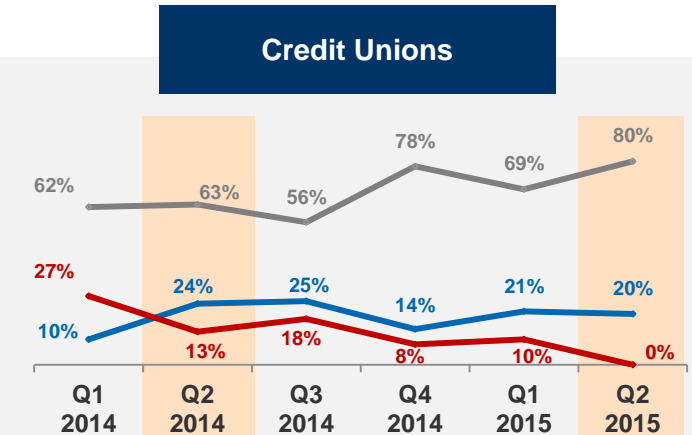
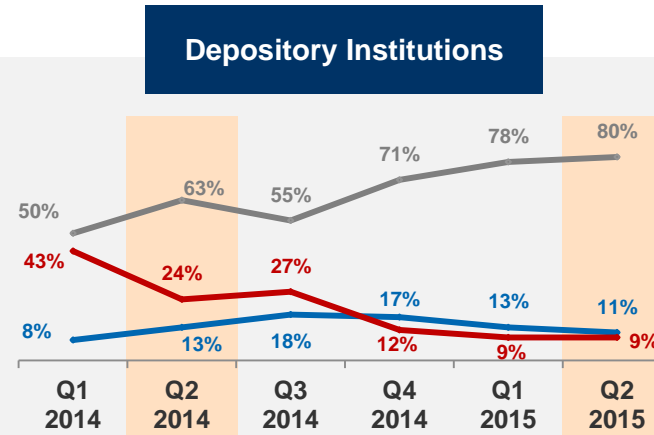
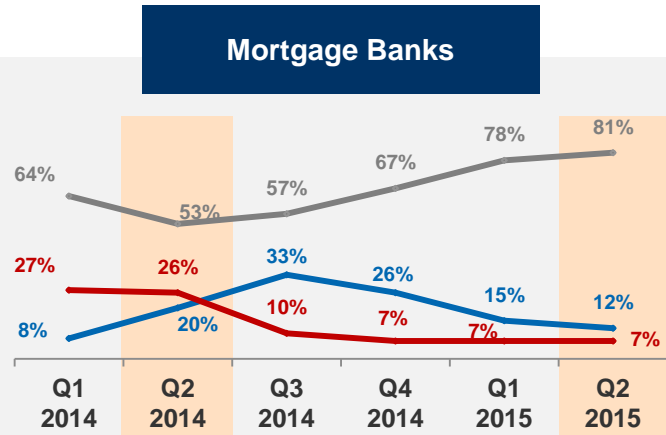
— Ease
— Remain Unchanged
— Tighten

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

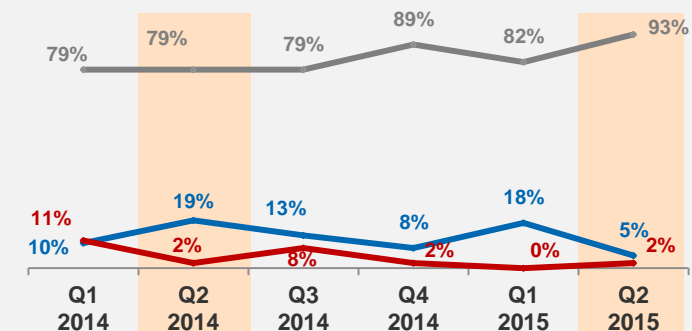
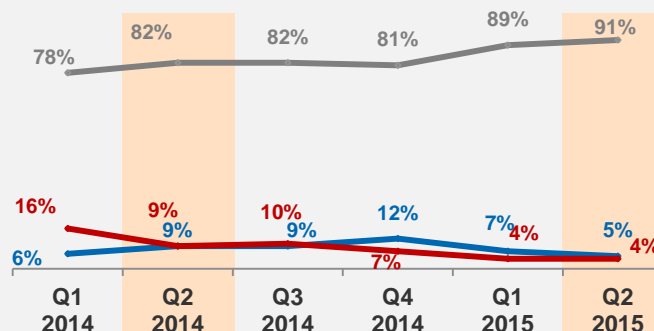
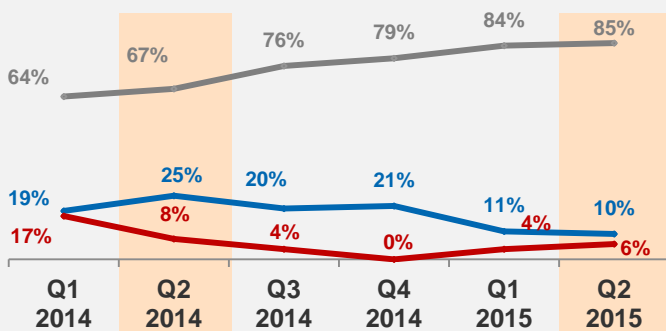
Credit Standards: Non-GSE Eligible (by institution type)

Reported credit tightening for non-GSE eligible loans over the prior three months has gradually trended down while increasingly more lenders say their credit standards have remained unchanged. Credit unions are more likely than depository institutions and mortgage banks to report credit easing.

Past 3 Months



Next 3 Months



- Ease
- Remain Unchanged
- Tighten

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

Credit Standards: Government

Reported credit tightening for government loans over the prior three months has gradually trended down while increasingly more lenders say their credit standards have remained unchanged. Among larger and mid-sized institutions, more lenders continue to report credit easing than tightening.

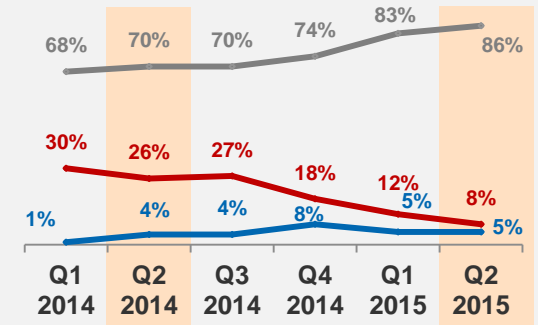
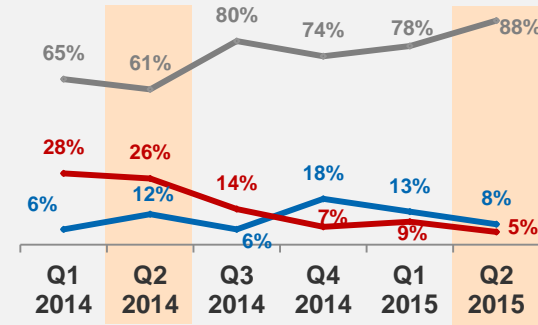
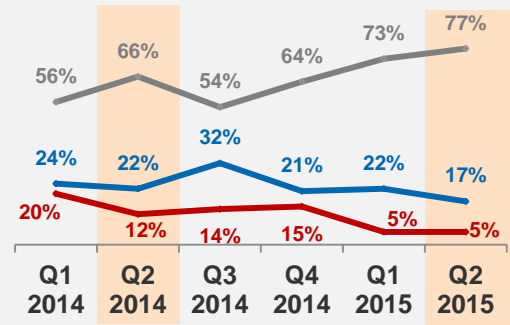
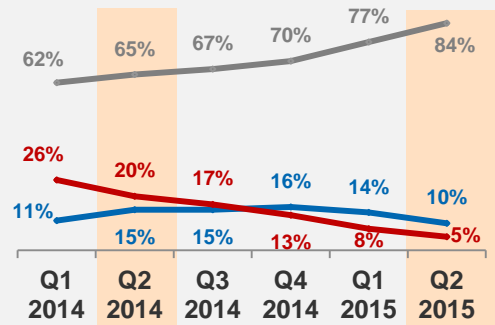
Total

Larger Institutions

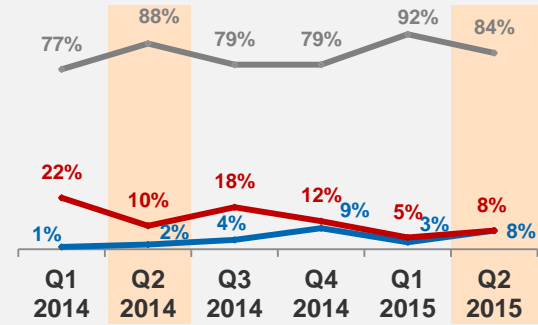
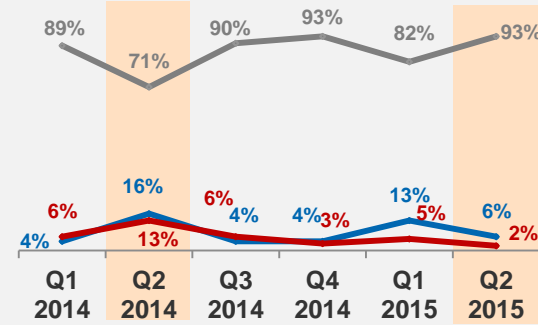
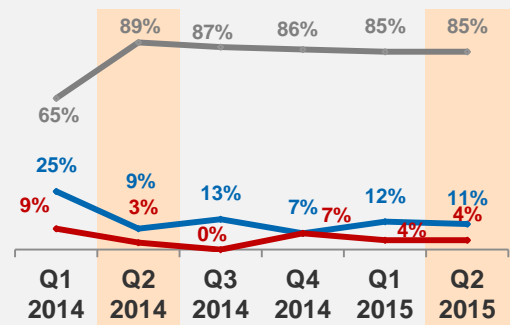
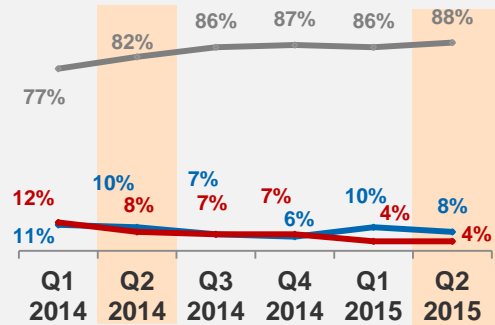
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



- Ease
- Remain Unchanged
- Tighten

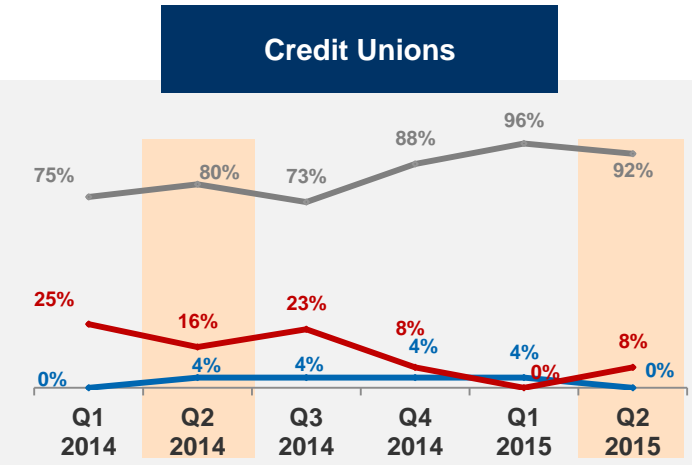
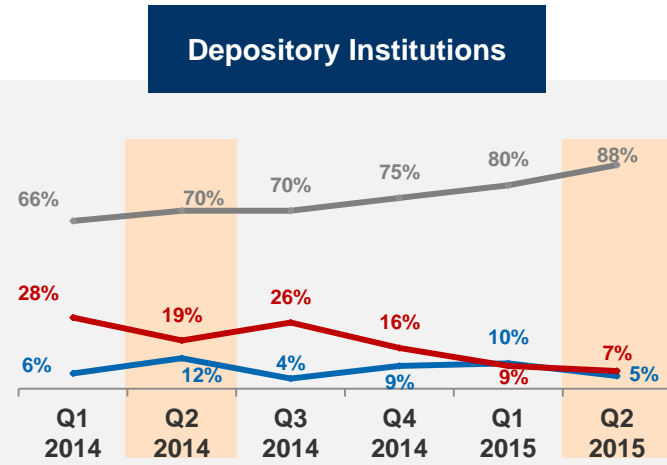
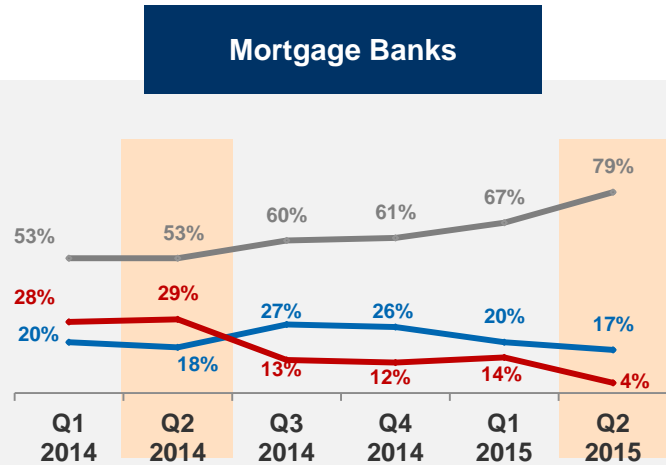
Q: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? "Ease" = Eased considerably + Eased somewhat, "Tighten" = Tightened somewhat + Tightened considerably

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

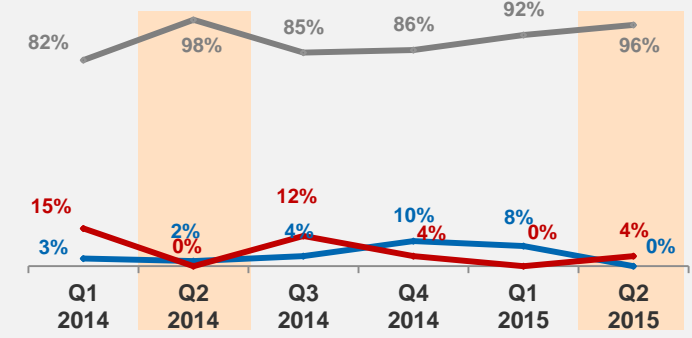
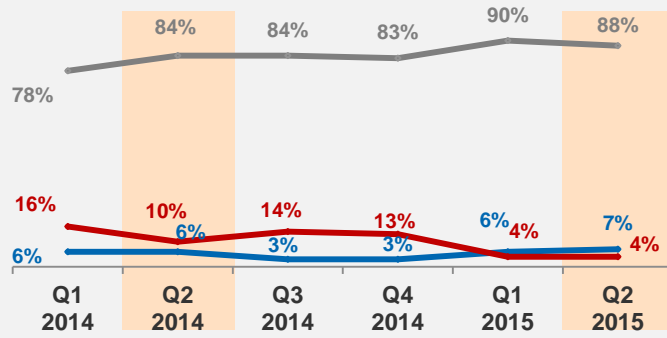
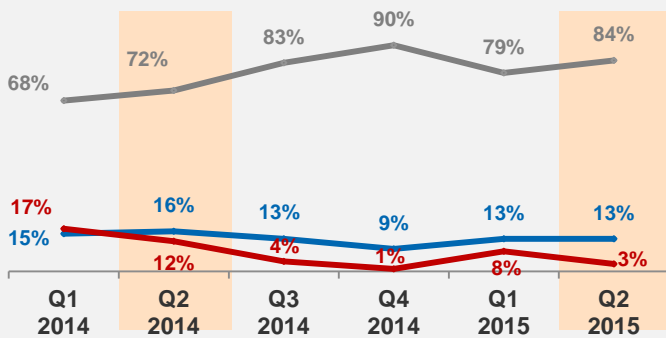
Credit Standards: Government (by institution type)

Reported credit tightening for government loans over the prior three months has gradually trended down while mortgage banks are more likely than depository institutions and credit unions to report credit easing.

