

Mortgage Lender Sentiment Survey[®] Special Topics Report

COVID-19 Mortgage Servicing Challenges (Summary Version)

Fourth Quarter 2020



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Executive Summary

Keeping up with policy changes from investors and customer-facing staffing capacity were the top challenges identified by servicers when implementing forbearance plans and post-forbearance payment plans. When interacting with homeowners, servicers found the greatest challenge to be explaining post-forbearance payment plans and the potential implications of accepting forbearance. Still, many of the respondents who worked in mortgage servicing during the 2008 financial crisis found most aspects of mortgage servicing to be less challenging than 2008.

Among **61%** of lenders surveyed who retain MSRs and service mortgage loans in-house...

Top Challenges Faced

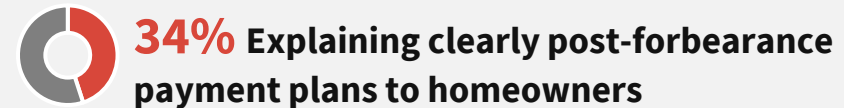
Top Challenges in Rolling Out Mortgage Relief Options

(Combined the biggest and 2nd biggest challenge %)



Top Challenges when Assisting/Interacting with Homeowners

(Combined the biggest and 2nd biggest challenge %)



Mortgage Servicer's Website



69%

Offer a website with mortgage relief resources



62% say their website has helped reduce call center volume

Comparison to 2008 Housing Crisis

(among the 50% of mortgage servicers who worked in mortgage servicing during the 2008 housing crisis)

(% who say today is **more challenging** than 2008)



33% Keeping up with policy changes from investors (such as the GSEs)

(% who say today is **less challenging** than 2008)



69% Helping homeowners overcome hardship and stay in their homes



67% Easing the process for homeowners to request mortgage payment assistance





Business Context



Business Context and Research Questions

Business Context

The COVID-19 pandemic has disrupted how we conduct businesses and live our lives. In the U.S., it has left many Americans dealing with reduced income or unemployment. The federal government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. The CARES Act includes provisions that provide assistance to affected mortgage borrowers and renters. Homeowners with mortgages can opt into a mortgage forbearance¹, which allows them to pause or lower monthly payments for up to 12 months. In exiting forbearance, homeowners will need to work with servicers on a payment solution to pay back the amount of reduced or paused payments

In early September, we surveyed more than 200 senior mortgage executives via the Fannie Mae Mortgage Lender Sentiment Survey[®] to understand the biggest challenges servicers have faced in assisting affected homeowners, ranging from communicating mortgage-relief options, to rolling out forbearances upon borrower requests, to arranging post-forbearance payment options. In addition, we asked mortgage executives who worked in the mortgage servicing area during the 2008 housing crisis to identify the areas which they found more challenging and the areas which they found less challenging, in comparison with the 2008 crisis.

Research Questions

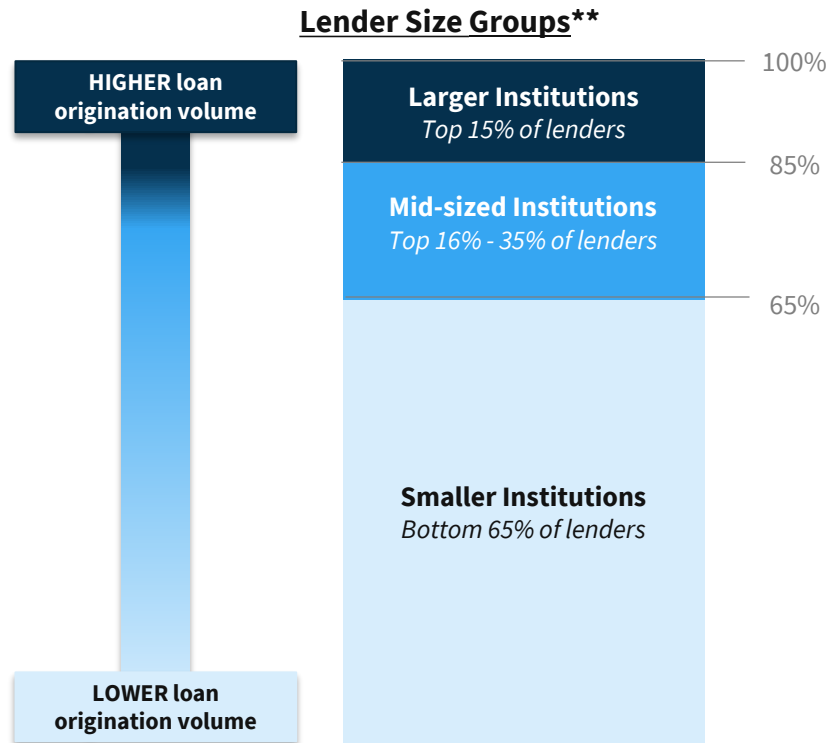
1. What are the biggest challenges servicers have faced in working with homeowners to roll out forbearances and post-forbearance payment plans?
2. What are the biggest challenges servicers have faced in interacting with homeowner customers to offer assistance?
3. If servicers have a website, what services or functionalities does their website offer? And, to what extent has their website helped reduce call center volume related to homeowners' inquiries about forbearances?
4. Among respondents who worked in the mortgage servicing area during the 2008 housing crisis, what aspects of mortgage servicing have they found more challenging compared to the 2018 crisis; and what areas are less challenging?

