



Mortgage Lender Sentiment Survey Questionnaire Quarterly Tracking Study – Q3 2016

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

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

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

NHS Questions

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

/* Q1 */ In general, do you, as a senior mortgage executive, think the U.S. economy overall is on the right track or the wrong track?

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

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

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

/* Q2 */ Nationally, during the next 12 months, do you, as a senior mortgage executive, think home prices in general will go up, go down, or stay the same as where they are now?

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

/* Q4a */ ## IF Q2=C1 ## By about what percent do you, as a senior mortgage executive, think home prices nationally will go up on average over the next 12 months? ***/* OPEN END NUMERIC (0 TO 100) */***



/* Q5a */ ## IF Q2=C2 ## By about what percent do you, as a senior mortgage executive, think home prices nationally will go down on average over the next 12 months? **/* OPEN END NUMERIC (0 TO 100) */**

Consumer Demand

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

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

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

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

Consumer Demand for Purchase Mortgages for the Past 3 Months

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

/* REPEAT CODES */

/* Q6a */ Purchase - [**/* GSE Eligible */**] [- GSE Eligible Mortgages are defined as mortgages meeting the underwriting guidelines, including loan limit amounts, of the Government-Sponsored Enterprises (GSEs) (Fannie Mae and Freddie Mac). Exclude Government loans from this category. -]

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

/* Q6c */ Purchase - [**/* Government */**] [- Government Mortgages primarily include Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) insured loans but also includes other programs such as Rural Housing Guaranteed and Direct loans. -]

/* END SERIES */

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

/* END SERIES */



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

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

Consumer Demand for Purchase Mortgages for the Next 3 Months

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

/* REPEAT CODES */

/* Q14a */ Purchase - [/* GSE Eligible */] [- GSE Eligible Mortgages are defined as mortgages meeting the underwriting guidelines, including loan limit amounts, of the Government-Sponsored Enterprises (GSEs) (Fannie Mae and Freddie Mac). Exclude Government loans from this category. -]

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

/* Q14c */ Purchase - [/* Government */] [- Government Mortgages primarily include Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) insured loans but also includes other programs such as Rural Housing Guaranteed and Direct loans. -]

/* END SERIES */

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

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

/* REPEAT CODES */

/* Q46a */ 1 - Most important

/* Q46b */ 2 - Second most important

/* END SERIES */



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

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

/* REPEAT CODES */

/* Q47a */ 1 - Most important

/* Q47b */ 2 - Second most important

/* END SERIES */

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

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

/* REPEAT CODES */

/* Q49a */ 1 - Most important

/* Q49b */ 2 - Second most important

/* END SERIES */



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

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

/* REPEAT CODES */

/* Q50a */ 1 - Most important

/* Q50b */ 2 - Second most important

/* END SERIES */

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

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

/* REPEAT CODES */

/* Q51a */ 1 - Most important

/* Q51b */ 2 - Second most important

/* END SERIES */



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

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

/* REPEAT CODES */

/* Q52a */ 1 - Most important

/* Q52b */ 2 - Second most important

/* END SERIES */

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

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

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

Consumer Demand for Refinance Mortgages for the Past 3 Months

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

/* REPEAT CODES */

/* Q10a */ Refinance - **/* GSE Eligible */** [- GSE Eligible Mortgages are defined as mortgages meeting the underwriting guidelines, including loan limit amounts, of the Government-Sponsored Enterprises (GSEs) (Fannie Mae and Freddie Mac). Exclude Government loans from this category. -]

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



/* Q10c */ Refinance - [* Government *] [- Government Mortgages primarily include Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) insured loans but also includes other programs such as Rural Housing Guaranteed and Direct loans. -]

/* END SERIES */

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

/* METRIC A */ 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?