Past 3 Months



Next 3 Months



- Ease
- Remain Unchanged
- Tighten

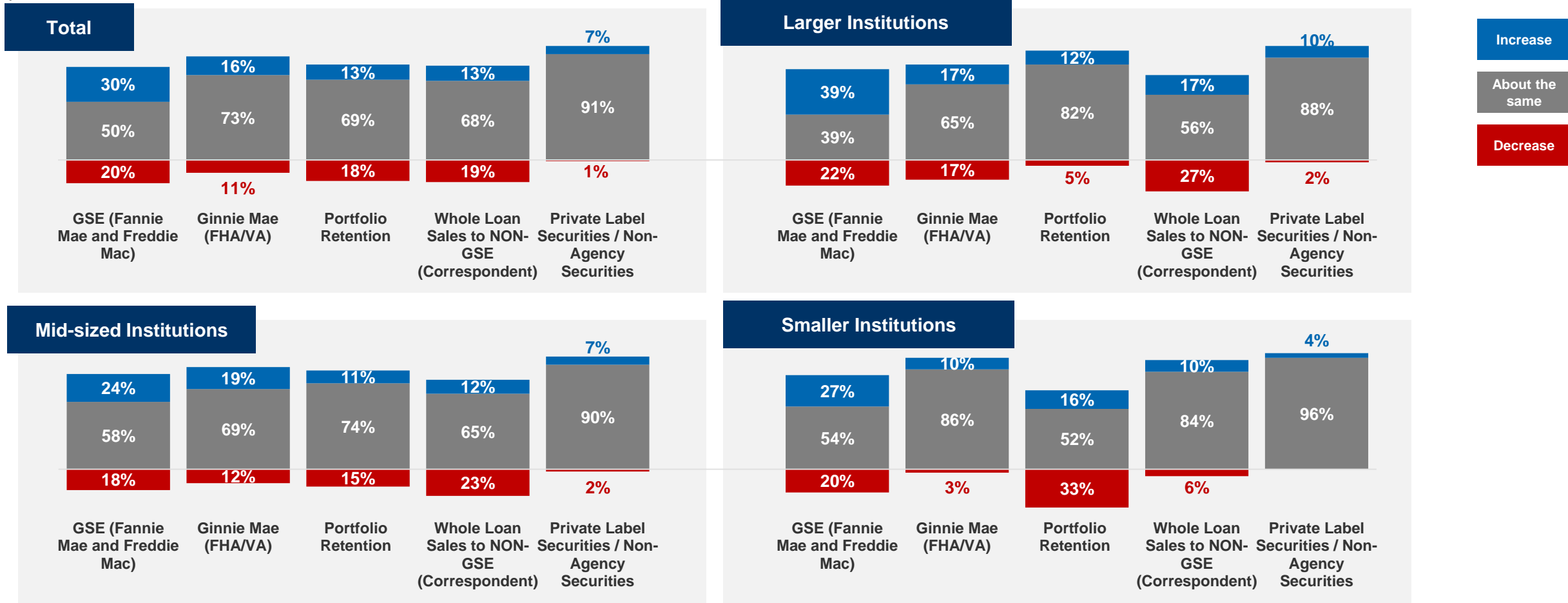
Q: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? "Ease" = Eased considerably + Eased somewhat, "Tighten" = Tightened somewhat + Tightened considerably
 Q: Over the 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

- Most institutions reported that they expect to maintain their strategy in relation to secondary market outlets over the next 12 months.
 - Among all institution sizes and types, more lenders reported expectations to increase rather than to decrease the shares of loans originated and then sold to GSEs.
 - Among depository institutions and credit unions, more lenders reported expectations to decrease rather than to increase portfolio-retention shares.

Mortgage Execution Outlook – Over Next 12 Months

Most institutions reported that they expect to maintain their strategy in relation to secondary market outlets over the next 12 months. Overall, more lenders reported expectations to increase rather than to decrease the shares sold to GSEs. Among smaller institutions, more reported expectations to decrease rather than to increase portfolio retention shares.



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?

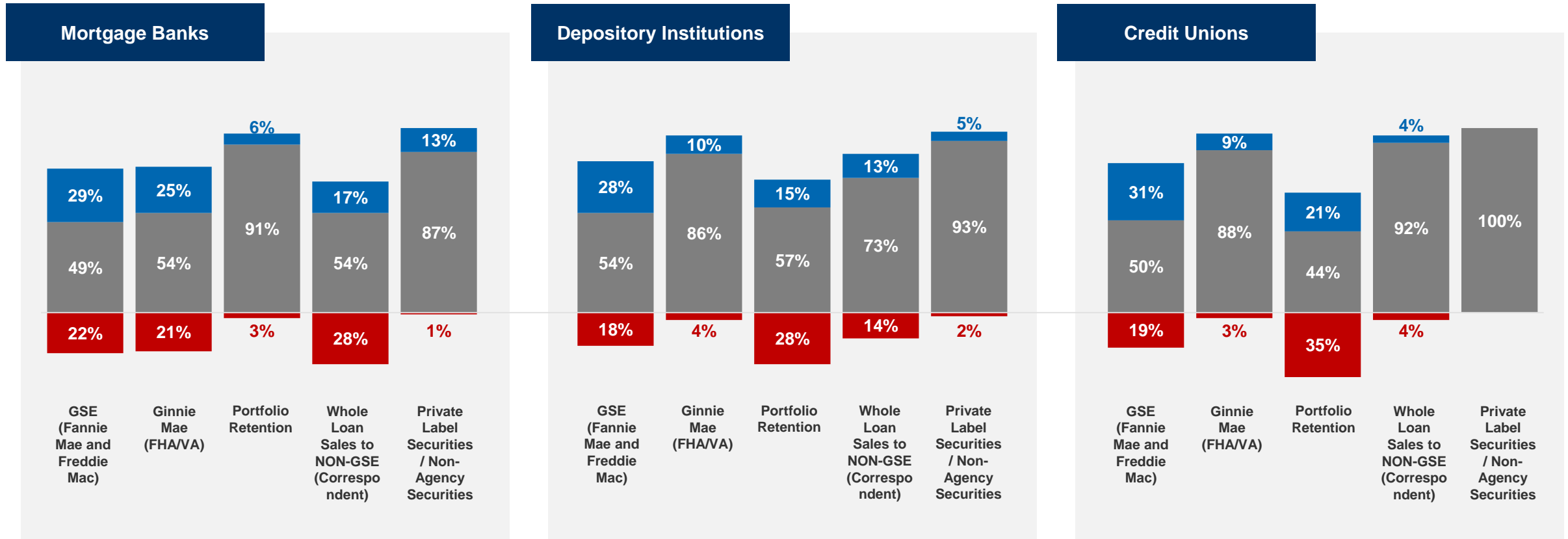
Mortgage Execution Outlook – Over Next 12 Months (by institution type)

Most institutions reported that they expect to maintain their strategy in relation to secondary market outlets over the next 12 months. Among depository institutions and credit unions, more lenders reported expectations to decrease rather than to increase portfolio-retention shares.

Increase

About the same

Decrease



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?

MORTGAGE SERVICING RIGHTS (MSR) EXECUTION OUTLOOK

- The majority of institutions reported that they expect their current MSR execution strategies to stay about the same over the next 12 months.

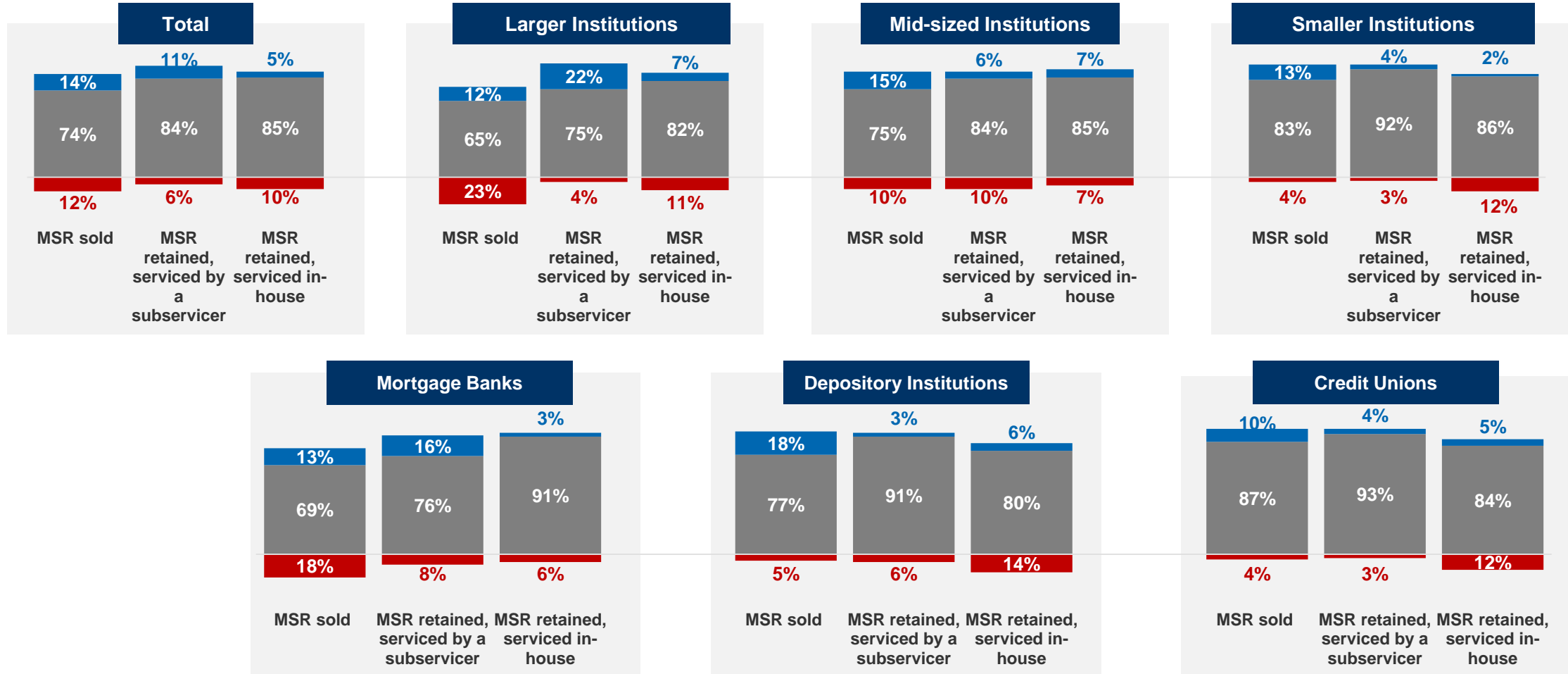
Mortgage Servicing Rights Execution Outlook

The majority of institutions reported that they expect to maintain their current MSR execution strategies over the next 12 months. Among larger institutions, more lenders reported expectations to retain MSR.

Increase

About the same

Decrease



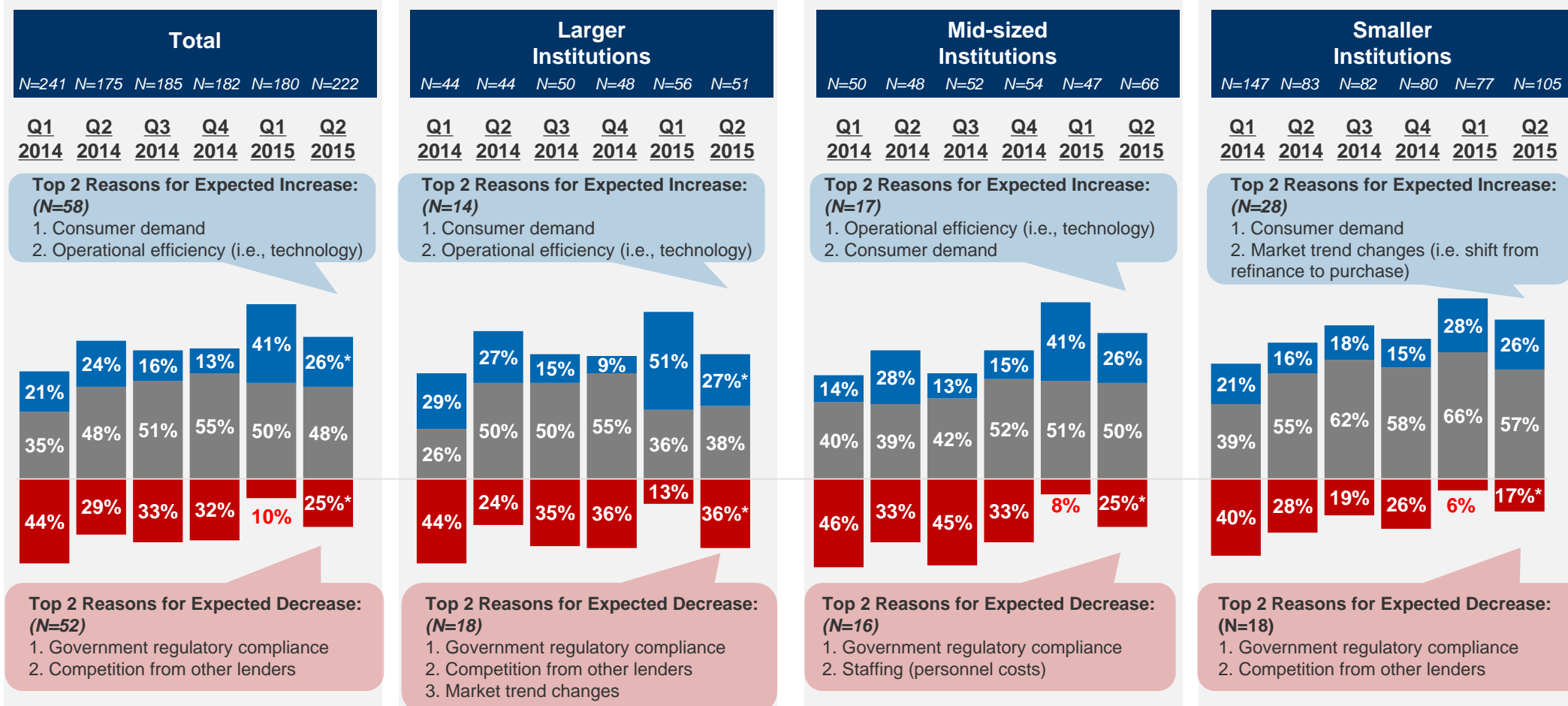
Whether an institution reported increase/decrease/stay the same was based on the difference to their responses to the following 2 questions:
 Q: Approximately, what percent of your mortgage servicing rights (MSR) goes to each of the following categories?
 Q: Looking forward, what percent of your firm's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

PROFIT MARGIN OUTLOOK

- Although lenders' profit margin outlook over the next three months across institution sizes fell slightly this quarter from last quarter, with more lenders reporting decreased profit margin expectations, it remains similar to the 2014 readings.
- Larger institutions continue to be more likely than mid-sized and smaller institutions to report decreased profit margin expectations.
- “Consumer demand” and “operational efficiency” are the most cited reasons for increased profit margin expectations over the next three months.
- “Government regulatory compliance” and “competition from other lenders” are the most popular reasons given in driving the expectation of a decrease in profit margin over the next three months.