1. The Mortgage Bankers Association's (MBA) Forbearance and Call Volume Survey revealed that, as of November 15 2020, the total number of loans in forbearance hovers around 5.48%. According to MBA's estimate, 2.7 million homeowners are in forbearance plans. <https://www.mba.org/2020-press-releases/november/share-of-mortgage-loans-in-forbearance-increases-slightly-to-548-percent>



Q4 2020 Respondent Sample and Groups

The current analysis is based on fourth quarter 2020 data collection. For Q4 2020, a total of 267 senior executives completed the survey between October 27 – November 8, representing 229 lending institutions.*



Sample Q4 2020		Sample Size
Total Lending Institutions The “Total” data throughout this report is an average of the means of the three lender-size groups listed below.		229
Lender Size Groups	Larger Institutions Lenders in the Fannie Mae database who were in the top 15% of lending institutions based on their total 2019 loan origination volume (above \$1.25 billion)	60
	Mid-sized Institutions Lenders in the Fannie Mae database who were in the next 20% (16%-35%) of lending institutions based on their total 2019 loan origination volume (between \$379 million and \$1.25 billion)	61
	Smaller Institutions Lenders in the Fannie Mae database who were in the bottom 65% of lending institutions based on their total 2019 loan origination volume (less than \$379 million)	108
Institution Type***	Mortgage Banks (non-depository)	95
	Depository Institutions	75
	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 weighted to represent their parent institution.

** The 2019 total loan volume per lender used here includes the best available annual origination information from Fannie Mae, Freddie Mac, and Marketrac. Lenders in the Fannie Mae database are sorted by their firm’s total 2019 loan origination volume and then assigned into the size groups, with the top 15% of lenders being the “larger” group, the next 20% of lenders being the “mid-sized” group and the rest being the “small” group.

*** Lenders that are not classified into mortgage banks or depository institutions or credit unions are mostly housing finance agencies or investment banks.



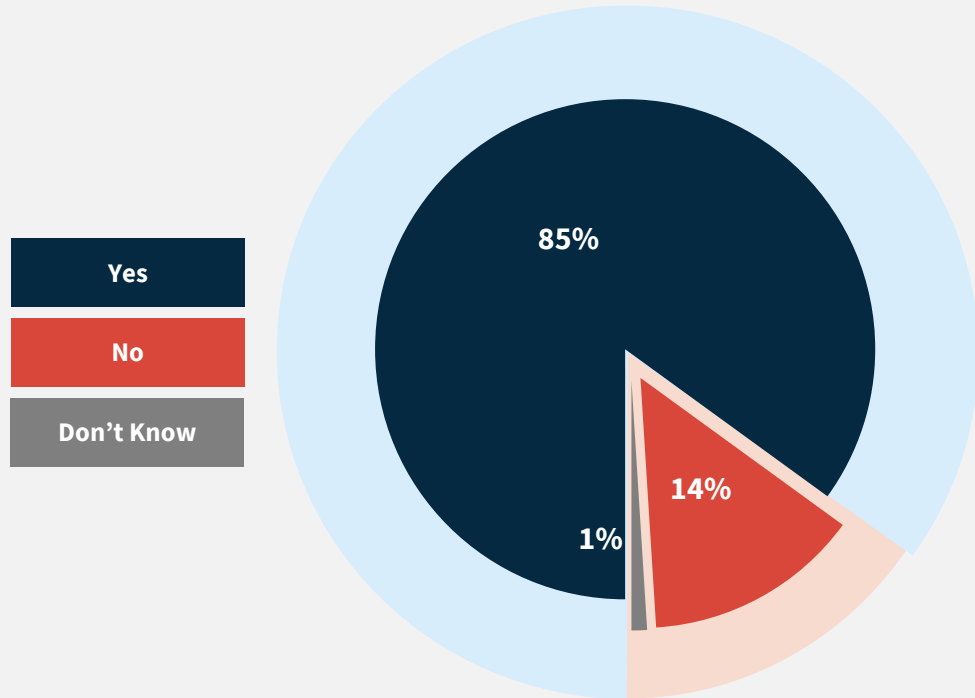


COVID-19 Mortgage Servicing Challenges

Analysis Scope: Among Firms that Retain Mortgage Servicing Rights and Service Loans In-House

The analysis of this study is based on a total of 127 organizations who retain mortgage servicing rights and service loans in house or both in house and via a sub-servicer.

