

# Mortgage Lender Sentiment Survey<sup>®</sup> Special Topics Report

## Condominium Mortgage Lending -- Comparison to the 2020 study

February 2024



# Disclaimer

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic & Strategic Research (ESR) group or survey respondents included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR group represent the views of that group or survey respondents as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.





# Table of Contents

<b>Executive Summary</b> .....	<b>4</b>
<b>Business Context</b> .....	<b>5</b>
<b>Key Findings</b> .....	<b>8</b>
<b>Condominium Mortgage Process Streamlining</b> .....	<b>17</b>
<b>Appendix</b> .....	<b>24</b>
Economic and Housing Sentiment.....	25
Survey Background and Sample.....	29
Data Tables.....	33
Survey Question Text.....	53



# Executive Summary

To streamline condo underwriting, lenders suggest incorporating condo project eligibility into automated underwriting systems. Since 2020, HOA questionnaire and lender project approval lists grew significantly in importance as the most useful data sources used by lenders for condo underwriting. Regarding top risk areas, HOA financial instability and deferred maintenance still rank highest in importance. Inadequate insurance, however, is the risk for which lender concerns increased the most over the past year.

Among 95% ↑ of lenders surveyed who originate condo loans...

## Top Streamlining Ideas

(Combined the “most helpful” and “second most helpful” %)



**58%**

**Incorporating condo project eligibility into automated underwriting systems (AUS)**



**43%**

**Using GSEs’/ investors’ list of approved condo projects**



## Most Useful Sources of Data

(Combined the “most useful” and “second most useful” %)



**74% ↑ HOA Questionnaire** (vs. 63% in 2020)



**36%** Appraisals (vs. 40% in 2020)



**36% ↑ Lender Project Approval Lists** (vs. 25% in 2020)

## Risks in Evaluating Condo Eligibility

### Top Risk Areas to Focus On

(Combined the “most important” and “second most important” risk %)



**60% HOA Financial Instability**

(vs. 61% in 2020)



**47% ↑ Deferred Maintenance / Aging Projects**

(vs. 31% in 2020)

### Top Risk Concerns That Have Increased Over Past Year

(Combined the “concern that has increased the most” and “concern that has increased the second most” %)



**48% ↑ Deferred Maintenance / Aging Projects** (vs. 33% in 2020)



**38% ↓ HOA Financial Instability** (vs. 50% in 2020)



**32% ↑ Inadequate Insurance** (vs. 15% in 2020)

↑ ↓ Denotes the Q4 2023 % is significantly higher/lower in comparison to Q3 2020.





# Business Context



# Business Context and Research Questions

## Business Context

Condos play an important role in narrowing the supply gap for affordable housing options. They often provide greater affordability, flexibility, and proximity to employment and other amenities compared to single-family homes, especially in supply-constrained locations. Condos also present unique risks, as condo owners share financial responsibility for the operation and maintenance of the common areas and shared amenities. The complexities of underwriting condo project eligibility may also increase the costs and time it takes lenders to approve and close these mortgages.

Fannie Mae's Economic & Strategic Research (ESR) Group surveyed senior mortgage executives in August 2020\* to gather lender input on the existing condo project review requirements and identify opportunities to streamline processes and to more effectively and efficiently manage condo project risks. In November 2023, ESR surveyed the same audience group to assess changes on lenders' views and experiences with condo lending.

## Research Questions

### 1. Lenders' Condo-Lending Strategy

- How do they expect their condo lending business to grow or to contract?
- What are their lending business practices with newly constructed condo projects? Do they form partnership with condo builders?

### 2. Condo Data for Underwriting

- What data sources (e.g., HOAs, sellers, appraisals, and public records) have lenders found most helpful? How do the results differ from 2020?

### 3. Condo Lending Streamlining

- What ideas do lenders find most effective in streamlining the condo lending process?

### 4. Condo Risks

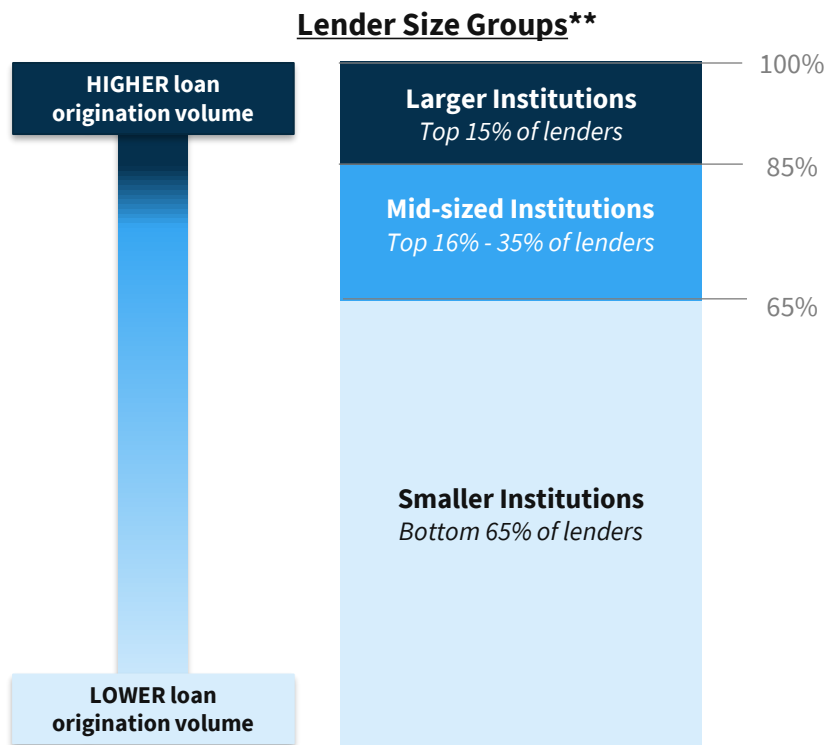
- What are the most important risk factors they think secondary-market investors should focus on? How do the results differ from 2020?
- What are the risk factors whose concern levels have increased significantly over the past year? How do the results differ from 2020?

\* "Condo Mortgage Lending Opportunities?", [Mortgage Lender Sentiment Survey®](https://www.fanniemae.com/media/36301/display) special-topic study, October 2020, <https://www.fanniemae.com/media/36301/display>



# Respondent Sample and Groups

A total of 209 senior executives completed the survey between October 31 and November 13, representing 188 lending institutions.\*



Sample Q4 2023		Sample Size
<b>Total Lending Institutions</b> The “Total” data throughout this report is an average of the means of the three lender-size groups listed below.		188
<b>Lender Size Groups</b>	<b>Larger Institutions</b> Lenders in the Fannie Mae database who were in the top 15% of lending institutions based on their total 2022 loan origination volume (above \$1.34 billion)	40
	<b>Mid-sized Institutions</b> Lenders in the Fannie Mae database who were in the next 20% (16%-35%) of lending institutions based on their total 2022 loan origination volume (between \$425 million and \$1.34 billion)	50
	<b>Smaller Institutions</b> Lenders in the Fannie Mae database who were in the bottom 65% of lending institutions based on their total 2022 loan origination volume (less than \$425 million)	98
<b>Institution Type***</b>	<b>Mortgage Banks</b> (non-depository)	74
	<b>Depository Institutions</b>	71
	<b>Credit Unions</b>	33

\* 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 2022 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 2020 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.





# **Business Practices of Condo Lending**





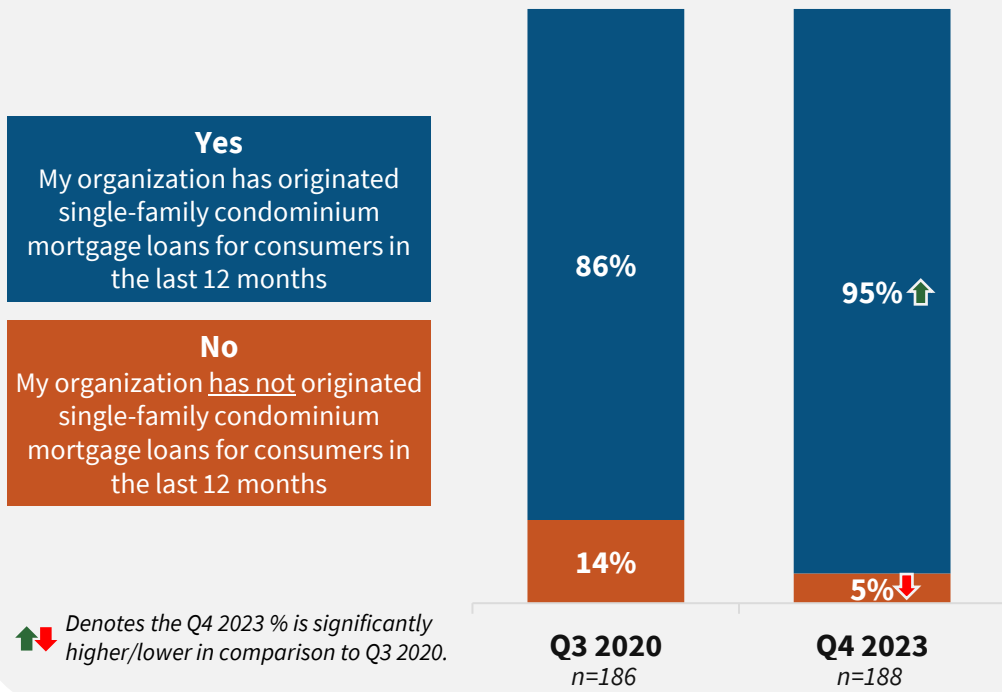
# Origination of Single-Family Condominium Mortgages

Nearly all (95%) lenders surveyed say their organization originated single-family condo loans over the past 12 months (significantly more than in Q3 2020). Among the few who do not, reasons range from lack of demand to origination complexity.

## Origination of Single-Family Condominium Mortgages

Showing Total

Over the past 12 months, has your organization originated single-family condominium mortgage loans for consumers?



## Barriers/Concerns For Not Originating Single-Family Condo Loans

Asked among those whose organization has not originated single-family condominium loans  
Open-ended responses, n=10

### Lack of Market Demand

“**Demand is not there** in our market.”  
– Small Institution

“We do not originate loans from our organization. We have very **few condo projects in our state** and those we do have are **not approved**.”

The **biggest hurdles are HOAs** that either don't have enough reserves or the ratio for investment owned is greater than owner occupied.”  
– Small Institution

### Closing Difficulties

“**Limited condos** in our market and **difficulty to close**.”  
– Small Institution

“**No approved condos** in our lending area.”  
– Small Institution

### Origination Complexity

“The guides are **confusing, and too challenging** on acceptable projects at times.”  
– Mid-sized Institution

“**Outside my knowledge sphere**.”  
– Large Institution

Q: Over the past 12 months, has your organization originated single-family condominium mortgage loans for consumers?