Profit Margin Outlook – Next 3 Months

Although lenders' profit margin outlook across institution sizes fell slightly this quarter from last quarter, with more lenders reporting decreased profit margin expectations, it remains similar to the 2014 readings.



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 since Q1 2015

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

Although lenders' profit margin outlook across institution types declined this quarter from last quarter, with more lenders reporting decreased profit margin expectations, it remains more positive compared to the 2014 readings.

| Mortgage Banks | | | | | |
|----------------|------|------|------|------|------|
| N=37 | N=45 | N=53 | N=48 | N=48 | N=66 |

| Depository Institutions | | | | | |
|-------------------------|------|------|------|------|------|
| N=118 | N=78 | N=71 | N=76 | N=84 | N=98 |

| Credit Unions | | | | | |
|---------------|------|------|------|------|------|
| N=72 | N=48 | N=49 | N=47 | N=39 | N=48 |

| Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
|---------|---------|---------|---------|---------|---------|
|---------|---------|---------|---------|---------|---------|

| Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
|---------|---------|---------|---------|---------|---------|
|---------|---------|---------|---------|---------|---------|

| Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
|---------|---------|---------|---------|---------|---------|
|---------|---------|---------|---------|---------|---------|

Top 2 Reasons for Expected Increase: (N=18)

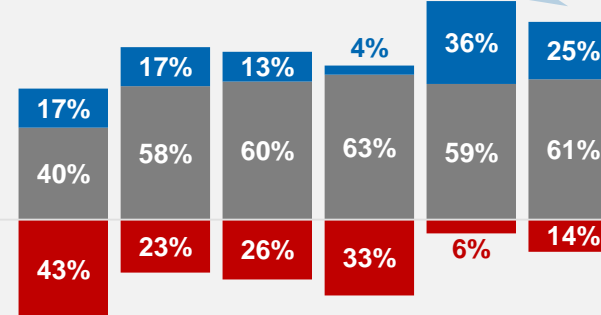
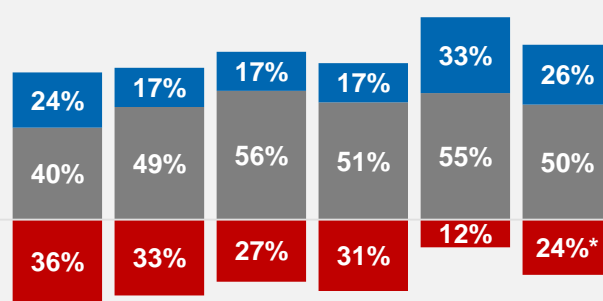
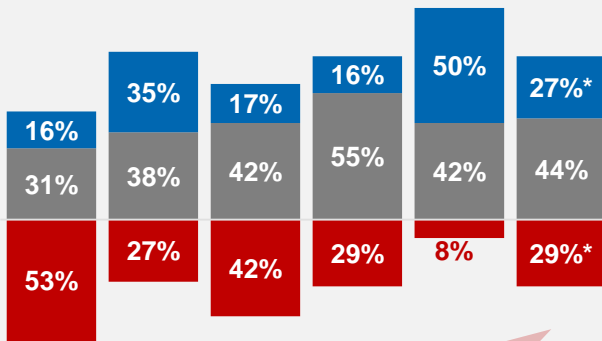
1. Consumer demand
2. Operational efficiency (i.e., technology)

Top 2 Reasons for Expected Increase: (N=26)

1. Consumer demand
2. Operational efficiency (i.e., technology)

Top 2 Reasons for Expected Increase: (N=12)

1. Consumer demand
2. Market trend changes (i.e. shifts from refinance to purchase)



Top 2 Reasons for Expected Decrease: (N=19)

1. Competition from other lenders
2. Government regulatory compliance

Top 2 Reasons for Expected Decrease: (N=24)

1. Government regulatory compliance
2. Competition from other lenders

Top 2 Reasons for Expected Decrease: (N=6)

1. Government regulatory compliance
2. GSE pricing and policies

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 since Q1 2015

Appendix

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|--|----|
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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

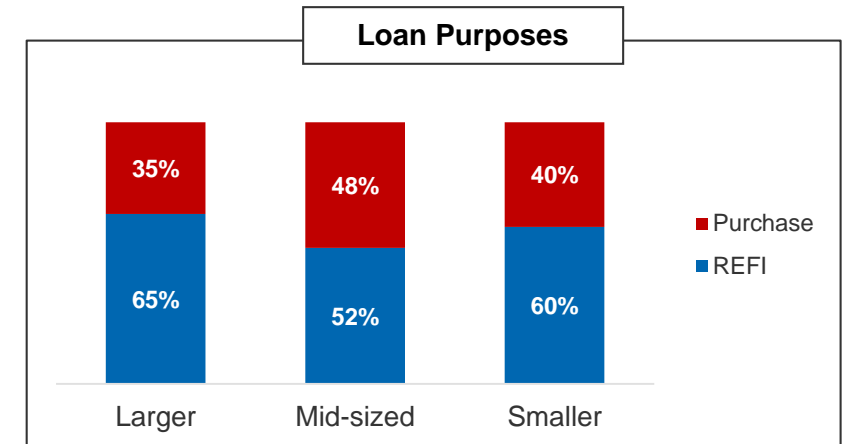
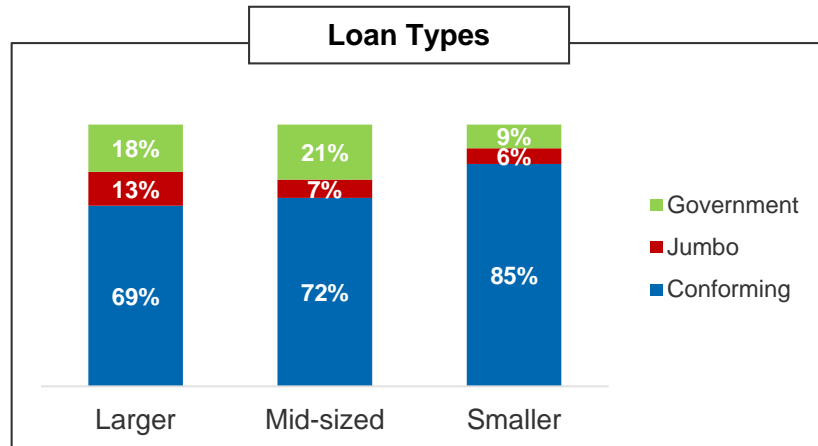
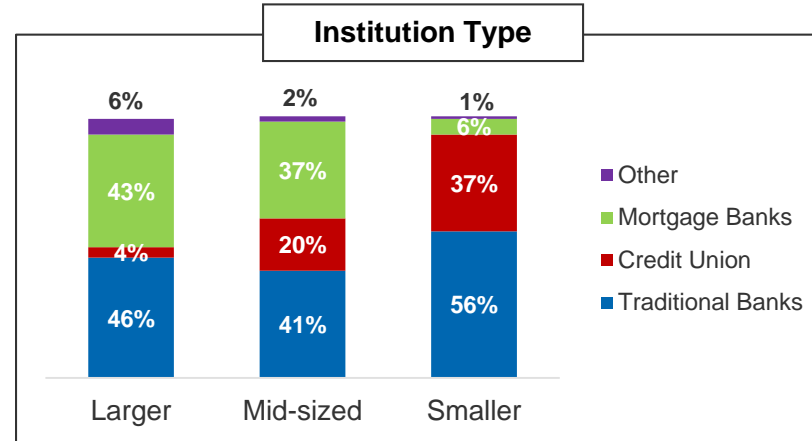
- To ensure that the survey results represent the behavior and output of organizations rather than individuals, the Fannie Mae Mortgage Lender Sentiment Survey is structured and conducted as an establishment survey. The results are reported at the lending institutional level. If more than one individual from the same institution completes the survey, their responses are averaged to represent their institution.
- Each respondent is asked 40-75 questions.

Sample Design

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

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 2013. Institutions were divided into three groups based on their 2013 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

| | | Q1 2014 | | Q2 2014 | | Q3 2014 | | Q4 2014 | | Q1 2015 | | Q2 2015 | |
|---------------------------------------|-------------------------|-------------|-----------------|-------------|-----------------|-------------|-----------------|-------------|-----------------|-------------|-----------------|-------------|-----------------|
| | | 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 | | 247 | ±5.65% | 186 | ±6.69% | 196 | ±6.48% | 192 | ±6.56% | 197 | ±6.51% | 238 | ±6.22% |
| Loan Origination Volume Groups | Larger Institutions | 46 | ±12.77% | 47 | ±12.60% | 50 | ±12.10% | 49 | ±12.11% | 58 | ±11.11% | 55 | ±12.91% |
| | Mid-sized Institutions | 51 | ±12.41% | 50 | ±12.56% | 55 | ±11.84% | 56 | ±11.70% | 50 | ±12.68% | 68 | ±11.55% |
| | Smaller Institutions | 150 | ±7.31% | 89 | ±9.86% | 91 | ±9.74% | 87 | ±9.98% | 89 | ±9.91% | 115 | ±8.97% |
| Institution Type | Mortgage Banks | 38 | ±14.61% | 47 | ±12.84% | 57 | ±11.34% | 48 | ±12.66% | 53 | ±12.07% | 71 | ±11.22% |
| | Depository Institutions | 121 | ±8.14% | 84 | ±10.07% | 75 | ±10.73% | 83 | ±10.13% | 95 | ±9.43% | 105 | ±9.39% |
| | Credit Unions | 72 | ±10.39% | 50 | ±12.91% | 52 | ±12.62% | 49 | ±13.07% | 40 | ±14.77% | 52 | ±13.35% |

2014

Q1 was fielded between March 4, 2014 and March 18, 2014

Q2 was fielded between May 28, 2014 and June 8, 2014

Q3 was fielded between August 6, 2014 and August 23, 2014

Q4 was fielded between November 5, 2014 and November 24, 2014

2015

Q1 was fielded between February 4, 2015 and February 16, 2015

Q2 was fielded between May 6, 2015 and May 17, 2015

2015 Q2 Cross-Subgroup Sample Sizes

| | Total | Larger Lenders | Mid-Sized Lenders | Smaller Lenders |
|---|------------|----------------|-------------------|-----------------|
| Total | 238 | 55 | 68 | 115 |
| Mortgage Banks (non-depository) | 71 | 27 | 33 | 11 |
| Depository Institutions | 105 | 20 | 24 | 61 |
| Credit Unions | 52 | 1 | 10 | 41 |

2015 Q2 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 | 237 | 207 | 184 | 237 | 209 | 186 |
| Larger Institutions | 55 | 49 | 48 | 55 | 50 | 48 |
| Mid-sized Institutions | 68 | 54 | 63 | 68 | 55 | 63 |
| Smaller Institutions | 114 | 104 | 73 | 114 | 104 | 75 |

Refinance Mortgages:

| | Past 3 Months | | | Next 3 Months | | |
|-----------------------------------|---------------|------------------|------------|---------------|------------------|------------|
| | GSE Eligible | Non-GSE Eligible | Government | GSE Eligible | Non-GSE Eligible | Government |
| Total Lending Institutions | 233 | 203 | 173 | 233 | 204 | 174 |
| Larger Institutions | 53 | 48 | 47 | 53 | 48 | 47 |
| Mid-sized Institutions | 66 | 52 | 60 | 66 | 52 | 60 |
| Smaller Institutions | 114 | 102 | 66 | 114 | 104 | 67 |

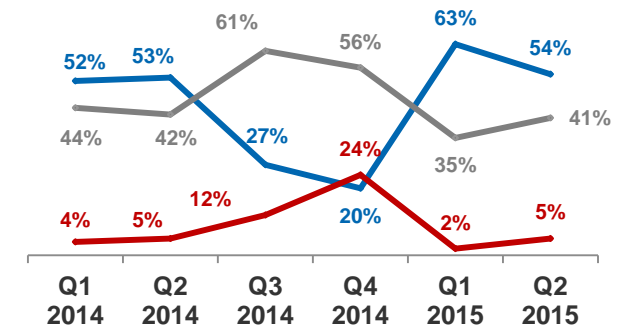
2015 Q2 Sample Sizes: Credit Standards

| | Past 3 Months | | | Next 3 Months | | |
|-----------------------------------|---------------|------------------|------------|---------------|------------------|------------|
| | GSE Eligible | Non-GSE Eligible | Government | GSE Eligible | Non-GSE Eligible | Government |
| Total Lending Institutions | 236 | 207 | 180 | 236 | 206 | 182 |
| Larger Institutions | 54 | 48 | 48 | 54 | 47 | 48 |
| Mid-sized Institutions | 68 | 55 | 63 | 68 | 55 | 63 |
| Smaller Institutions | 114 | 104 | 69 | 114 | 104 | 71 |

Calculation of the “Total”

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

| Over the next three months, apart from normal seasonal variation, do you expect your firm’s consumer demand for single-family <u>purchase</u> mortgages to go up, go down, or stay the same? Non-GSE Eligible (Q2 2015) | Larger Institutions | Mid-sized Institutions | Smaller Institutions | Q2 “Total” |
|---|---------------------|------------------------|----------------------|---------------------------------------|
| Go up | 50% | 57% | 54% | 54% $[(50\% + 57\% + 54\%)/3]$ |
| Stayed the same | 43% | 39% | 41% | 41% |
| Go down | 7% | 4% | 5% | 5% |



Appendix

Consumer Demand (Purchase Mortgages)

- Senior mortgage executives' views about demand drivers are very different from consumers':
 - The primary factors in driving upward demand chosen by lenders center around favorable mortgage rates (44%) and favorable economic conditions (42%). Low home prices is cited as the primary reason by only 3% of lenders. In contrast, the primary factors chosen by consumers range more widely from favorable mortgage rates (35%), availability of homes (22%), low home prices (22%), to favorable economic conditions (13%).
 - Senior mortgage executives seem to be more sensitive to the impact of economic conditions on housing demand, whereas consumers appear to be more sensitive to the impact of home prices and availability of homes.