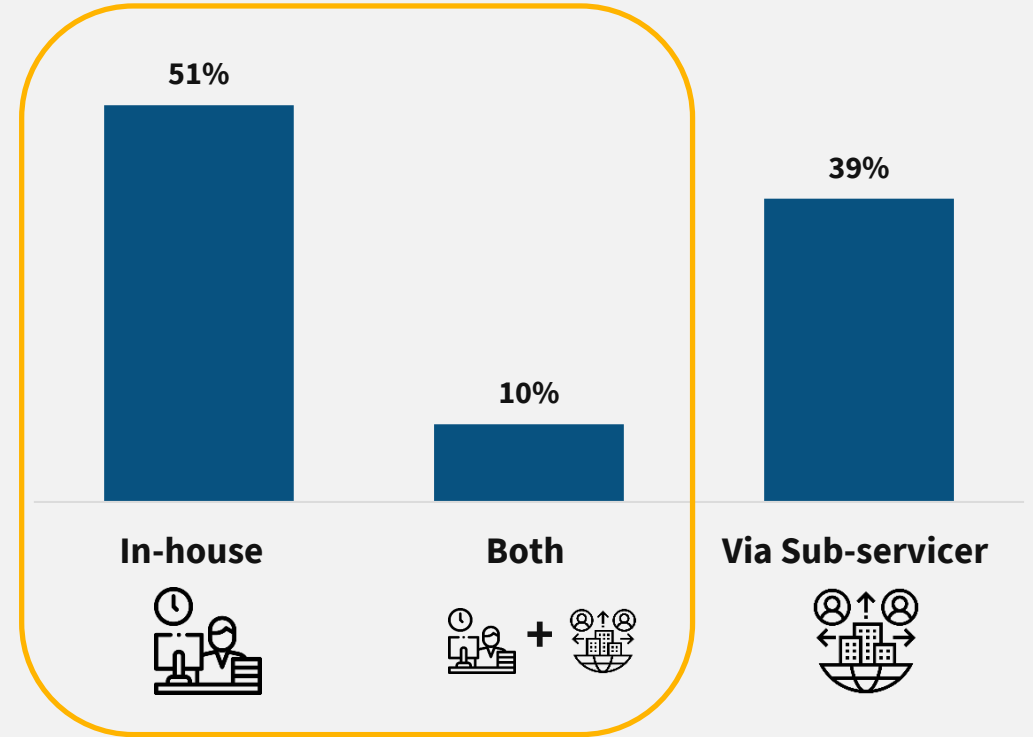
Does your firm retain MSR (Mortgage Servicing Rights), servicing loans either in-house or via a sub-servicer? (N=229)



Does your firm service mortgage loans in-house or via a sub-servicer?

Asked of Firms That Service Mortgage Loans (N=196)

n=127 firms service loans in house, or both in house and via a sub-servicer.



Q: Does your firm retain MSR (Mortgage Servicing Rights), servicing loans either in-house or via a sub-servicer?

Q: IF YES Does your firm service mortgage loans in-house or via a sub-servicer?



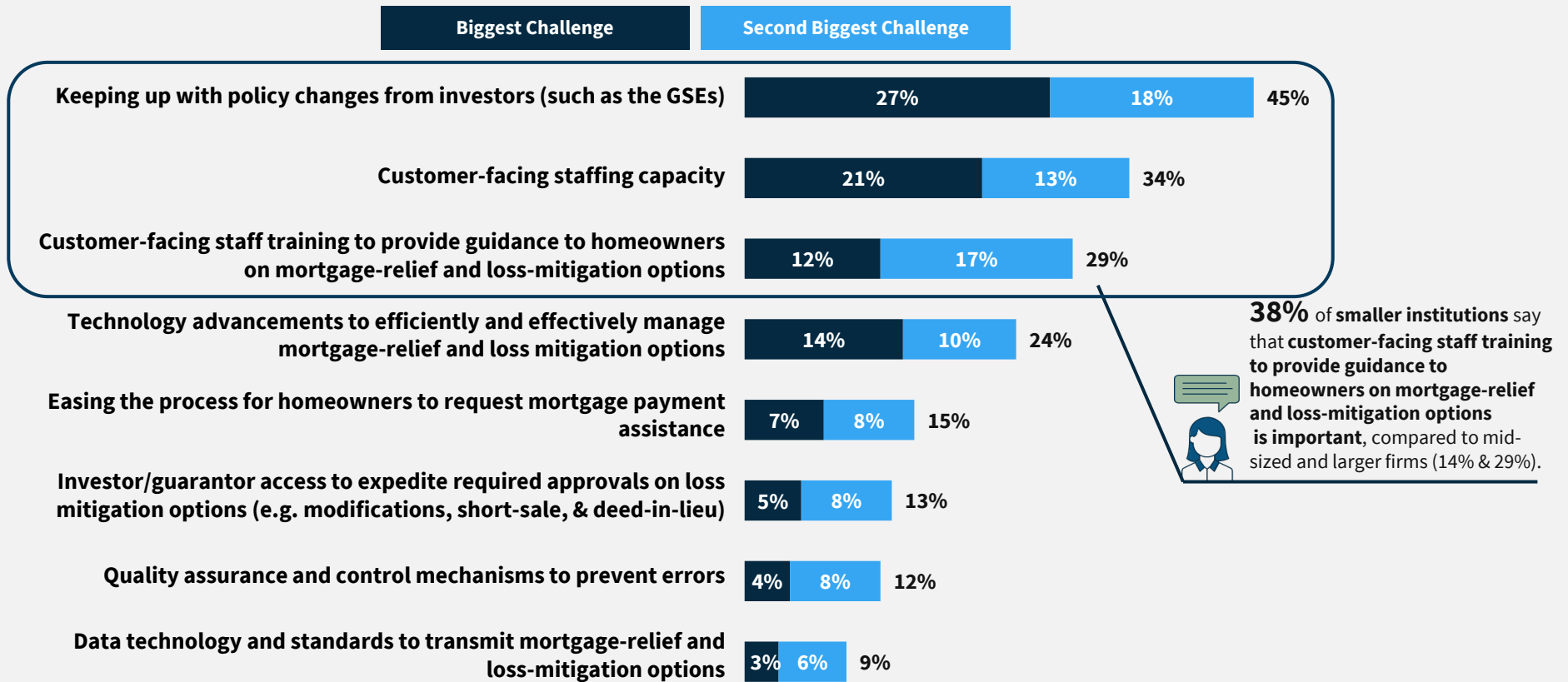
Top Challenges in Working with Homeowners on Mortgage Relief Options in Response to COVID-19