Consumer Demand for Refinance Mortgages for the Next 3 Months

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

/* REPEAT CODES */

/* Q18a */ Refinance - [* GSE Eligible *] [- GSE Eligible Mortgages are defined as mortgages meeting the underwriting guidelines, including loan limit amounts, of the Government-Sponsored Enterprises (GSEs) (Fannie Mae and Freddie Mac). Exclude Government loans from this category. -]

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

/* Q18c */ Refinance - [* Government *] [- Government Mortgages primarily include Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) insured loans but also includes other programs such as Rural Housing Guaranteed and Direct loans. -]

/* END SERIES */

Profit Margin

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

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

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



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

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

/* REPEAT CODES */

/* Q23a */ 1 - Most important

/* Q23b */ 2 - Second most important

/* END SERIES */

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

- 1) Consumer demand
- 2) Competition from other lenders
- 3) Government monetary or fiscal policy
- 4) Government regulatory compliance
- 5) GSE pricing and policies
- 6) Non-GSE (other investors) pricing and policies
- 7) Operational efficiency (i.e. technology)
- 8) Staffing (personnel costs)
- 9) Marketing expenses
- 10) Servicing costs
- 11) Market trend changes (i.e. shift from refinance to purchase)
- 12) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q24a */ 1 - Most important

/* Q24b */ 2 - Second most important

/* END SERIES */



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

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

/* REPEAT CODES */

/* Q25a */ 1 - Most important

/* Q25b */ 2 - Second most important

/* END SERIES */

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

- 1) Consumer demand
- 2) Less competition from other lenders
- 3) Government monetary or fiscal policy
- 4) Government regulatory compliance
- 5) GSE pricing and policies
- 6) Non-GSE (other investors) pricing and policies
- 7) Operational efficiency (i.e. technology)
- 8) Staffing (personnel costs) reduction
- 9) Marketing expense reduction
- 10) Servicing cost reduction
- 11) Market trend changes (i.e. shift from refinance to purchase)
- 12) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q26a */ 1 - Most important

/* Q26b */ 2 - Second most important

/* END SERIES */



/* Q26c */ ## IF Q23A = C3 OR Q23B=C3 OR Q24A = C7 OR Q24B = C7 OR Q25A = C3 OR Q25B=C3 OR Q26A = C7 OR Q26B = C7 ## You previously mentioned that operational efficiencies will impact your firms strategies and profit margin. Could you share some details about your firm's plans or challenges regarding operational efficiencies and its impact on profit margin? **/* OPEN END 1 BOXES 1 REQ */**

/* METRIC A */ How have your firm's costs changed over the last 12 months for each of the following areas?
/* RANDOMLY REVERSE CHOICES */

- 1) Increased significantly
- 2) Increased somewhat
- 3) Remained about the same
- 4) Decreased somewhat
- 5) Decreased significantly

/* RANDOM ROTATE SERIES */

/* QR147 */ Operations (processing and underwriting)

/* QR148 */ Technologies/IT

/* QR149 */ Marketing/Sales

/* QR150 */ Compliance (compliance testing)

/* QR151 */ Quality Control/Review

/* END SERIES */

Credit Standards

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

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

Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.

Credit Standards over the Past 3 Months

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

/* REPEAT CODES */

/* Q27a */ [**/* GSE Eligible */**] [- GSE Eligible Mortgages are defined as mortgages meeting the underwriting guidelines, including loan limit amounts, of the Government-Sponsored Enterprises (GSEs) (Fannie Mae and Freddie Mac). Exclude Government loans from this category. -]



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

/* Q27c */ /* Government */ [- Government Mortgages primarily include Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) insured loans but also includes other programs such as Rural Housing Guaranteed and Direct loans. -]

/* END SERIES */

/* Q28 */ ## IF ANY (Q27a, Q27b, Q27c) = c1,c2,c4,c5 ## What do you think drove the change in your firm's credit standards for approving consumer applications for purchase and refinance mortgage loans over the last three months? Please be as specific as possible. (Optional) **/* OPEN END 1 BOXES 0 REQ */**

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

/* METRIC A */ Over the next three months, how do you expect your firm's credit standards for approving applications from individuals for mortgage loans to change (across purchase mortgages and refinance mortgages)?

Credit Standards over the Next 3 Months

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

/* REPEAT CODES */

/* Q31a */ /* GSE Eligible */ [- GSE Eligible Mortgages are defined as mortgages meeting the underwriting guidelines, including loan limit amounts, of the Government-Sponsored Enterprises (GSEs) (Fannie Mae and Freddie Mac). Exclude Government loans from this category. -]

/* Q31b */ /* Non-GSE Eligible */ [- Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and typically carry higher interest rates than GSE loans. Exclude Government loans from this category. -]

/* Q31c */ /* Government */ [- Government Mortgages primarily include Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) insured loans but also includes other programs such as Rural Housing Guaranteed and Direct loans. -]