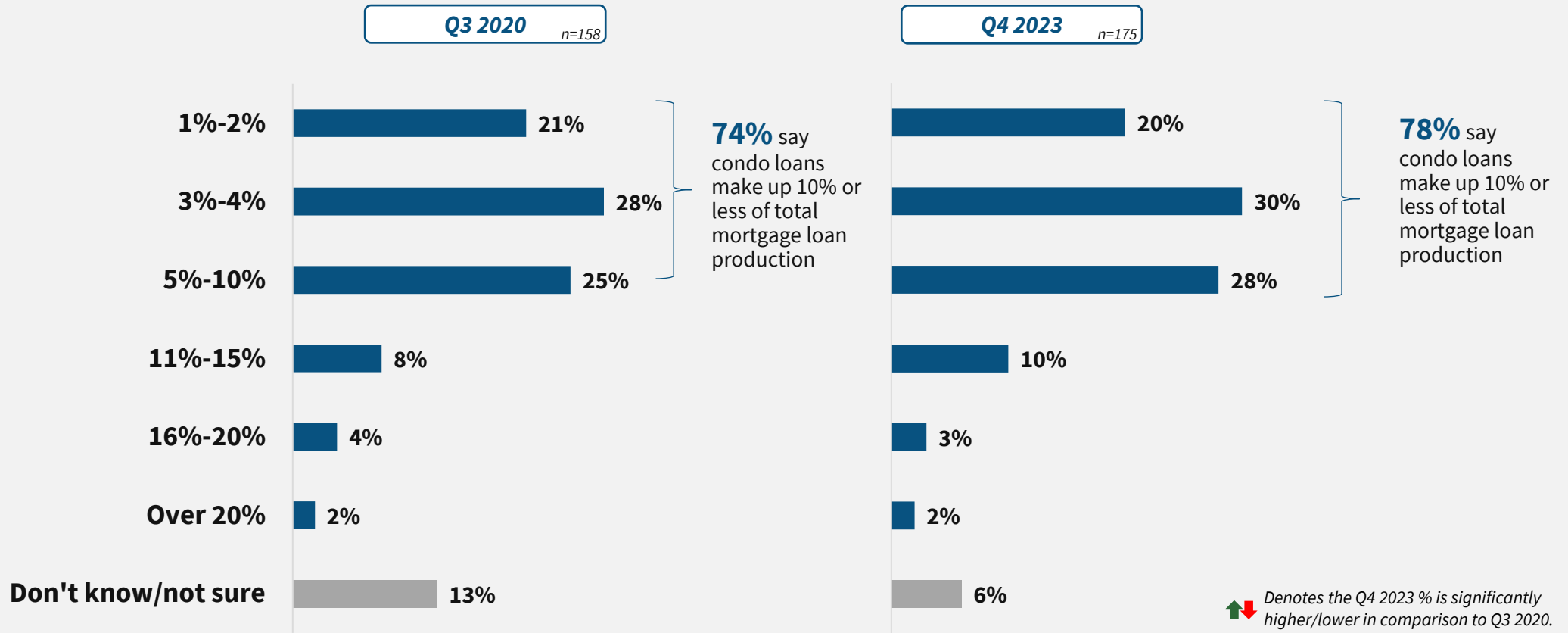
Q: Could you please share some details about why your organization has not originated single-family condominium loans? What are the barriers or concerns? (Optional)



# Condo Lending Share of Total Mortgage Volume

Most lenders say their condo loans make up 10% or less of their organization's total mortgage loan production volume, similar to Q3 2020.

**Condo Lending Share of Total Mortgage Volume**  
*Asked among those whose organization has originated single-family condominium loans in the past 12 months*  
*Showing Total*



Note: Due to rounding, minor differences in calculated data (summarized results, net calculations, etc.) of up to 1 percentage point may occur

Q: Approximately what share of your organization's total mortgage loan production volume (including purchase and refinance mortgages) is condo lending?

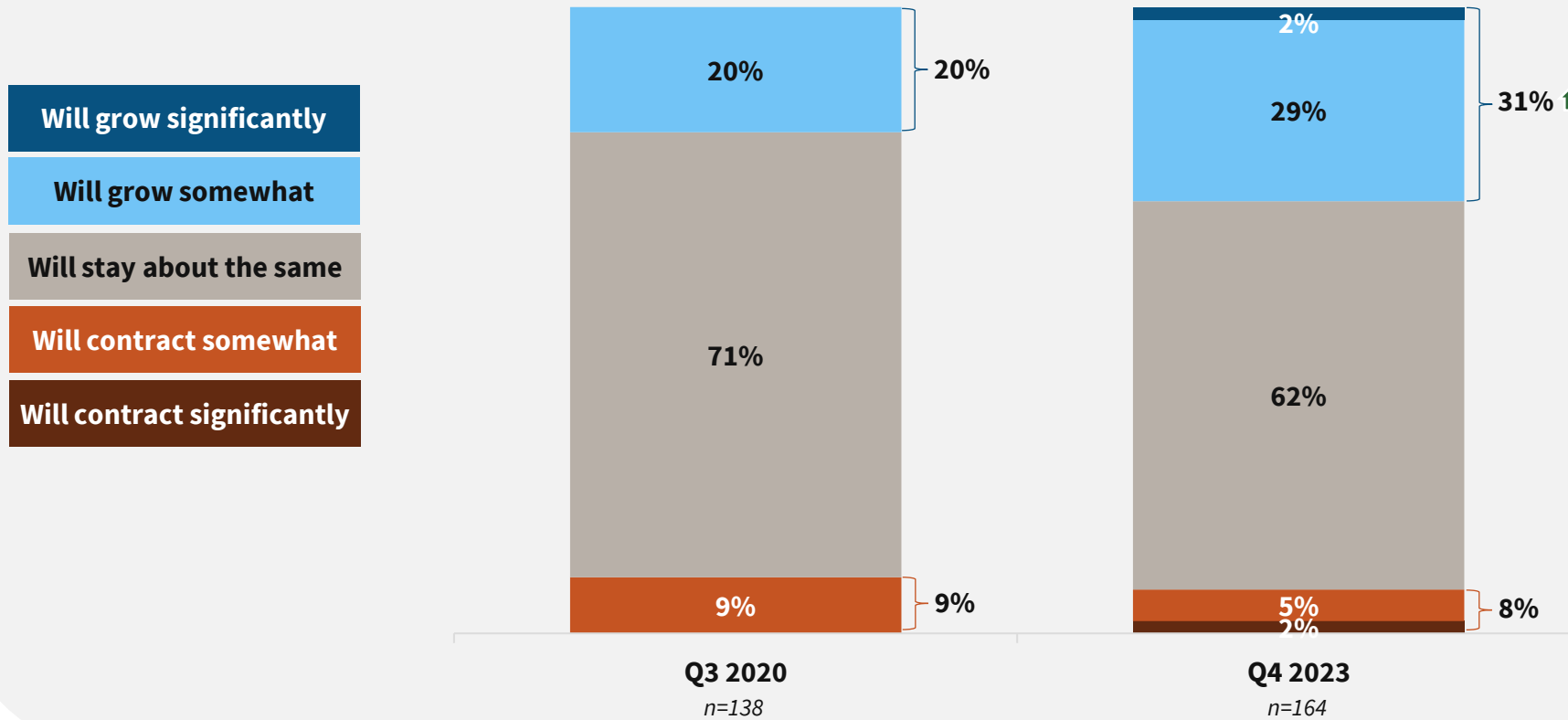


## Expected Change in Condo Lending Share Over the Next 12 Months

A majority of lenders expect the share of condo loans over the next 12 months to stay about the same; however, significantly more lenders in 2023 than in 2020 expect their firm's share of condo loans to grow (at least somewhat).

### Expected Change in Condo Lending Share of Total Mortgage Volume

Asked among those whose organization has originated single-family condominium loans in the past 12 months and those who specified the share of their organization's total loan production volume, Showing Total



↑ Denotes the Q4 2023 % is significantly higher/lower in comparison to Q3 2020.

Note: Due to rounding, minor differences in calculated data (summarized results, net calculations, etc.) of up to 1 percentage point may occur

Q: You mentioned that condo lending accounts for about [INSERT QR408] of your firm's total loan production volume. In your view, how do you expect that share to grow, contract, or stay the same over the next 12 months at your organization?

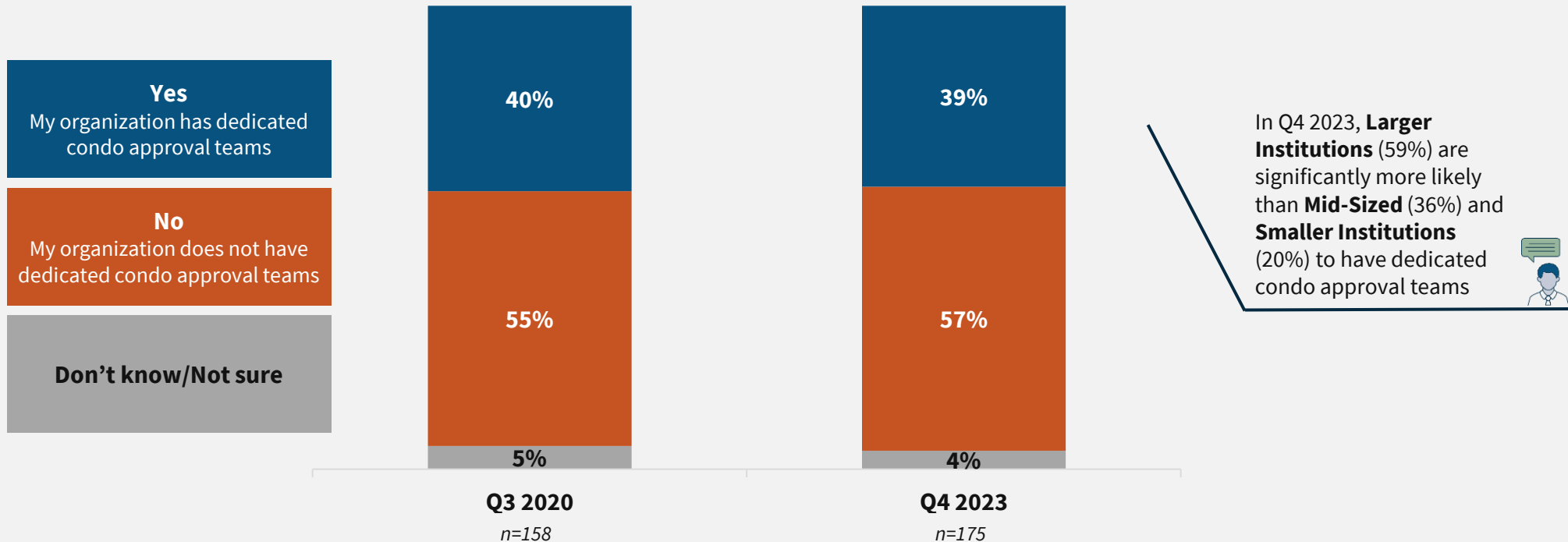


## Dedicated Condo Teams

Nearly two-fifths of lenders indicate their organization has a dedicated condo approval team, similar to Q3 2020. Larger lenders are more likely to say they have a dedicated team than mid-sized and smaller lenders.