“Keeping up with policy changes from investors” and “customer-facing staffing capacity” are servicers’ biggest challenges when working with homeowners on mortgage relief options such as forbearance and payment plans.



Top Challenges in Working with Homeowners on Mortgage Relief Options

Select up to two, Asked of Firms That Service Mortgage Loans In-House (N=127)



7% of respondents said “Don’t know/ not sure”;
4% chose no answer for the second most important

Q: With COVID-19, many homeowners are entering mortgage forbearance, which allows them to pause or lower monthly payments for up to 12 months. In exiting forbearance, homeowners will need to work with servicers on a payment solution to pay back the amount of reduced or paused payments. *In working with homeowners on mortgage-relief options such as forbearance and payment plans, what are the biggest challenges your mortgage servicing business has faced? Please select up to two and rank them in order of importance.*



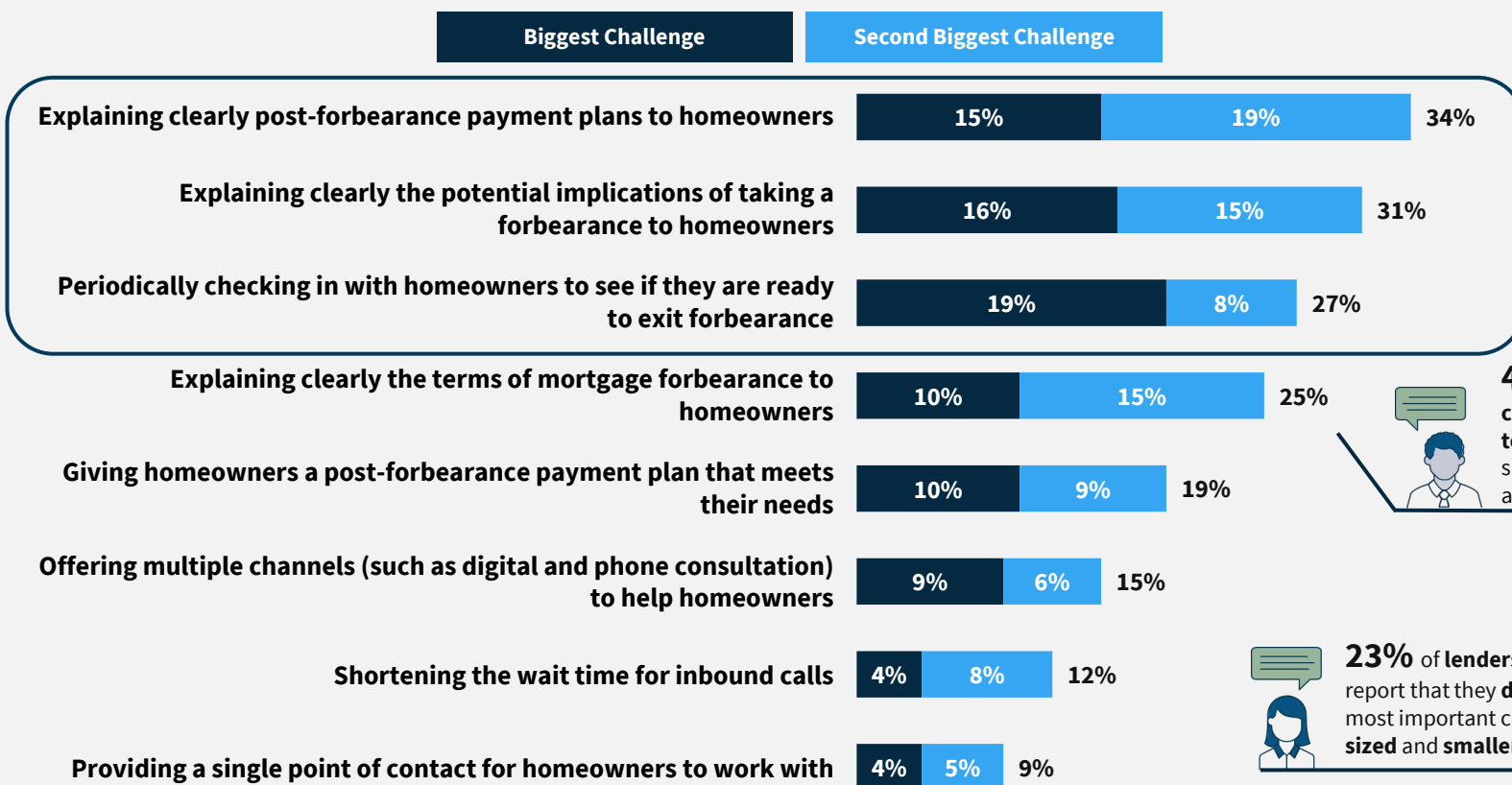
Top Challenges When Assisting/Interacting with Homeowners

When interacting with homeowners, servicers found explaining post-forbearance payment plans and the implications of taking a forbearance most challenging.