/* END SERIES */

/* Q32 */ ## IF ANY (Q31a, Q31b, Q31c) = c1,c2,c4,c5 ## What do you think will drive the change in your firm's credit standards for approving consumer applications for purchase and refinance mortgage loans over the next three months? Please be as specific as possible. (Optional) **/* OPEN END 1 BOXES 0 REQ */**



Mortgage Execution Share

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

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

/* REPEAT CODES */

/* Q35a */ Portfolio Retention

/* Q35b */ GSE (Fannie Mae and Freddie Mac)

/* Q35c */ Ginnie Mae (FHA/VA)

/* Q35d */ Private Label Securities / Non-Agency Securities

/* Q35e */ Whole Loan Sales to NON-GSE (Correspondent)

/* Q35f */ Other

/* END SERIES */

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

/* METRIC A */ Looking forward, what percent of your firm's total mortgage originations over the next 12 months will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. **/* OPEN END NUMERIC (0 TO 100) */**

/* REPEAT CODES */

/* Q44a */ Portfolio Retention

/* Q44b */ GSE (Fannie Mae and Freddie Mac)

/* Q44c */ Ginnie Mae (FHA/VA)

/* Q44d */ Private Label Securities / Non-Agency Securities

/* Q44e */ Whole Loan Sales to NON-GSE (Correspondent)

/* Q44f */ ## INSERT RESPONSE FROM q35fother ##

/* END SERIES */



Mortgage Servicing Rights

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

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

/* REPEAT CODES */

/* Q38a */ MSR retained, serviced in-house

/* Q38b */ MSR retained, serviced by a subservicer

/* Q38c */ MSR sold

/* END SERIES */

/* METRIC A */ Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next 12 months will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. **/* OPEN END NUMERIC (0 TO 100) */**

/* REPEAT CODES */

/* Q45a */ MSR retained, serviced in-house

/* Q45b */ MSR retained, serviced by a subservicer

/* Q45c */ MSR sold

/* END SERIES */

/* Q45d*/ ## IF Q38C does not equal Q45C ## What do you think will drive the change in your firm's percentage of MSR sold over the next 12 months? Please be as specific as possible. (Optional) **/* OPEN END 1 BOXES 0 REQ */**



Rotating Questions – The Role of Quality Control

/* DISPLAY */ Thank you. For this next section, we would like to ask you about your firm’s practices with regards to Quality Control (QC).

SHOW THE FOLLOWING DISPLAY, QR152a, QR152b, AND QR152c ON THE SAME PAGE

/* DISPLAY */ Generally speaking, there are two types of QC activities performed at lending institutions: pre-funding QC and post-closing QC. In an ideal world, approximately what percent of your QC resources (e.g., people, technology, budget, etc.) would you like to invest in each QC function?

/* QR152a */ Pre-Funding QC ***/* OPEN END NUMERIC (0 TO 100) */ %***

/* QR152b */ Post-Closing QC ***/* OPEN END NUMERIC (0 TO 100) */ %***

/* QR152c */ Why would you like to invest your resources this way? For example, why would one function receive more resources than the other? Please share your thoughts below (Optional). ***/* OPEN END 1 BOXES 0 REQ */***

/* DISPLAY */ Now, let’s think about reality. Approximately what percent of your QC resources (e.g. people, technology, budget, etc.) do you actually invest in each QC function?

/* QR153a */ Pre-Funding QC ***/* OPEN END NUMERIC (0 TO 100) */ %***

/* QR153b */ Post-Closing QC ***/* OPEN END NUMERIC (0 TO 100) */ %***

/* DISPLAY */ Thank you. For this final section, we will be asking about your firm’s practices specifically about Post-Closing QC.

/* QR154 */ On the four-point scale below, please indicate which statement best describes your view about the primary function of post-closing Quality Control (QC) for the mortgage industry. You can choose an end point to a particular statement (if it describes your view very well), or choose a point somewhere in between to reflect your view.

Post-closing QC should be conducted regardless of investor or regulator requirements

Post-Closing QC activities are conducted because they are required by investors or regulators



/* QR155 */ On the same 4-point scale below, please indicate which statement best describes the role post-closing QC plays at your firm. You can choose an end point to a particular statement (if it describes your firm very well), or choose a point somewhere in between to reflect your firm's practices.

○ ○ ○ ○

My firm uses post-closing QC results primarily to identify operational improvements or to forecast potential risks or costs My firm uses post-closing QC results primarily to reduce repurchase risk

/* QR156a */ How have post-closing QC activities changed your firm's competitive position?