### Dedicated Condo Teams

Asked among those whose organization has originated single-family condominium loans in the past 12 months, Showing Total



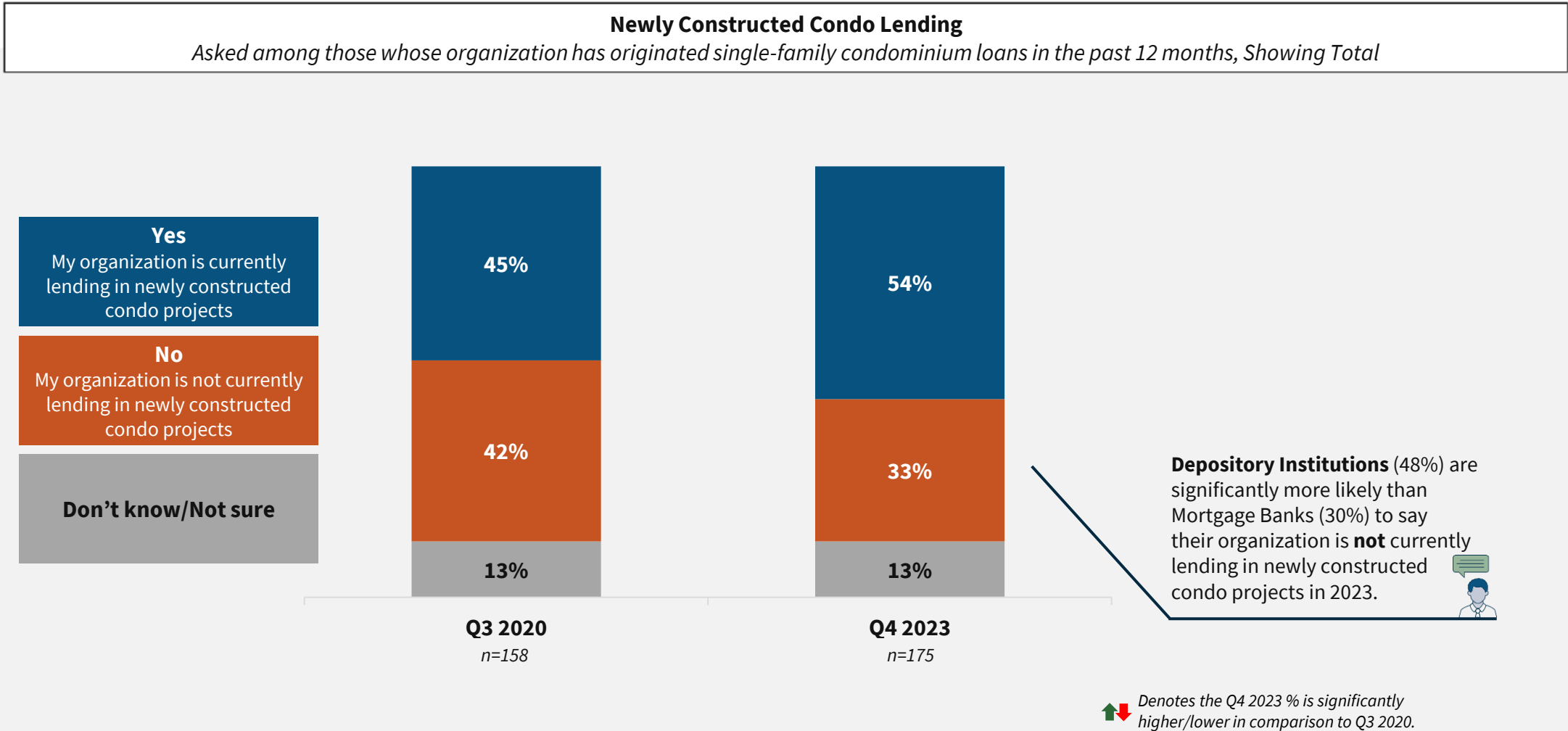
↑↓ Denotes the Q4 2023 % is significantly higher/lower in comparison to Q3 2020.

Q: Does your organization have dedicated "condo approval teams" that focus on all condo specific work?



# Newly Constructed Condo Lending

Lenders in 2023 (54%) are directionally more likely than in 2020 (45%) to say they are currently lending in newly constructed condo projects.



Q: Is your organization currently lending in newly constructed condo projects?

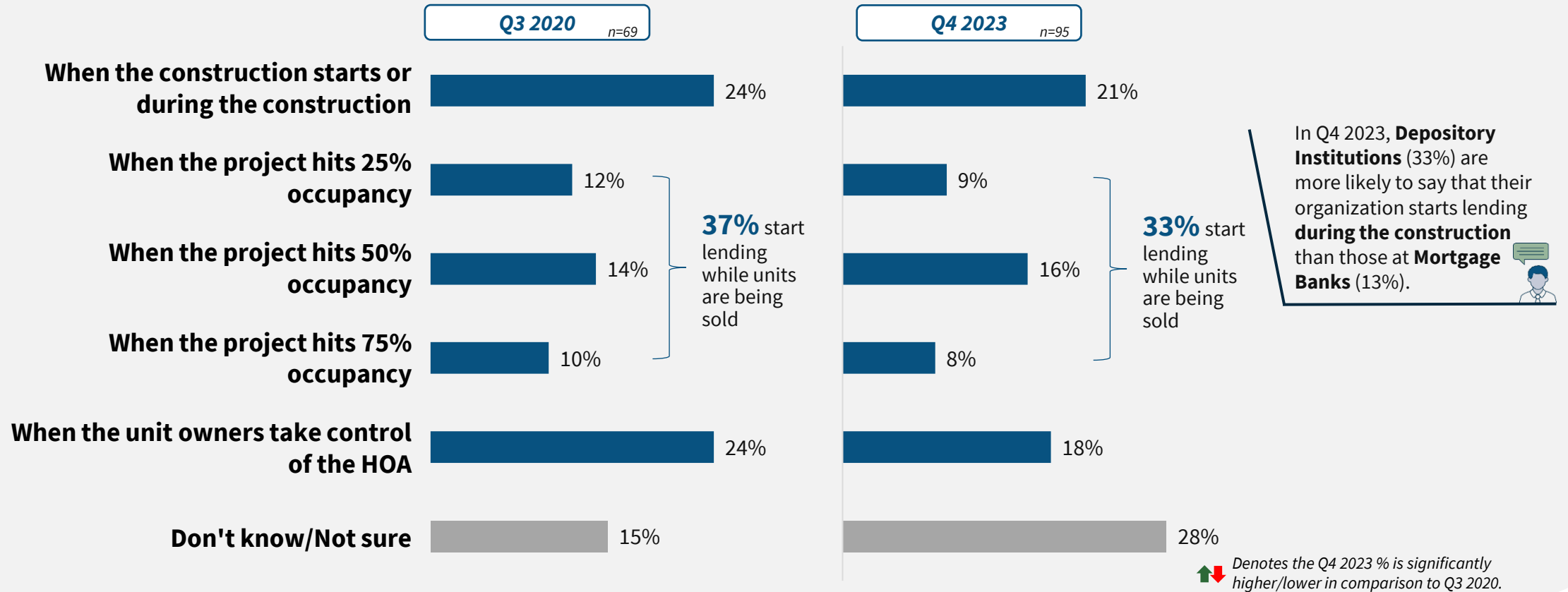


# Time to Start Newly Constructed Condo Lending

About one-fifth of lenders say they begin lending during the construction; one-third start lending when units are being sold; and the remaining 18% begin lending when unit owners take control of the HOA.

## Newly Constructed Condo Lending Start Time

Asked among those who originated single-family condominium loans in the past 12 months and is currently lending in newly constructed condo projects  
Showing Total



Q: When does your organization usually start lending in newly constructed condo projects?

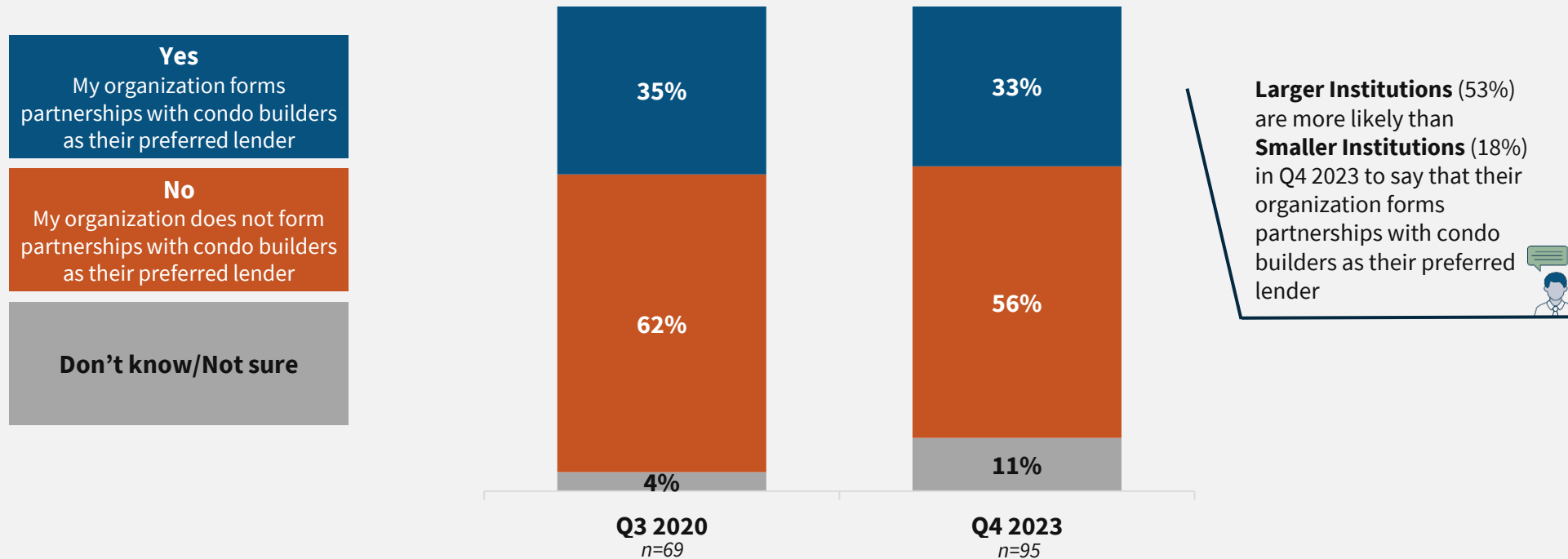


# Partnerships with Condo Builders as Their Preferred Lender

Consistent with 2020, about one-third of lenders say they have formed preferred partnerships with condo builders.

## Partnerships with Condo Builders as Preferred Lender

Asked among those whose organization has originated single-family condominium loans in the past 12 months and is currently lending in newly constructed condo projects, Showing Total



↑↓ Denotes the Q4 2023 % is significantly higher/lower in comparison to Q3 2020.

Q: Does your organization form partnerships with condo builders as their preferred lender?



# Differences in Lending Practices, by Condo Share of Total Loan Volume

Lenders with condo loans making up over 10% of their total loan volume appear more likely to lend in newly constructed condo projects and have a dedicated condo team.

**Differences in Lending Practices, by Condo Lending Share of Total Loan Volume**  
*All questions asked among those whose organization has originated single-family condominium loans in the past 12 months  
 Showing Q4 2023 results, by condo lending share of total loan volume*

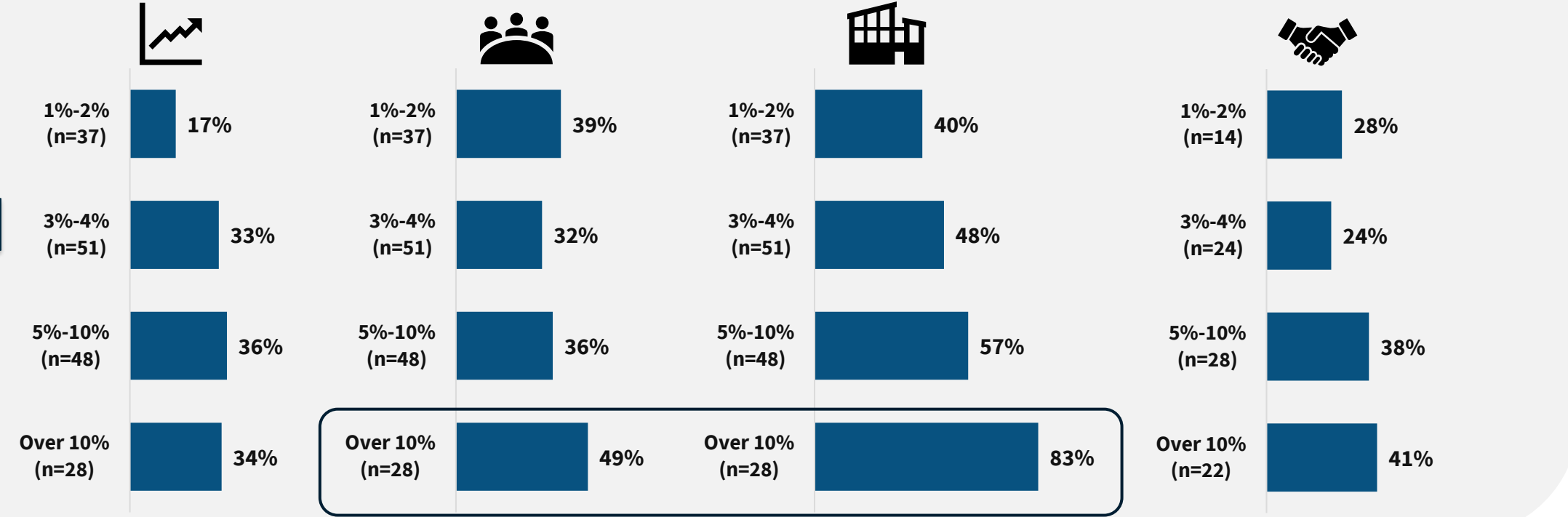
**Lenders who....**

**Expect Share of Condo Lending to Grow Significantly/Somewhat**

**Have Dedicated Condo Approval Teams**

**Are Currently Lending in Newly Constructed Condo Projects**

**Have Partnerships with Condo Builders as a Preferred Lender**  
*Among those lending in newly-constructed condos*



Q: You mentioned that condo lending accounts for about [INSERT QR408] of your firm's total loan production volume. In your view, how do you expect that share to grow, contract, or stay the same over the next 12 months at your organization?  
 Q: Does your organization have dedicated "condo approval teams" that focus on all condo specific work?  
 Q: Is your organization currently lending in newly constructed condo projects?