Top Challenges when Assisting/Interacting with Homeowners

Select up to two, Asked of Firms That Service Mortgage Loans In-House (N=127)



41% of credit unions find explaining clearly the terms of mortgage forbearance to homeowners to be an important challenge, significantly more than mortgage banks (12%) and depository institutions (20%).



23% of lenders from larger institutions report that they don't know/ not sure what the most important challenge is, higher than mid-sized and smaller institutions (9% and 10%).

13% of respondents said "Don't know/ not sure"; 2% chose no answer for the second most important

Q: Below are some possible challenges mortgage servicers might face in assisting or interacting with homeowner customers. What are the two most significant challenges your servicing business has faced? Please select up to two and rank them in order of importance.



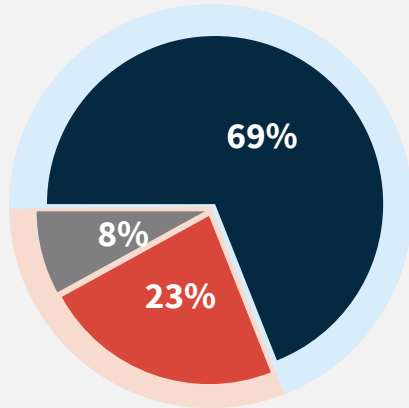
Mortgage Servicing Website for Mortgage-Relief Information and Payment Assistance

The majority of mortgage servicers offer a website with mortgage-relief information and payment assistance requests; over 3-in-5 servicers report that their website has helped reduce call center volume related to homeowner inquiries about forbearances.

Does your mortgage servicing business offer a website with mortgage-relief information and payment assistance?

Asked of Firms That Service Mortgage Loans In-house (N=127)

- Yes
- No
- Don't know/not sure

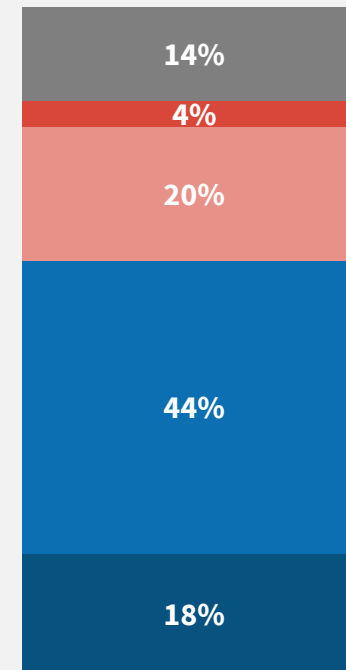


30% of smaller institutions do NOT offer a website with mortgage-relief information and payment assistance, significantly less than larger institutions (11%).

How has your firm's website helped reduce call center volume related to homeowners' inquiries about forbearances?

Asked of Firms That Have a Website (N=85)

- Don't Know
- Has not helped at all
- Has not helped much
- Has helped somewhat reduce
- Has helped significantly reduce



36% of Mortgage banks say that their firm's website has helped significantly reduce call center volume related to homeowners' inquiries about forbearances, significantly more than Depository Institutions (11%) and Credit Unions (10%).

Q: Does your mortgage servicing business offer a website to provide homeowners with mortgage-relief information or to request mortgage payment assistance?

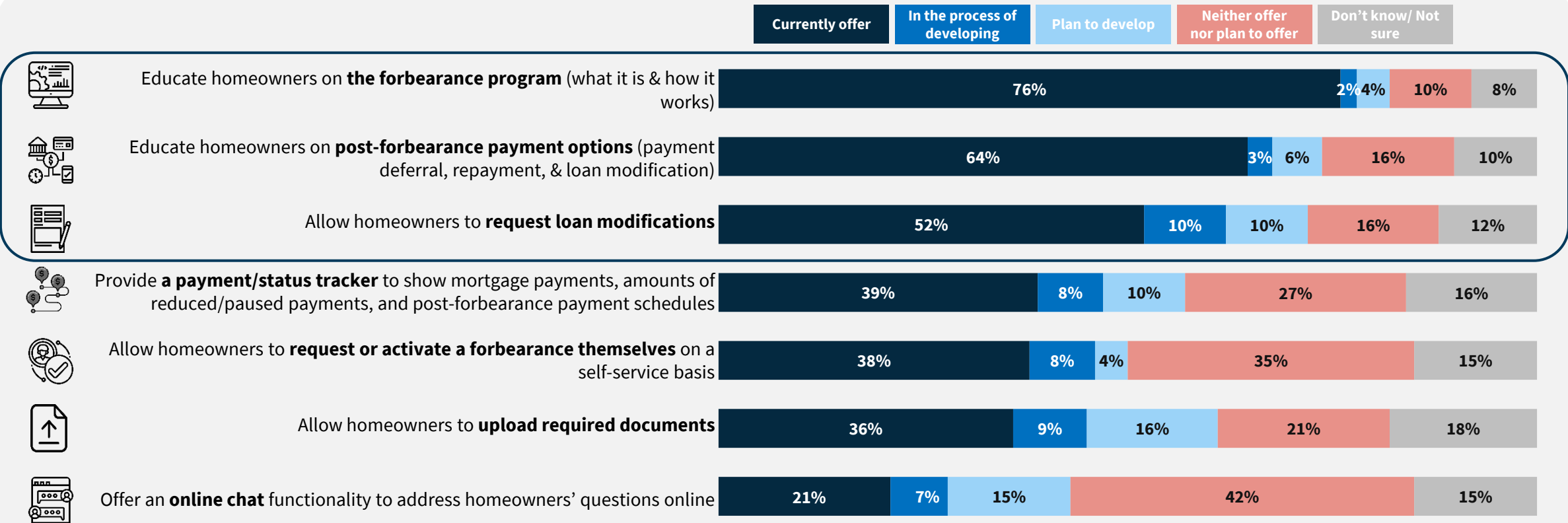
Q: IF YES How has your firm's website helped reduce call center volume related to homeowners' inquiries about forbearances?