Purchase Mortgage Demand: Drivers of Change (selected verbatim)

Past 3 Months

N=179

- Low Interest Rates
- Improving Economy
- FHA Premium Reductions
- Pent Up Demand

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)

“Low interest rates and increased confidence in the economy” “Interest rates in general; reduced MIP; tight inventory” – Larger Institutions

“Threat of increasing rates, plus limited inventory in our trade area is creating a sense of urgency to purchase” – *Mid-sized Institution*

“Pent up demand over last 3 years; limited supply of housing; steadily increasing rents year-over-year” – *Smaller Institution*

“Lack of inventory and increased refinances” – *Larger Institution*

“We are small community bank and can't afford to staff for pre-qualifying applicants. Also realtors have their own mortgage companies now and they push buyers into them.” – *Smaller Institution*

“Home prices, underwriting requirements, more people opting to rent or delay home purchases” – *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 | Mid-sized Institutions | Smaller Institutions | National Housing Survey Among the General Population (consumers)* |
|--|-------|---------------------|------------------------|----------------------|--|
| N= | 153 | 36 | 44 | 73 | |
| Mortgage rates are favorable | 44% | 41% | 43% | 49% | 35% |
| Economic conditions (e.g., employment) overall are favorable | 42% | 52% | 39% | 34% | 13% |
| There are many homes available on the market | 5% | 1% | 6% | 7% | 22% |
| Home prices are low | 3% | 0% | 5% | 4% | 17% |
| It is easy to qualify for a mortgage | 1% | 0% | 0% | 3% | 4% |
| 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 | Mid-sized Institutions | Smaller Institutions | National Housing Survey Among the General Population (consumers)** |
| N= | 12 | 4 | 3 | 4 | |
| Mortgage rates are not favorable | 30% | 22% | 67% | 0% | 5% |
| Economic conditions (e.g., employment) overall are not favorable | 22% | 22% | 0% | 50% | 37% |
| There are not many homes available on the market | 20% | 22% | 33% | 0% | 5% |
| It is difficult to qualify for a mortgage | 16% | 11% | 0% | 50% | 16% |
| Home prices are high | 11% | 22% | 0% | 0% | 27% |

*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 | Mid-sized Institutions | Smaller Institutions | National Housing Survey Among the General Population (consumers)* |
|--|-------|---------------------|------------------------|----------------------|---|
| N= | 113 | 25 | 32 | 56 | |
| Economic conditions (e.g., employment) overall are favorable | 39% | 36% | 45% | 35% | 13% |
| Mortgage rates are favorable | 36% | 38% | 28% | 40% | 35% |
| Home prices are low | 6% | 4% | 6% | 9% | 17% |
| There are many homes available on the market | 5% | 6% | 6% | 2% | 22% |
| It is easy to qualify for a mortgage | 4% | 2% | 6% | 4% | 4% |

| 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 | Mid-sized Institutions | Smaller Institutions | National Housing Survey Among the General Population (consumers)** |
|--|-------|---------------------|------------------------|----------------------|--|
| N= | 11 | 4 | 2 | 5 | |
| It is difficult to qualify for a mortgage | 36% | 48% | 0% | 40% | 16% |
| There are not many homes available on the market | 23% | 26% | 50% | 0% | 5% |
| Economic conditions (e.g., employment) overall are not favorable | 19% | 26% | 0% | 20% | 37% |
| Mortgage rates are not favorable | 16% | 0% | 50% | 20% | 5% |
| Home prices are high | 0% | 0% | 0% | 0% | 27% |

*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 | Mid-sized Institutions | Smaller Institutions | National Housing Survey Among the General Population (consumers)* |
|--|-------|---------------------|------------------------|----------------------|---|
| N= | 99 | 30 | 38 | 32 | |
| Mortgage rates are favorable | 44% | 45% | 39% | 54% | 35% |
| Economic conditions (e.g., employment) overall are favorable | 42% | 43% | 44% | 33% | 13% |
| It is easy to qualify for a mortgage | 6% | 3% | 9% | 3% | 4% |
| Home prices are low | 3% | 3% | 3% | 3% | 17% |
| There are many homes available on the market | 2% | 2% | 1% | 3% | 22% |

| 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 | Mid-sized Institutions | Smaller Institutions | National Housing Survey Among the General Population (consumers)** |
|--|-------|---------------------|------------------------|----------------------|--|
| N= | 11 | 2 | 3 | 6 | |
| It is difficult to qualify for a mortgage | 33% | 0% | 0% | 83% | 16% |
| Mortgage rates are not favorable | 25% | 50% | 33% | 0% | 5% |
| Economic conditions (e.g., employment) overall are not favorable | 20% | 50% | 0% | 17% | 37% |
| There are not many homes available on the market | 11% | 0% | 33% | 0% | 5% |
| Home prices are high | 0% | 0% | 0% | 0% | 27% |

*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.

Appendix

Consumer Demand (Refinance Mortgages)

Refinance Mortgage Demand: GSE Eligible

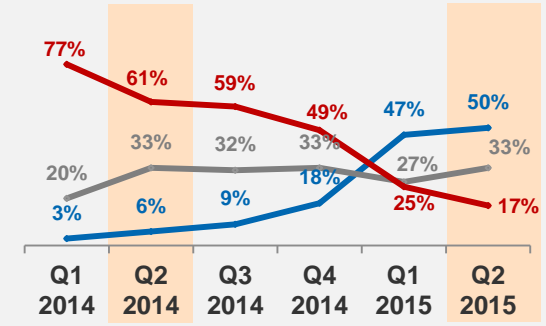
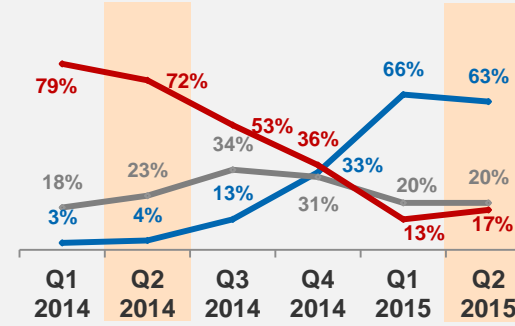
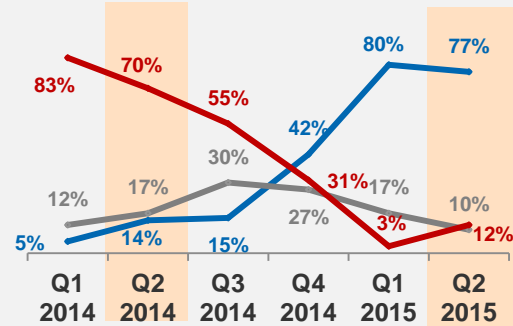
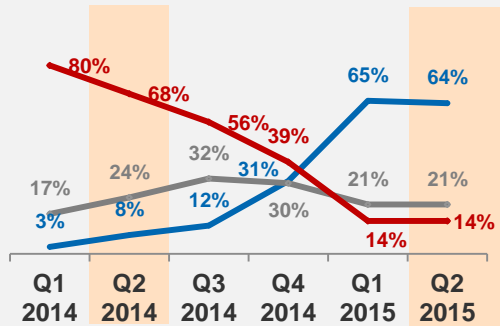
Total

Larger Institutions

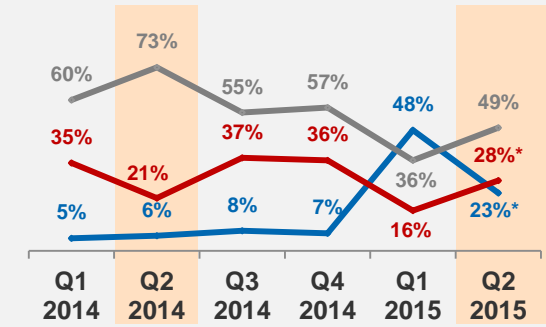
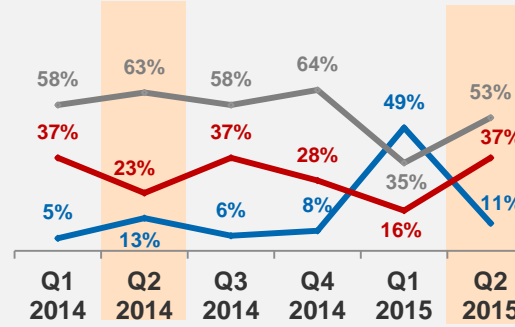
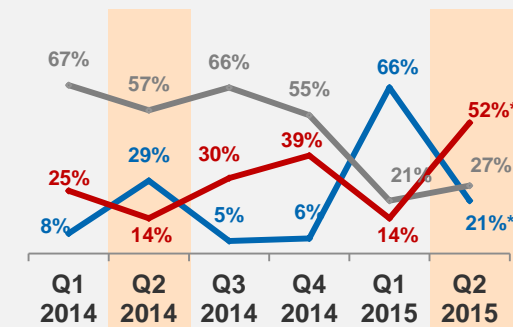
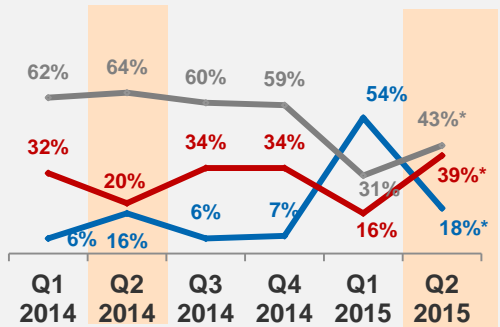
Mid-sized Institutions

Smaller Institutions

Past 3 Months



Next 3 Months



- Up
- The same
- Down

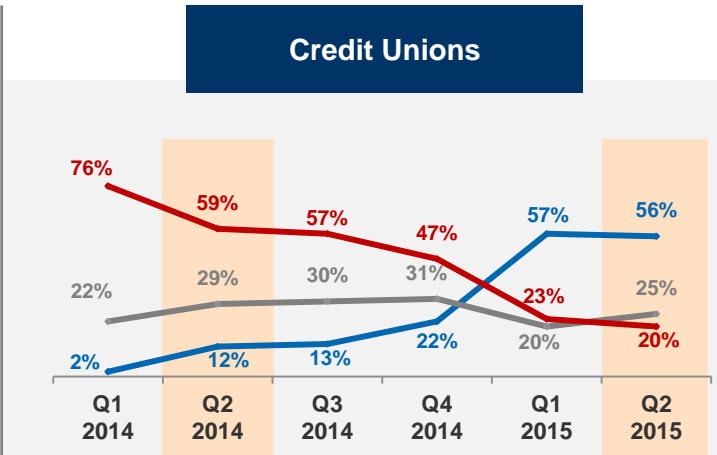
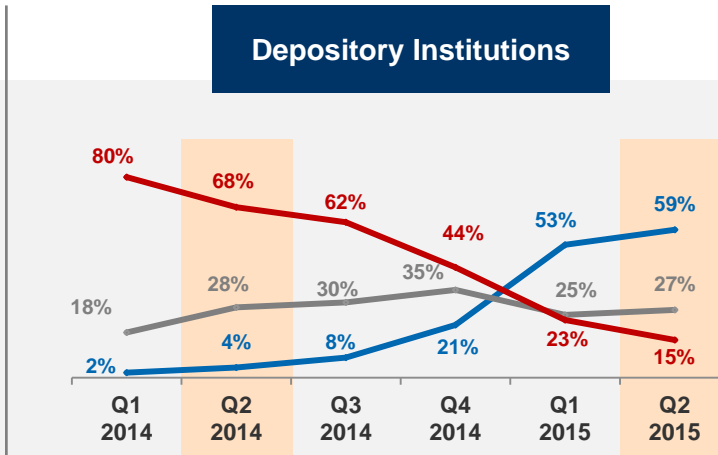
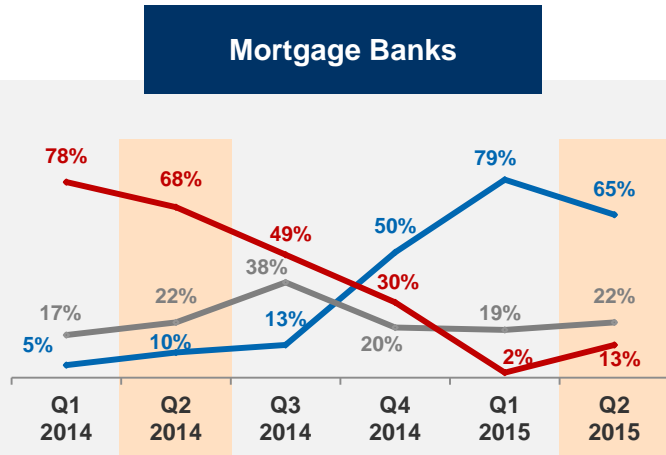
Q: Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family refinance mortgages go up, go down, or stay the same? "Up" = Went up significantly + Went up somewhat, "Down" = Went down significantly + Went down somewhat

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

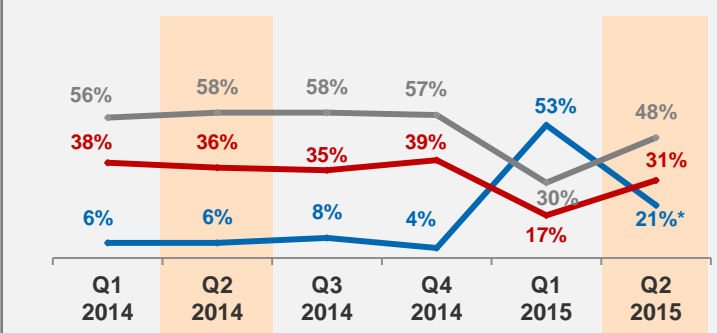
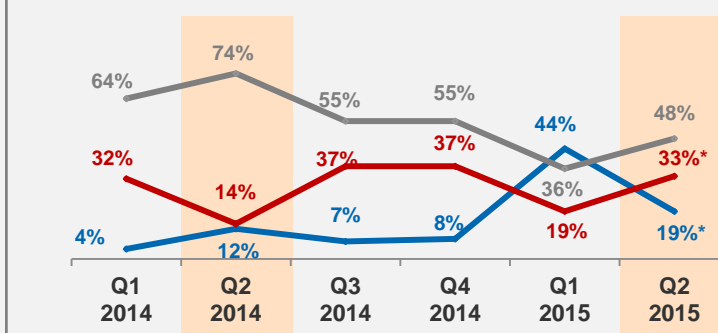
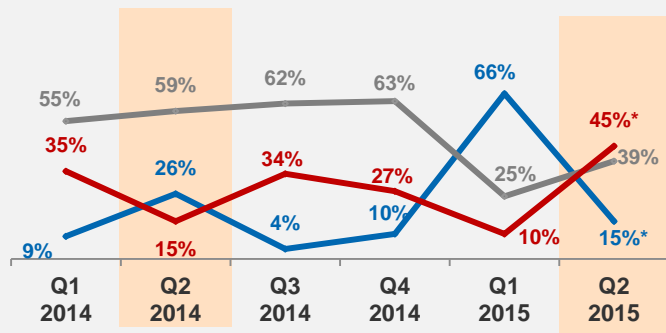
* Denotes a statistically significant change since Q1 2015