# Condo Lending Risks and Process Streamlining

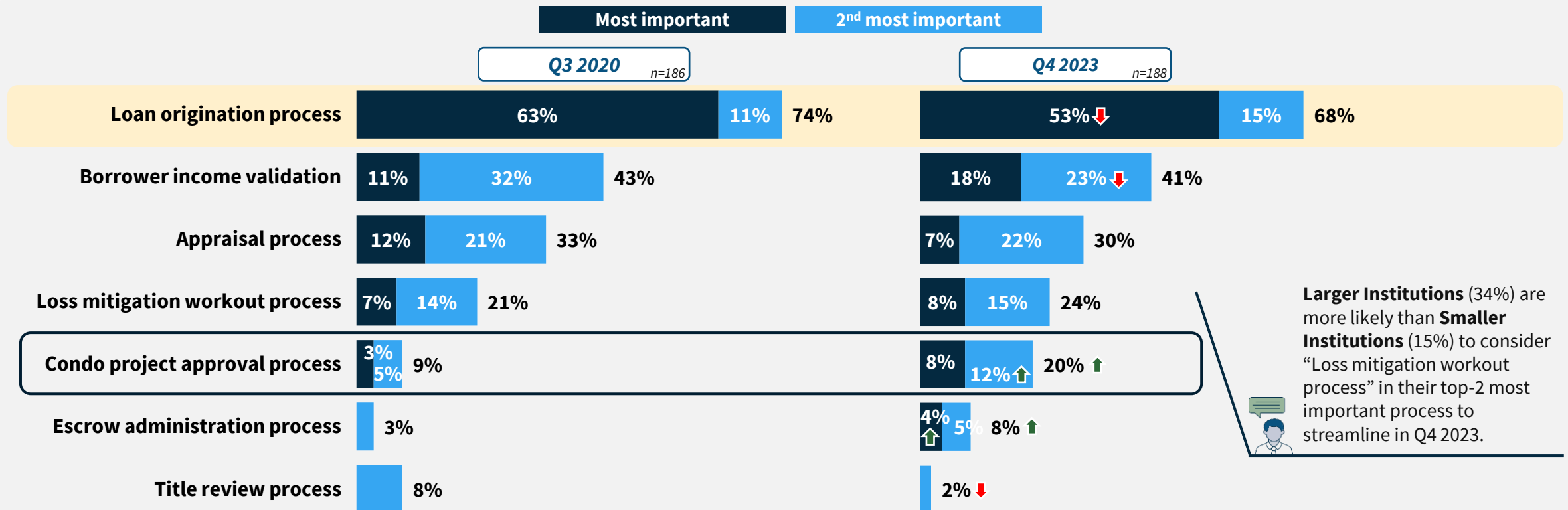


# Top Priorities for Streamlining Processes

Lenders continued citing the loan origination process and borrower income validation process as the top areas to streamline. This time, significantly more lenders than in 2020 viewed “condo project approval process” as a top priority for streamlining.

## Most Important Processes to Streamline

Showing Total % selected ‘Most important,’ ‘Second most important,’ and Overall importance among Q4 2023 and Q3 2020 Total;  
Ranked by Q4 2023 ‘Overall important’



**Larger Institutions** (34%) are more likely than **Smaller Institutions** (15%) to consider “Loss mitigation workout process” in their top-2 most important process to streamline in Q4 2023.

Other volunteered responses in Q4 2023 included “Delivery”, “Credit reporting”, “Pricing”, “Repurchase”, “Recruiting Los”, and “Loan Fulfillment.”

↑ ↓ Denotes the Q4 2023 % is significantly higher/lower in comparison to Q3 2020.

Note: Due to rounding, minor differences in calculated data (summarized results, net calculations, etc.) of up to 1 percentage point may occur

Q: Which processes listed below are the most important for your organization to streamline? Please select up to two processes and rank them in order of importance.

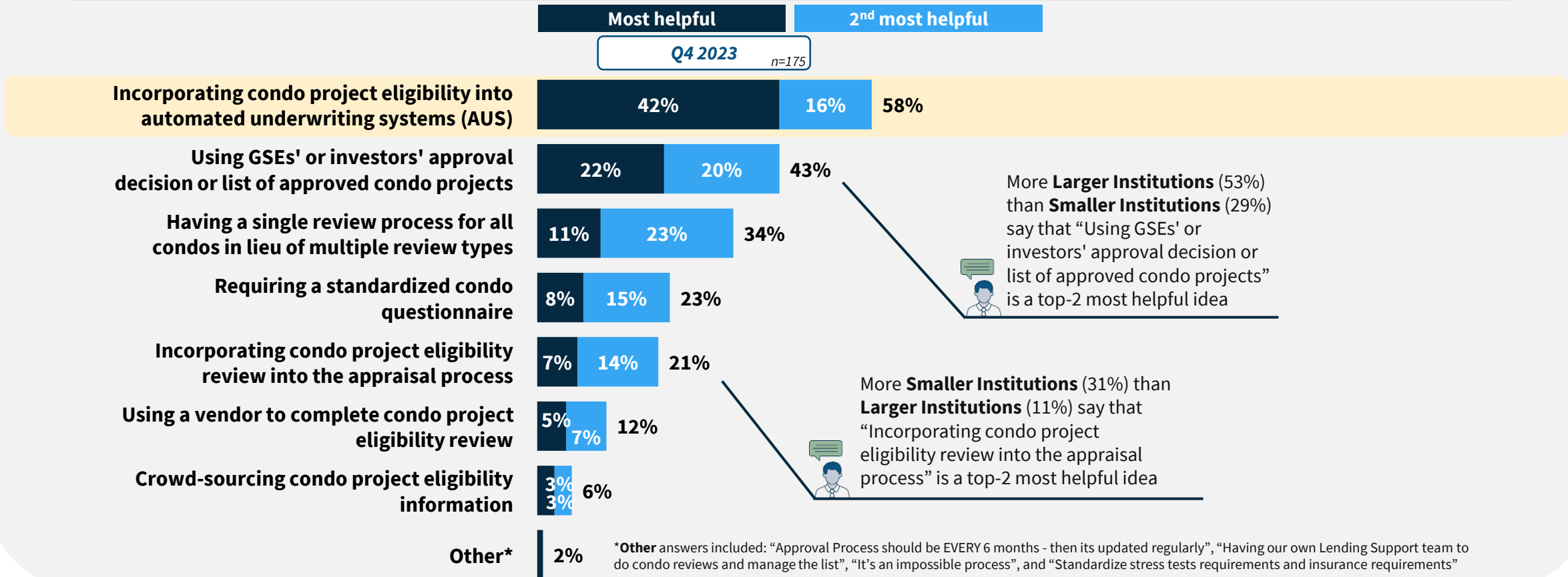


# Most Helpful Ideas to Streamline Condo Origination Process

Incorporating condo project eligibility into automated underwriting systems (AUS) was cited by nearly 50% of lenders as the most helpful idea in streamlining the condo underwriting process, followed by using GSEs' or investors' approval decision or list of approved condo projects.

## Most Helpful Ideas to Streamline Condo Origination Process

Asked among those whose organization has originated single-family condominium loans in the past 12 months, Showing Total % selected 'Most helpful,' 'Second most helpful,' and Overall helpful among Q4 2023 Total; Ranked by Q4 2023 'Overall helpful'



Note: Due to rounding, minor differences in calculated data (summarized results, net calculations, etc.) of up to 1 percentage point may occur

Q: Listed below are some ideas which could help streamline the condo underwriting process. In your view, which are most helpful? Please select up to two and rank them in order of helpfulness.

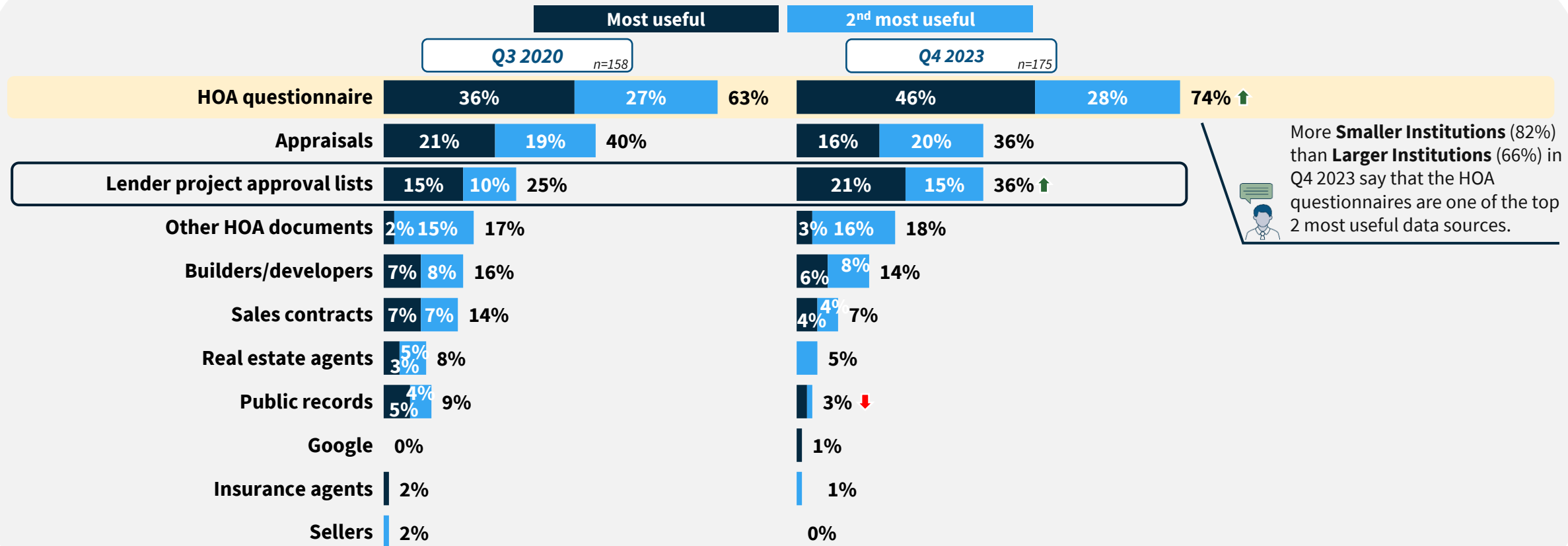


# Most Useful Data Sources for Condo Project Underwriting

The HOA questionnaire continued to be selected as the most useful source of data for condo project underwriting; its importance as well as the importance of lender project approval lists have significantly increased since 2020.

## Most Useful Data Sources

Asked among those whose organization has originated single-family condominium loans in the past 12 months, Showing Total % selected 'Most useful,' 'Second most useful,' and Overall useful among Q4 2023 and Q3 2020 Total; Ranked by Q4 2023 'Overall useful'



More **Smaller Institutions** (82%) than **Larger Institutions** (66%) in Q4 2023 say that the HOA questionnaires are one of the top 2 most useful data sources.