Available Services on Websites for Mortgage-Relief Information/Payment Assistance Requests

Most websites provide information to educate homeowners on the forbearance program and post-forbearance payment options, and to allow homeowners to request loan modifications.

Available Services on Website
 Asked of Firms That Have a Website (N=85)



Q: IF YES OFFERS WEBSITE FOR INFORMATION/ASSISTANCE For each of the following services, please indicate the status of availability on your website.

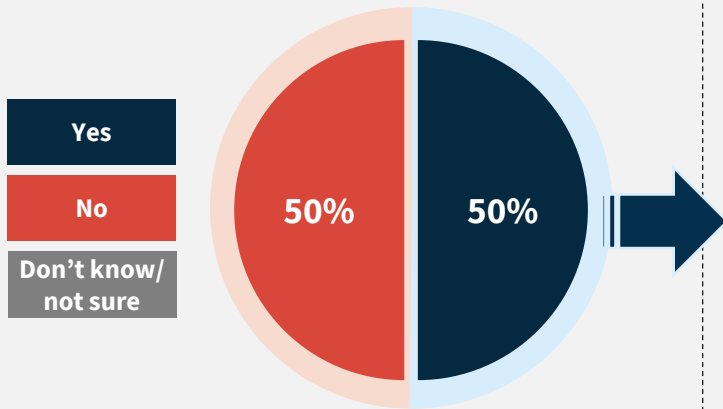


Mortgage Servicing Areas Compared to 2008 Housing Crisis

Among survey respondents who worked in mortgage servicing during the 2008 crisis, many report that most servicing areas were less challenging this time, in comparison to 2008, with the exception of “keeping up with policy changes from investors,” which 1-in-3 servicers find to be more challenging now.

Did you work in the mortgage servicing area during the 2008 housing crisis?

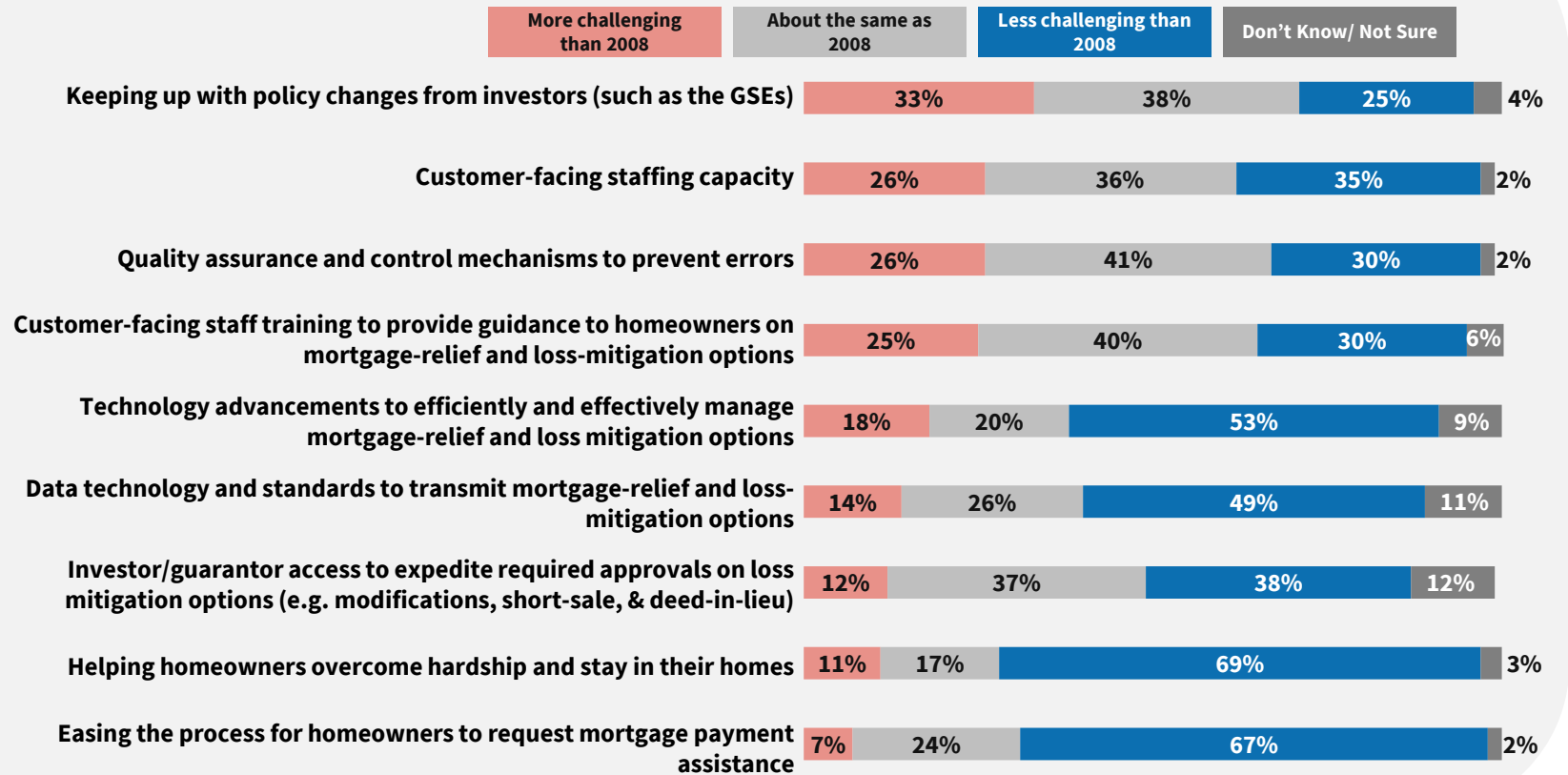
Asked of Firms Who Service Mortgage Loans In-house (N=127)