Post-closing QC practices have led my firm to be... **/* RANDOMLY REVERSE CHOICES */**

- 1) Significantly more competitive
- 2) Somewhat more competitive
- 3) Neither more nor less competitive
- 4) Somewhat less competitive
- 5) Significantly less competitive

/* QR156b */ ## IF QR156a = C1-C2 (MORE COMPETITIVE) ## Why do you think post-closing QC has led your firm to be more competitive? Please share your thoughts below (Optional). **/* OPEN END 1 BOXES 0 REQ */**

/* QR156b */ ## IF QR156a = C4-C5 (LESS COMPETITIVE) ## Why do you think post-closing QC has led your firm to be less competitive? Please share your thoughts below (Optional). **/* OPEN END 1 BOXES 0 REQ */**

/* QR157 */ Does your firm consider post-closing QC activities more as preventive measures or more as detective measures? You can choose an end point (if it describes your firm's views very well), or a point somewhere in between to reflect your firm's views.

○ ○ ○ ○

Preventive Detective

/* QR158a */ Which of the following does your firm include in its post-closing QC testing activities? **/* RANDOMLY REVERSE CHOICES */**

- 1) Regulatory compliance testing
- 2) Loan quality testing (credit and value)
- 3) It includes both activities **/* DO NOT ROTATE */**
- 4) Not sure/Don't know/Not applicable **/* DO NOT ROTATE */**

/* DISPLAY */ ## IF QR158a = C3 (BOTH) ## You mentioned that the QC testing activities at your firm include both regulatory compliance testing and loan quality testing (credit and value). Approximately what percent of your QC testing activities are included in each category? The percentages below must add up to 100%.

/* QR158b */ Regulatory compliance testing **/* OPEN END NUMERIC (0 TO 100) */ %**

/* QR158c */ Loan quality testing (credit and value) **/* OPEN END NUMERIC (0 TO 100) */ %**



/* QR159 */ To what extent have your firm's post-closing QC investments reduced your repurchase risk over the past 12 months? **/* RANDOMLY REVERSE CHOICES */**

- 1) QC has significantly reduced our repurchase risk.
- 2) QC has somewhat reduced our repurchase risk.
- 3) QC has no impact on our repurchase risk.
- 4) Not sure/Don't know/Not applicable **/* DO NOT ROTATE */**

/* METRIC A */ The defect rate could be used by your management team to fulfill multiple purposes. Listed below are some common purposes. For each, please indicate if the management team at your firm uses the defect rate to fulfill that purpose.

- 1) Yes
- 2) No

/* RANDOM ROTATE SERIES */

/* QR160a */ To help determine incentive pay or for performance review

/* QR160b */ For [**/* KPI (Key Performance Indicator) */**] discussion [-Key performance indicators are a set of quantifiable measures that a company uses to determine a company's progress in achieving its strategic and operational goals -]

/* QR160c */ To identify process improvement areas

/* QR160d */ To determine our reserve calculations

/* END SERIES */

/* METRIC A */ ## IF C1 (YES) IS SELECTED AT LEAST ONCE IN gQR160a METRIC A ## For the purposes you have identified that your firm uses the defect rate for, please rank up to two of the most important purposes at your firm. **/* RANDOM ROTATE CHOICES */**

- 1) **## SHOW IF QR160a = C1 (YES) ##** To help determine incentive pay or for performance review
- 2) **## SHOW IF QR160b = C1 (YES) ##** For [**/* KPI (Key Performance Indicator) */**] discussion [-Key performance indicators are a set of quantifiable measures that a company uses to determine a company's progress in achieving its strategic and operational goals -]
- 3) **## SHOW IF QR160c = C1 (YES) ##** To identify process improvement areas
- 4) **## SHOW IF QR160d = C1 (YES) ##** To determine our reserve calculations

/* REPEAT CODES */

/* QR161a */ Most important purpose

/* QR161b */ 2nd most important purpose

/* END SERIES */



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

You can find the previous quarters' results as well as special topic analyses on the [Mortgage Lender Sentiment Survey®](#) page on FannieMae.com.

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

At this point, you may close your browser window or **click below** to enter your email address if you would like to receive a copy of the Q3 2016 Mortgage Lender Sentiment Survey® report when it's released. To ensure that your survey responses remain anonymous, after clicking on the link you will be directed to a separate website to enter your email address.