Other volunteered responses in Q4 2023 included "Condotech", "Fannie guidelines", and "Don't Know"

↑ ↓ Denotes the Q4 2023 % is significantly higher/lower in comparison to Q3 2020.

Note: Due to rounding, minor differences in calculated data (summarized results, net calculations, etc.) of up to 1 percentage point may occur

Q: Listed below are some data or information sources used for condo project underwriting. In your view, which are most useful sources of data? Please select up to two and rank them in order of usefulness.

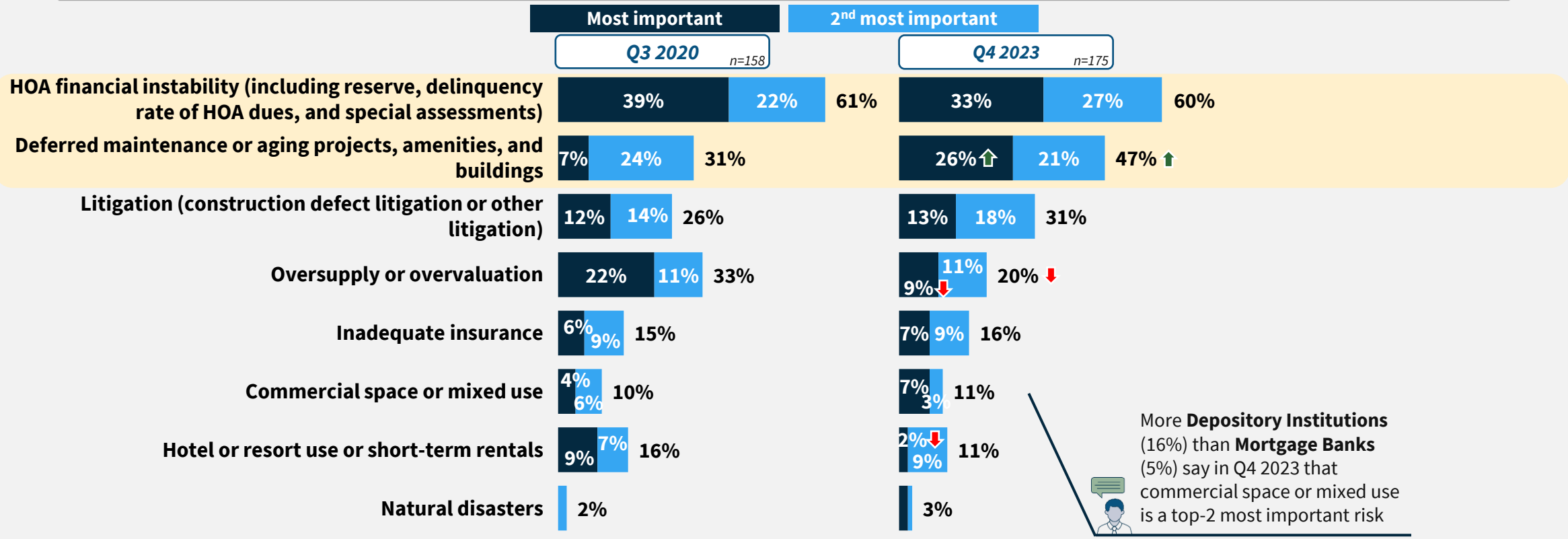


# Most Important Risks in Evaluating Condo Eligibility for Secondary-Market Investors

Lenders saw HOA financial instability and deferred maintenance as the top risk areas for secondary market investors to focus on. The risk concern for deferred maintenance has grown significantly since 2020, while the concern for oversupply/overvaluation has significantly decreased.

## Most Important Risks for Secondary-Market Investors

Asked among those whose organization has originated single-family condominium loans in the past 12 months, Showing Total % selected 'Most important,' 'Second most important,' and Overall important among Q4 2023 and Q3 2020 Total; Ranked by Q4 2023 'Overall important'



↑ ↓ Denotes the Q4 2023 % is significantly higher/lower in comparison to Q3 2020.

Note: Due to rounding, minor differences in calculated data (summarized results, net calculations, etc.) of up to 1 percentage point may occur

Q: Listed below are different risks secondary-market investors might use in evaluating condo eligibility. In your view, which are the most important risks you think secondary-market investors should focus on? Please select up to two and rank them in order of importance.

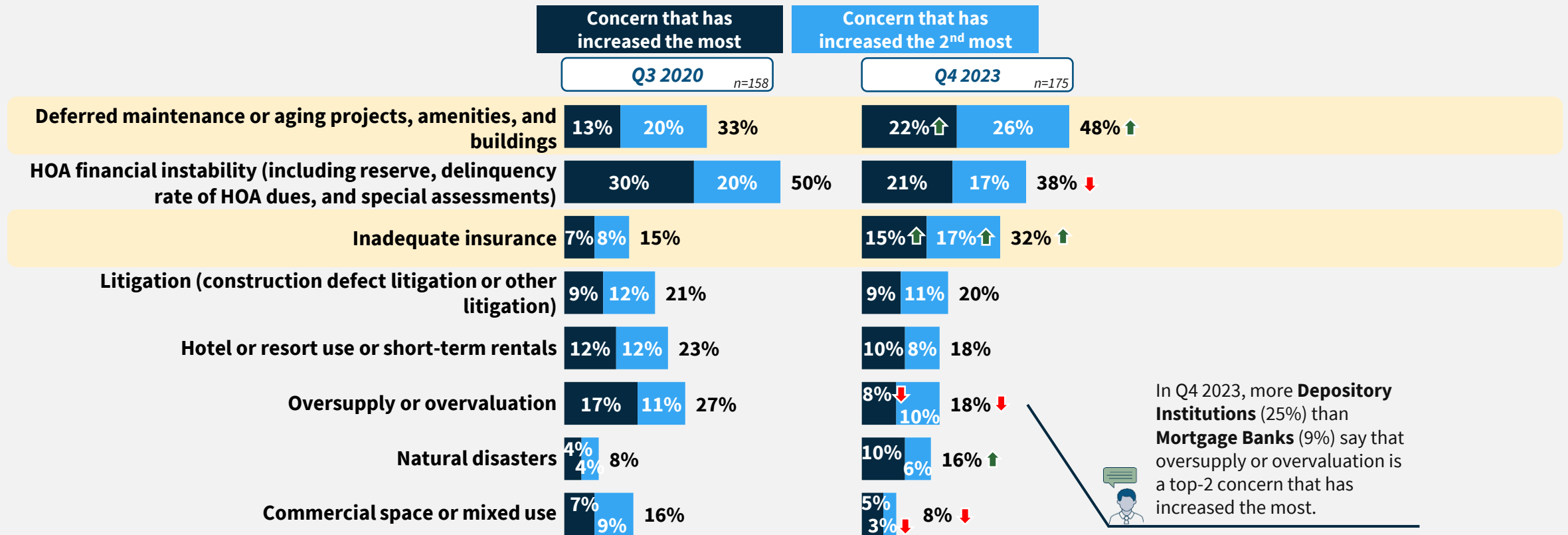


# Risk Concern Levels That Have Grown Most Over the Past Year

Lenders cited deferred maintenance, HOA financial instability, and inadequate insurance as the top areas whose risk levels have increased the most over the past year. Concern levels with deferred maintenance and inadequate insurance have significantly grown since 2020.

## Risks That Have Grown Most in Past Year

Asked among those whose organization has originated single-family condominium loans in the past 12 months, Showing Total % selected 'Concern that has increased the most,' 'Concern that has increased the second most,' and Overall increased among Q4 2023 and Q3 2020 Total; Ranked by Q4 2023 'Overall increased'



↑ Denotes the Q4 2023 % is significantly higher/lower in comparison to Q3 2020.

Other volunteered responses in Q4 2023 included “structural stress tests” and “HOAs inability to provide documents as being requested by GSEs.”

Note: Due to rounding, minor differences in calculated data (summarized results, net calculations, etc.) of up to 1 percentage point may occur

Q: Listed below is the same list of risks. In your view, what are the risks whose concern levels have grown significantly over the past year? Please select up to two and rank them in order of increased concern level.



# Recommended Changes to Condo Underwriting Policies or Processes

Lenders would like to gain access to accurate and standardized data to ease the underwriting and approval process. Some believe that the guidance and standards used in the current condo approval process need to be re-evaluated.

## Desired Changes to Condo Underwriting Process or Policies

Asked among lenders that originated single-family condominium loans in the past 12 months (n=67)

### Facilitate Access to Accurate and Standardized Data

“The **difficulty in obtaining correct information** from condo management companies is widespread. They do not respond, and when they do, so often they do not understand what the question means.”  
– Small Institution

“Larger Projects should submit **audited financial statement** for review to the GSE's annually to be **approved by the GSE.**”  
– Large Institution

“Build a **Database** of HOA Questionnaire Responses so all lenders have **access to prior responses** by HOAs to a **standard Questionnaire.**”  
– Small Institution

“We find it impossible to gather **data for deferred maintenance.** It is very difficult to get the questionnaire completed as it is very cumbersome.”  
– Small Institution

“For the best service for consumers, Fannie Mae should **require builder[s] to update them** & Fannie Mae keeps the one and only **master list.**”  
– Mid-sized Institution

### Revisit Guidance and Standards In the Condo Approval Process

“Include **condo approval or denial in the DU Findings.** It would create accuracy, efficiency, while mitigating risk.”  
– Small Institution

“It would be nice to have **well-defined tests** for adequacy of insurance, specifically coverage amount. Also, more precise guidelines about Replacement Cost vs. Full Replacement Cost vs. Guaranteed Replacement Cost, etc.”  
– Large Institution

“I believe we have gotten **too strict with condo approvals,** the guidelines make it very difficult for condo lending.”  
– Small Institution

“Gray area within GSE condotel guidelines are **different at Fannie [Mae] and Freddie [Mac].** Make them the same.”  
– Large Institution

“Condos look very different in the Northeast than other parts of the country. There should be more **market specific restrictions** for troubled areas for deferred maintenance/climate risk. **Not every condo acts the same** as others.”  
– Small Institution





# Appendix

## Appendix

Economic and Housing Sentiment.....	25
Survey Background and Sample.....	29
Data Tables.....	33
Survey Question Text.....	53