31% of lenders from larger institutions worked in the mortgage servicing area during 2008, less than mid-sized (54%) and significantly less than smaller institutions (60%).

Difficulty of Mortgage Servicing Areas Compared to 2008

Select up to two, Asked of Lenders Who Serviced Loans During 2008 Crisis (N=67)



Q: Did you personally work in the mortgage servicing area at any organization during the 2008 housing crisis?

Q: IF YES For each area listed below about mortgage servicing, do you think the area is more or less challenging today, compared to the 2008 housing crisis?





Appendix



Objectives of Mortgage Lender Sentiment Survey®

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

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

Quarterly Regular Questions

- **Consumer Mortgage Demand**
- **Credit Standards**
- **Profit Margin Outlook**

Featured Specific Topic Analyses

- **Condo Underwriting**
- **COVID-19 Challenges and Lender Business Priorities**
- **Impact of Technology on Lender Workforce Management**
- **Digital Transformation Efforts**
- **Business Priorities and Industry Competition**
- **APIs and Mortgage Lending**

The MLSS is 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.



Methodology of Mortgage Lender Sentiment Survey[®]

Survey Methodology

- A quarterly, 10- to 15-minute online survey among senior executives, such as CEOs and CFOs, of Fannie Mae's lending institution partners.
- To ensure that the survey results represent the behavior and output of organizations rather than individuals, the Fannie Mae Mortgage Lender Sentiment Survey is structured and conducted as an establishment survey.
- Each respondent is asked 40-75 questions.

Sample Design

- Each quarter, a random selection of approximately 3,000 senior executives among Fannie Mae's approved lenders are invited to participate in the study.

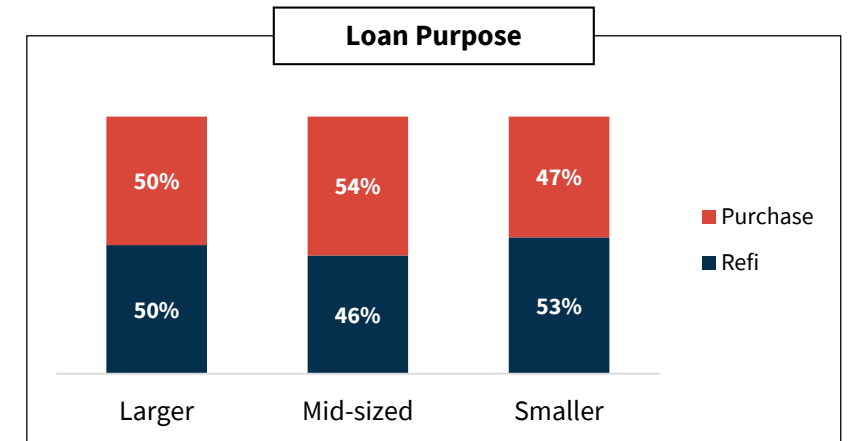
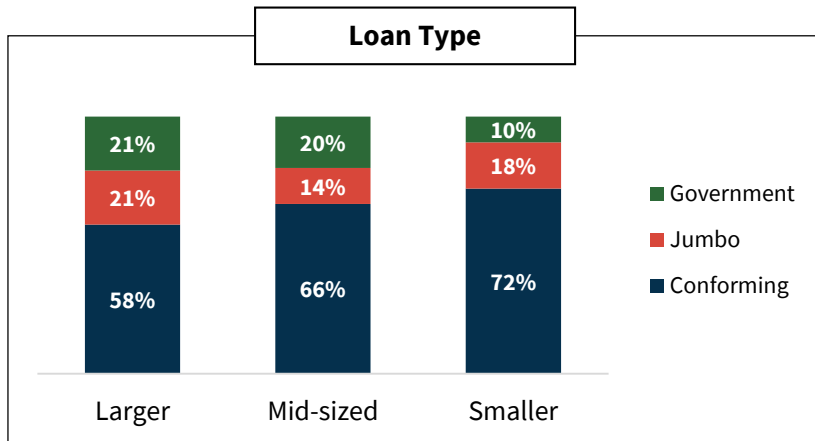
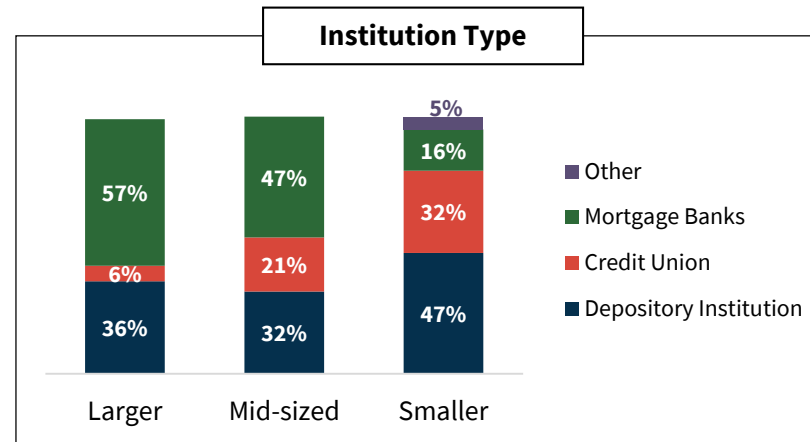
Data Weighting