Refinance Mortgage Demand: GSE Eligible (by institution type)

Past 3 Months



Next 3 Months



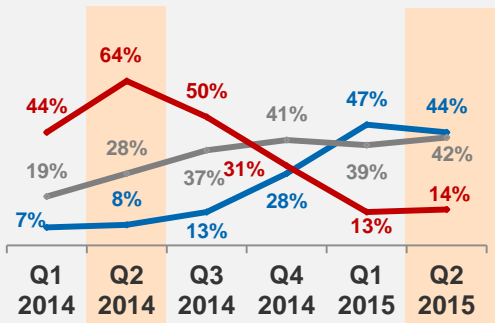
- Up
- The same
- Down

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

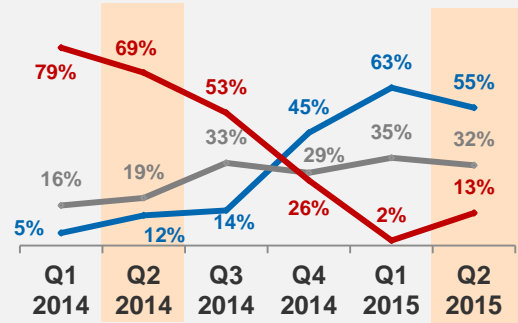
* Denotes a statistically significant change since Q1 2015

Refinance Mortgage Demand: Non-GSE Eligible

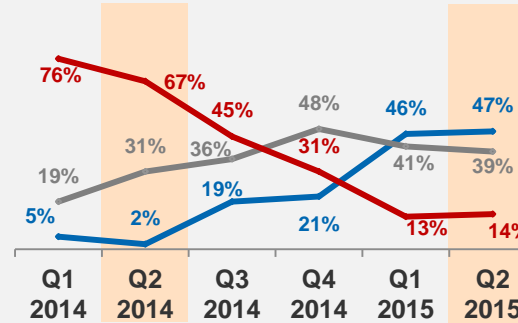
Total



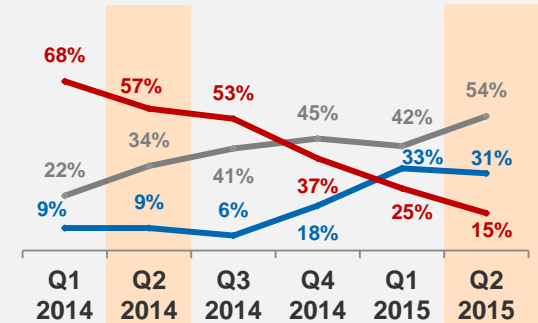
Larger Institutions



Mid-sized Institutions

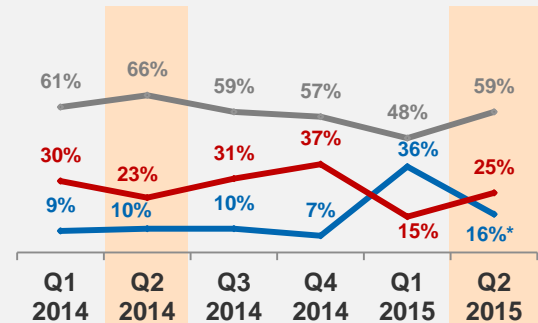
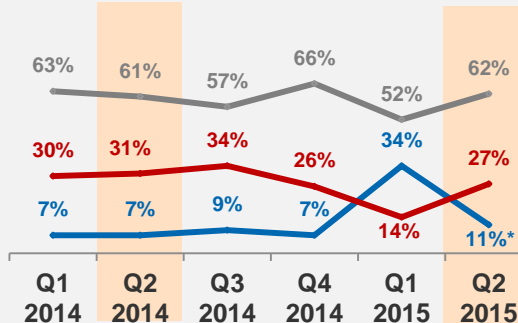
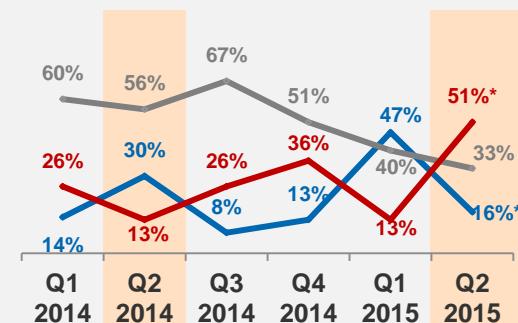
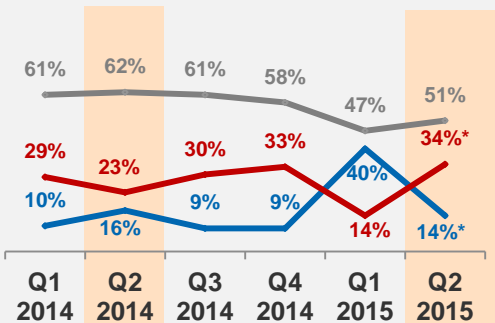


Smaller Institutions



Past 3 Months

Next 3 Months



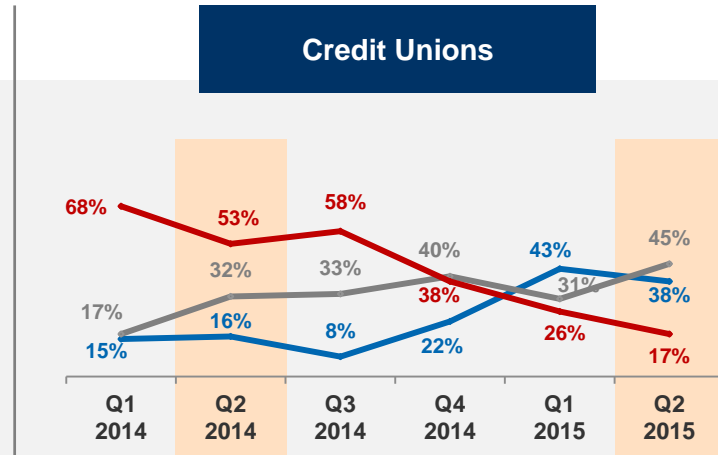
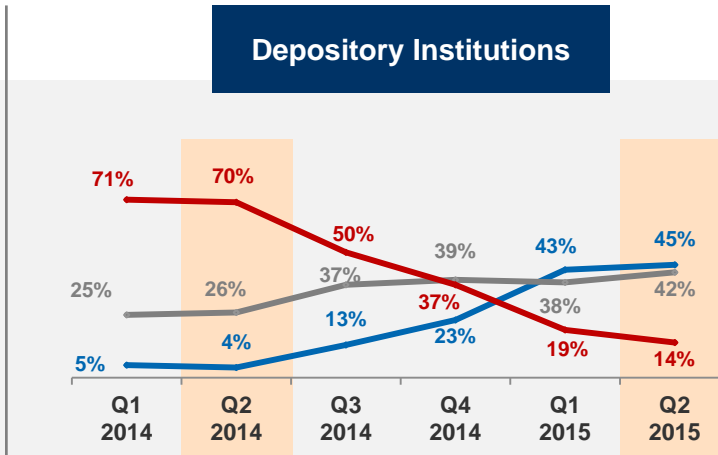
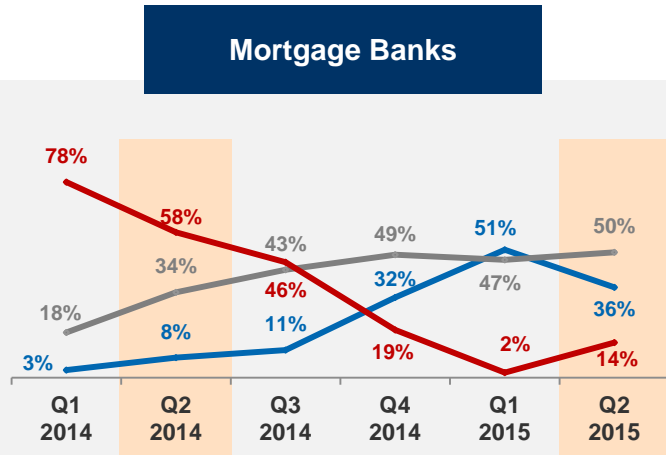
— Up
— The same
— Down

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

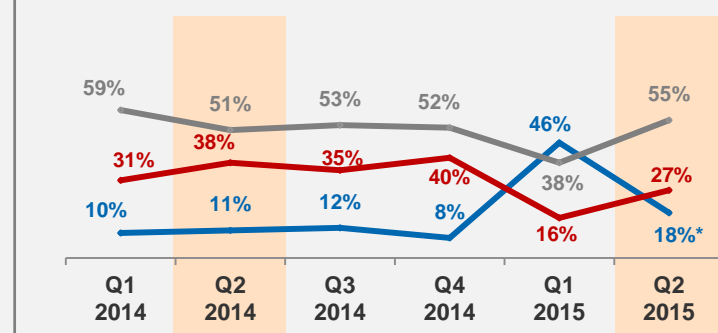
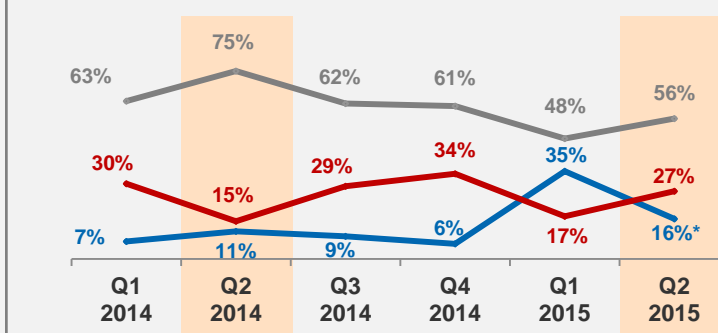
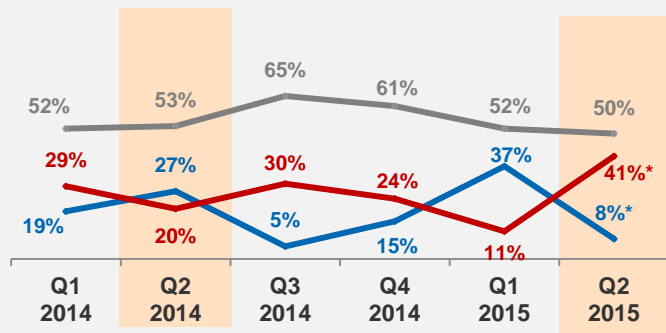
* Denotes a statistically significant change since Q1 2015

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

Past 3 Months



Next 3 Months



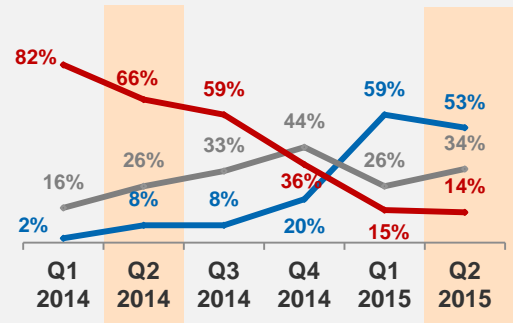
— Up
— The same
— Down

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

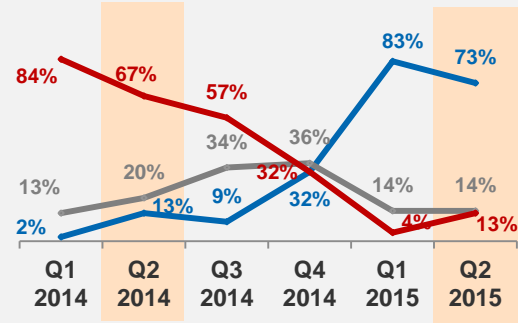
* Denotes a statistically significant change since Q1 2015

Refinance Mortgage Demand: Government

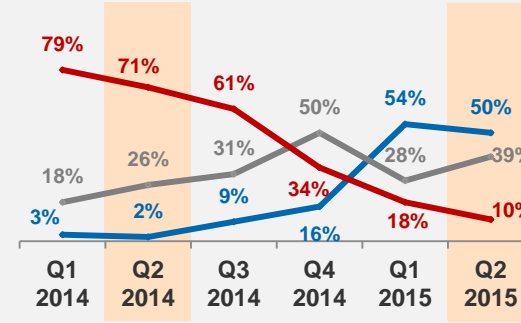
Total



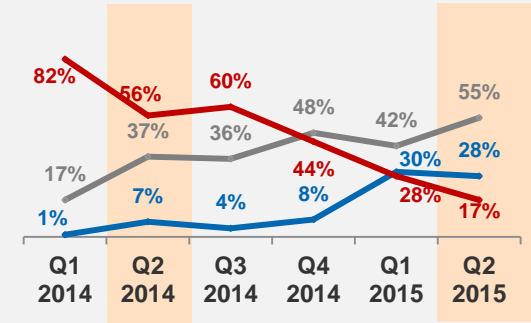
Larger Institutions



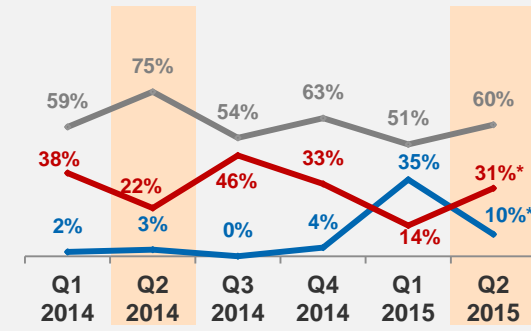
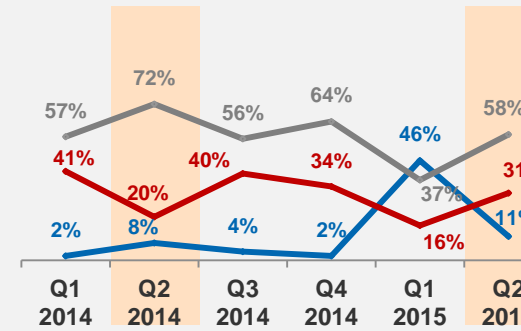
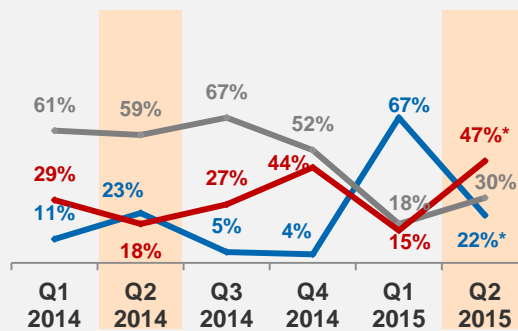
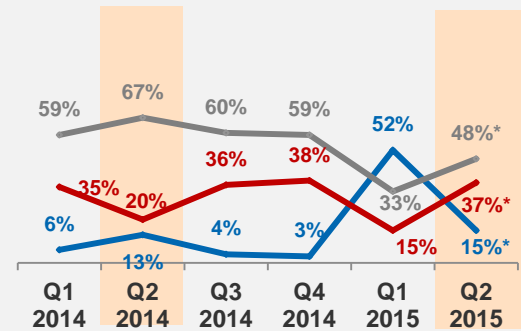
Mid-sized Institutions