# **Economic and Housing Sentiment**

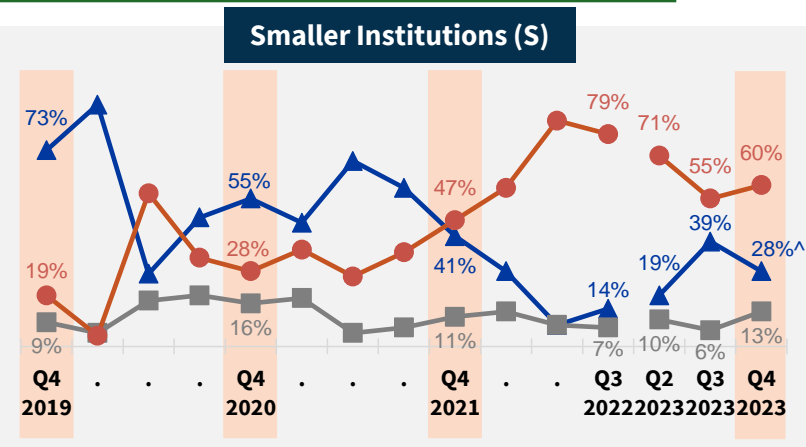
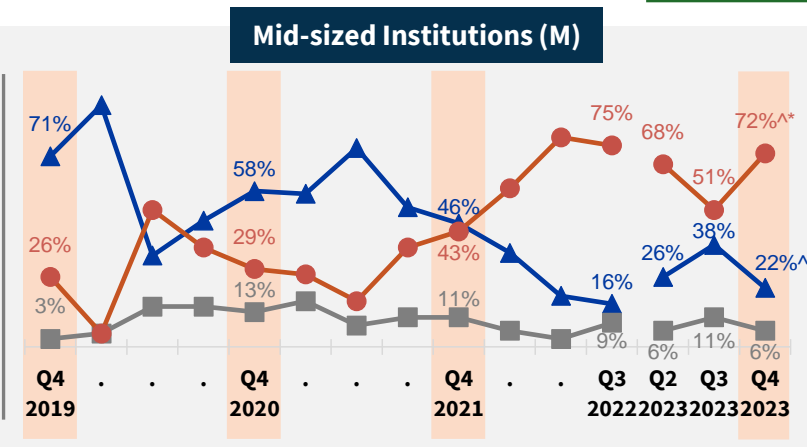
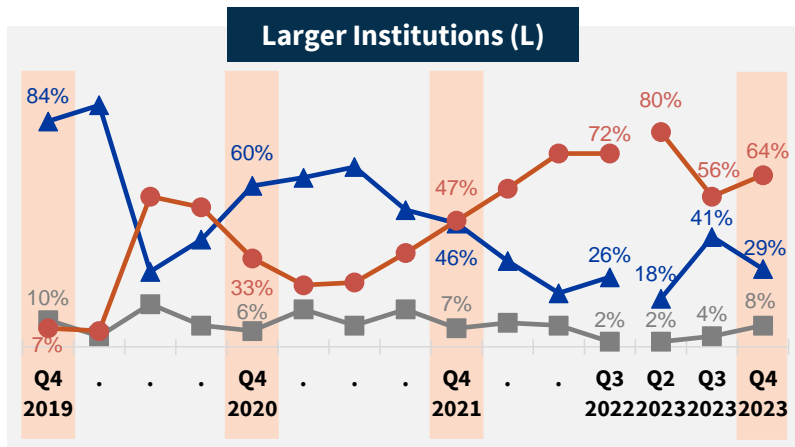
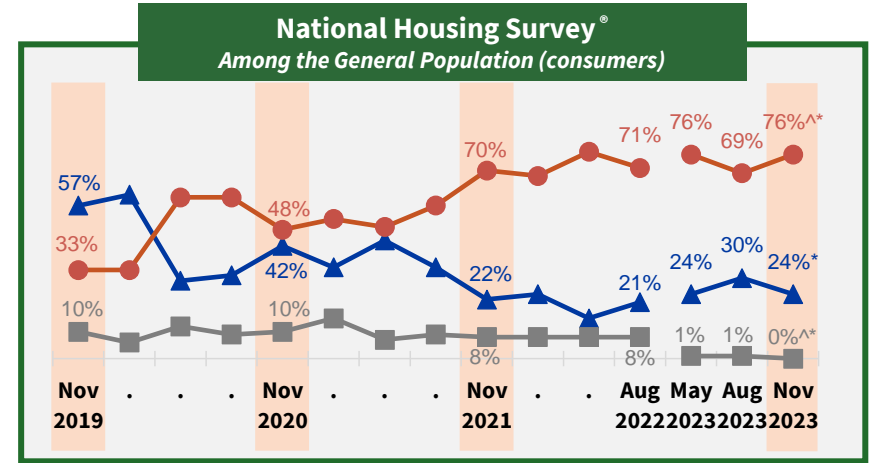
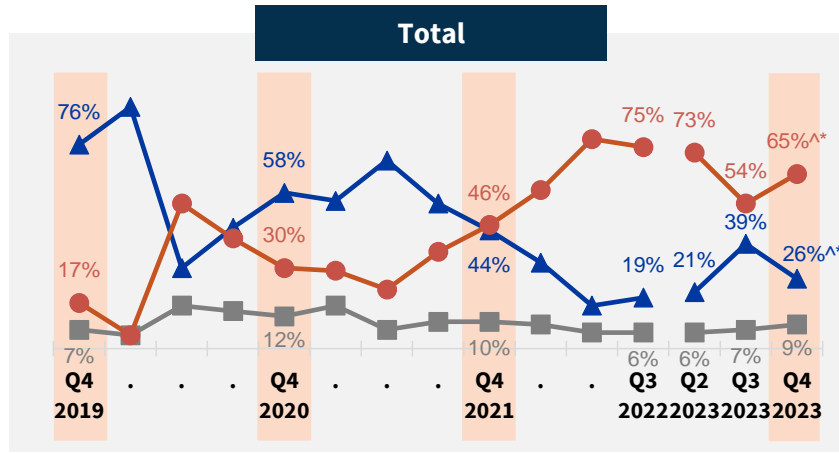


# U.S. Economy Overall

Lenders expressed a more pessimistic outlook of the economy this quarter than last quarter, with 65% saying the economy is on the wrong track. These trends are consistent among consumers surveyed in the National Housing Survey®.

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



L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level  
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level  
\* Denotes a statistically significant change compared with Q3 2023 (or August 2023 for NHS)  
<sup>^</sup> Denotes a statistically significant change compared with Q4 2021 (or November 2021 for NHS)

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

Note: Due to rounding, minor differences in calculated data (summarized results, net calculations, etc.) of up to 1 percentage point may occur

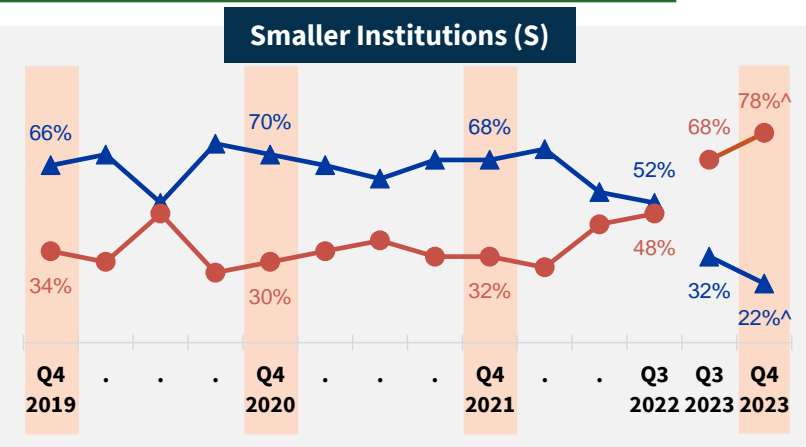
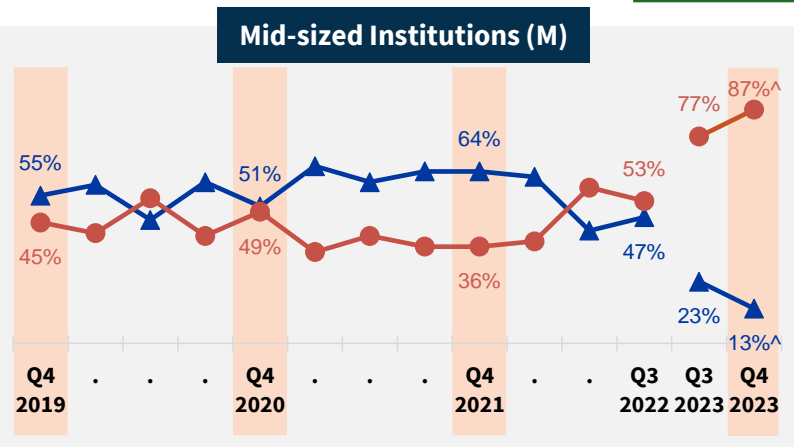
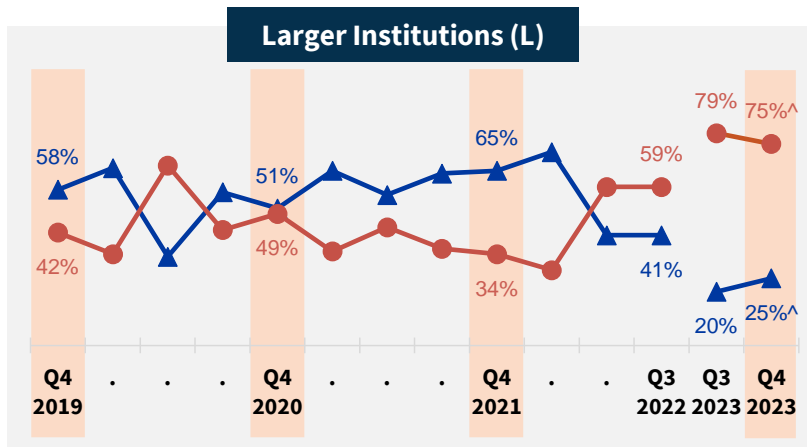
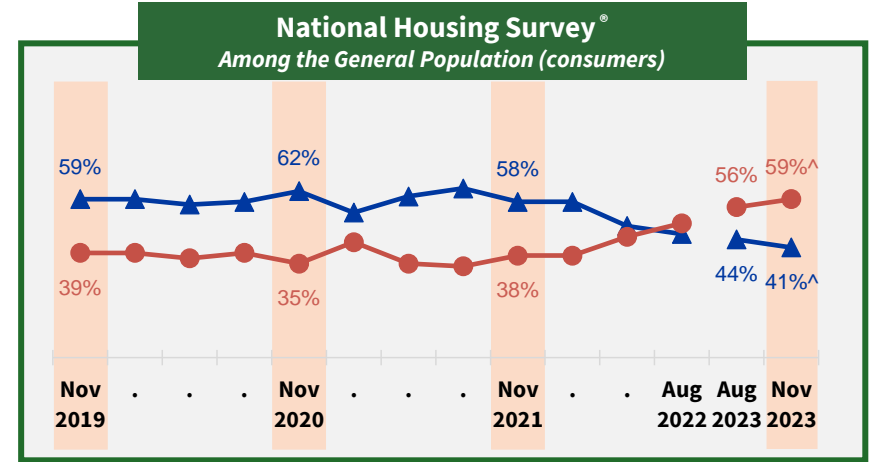
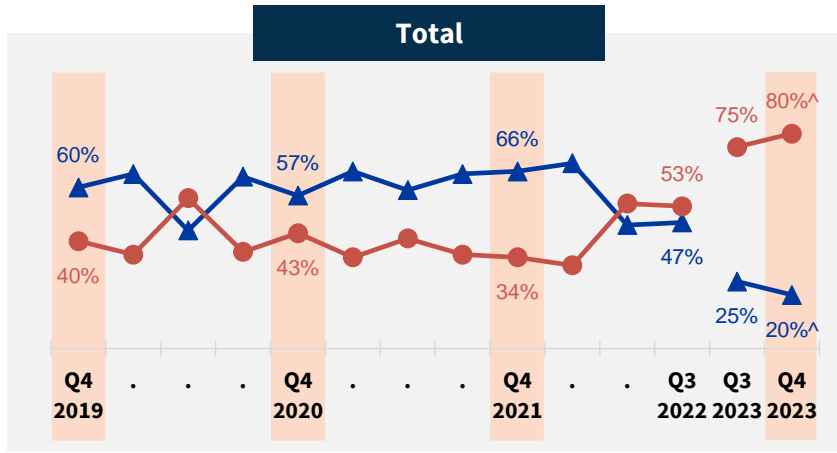


# Difficulty of Getting a Mortgage

The share of lenders who believe it is difficult for consumers to get a mortgage rose this quarter, reaching its highest level since Q3 2015. This sentiment is directionally consistent with consumer sentiment in the National Housing Survey®.