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



Lending Institution Characteristics

Fannie Mae’s customers invited to participate in the Mortgage Lender Sentiment Survey represent a broad base of different lending institutions that conducted business with Fannie Mae in 2019. Institutions were divided into three groups based on their 2018 total industry loan volume – Larger (top 15%), Mid-sized (top 16%-35%), and Smaller (bottom 65%). The data below further describe the composition and loan characteristics of the three groups of institutions.



Note: Government loans include FHA loans, VA loans and other non-conventional loans from Marketrac.



Q4 2020 Cross-Subgroup Sample Sizes

	Total	Larger Lenders	Mid-Sized Lenders	Smaller Lenders
Total	229	60	61	108
Mortgage Banks (non-depository)	95	43	27	25
Depository Institutions	75	15	14	46
Credit Unions	52	2	20	30



How to Read Significance Testing

On slides where significant differences between three groups are shown:

- Each group is assigned a letter (L/M/S, M/D/C).
- If a group has a significantly higher % than another group at the 95% confidence level, a letter will be shown next to the % for that metric. The letter denotes which group the % is significantly higher than.

Example:

Does your firm service mortgage loans in-house or via a sub-servicer?
Among firms that service mortgage loans

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	196	54	48	93	73	66	50
In-house	51%	43%	42%	68% ^{L,M}	33%	72% ^M	62% ^M
Via a sub-servicer	39%	49% ^S	44% ^S	23%	60% ^{D,C}	15%	27%
Both	10%	8%	13%	10%	7%	13%	11%
Don't know/ not sure	0%	0%	0%	0%	0%	0%	0%

49% is significantly higher than 23%
 (smaller institutions)

62% is significantly higher than
 33% (mortgage banks)



Calculation of the “Total”

The “Total” data presented in this report is an average of the means of the three loan origination volume groups (see an illustrated example below). Please note that percentages are based on the number of financial institutions that gave responses other than “Not Applicable.” Percentages below may add not sum to 100% due to rounding.

Example:

Does your firm retain MSRs (Mortgage Servicing Rights), servicing loans either in-house or via a sub-servicer?

	Total	LOAN VOLUME		
		Larger (L)	Mid-sized (M)	Smaller (S)
N=	229	60	61	108
Yes	85%	90%	80%	86%
No	14%	10%	19%	13%
Don't know/not sure	1%	0%	2%	1%

“Total” of 85% is
 $(90\% + 80\% + 86\%) / 3$



Question Text

QR420: Does your firm retain MSRs (Mortgage Servicing Rights), servicing loans either in-house or via a sub-servicer?

QR421: Does your firm service mortgage loans in-house or via a sub-servicer?

QR422: With COVID-19, many homeowners are entering mortgage forbearance, which allows them to pause or lower monthly payments for up to 12 months. In exiting forbearance, homeowners will need to work with servicers on a payment solution to pay back the amount of reduced or paused payments. In working with homeowners on mortgage-relief options such as forbearance and payment plans, what are the biggest challenges your mortgage servicing business has faced? Please select up to two and rank them in order of importance.

QR423: Did you personally work in the mortgage servicing area at any organization during the 2008 housing crisis?

QR424: For each area listed below about mortgage servicing, do you think the area is more or less challenging today, compared to the 2008 housing crisis?

QR425: Does your mortgage servicing business offer a website to provide homeowners with mortgage-relief information or to request mortgage payment assistance?

QR426: For each of the following services, please indicate the status of availability on your website.

QR427: How has your firm's website helped reduce call center volume related to homeowners' inquiries about forbearances?

QR428: Below are some possible challenges mortgage servicers might face in assisting or interacting with homeowner customers. What are the two most significant challenges your servicing business has faced? Please select up to two and rank them in order of importance.