Smaller Institutions



Next 3 Months



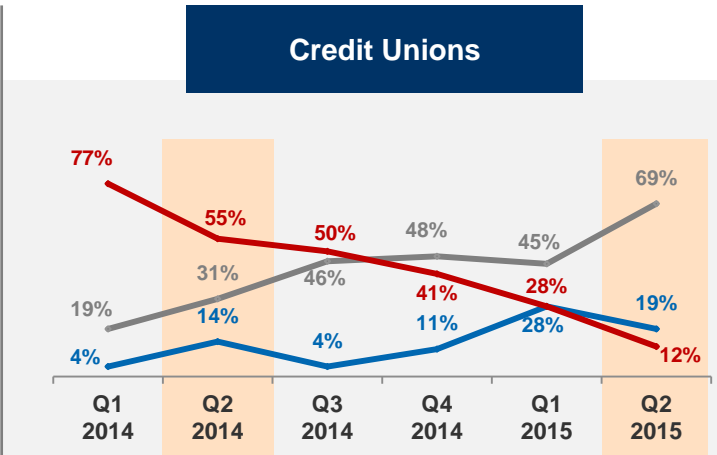
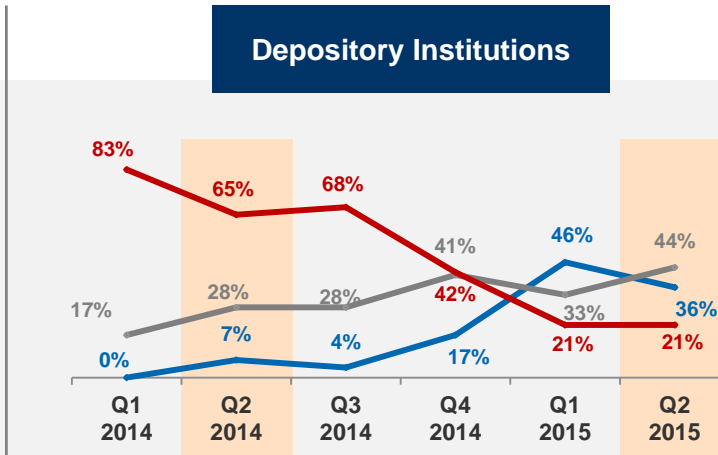
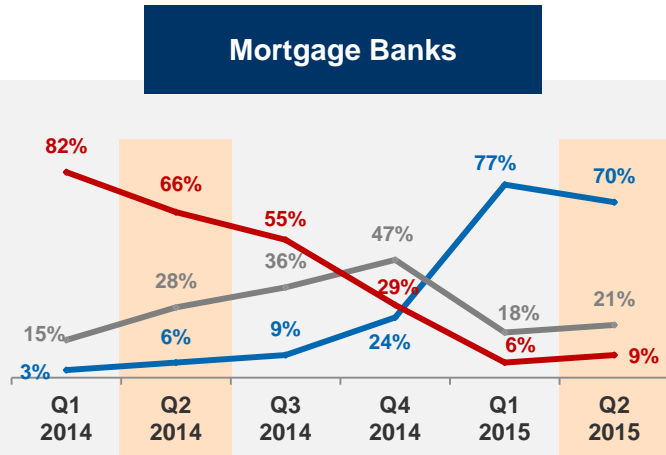
— Up
— The same
— Down

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

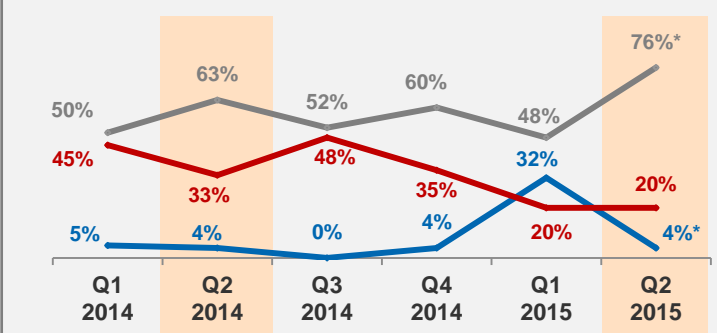
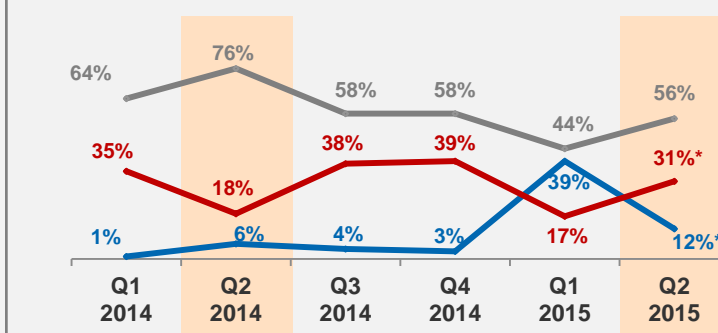
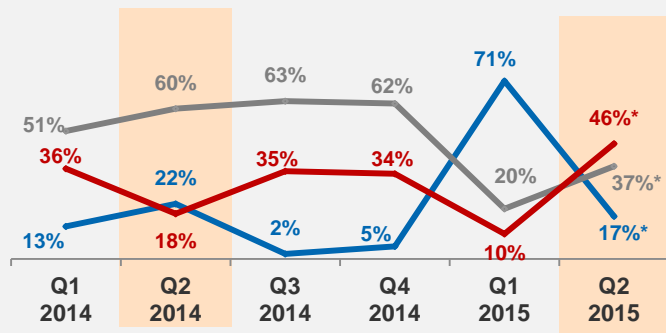
* Denotes a statistically significant change since Q1 2015

Refinance Mortgage Demand: Government (by institution type)

Past 3 Months



Next 3 Months



- Up
- The same
- Down

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

* Denotes a statistically significant change since Q1 2015

Appendix

Credit Standards

Credit Standards: Drivers of Change (selected verbatim)

Drivers of Loosening Change

Drivers of Tightening Change

Past 3 Months

N=54

- Regulations
- Rollback of Overlays
- New 97% LTV

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)

"Concerns over compliance and activities related to regulatory actions" – *Larger Institution*

"Regulatory concerns" – *Mid-sized Institution*

"We also became more stringent due to the increased level of scrutiny by the GSEs" – *Smaller Institution*

"Overall market change of credit criteria from competition. Forcing us to at least look at expanding our credit criteria (pressure from realtors-loan officers)" – *Larger Institution*

"Aggregators adhering more closely to FNMA and agency standards, easing of credit requirements for non-agency programs" – *Mid-sized Institution*

"FNMA 97 and MI acceptability with DU findings, and easing a little on DTI requirements for QM-ATR" – *Smaller Institution*

Next 3 Months

N=28

- Regulations
- Rollback of Overlays
- New 97% LTV

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)

"Large monetary penalties" – *Larger Institution*

"Compliance Changes and TRID" – *Mid-sized Institution*

"We sell direct to FNMA and with their increased scrutiny on underwriting, we will continue to tighten down to produce a good file." – *Smaller Institution*

"The relaxation of the documentation requirements from the Borrower" – *Larger Institution*

"Further GSE credit guideline changes" "More investors are coming into the non-GSE markets with expanded guidelines". – *Mid-sized Institutions*

"It is not so much the standards are easing as the required documentation. We are easing off of requesting 2 year full tax returns on salaried employees." – *Smaller Institution*

Appendix

Mortgage Execution

Mortgage Execution Share – Current

| What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution 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 | | | | | | Larger Institutions | | | | | | Mid-sized Institutions | | | | | | Smaller Institutions | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------------------|---------|---------|---------|---------|---------|------------------------|---------|---------|---------|---------|---------|----------------------|---------|---------|---------|---------|---------|
| | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 247 | 186 | 196 | 192 | 197 | 238 | 46 | 47 | 50 | 49 | 58 | 55 | 51 | 50 | 55 | 56 | 50 | 68 | 150 | 89 | 91 | 87 | 89 | 115 |
| GSE (Fannie Mae and Freddie Mac) | 49% | 49% | 51% | 49% | 47% | 46% | 51% | 48% | 52% | 50% | 48% | 43% | 47% | 51% | 47% | 47% | 42% | 44% | 49% | 48% | 53% | 49% | 51% | 52% |
| Portfolio Retention | 24% | 22% | 20% | 23% | 21% | 22% | 19% | 13% | 8% | 14% | 13% | 15% | 21% | 18% | 18% | 19% | 16% | 17% | 32% | 37% | 34% | 36% | 34% | 34% |
| Whole Loan Sales to NON-GSE (Correspondent) | 13% | 13% | 12% | 12% | 17% | 16% | 12% | 16% | 18% | 15% | 17% | 18% | 19% | 14% | 14% | 13% | 25% | 23% | 9% | 8% | 5% | 8% | 8% | 8% |
| Ginnie Mae (FHA/VA) | 11% | 14% | 14% | 13% | 12% | 13% | 15% | 20% | 19% | 19% | 20% | 20% | 11% | 16% | 15% | 16% | 13% | 14% | 6% | 5% | 7% | 5% | 5% | 5% |
| Private Label Securities / Non-Agency Securities | 1% | 1% | 2% | 1% | 1% | 1% | 3% | 2% | 2% | 1% | 2% | 2% | 1% | 1% | 4% | 1% | 1% | 1% | 1% | 0% | 0% | 0% | 1% | 0% |
| Other | 1% | 1% | 1% | 1% | 2% | 1% | 0% | 2% | 0% | 0% | 0% | 2% | 1% | 1% | 2% | 3% | 2% | 1% | 2% | 2% | 1% | 1% | 2% | 1% |

Mortgage Execution Share – Over Next 12 Months

| What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution 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 | | Larger Institutions | | Mid-sized Institutions | | Smaller Institutions | |
|---|---------|---------|---------------------|---------|------------------------|---------|----------------------|---------|
| | Q1 2015 | Q2 2015 | Q1 2015 | Q2 2015 | Q1 2015 | Q2 2015 | Q1 2015 | Q2 2015 |
| N= | 197 | 238 | 58 | 55 | 50 | 68 | 89 | 115 |
| GSE (Fannie Mae and Freddie Mac) | 47% | 47% | 47% | 44% | 43% | 45% | 50% | 53% |
| Portfolio Retention | 21% | 21% | 13% | 15% | 15% | 17% | 33% | 31% |
| Whole Loan Sales to NON-GSE (Correspondent) | 16% | 15% | 16% | 17% | 24% | 20% | 8% | 8% |
| Ginnie Mae (FHA/VA) | 13% | 14% | 21% | 20% | 14% | 16% | 5% | 6% |
| Private Label Securities / Non-Agency Securities | 2% | 1% | 3% | 2% | 2% | 2% | 1% | 0% |
| Other | 19% | 16% | 7% | 26%* | 26% | 13% | 20% | 14% |

* Denotes a statistically significant change since Q1 2015

Mortgage Execution Share – Current (by institution type)

| What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution 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 % | Mortgage Banks | | | | | | Depository Institutions | | | | | | Credit Unions | | | | | |
|---|----------------|---------|---------|---------|---------|---------|-------------------------|---------|---------|---------|---------|---------|---------------|---------|---------|---------|---------|---------|
| | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| | N= | | | | | | | | | | | | | | | | | |
| GSE (Fannie Mae and Freddie Mac) | 43% | 48% | 50% | 46% | 40% | 40% | 49% | 50% | 52% | 49% | 54% | 52% | 52% | 46% | 50% | 53% | 47% | 48% |
| Portfolio Retention | 3% | 1% | 0% | 1% | 4% | 3% | 29% | 29% | 28% | 32% | 25% | 29% | 42% | 44% | 45% | 42% | 46% | 46% |
| Whole Loan Sales to NON-GSE (Correspondent) | 30% | 23% | 21% | 26% | 30% | 29% | 11% | 10% | 10% | 9% | 11% | 11% | 3% | 4% | 1% | 1% | 2% | 3% |
| Ginnie Mae (FHA/VA) | 22% | 22% | 25% | 24% | 22% | 24% | 7% | 9% | 8% | 8% | 8% | 6% | 2% | 4% | 2% | 3% | 3% | 1% |
| Private Label Securities / Non-Agency Securities | 2% | 2% | 2% | 1% | 2% | 1% | 2% | 1% | 2% | 0% | 1% | 1% | 1% | 0% | 1% | 0% | 1% | 0% |
| Other | 1% | 3% | 2% | 1% | 2% | 2% | 3% | 1% | 1% | 2% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |

Mortgage Execution Share – Next 12 Months (by institution type)

| What is your firm's approximate total mortgage business share for each of the following post mortgage-origination execution 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 % | Mortgage Banks | | Depository Institutions | | Credit Unions | |
|---|----------------|---------|-------------------------|---------|---------------|---------|
| | Q1 2015 | Q2 2015 | Q1 2015 | Q2 2015 | Q1 2015 | Q2 2015 |
| N= | 53 | 71 | 95 | 105 | 40 | 52 |
| GSE (Fannie Mae and Freddie Mac) | 39% | 41% | 54% | 54% | 47% | 51% |
| Portfolio Retention | 6% | 3% | 24% | 27% | 44% | 44% |
| Whole Loan Sales to NON-GSE (Correspondent) | 26% | 27% | 11% | 11% | 3% | 3% |
| Ginnie Mae (FHA/VA) | 24% | 25% | 8% | 7% | 4% | 2% |
| Private Label Securities / Non-Agency Securities | 4% | 2% | 1% | 1% | 1% | 0% |
| Other | 24% | 24% | 18% | 9% | 8% | 45%* |