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

— Easy (Very/Somewhat)  
— Difficult (Very/Somewhat)



L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level  
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level  
\* Denotes a statistically significant change compared with Q3 2023 (or August 2023 for NHS)  
<sup>^</sup> Denotes a statistically significant change compared with Q4 2021 (or November 2021 for NHS)

Note: Due to rounding, minor differences in calculated data (summarized results, net calculations, etc.) of up to 1 percentage point may occur

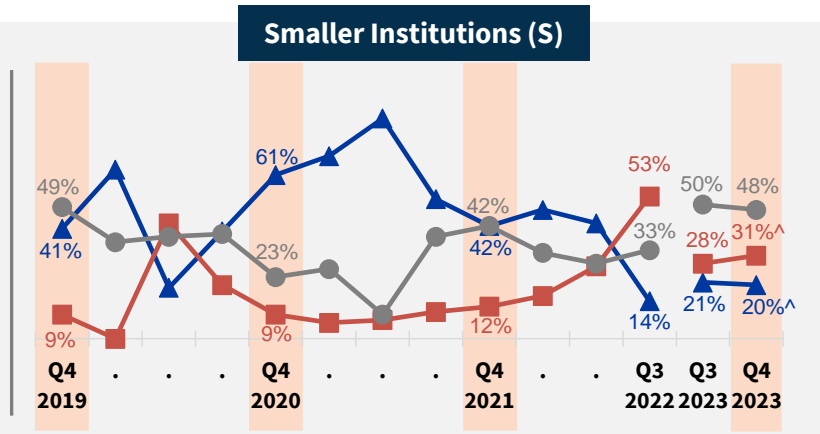
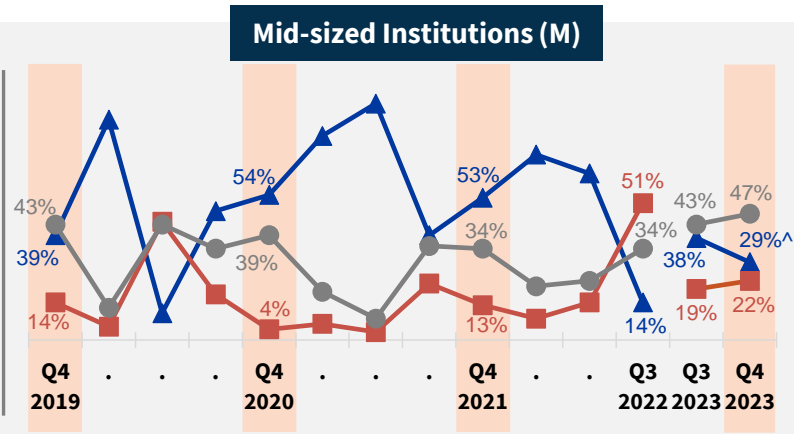
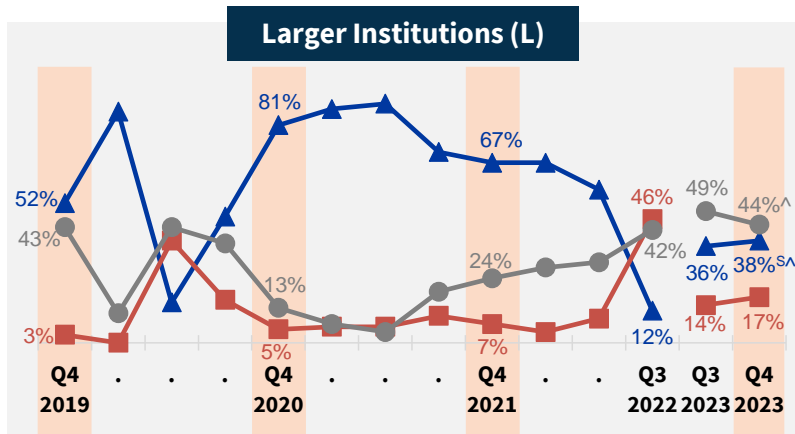
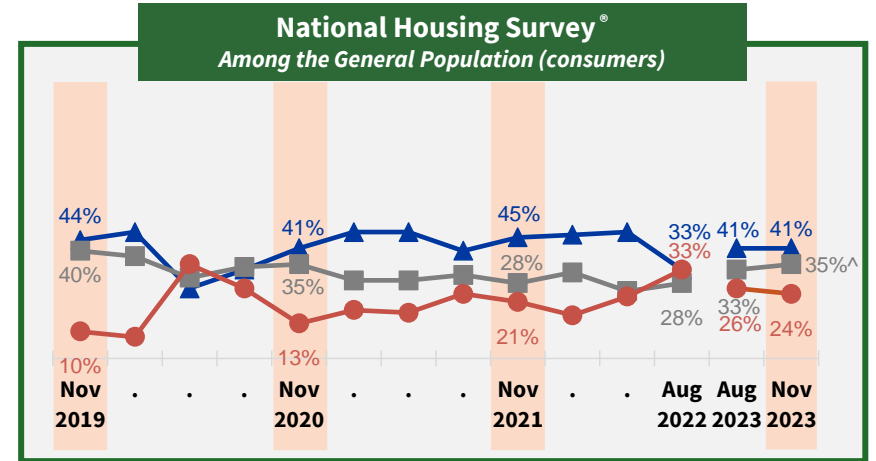
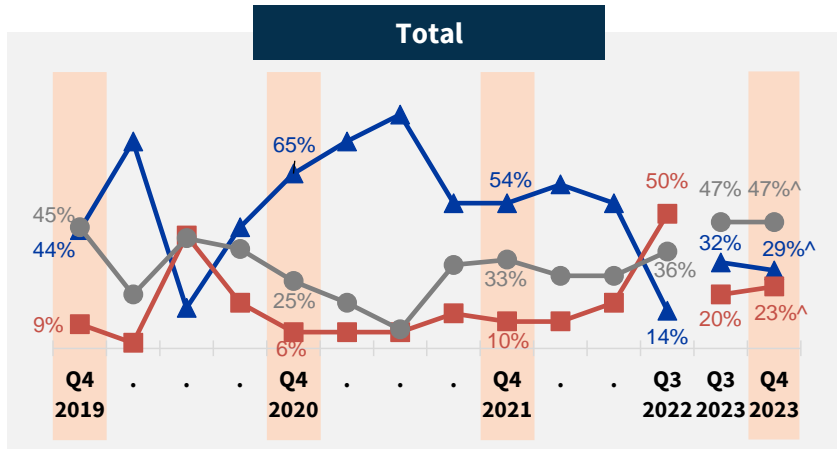


# U.S. Home Prices – Next 12 Months

Although this quarter slightly more lenders expect home prices will go up (29%) than go down (23%) over the next 12 months, almost half believe home prices will stay the same.

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

- ▲ Go up
- Go down
- Stay the same



L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level  
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level  
\* Denotes a statistically significant change compared with Q3 2023 (or August 2023 for NHS)  
<sup>▲</sup> Denotes a statistically significant change compared with Q4 2021 (or November 2021 for NHS)



# Appendix

## Appendix

Economic and Housing Sentiment.....	25
Survey Background and Sample.....	29
Data Tables.....	33
Survey Question Text.....	53



# Mortgage Lender Sentiment Survey®

The Mortgage Lender Sentiment Survey® (MLSS), which debuted in March 2014, is an online survey among senior executives, such as CEOs and CFOs, of Fannie Mae's lending institution customers.

Each study focuses on a key topic to best highlight the specific opportunities and challenges facing the mortgage industry.

## Examples of Past Studies

- **Artificial Intelligence and Mortgage Lending**
- **Lenders 2023 Business Priorities**
- **Costs and Impact of Digitization Efforts on Cost Efficiency**
- **Appraisal Modernization**
- **Blockchain**
- **Closing Homeownership Gaps**
- **Remote Working**

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<sup>®</sup>

## Survey Methodology

- A 5-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 about ~10 questions.

## Sample Design

- 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.



# Cross-Subgroup Sample Sizes

	Total	Larger Lenders	Mid-Sized Lenders	Smaller Lenders
<b>Total</b>	188	40	50	98
<b>Mortgage Banks (non-depository)</b>	74	22	25	27
<b>Depository Institutions</b>	71	14	16	41
<b>Credit Unions</b>	33	2	7	24







# Appendix

## Appendix

Economic and Housing Sentiment.....	25
Survey Background and Sample.....	29
<b>Data Tables.....</b>	<b>33</b>
Survey Question Text.....	53



# 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:

Which of the following strategies do you think your firm will likely implement in growing your firm's mortgage servicing portfolio? Please select all that apply.  
*Asked of firms that service mortgage loans & who plan to grow their mortgage servicing portfolio*

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>N</i> =	94	26	18	50	35	34	25
We are looking to retain more MSRs on our originations	59%	58%	73%	47%	61%	52%	54%
We are looking to grow our correspondent lending to aggregate a larger servicing portfolio	20%	26%	24%	11%	26%	9%	16%
We are looking to buy more MSRs	10%	15%	0%	12%	17%	6%	8%
We are looking to grow selectively based on product execution (GSE/Ginnie Mae/others)	45%	64% <sup>M,S</sup>	32%	37%	48%	45%	38%
Not sure/Prefer not to answer/Not applicable	8%	4%	5%	14%	3%	9%	20% <sup>M</sup>

64% is significantly higher than 32% (mid-sized institutions) and 37% (smaller institutions)

20% is significantly higher than 3% (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:**

Which of the following strategies do you think your firm will likely implement in growing your firm’s mortgage servicing portfolio? Please select all that apply.  
*Asked of firms that service mortgage loans & who plan to grow their mortgage servicing portfolio*

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	189	50	43	96	75	77	32
Yes	84%	86%	77%	89%	77%	92% <sup>M</sup>	97% <sup>M</sup>
No	16%	14%	23%	11%	23% <sup>D,C</sup>	8%	3%

“Total” of 84% is  
 $(86\% + 77\% + 89\%) / 3$



# Origination of Single-Family Condominium Mortgages

Over the past 12 months, has your organization originated single-family condominium mortgage loans for consumers?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
n=	188	40	50	98	74	71	33
Yes	95%	99% <sup>S</sup>	99% <sup>S</sup>	88%	98%	93%	92%
No	5%	1%	1%	12% <sup>L,M</sup>	2%	7%	8%

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



# Condo Lending Share of Total Mortgage Volume

Approximately what share of your organization's total mortgage loan production volume (including purchase and refinance mortgages) is condo lending?  
*Asked among those whose organization has originated single-family condo loans in the past 12 months*

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>n</i> =	175	40	50	86	72	66	30
1%-2%	20%	20%	17%	24%	19%	23%	18%
3%-4%	30%	27%	36%	26%	26%	33%	30%
5%-10%	28%	29%	28%	27%	34%	21%	28%
11%-15%	10%	10%	8%	11%	10%	10%	11%
16%-20%	3%	3%	2%	5%	0%	3%	10% <sup>M</sup>
Over 20%	2%	0%	6%	1%	3%	3%	0%
Don't know/not sure	6%	11%	2%	6%	8%	6%	3%

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



# Expected Change in Condo Lending Share Over the Next 12 Months

You mentioned that condo lending accounts for about [CONDO LENDING SHARE OF VOLUME FROM QR408] of your firm's total loan production volume. In your view, how do you expect that share to grow, contract, or stay the same over the next 12 months at your organization?  
*Asked among those whose organization has originated single-family condo loans in the past 12 months*

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>n</i> =	164	35	48	80	67	62	30
Will grow significantly	2%	3%	2%	0%	0%	2%	3%
Will grow somewhat	29%	22%	34%	30%	34%	21%	39%
Will stay about the same	62%	66%	56%	65%	60%	69%	54%
Will contract somewhat	5%	7%	4%	4%	2%	7%	3%
Will contract significantly	2%	1%	4%	1%	4%	2%	0%

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



# Dedicated Condo Teams

Does your organization have dedicated “condo approval teams” that focus on all condo specific work?  
 Asked among those whose organization has originated single-family condo loans in the past 12 months

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
n=	175	40	50	86	72	66	30
Yes	39%	59% <sup>M,S</sup>	36% <sup>S</sup>	20%	44% <sup>D,C</sup>	28%	13%
No	57%	37%	60% <sup>L</sup>	77% <sup>L,M</sup>	51%	68% <sup>M</sup>	87% <sup>M</sup>
Don't know/Not sure	4%	4%	4%	3%	5%	4%	0%

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



# Newly Constructed Condo Lending

Is your organization currently lending in newly constructed condo projects?  
 Asked among those whose organization has originated single-family condo loans in the past 12 months