* Denotes a statistically significant change since Q1 2015

Appendix

MORTGAGE SERVICING RIGHTS (MSR) EXECUTION

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 | | | | | | Larger Institutions | | | | | | Mid-sized Institutions | | | | | | Smaller Institutions | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------------------|---------|---------|---------|---------|---------|------------------------|---------|---------|---------|---------|---------|----------------------|---------|---------|---------|---------|---------|
| | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 247 | 186 | 196 | 192 | 197 | 238 | 46 | 47 | 50 | 49 | 58 | 55 | 51 | 50 | 55 | 56 | 50 | 68 | 150 | 89 | 91 | 87 | 89 | 115 |
| MSR retained, serviced in-house | 54% | 51% | 46% | 54% | 48% | 45% | 47% | 40% | 30% | 42% | 39% | 29% | 48% | 42% | 40% | 45% | 35% | 39% | 67% | 72% | 69% | 75% | 71% | 68% |
| MSR retained, serviced by a servicer | 23% | 21% | 22% | 18% | 17% | 24% | 24% | 23% | 29% | 28% | 21% | 25% | 30% | 25% | 23% | 21% | 22% | 33% | 15% | 13% | 14% | 7% | 10% | 13% |
| MSR sold | 23% | 28% | 32% | 27% | 34% | 31% | 29% | 37% | 41% | 30% | 40% | 46% | 21% | 33% | 37% | 34% | 44% | 28%* | 18% | 15% | 17% | 18% | 19% | 19% |

* Denotes a statistically significant change since Q1 2015

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

| Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. Showing Mean % | Total | | Larger Institutions | | Mid-sized Institutions | | Smaller Institutions | |
|--|---------|---------|---------------------|---------|------------------------|---------|----------------------|---------|
| | Q1 2015 | Q2 2015 | Q1 2015 | Q2 2015 | Q1 2015 | Q2 2015 | Q1 2015 | Q2 2015 |
| N= | 197 | 238 | 58 | 55 | 50 | 68 | 89 | 115 |
| MSR retained, serviced in-house | 48% | 44% | 40% | 28% | 35% | 40% | 70% | 66% |
| MSR retained, serviced by a subservicer | 17% | 24% | 19% | 26% | 21% | 31% | 10% | 14% |
| MSR sold | 35% | 32% | 41% | 46% | 44% | 29% | 20% | 21% |

Mortgage Servicing Rights (MSR) Execution Share – Current (by institution type)

| 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 % | Mortgage Banks | | | | | | Depository Institutions | | | | | | Credit Unions | | | | | |
|--|----------------|---------|---------|---------|---------|---------|-------------------------|---------|---------|---------|---------|---------|---------------|---------|---------|---------|---------|---------|
| | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 38 | 47 | 57 | 48 | 53 | 71 | 121 | 84 | 75 | 83 | 95 | 105 | 72 | 50 | 52 | 49 | 40 | 52 |
| MSR retained, serviced in-house | 18% | 17% | 15% | 18% | 12% | 18% | 64% | 65% | 63% | 70% | 65% | 63% | 74% | 80% | 77% | 85% | 80% | 76% |
| MSR retained, serviced by a subservicer | 43% | 33% | 30% | 27% | 29% | 36% | 12% | 15% | 16% | 11% | 9% | 12% | 20% | 15% | 18% | 10% | 14% | 21% |
| MSR sold | 39% | 50% | 55% | 55% | 59% | 46% | 24% | 21% | 21% | 18% | 27% | 25% | 6% | 6% | 5% | 5% | 6% | 3% |

Mortgage Servicing Rights (MSR) Execution Share – Next 12 Months (by institution type)

| Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. Showing Mean % | Mortgage Banks | | Depository Institutions | | Credit Unions | |
|---|----------------|---------|-------------------------|---------|---------------|---------|
| | Q1 2015 | Q2 2015 | Q1 2015 | Q2 2015 | Q1 2015 | Q2 2015 |
| N= | 53 | 71 | 95 | 105 | 40 | 52 |
| MSR retained, serviced in-house | 14% | 18% | 64% | 62% | 79% | 74% |
| MSR retained, serviced by a subservicer | 28% | 37% | 9% | 11% | 13% | 22% |
| MSR sold | 59% | 46% | 27% | 27% | 8% | 4% |

Appendix

Profit Margin Outlook

- Increased Profit Margin Outlook:
 - The importance of “consumer demand” and “market trend changes such as from refinance to purchase” in driving lenders’ increased profit margin outlook has gradually increased.
 - The most common strategies cited by lenders to achieve their increased profit margin have continued to be “operational efficiency” and “price adjustments.” In addition, the share of lenders citing “marketing outreach expansion/contraction” as a strategy has been in a steady climb.
- Decreased Profit Margin Outlook:
 - The importance of “government regulatory compliance” in driving lenders’ decreased profit margin outlook has gradually trended down.
 - The most common strategies cited by lenders to address their decreased profit margin are “operational efficiency,” “marketing outreach expansion/contraction,” and “price adjustments.” In particular, the share of lenders citing “operational efficiency” as a strategy has been in a steady climb.

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 | | | | | Larger Institutions | | | | | Mid-sized Institutions | | | | | Smaller Institutions | | | | |
|---|---------|---------|---------|---------|---------|---------------------|---------|---------|---------|---------|------------------------|---------|---------|---------|---------|----------------------|---------|---------|---------|---------|
| | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 38 | 30 | 24 | 70 | 58 | 12 | 8 | 4 | 29 | 14 | 14 | 7 | 8 | 19 | 17 | 14 | 15 | 12 | 22 | 28 |
| Consumer demand | 56% | 46% | 54% | 68% | 70% | 61% | 34% | 22% | 72% | 75% | 49% | 43% | 62% | 60% | 52% | 63% | 60% | 67% | 77% | 82% |
| Operational efficiency (i.e., technology) | 44% | 34% | 38% | 41% | 42% | 56% | 54% | 44% | 29% | 45% | 30% | 36% | 62% | 65% | 50% | 48% | 13% | 8% | 28% | 29% |
| Market trend changes (i.e. shift from refinance to purchase) | 20% | 29% | 21% | 20% | 37%* | 0% | 7% | 22% | 13% | 39% | 33% | 50% | 24% | 22% | 30% | 26% | 33% | 16% | 30% | 44% |
| Staffing (personnel costs) reduction | 14% | 14% | 7% | 10% | 14% | 9% | 7% | 22% | 11% | 11% | 26% | 14% | 6% | 13% | 25% | 0% | 20% | 0% | 5% | 4% |
| Non-GSE (other investors) pricing and policies | 14% | 22% | 17% | 5% | 12% | 34% | 26% | 22% | 7% | 7% | 0% | 29% | 12% | 0% | 12% | 7% | 13% | 16% | 10% | 15% |
| GSE pricing and policies | 13% | 9% | 17% | 15% | 7% | 0% | 0% | 33% | 14% | 7% | 14% | 7% | 0% | 15% | 3% | 34% | 20% | 25% | 19% | 9% |
| Less competition from other lenders | 14% | 13% | 18% | 16% | 5% | 13% | 20% | 22% | 20% | 0% | 22% | 14% | 0% | 10% | 9% | 4% | 7% | 34% | 16% | 7% |
| Marketing expense reduction | 5% | 13% | 9% | 5% | 4% | 0% | 13% | 0% | 6% | 7% | 7% | 7% | 6% | 5% | 6% | 7% | 20% | 17% | 0% | 0% |
| Government monetary or fiscal policy | 8% | 2% | 6% | 9% | 2% | 9% | 0% | 11% | 14% | 7% | 7% | 0% | 0% | 0% | 0% | 7% | 7% | 8% | 12% | 0% |
| Government regulatory compliance | 7% | 4% | 5% | 2% | 1% | 9% | 13% | 0% | 3% | 0% | 7% | 0% | 12% | 0% | 3% | 4% | 0% | 0% | 0% | 0% |
| Servicing cost reduction | 0% | 2% | 3% | 3% | 0% | 0% | 0% | 0% | 3% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 7% | 8% | 5% | 0% |

* Denotes a statistically significant change since Q1 2015

Question was changed to only allow up to two answer choices in Q1 2015.

2014 question text: What do you think will drive the increase in your firm's profit margin over the next three months? Please select up to three of the most important reasons and rank them in order of importance.

Increased Profit Margin – Drivers (by institution type)

| 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)* | Mortgage Banks | | | | | Depository Institutions | | | | | Credit Unions | | | | |
|---|----------------|---------|---------|---------|---------|-------------------------|---------|---------|---------|---------|---------------|---------|---------|---------|---------|
| | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 16 | 9 | 8 | 24 | 18 | 14 | 12 | 14 | 28 | 26 | 9 | 6 | 2 | 14 | 12 |
| Consumer demand | 56% | 22% | 80% | 70% | 75% | 55% | 55% | 37% | 72% | 61% | 61% | 77% | 100% | 78% | 83% |
| Operational efficiency (i.e., technology) | 31% | 22% | 40% | 46% | 44% | 52% | 47% | 33% | 29% | 42% | 55% | 0% | 0% | 43% | 16% |
| Market trend changes (i.e. shift from refinance to purchase) | 25% | 39% | 0% | 4% | 31%* | 11% | 20% | 37% | 36% | 43% | 28% | 30% | 0% | 28% | 46% |
| Staffing (personnel costs) reduction | 19% | 28% | 0% | 16% | 15% | 11% | 8% | 11% | 10% | 16% | 0% | 15% | 0% | 0% | 0% |
| Non-GSE (other investors) pricing and policies | 18% | 28% | 26% | 4% | 6% | 7% | 28% | 14% | 4% | 16% | 11% | 0% | 0% | 7% | 16% |
| GSE pricing and policies | 6% | 11% | 20% | 21% | 9% | 33% | 8% | 22% | 21% | 8% | 11% | 23% | 0% | 0% | 4% |
| Less competition from other lenders | 12% | 17% | 13% | 4% | 3% | 22% | 8% | 22% | 16% | 8% | 0% | 15% | 50% | 14% | 8% |
| Marketing expense reduction | 6% | 22% | 13% | 8% | 12% | 0% | 8% | 0% | 0% | 0% | 11% | 23% | 50% | 7% | 0% |
| Government monetary or fiscal policy | 12% | 0% | 7% | 12% | 6% | 0% | 0% | 7% | 9% | 0% | 11% | 15% | 0% | 7% | 0% |
| Government regulatory compliance | 6% | 11% | 0% | 4% | 3% | 7% | 0% | 0% | 0% | 0% | 6% | 0% | 0% | 0% | 0% |
| Servicing cost reduction | 0% | 0% | 0% | 0% | 0% | 0% | 8% | 7% | 4% | 0% | 0% | 0% | 0% | 7% | 0% |

* Denotes a statistically significant change since Q1 2015

Question was changed to only allow up to two answer choices in Q1 2015.

2014 question text: What do you think will drive the increase in your firm's profit margin over the next three months? Please select up to three of the most important reasons and rank them in order of importance.

Increased Profit Margin – Strategies

| 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. (Showing % rank 1 + 2)* | Total | | | | | Larger Institutions | | | | | Mid-sized Institutions | | | | | Smaller Institutions | | | | |
|--|---------|---------|---------|---------|---------|---------------------|---------|---------|---------|---------|------------------------|---------|---------|---------|---------|----------------------|---------|---------|---------|---------|
| | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 38 | 30 | 24 | 70 | 58 | 12 | 8 | 4 | 29 | 14 | 14 | 7 | 8 | 19 | 17 | 14 | 15 | 12 | 22 | 28 |
| Operational efficiency (i.e. technology) | 37% | 34% | 31% | 49% | 43% | 56% | 39% | 11% | 61% | 63% | 30% | 35% | 50% | 49% | 37% | 18% | 26% | 25% | 28% | 27% |
| Price adjustments | 28% | 30% | 22% | 40% | 36% | 26% | 33% | 33% | 55% | 43% | 37% | 21% | 12% | 31% | 40% | 15% | 34% | 23% | 30% | 23% |
| Marketing outreach expansion/contraction | 16% | 30% | 19% | 23% | 31% | 9% | 17% | 22% | 8% | 28% | 7% | 50% | 12% | 31% | 33% | 45% | 26% | 25% | 39% | 33% |
| Loan officer staffing adjustments | 16% | 15% | 33% | 16% | 20% | 4% | 4% | 67% | 9% | 14% | 22% | 28% | 18% | 26% | 19% | 22% | 14% | 25% | 14% | 29% |
| New or reallocation of mortgage product offerings | 14% | 29% | 28% | 9% | 17% | 9% | 33% | 22% | 10% | 11% | 7% | 28% | 37% | 5% | 6% | 34% | 27% | 23% | 12% | 35% |
| New borrower segments | 12% | 8% | 15% | 7% | 16% | 9% | 4% | 0% | 3% | 15% | 7% | 14% | 25% | 5% | 18% | 22% | 7% | 15% | 19% | 15% |
| Back-office staffing adjustments | 16% | 2% | 0% | 4% | 13% | 18% | 0% | 0% | 3% | 19% | 19% | 0% | 0% | 3% | 12% | 11% | 7% | 0% | 7% | 9% |
| Investor outlet expansion/contraction | 16% | 9% | 18% | 9% | 7% | 18% | 20% | 22% | 10% | 7% | 18% | 0% | 25% | 5% | 6% | 7% | 7% | 8% | 12% | 8% |
| New or reallocation of origination channels (i.e. retail or online or third-party channels) | 30% | 27% | 17% | 18% | 6% | 34% | 37% | 0% | 17% | 0% | 33% | 14% | 12% | 15% | 12% | 15% | 27% | 32% | 21% | 7% |
| Business acquisition/merger/divestment | 3% | 4% | 9% | 11% | 3% | 0% | 0% | 0% | 10% | 0% | 7% | 7% | 0% | 13% | 5% | 0% | 7% | 25% | 9% | 4% |
| MSR (Mortgage Servicing Rights) sales | 7% | 9% | 8% | 6% | 3% | 18% | 13% | 22% | 5% | 0% | 0% | 0% | 25% | 5% | 3% | 4% | 13% | 8% | 10% | 7% |
| Underwriting standard changes | 5% | 2% | 0% | 2% | 3% | 0% | 0% | 0% | 0% | 0% | 7% | 0% | 0% | 5% | 6% | 7% | 7% | 0% | 0% | 4% |

Question was changed to only allow up to two answer choices in Q1 2015.

2014 question text: What primary strategies, if any, is your firm planning to use to achieve your increased profit margin? Please select up to three of the most important strategies and rank them in order of importance.