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
n=	175	40	50	86	72	66	30
Yes	54%	45%	65%	53%	56%	46%	67%
No	33%	30%	27%	42%	30%	48% <sup>M</sup>	30%
Don't know/Not sure	13%	24% <sup>M,S</sup>	8%	5%	15%	6%	3%

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





# Time to Start Newly Constructed Condo Lending

When does your organization usually start lending in newly constructed condo projects?  
 Asked among those whose organization has originated single-family condo loans in the past 12 months and whose organization is currently lending in newly-constructed condo projects

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>n</i> =	95	18	32	46	40	30	20
When the construction starts or during the construction	21%	23%	19%	23%	13%	33% <sup>M</sup>	27%
When the project hits 25% occupancy	9%	17%	3%	9%	5%	10%	15%
When the project hits 50% occupancy	16%	20%	16%	13%	16%	13%	15%
When the project hits 75% occupancy	8%	10%	9%	4%	12%	3%	0%
When the unit owners take control of the HOA	18%	3%	20%	29% <sup>L</sup>	19%	13%	34%
Don't know/Not sure	28%	27%	33%	22%	36% <sup>C</sup>	28%	10%

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



# Partnerships with Condo Builders as Their Preferred Lender

Does your organization form partnerships with condo builders as their preferred lender?  
 Asked among those whose organization has originated single-family condo loans in the past 12 months and whose organization is currently lending in newly-constructed condo projects

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
n=	175	40	50	86	72	66	30
Yes	54%	45%	65%	53%	56%	46%	67%
No	33%	30%	27%	42%	30%	48%	30%
Don't know/Not sure	13%	24%	8%	5%	15%	6%	3%

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



# Top Priorities for Streamlining Processes

Which processes listed below are the most important for your organization to streamline? Please select up to two processes and rank them in order of importance.  
Showing “Most important” + “Second most important”

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>n</i> =	188	40	50	98	74	71	33
Loan origination process	68%	73%	66%	65%	66%	74%	68%
Title review process	2%	0%	0%	6%	1%	5%	3%
Appraisal process	30%	22%	33%	34%	33%	27%	36%
Loss mitigation workout process	24%	34% <sup>S</sup>	22%	15%	22%	21%	8%
Escrow administration process	8%	8%	3%	15% <sup>M</sup>	3%	13% <sup>M</sup>	23% <sup>M</sup>
Borrower income validation	41%	44%	41%	37%	44%	39%	26%
Condo project approval process	20%	15%	23%	21%	24%	13%	27%
Other	3%	5%	2%	3%	4%	1%	6%

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



# Most Helpful Ideas to Streamline Condo Origination Process

Listed below are some ideas which could help streamline the condo underwriting process. In your view, which are most helpful? Please select up to two and rank them in order of helpfulness. Asked among those whose organization has originated single-family condo loans in the past 12 months; Showing “Most helpful” + “Second most helpful”

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>n</i> =	175	40	50	86	72	66	30
Using GSEs' or investors' approval decision or list of approved condo projects	43%	53% <sup>S</sup>	44%	29%	51% <sup>D,C</sup>	32%	21%
Incorporating condo project eligibility review into the appraisal process	21%	11%	22%	31% <sup>L</sup>	17%	25%	39% <sup>M</sup>
Using a vendor to complete condo project eligibility review	12%	18%	6%	12%	15%	10%	7%
Crowd-sourcing condo project eligibility information	6%	8%	8% <sup>S</sup>	1%	6%	5%	2%
Incorporating condo project eligibility into automated underwriting systems (AUS)	58%	59%	60%	55%	56%	61%	57%
Requiring a standardized condo questionnaire	23%	17%	23%	28%	19%	30%	30%
Having a single review process for all condos in lieu of multiple review types	34%	34%	32%	35%	29%	35%	41%
Other	2%	0%	2%	3%	3%	2%	0%

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



# Most Useful Data Sources for Condo Project Underwriting

Listed below are some data or information sources used for condo project underwriting. In your view, which are most useful sources of data? Please select up to two and rank them in order of usefulness.

*Asked among those whose organization has originated single-family condo loans in the past 12 months; Showing “Most useful” + “Second most useful”*

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>n=</i>	175	40	50	86	72	66	30
HOA questionnaire	74%	66%	74%	82% <sup>L</sup>	74%	77%	79%
Other HOA documents	18%	18%	16%	22%	21%	13%	25%
Appraisals	36%	49% <sup>M</sup>	20%	39% <sup>M</sup>	29%	41%	48%
Real estate agents	5%	0%	9% <sup>L</sup>	5%	3%	8%	3%
Sellers	.%	0%	0%	1%	0%	2%	0%
Builders/developers	14%	13%	15%	12%	15%	13%	10%
Sales contracts	7%	8%	8%	6%	6%	7%	10%
Public records	3%	3%	4%	2%	3%	3%	3%
Google	1%	0%	2%	1%	1%	2%	0%
Insurance agents	1%	0%	4%	0%	1%	2%	0%
Lender project approval lists	36%	32%	47% <sup>S</sup>	26%	41% <sup>C</sup>	31%	20%
Other	2%	6% <sup>S</sup>	0%	0%	2%	2%	0%

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



# Most Important Risks in Evaluating Condo Eligibility for Secondary-Market Investors

Listed below are different risks secondary-market investors might use in evaluating condo eligibility. In your view, which are the most important risks you think secondary-market investors should focus on? Please select up to two and rank them in order of importance.  
*Asked among those whose organization has originated single-family condo loans in the past 12 months; Showing “Most important” + “Second most important”*

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>n=</i>	175	40	50	86	72	66	30
Litigation (construction defect litigation or other litigation)	31%	25%	40%	27%	34%	25%	34%
Deferred maintenance or aging projects, amenities, and buildings	47%	50%	36%	55% <sup>M</sup>	49%	43%	54%
HOA financial instability (including reserve, delinquency rate of HOA dues, and special assessments)	60%	59%	61%	62%	60%	62%	61%
Commercial space or mixed use	11%	11%	11%	9%	5%	16% <sup>M</sup>	8%
Hotel or resort use or short-term rentals	11%	15%	9%	8%	8%	15%	3%
Oversupply or overvaluation	20%	24%	16%	20%	17%	23%	23%
Inadequate insurance	16%	16%	22%	10%	22%	10%	13%
Natural disasters	3%	0%	4%	5%	3%	5%	3%
Other	.%	0%	0%	1%	1%	0%	0%

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



## Risk Concern Levels That Have Grown Most Over the Past Year

Listed below is the same list of risks. In your view, what are the risks whose concern levels have grown significantly over the past year? Please select up to two and rank them in order of increased concern level.

Asked among those whose organization has originated single-family condo loans in the past 12 months; Showing “Concern that has increased the most” + “Concern that has increased the second most”

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	175	40	50	86	72	66	30
Litigation (construction defect litigation or other litigation)	20%	18%	23%	19%	26%	17%	10%
Deferred maintenance or aging projects, amenities, and buildings	48%	43%	51%	49%	48%	42%	56%
HOA financial instability (including reserve, delinquency rate of HOA dues, and special assessments)	38%	39%	31%	44%	42%	38%	36%
Commercial space or mixed use	8%	7%	9%	8%	6%	11%	8%
Hotel or resort use or short-term rentals	18%	18%	18%	19%	15%	22%	21%
Oversupply or overvaluation	18%	27% <sup>M</sup>	8%	19%	9%	25% <sup>M</sup>	20%
Inadequate insurance	32%	33%	41% <sup>S</sup>	21%	31%	30%	28%
Natural disasters	16%	15%	15%	17%	22%	11%	18%
Other	1%	0%	1%	2%	0%	1%	3%

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



# Economic Sentiment

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

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
n=	188	40	50	98	74	71	33
Right track	26%	29%	22%	28%	20%	26%	33%
Wrong track	65%	64%	72%	60%	72%	61%	58%
Don't know	9%	8%	6%	13%	8%	13%	9%

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





# Ease of Getting a Home Mortgage

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

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
n=	188	40	50	98	74	71	33
Very difficult	24%	17%	31%	22%	31% <sup>D</sup>	15%	24%
Somewhat difficult	56%	58%	56%	55%	55%	54%	65%
Somewhat easy	18%	25%	11%	20%	14%	27% <sup>C</sup>	8%
Very easy	2%	0%	2%	3%	0%	4%	3%
Don't know	0%	0%	0%	0%	0%	0%	0%

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



# Home Price Expectations

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?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
n=	188	40	50	98	74	71	33
Go up	29%	38% <sup>S</sup>	29%	20%	37% <sup>D</sup>	20%	23%
Go down	23%	17%	22%	31%	25%	27%	20%
Stay the same	47%	44%	47%	48%	37%	52%	58% <sup>M</sup>
Don't know	1%	1%	2%	1%	2%	1%	0%

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



# Home Price Expectations (Percent Increase)

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?  
*Showing summary statistics*

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>n</i> =	49	15	14	20	27	14	8
<i>Mean</i>	4.99%	4.63%	5.28%	5.28%	5.23%	4.61%	5.40%
<i>Median</i>	5%	5%	5%	5%	5%	4.50%	5%
<i>Minimum</i>	2%	2%	2%	2%	2%	2%	3%
<i>Maximum</i>	10%	10%	10%	10%	10%	10%	10%
<i>Standard Deviation</i>	2.49%	2.67%	2.36%	2.51%	2.68%	2.12%	2.68%

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



# Home Price Expectations (Percent Decrease)

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?  
*Showing summary statistics*

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>n=</i>	45	7	11	27	17	17	6
<i>Mean</i>	5.71%	4.38%	5.05%	7.06% <sup>L</sup>	6.62%	6.38%	5.38%
<i>Median</i>	5%	3%	5%	8%	5.25%	5%	5%
<i>Minimum</i>	2%	2%	3%	2%	2%	3%	2%
<i>Maximum</i>	12%	10%	10%	12%	10%	12%	10%
<i>Standard Deviation</i>	2.88%	2.70%	2.25%	3.04%	2.77%	3.31%	3.00%

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





# Appendix

## Appendix

Economic and Housing Sentiment.....	25
Survey Background and Sample.....	29
Data Tables.....	33
Survey Question Text.....	53



# Question Text

**QR411:** Which processes listed below are the most important for your organization to streamline? Please select up to two processes and rank them in order of importance.

**QR406:** Over the past 12 months, has your organization originated single-family condominium mortgage loans for consumers?

**QR407:** Could you please share some details about why your organization has not originated single-family condominium loans? What are the barriers or concerns? (Optional)

**QR408:** Approximately what share of your organization's total mortgage loan production volume (including purchase and refinance mortgages) is condo lending?

**QR409:** You mentioned that condo lending accounts for about [CONDO LENDING SHARE OF VOLUME FROM QR408] of your firm's total loan production volume. In your view, how do you expect that share to grow, contract, or stay the same over the next 12 months at your organization?

**QR412:** Does your organization have dedicated “condo approval teams” that focus on all condo specific work?

**QR413:** Is your organization currently lending in newly constructed condo projects?

**QR414:** When does your organization usually start lending in newly constructed condo projects?

**QR415:** Does your organization form partnerships with condo builders as their preferred lender?

**QR416:** Listed below are some data or information sources used for condo project underwriting. In your view, which are most useful sources of data? Please select up to two and rank them in order of usefulness.

**QR514:** Listed below are some ideas which could help streamline the condo underwriting process. In your view, which are most helpful? Please select up to two and rank them in order of helpfulness.

**QR417:** Listed below are different risks secondary-market investors might use in evaluating condo eligibility. In your view, which are the most important risks you think secondary-market investors should focus on? Please select up to two and rank them in order of importance.

**QR418:** Listed below is the same list of risks. In your view, what are the risks whose concern levels have grown significantly over the past year? Please select up to two and rank them in order of increased concern level.

**QR419:** If there's one thing you could change in the condo project underwriting policies or processes, what would that be? Please share your views with us. (Optional)