Increased Profit Margin – Strategies (by institution type)

| 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. (Showing % rank 1 + 2)* | Mortgage Banks | | | | | Depository Institutions | | | | | Credit Unions | | | | |
|--|----------------|---------|---------|---------|---------|-------------------------|---------|---------|---------|---------|---------------|---------|---------|---------|---------|
| | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 16 | 9 | 8 | 24 | 18 | 14 | 12 | 14 | 28 | 26 | 9 | 6 | 2 | 14 | 12 |
| Operational efficiency (i.e. technology) | 40% | 50% | 20% | 58% | 50% | 48% | 24% | 34% | 32% | 38% | 0% | 0% | 0% | 50% | 24% |
| Price adjustments | 38% | 50% | 33% | 29% | 35% | 22% | 33% | 22% | 58% | 33% | 11% | 8% | 0% | 21% | 29% |
| Marketing outreach expansion/contraction | 9% | 11% | 13% | 12% | 24% | 22% | 27% | 22% | 25% | 28% | 39% | 53% | 0% | 50% | 46% |
| Loan officer staffing adjustments | 16% | 0% | 13% | 14% | 29% | 14% | 27% | 41% | 18% | 20% | 22% | 15% | 50% | 14% | 25% |
| New or reallocation of mortgage product offerings | 12% | 22% | 13% | 8% | 11% | 0% | 29% | 37% | 9% | 22% | 50% | 46% | 50% | 14% | 34% |
| New borrower segments | 6% | 0% | 40% | 8% | 17% | 7% | 3% | 7% | 4% | 12% | 33% | 30% | 0% | 21% | 16% |
| Back-office staffing adjustments | 9% | 11% | 0% | 8% | 9% | 26% | 0% | 0% | 4% | 22% | 11% | 0% | 0% | 0% | 0% |
| Investor outlet expansion/contraction | 18% | 12% | 27% | 8% | 6% | 18% | 12% | 14% | 9% | 8% | 0% | 0% | 0% | 0% | 8% |
| New or reallocation of origination channels (i.e. retail or online or third-party channels) | 31% | 17% | 26% | 25% | 11% | 30% | 43% | 7% | 20% | 4% | 17% | 0% | 50% | 7% | 0% |
| Business acquisition/merger/divestment | 0% | 6% | 13% | 12% | 5% | 7% | 0% | 7% | 9% | 0% | 0% | 15% | 50% | 14% | 8% |
| MSR (Mortgage Servicing Rights) sales | 12% | 22% | 0% | 6% | 3% | 4% | 0% | 7% | 4% | 4% | 0% | 15% | 0% | 7% | 8% |
| Underwriting standard changes | 6% | 0% | 0% | 4% | 0% | 0% | 0% | 0% | 0% | 8% | 11% | 15% | 0% | 0% | 0% |

Question was changed to only allow up to two answer choices in Q1 2015.

2014 question text: What primary strategies, if any, is your firm planning to use to achieve your increased profit margin? Please select up to three of the most important strategies and rank them in order of importance.

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 | | | | | Larger Institutions | | | | | Mid-sized Institutions | | | | | Smaller Institutions | | | | |
|---|---------|---------|---------|---------|---------|---------------------|---------|---------|---------|---------|------------------------|---------|---------|---------|---------|----------------------|---------|---------|---------|---------|
| | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 50 | 57 | 56 | 16 | 52 | 10 | 17 | 17 | 7 | 18 | 16 | 24 | 18 | 4 | 16 | 24 | 16 | 22 | 5 | 18 |
| Government regulatory compliance | 57% | 55% | 60% | 55% | 48% | 62% | 48% | 53% | 55% | 42% | 47% | 51% | 62% | 52% | 53% | 66% | 81% | 67% | 60% | 54% |
| Competition from other lenders | 42% | 42% | 34% | 49% | 35% | 58% | 71% | 50% | 59% | 33% | 41% | 30% | 34% | 26% | 28% | 30% | 18% | 14% | 60% | 52% |
| Market trend changes (i.e. shift from refinance to purchase) | 24% | 6% | 17% | 4% | 25% | 31% | 0% | 15% | 0% | 33% | 18% | 4% | 14% | 0% | 15% | 23% | 24% | 24% | 20% | 23% |
| Government monetary or fiscal policy | 15% | 13% | 7% | 0% | 19% | 0% | 9% | 6% | 0% | 25% | 24% | 18% | 8% | 0% | 12% | 17% | 12% | 10% | 0% | 17% |
| Staffing (personnel costs) | 10% | 19% | 20% | 14% | 18% | 20% | 18% | 24% | 14% | 14% | 3% | 29% | 17% | 22% | 31% | 9% | 0% | 18% | 0% | 6% |
| Consumer demand | 14% | 26% | 34% | 25% | 18% | 10% | 24% | 36% | 41% | 28% | 19% | 28% | 28% | 0% | 6% | 13% | 31% | 42% | 20% | 15% |
| GSE pricing and policies | 29% | 18% | 13% | 21% | 16% | 12% | 17% | 6% | 5% | 6% | 41% | 22% | 17% | 48% | 24% | 30% | 12% | 16% | 20% | 23% |
| Operational efficiency (i.e. technology) | 3% | 6% | 8% | 14% | 11% | 0% | 6% | 12% | 14% | 14% | 6% | 9% | 12% | 26% | 12% | 4% | 0% | 0% | 0% | 0% |
| Servicing costs | 1% | 3% | 4% | 7% | 4% | 0% | 0% | 0% | 14% | 0% | 0% | 2% | 11% | 0% | 9% | 4% | 12% | 0% | 0% | 6% |
| Marketing expenses | 0% | 6% | 0% | 0% | 3% | 0% | 9% | 0% | 0% | 6% | 0% | 4% | 0% | 0% | 0% | 0% | 6% | 0% | 0% | 0% |
| Non-GSE (other investors) pricing and policies | 4% | 2% | 3% | 12% | 2% | 10% | 0% | 0% | 0% | 0% | 0% | 4% | 0% | 26% | 6% | 4% | 0% | 9% | 20% | 0% |

Question was changed to only allow up to two answer choices in Q1 2015.

2014 question text: What do you think will drive the decrease in your firm's profit margin over the next three months? Please select up to three of the most important reasons and rank them in order of importance.

Decreased Profit Margin – Drivers (by institution type)

| 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)* | Mortgage Banks | | | | | Depository Institutions | | | | | Credit Unions | | | | |
|---|----------------|---------|---------|---------|---------|-------------------------|---------|---------|---------|---------|---------------|---------|---------|---------|---------|
| | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 12 | 22 | 14 | 4 | 19 | 26 | 19 | 24 | 10 | 24 | 11 | 13 | 16 | 2 | 6 |
| Government regulatory compliance | 67% | 45% | 53% | 50% | 40% | 59% | 54% | 71% | 58% | 57% | 54% | 92% | 52% | 50% | 54% |
| Competition from other lenders | 50% | 45% | 43% | 50% | 40% | 40% | 47% | 21% | 52% | 38% | 27% | 12% | 36% | 50% | 30% |
| Market trend changes (i.e. shift from refinance to purchase) | 8% | 0% | 18% | 0% | 24% | 30% | 16% | 18% | 10% | 26% | 27% | 16% | 19% | 0% | 15% |
| Government monetary or fiscal policy | 0% | 16% | 14% | 0% | 24% | 12% | 5% | 6% | 0% | 13% | 36% | 15% | 0% | 0% | 15% |
| Staffing (personnel costs) | 0% | 28% | 14% | 0% | 27% | 10% | 11% | 25% | 20% | 9% | 18% | 8% | 19% | 0% | 15% |
| Consumer demand | 17% | 32% | 28% | 25% | 10% | 12% | 19% | 25% | 29% | 24% | 18% | 38% | 52% | 0% | 15% |
| GSE pricing and policies | 42% | 9% | 7% | 25% | 11% | 26% | 26% | 21% | 13% | 18% | 18% | 16% | 9% | 50% | 46% |
| Operational efficiency (i.e. technology) | 8% | 10% | 14% | 25% | 16% | 4% | 5% | 4% | 10% | 4% | 0% | 0% | 6% | 0% | 0% |
| Servicing costs | 0% | 0% | 7% | 0% | 0% | 4% | 11% | 4% | 10% | 9% | 0% | 4% | 0% | 0% | 8% |
| Marketing expenses | 0% | 16% | 0% | 0% | 5% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Non-GSE (other investors) pricing and policies | 8% | 0% | 0% | 25% | 5% | 4% | 5% | 4% | 0% | 0% | 0% | 0% | 6% | 50% | 0% |

Question was changed to only allow up to two answer choices in Q1 2015.

2014 question text: What do you think will drive the decrease in your firm's profit margin over the next three months? Please select up to three of the most important reasons and rank them in order of importance.

Decreased Profit Margin – Strategies

| 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. (Showing % rank 1 + 2)* | Total | | | | | Larger Institutions | | | | | Mid-sized Institutions | | | | | Smaller Institutions | | | | |
|--|---------|---------|---------|---------|---------|---------------------|---------|---------|---------|---------|------------------------|---------|---------|---------|---------|----------------------|---------|---------|---------|---------|
| | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 50 | 57 | 56 | 16 | 52 | 10 | 17 | 17 | 7 | 18 | 16 | 24 | 18 | 4 | 16 | 24 | 16 | 22 | 5 | 18 |
| Operational efficiency (i.e. technology) investments | 38% | 36% | 40% | 52% | 51% | 38% | 38% | 47% | 46% | 66% | 40% | 39% | 39% | 100% | 47% | 34% | 25% | 28% | 0% | 23% |
| Marketing outreach expansion/contraction | 27% | 25% | 39% | 27% | 29% | 41% | 25% | 27% | 14% | 33% | 12% | 23% | 50% | 22% | 25% | 32% | 31% | 44% | 60% | 26% |
| Price adjustments | 21% | 17% | 19% | 31% | 25% | 39% | 17% | 15% | 55% | 19% | 6% | 16% | 27% | 0% | 25% | 26% | 18% | 14% | 20% | 34% |
| Back-office staffing adjustments | 24% | 21% | 26% | 14% | 19% | 31% | 28% | 44% | 28% | 25% | 28% | 17% | 17% | 0% | 18% | 13% | 12% | 14% | 0% | 6% |
| New or re-allocation of origination channels (i.e. retail or online or third-party channels) | 15% | 8% | 8% | 0% | 15% | 20% | 12% | 6% | 0% | 17% | 6% | 8% | 6% | 0% | 18% | 21% | 0% | 14% | 0% | 6% |
| New or re-allocation of mortgage product offerings | 14% | 21% | 12% | 9% | 13% | 0% | 31% | 6% | 0% | 11% | 25% | 19% | 6% | 0% | 6% | 13% | 6% | 33% | 40% | 29% |
| MSR (Mortgage Servicing Rights) sales | 7% | 8% | 0% | 7% | 10% | 10% | 9% | 0% | 14% | 12% | 12% | 9% | 0% | 0% | 12% | 0% | 6% | 0% | 0% | 0% |
| Investor outlet expansion/contraction | 12% | 10% | 9% | 35% | 9%* | 0% | 12% | 12% | 32% | 0%* | 18% | 9% | 0% | 52% | 12% | 13% | 12% | 14% | 20% | 26% |
| Loan officer staffing adjustments | 21% | 27% | 22% | 4% | 9% | 14% | 24% | 24% | 0% | 0% | 21% | 26% | 23% | 0% | 21% | 24% | 37% | 18% | 20% | 12% |
| Business acquisition/merger/divestment | 4% | 11% | 11% | 17% | 6% | 0% | 6% | 9% | 0% | 6% | 3% | 13% | 17% | 26% | 6% | 9% | 18% | 7% | 40% | 6%* |
| New borrower segments | 10% | 4% | 10% | 0% | 6% | 10% | 0% | 12% | 0% | 0% | 12% | 4% | 6% | 0% | 6% | 8% | 12% | 14% | 0% | 17% |
| Underwriting standard changes | 6% | 6% | 2% | 0% | 3% | 0% | 0% | 0% | 0% | 6% | 12% | 11% | 6% | 0% | 0% | 4% | 6% | 0% | 0% | 0% |

* Denotes a statistically significant change since Q1 2015

Question was changed to only allow up to two answer choices in Q1 2015.

2014 question text: What primary strategies, if any, is your firm planning to use to address your decreased profit margin? Please select up to three of the most important strategies and rank them in order of importance.

Decreased Profit Margin – Strategies (by institution type)

| 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. (<i>Showing % rank 1 + 2</i>)* | Mortgage Banks | | | | | Depository Institutions | | | | | Credit Unions | | | | |
|---|----------------|---------|---------|---------|---------|-------------------------|---------|---------|---------|---------|---------------|---------|---------|---------|---------|
| | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| N= | 12 | 22 | 14 | 4 | 19 | 26 | 19 | 24 | 10 | 24 | 11 | 13 | 16 | 2 | 6 |
| Operational efficiency (i.e. technology) investments | 25% | 29% | 53% | 50% | 61% | 37% | 27% | 27% | 52% | 26% | 45% | 50% | 46% | 0% | 54% |
| Marketing outreach expansion/contraction | 16% | 32% | 35% | 25% | 29% | 38% | 17% | 35% | 29% | 23% | 18% | 34% | 55% | 50% | 39% |
| Price adjustments | 25% | 5% | 7% | 50% | 14% | 23% | 32% | 27% | 19% | 34% | 18% | 16% | 19% | 50% | 30% |
| Back-office staffing adjustments | 33% | 20% | 29% | 0% | 37% | 22% | 18% | 27% | 20% | 4% | 9% | 16% | 12% | 0% | 0% |
| New or re-allocation of origination channels (i.e. retail or online or third-party channels) | 34% | 10% | 7% | 0% | 16% | 12% | 8% | 8% | 0% | 13% | 9% | 4% | 12% | 0% | 15% |
| New or re-allocation of mortgage product offerings | 8% | 29% | 7% | 0% | 5% | 8% | 16% | 12% | 10% | 21% | 36% | 12% | 32% | 50% | 30% |
| MSR (Mortgage Servicing Rights) sales | 0% | 12% | 0% | 25% | 16% | 8% | 5% | 0% | 0% | 4% | 0% | 0% | 0% | 0% | 0% |
| Investor outlet expansion/contraction | 8% | 14% | 7% | 50% | 5%* | 16% | 0% | 12% | 33% | 23% | 9% | 16% | 0% | 0% | 0% |
| Loan officer staffing adjustments | 25% | 32% | 28% | 0% | 8% | 14% | 35% | 25% | 0% | 18% | 36% | 20% | 6% | 50% | 0% |
| Business acquisition/merger/divestment | 0% | 14% | 11% | 0% | 5% | 6% | 16% | 8% | 29% | 8% | 9% | 8% | 10% | 0% | 0% |
| New borrower segments | 17% | 5% | 14% | 0% | 5% | 8% | 5% | 12% | 0% | 9% | 9% | 8% | 6% | 0% | 15% |
| Underwriting standard changes | 8% | 0% | 0% | 0% | 0% | 8% | 11% | 0% | 0% | 4% | 0% | 12% | 0% | 0% | 0% |

* Denotes a statistically significant change since Q1 2015

Question was changed to only allow up to two answer choices in Q1 2015.

2014 question text: What primary strategies, if any, is your firm planning to use to address your decreased profit margin? Please select up to three of the most important strategies and rank them in order of importance.

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

- 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 year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%.

Mortgage Servicing Rights

- 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 year will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%.