Mortgage Lender Sentiment Survey®

Providing Insights Into Current Lending Activities and Market Expectations

Q3 2019 Full Report – published September 11, 2019

Fannie Mae®

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Key Findings – Q3 2019

Lenders' profit margin outlook hit a survey high on surging reported refinance mortgage demand, while credit standards for GSE-eligible loans moved to net tightening for the first time in over four years.

Profit Margin Outlook

Lenders' net profit margin outlook is now at the most positive reading in survey history, surpassing the last survey high from Q1 2015. "Consumer demand" and "operational efficiency" continued to be cited by lenders as the two most important reasons for their increased profit margin outlook.

Mortgage Demand

Lender sentiment on consumer demand for both recent lending activities and future demand expectations continued to rise, reaching new survey highs for refinance mortgages and the most positive levels seen for any third quarter over the past three-plus years for purchase mortgages.

Credit Standards

Overall, most lenders reported no major changes in their underwriting credit standards for the prior three months and expected no major changes for the next three months. However, the pace of easing continues to trend downward. For GSE-eligible loans over the prior three months, the share of lenders reporting tightening is higher than the share reporting easing, resulting in a net tightening for the first time since Q4 2014.

Research Objectives

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

- Lenders' Business Priorities to Remain Competitive

- APIs and Mortgage Lending

- Housing Affordability

- Artificial Intelligence for Mortgage Lending

- Mortgage Data Initiatives

- Lenders' Customer Service Channel Strategies

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.

Q3 2019 Respondent Sample and Groups

For Q3 2019, a total of 199 senior executives completed the survey during July 31-August 11, representing 179 lending institutions.*

Lender Size Groups**

HIGHER loan origination volume

100%

Larger Institutions
Top 15% of lenders

85%

Mid-sized Institutions
Top 16% - 35% of lenders

65%

Smaller Institutions
Bottom 65% of lenders

LOWER loan origination volume
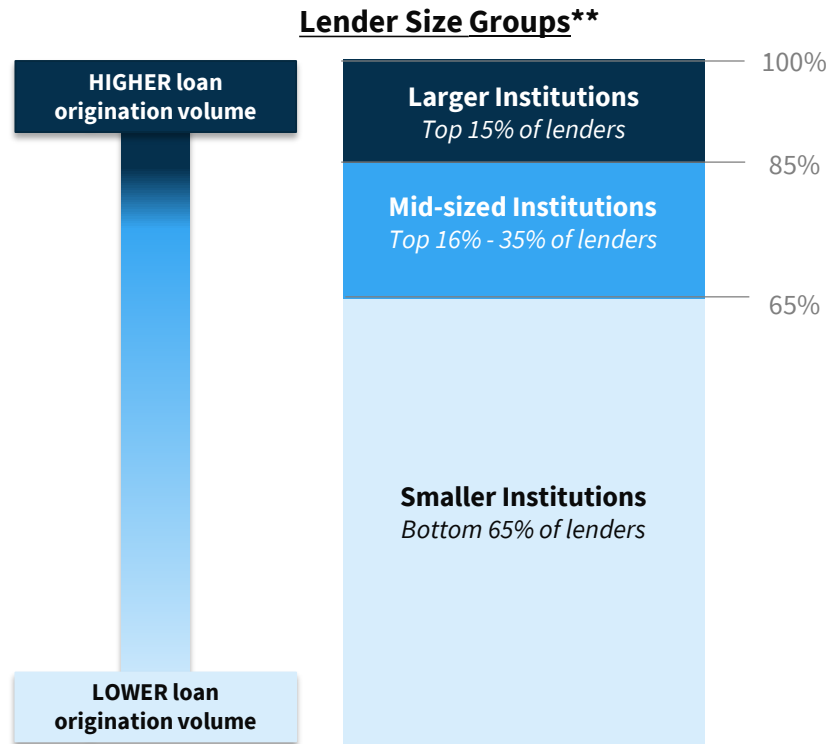
Sample Q3 2019			Sample Size
Total Lending Institutions The "Total" data throughout this report is an average of the means of the three lender-size groups listed below.			179
Lender Size Groups	**Larger Institutions** Lenders in the Fannie Mae database who were in the top 15% of lending institutions based on their total 2018 loan origination volume (above $980 million)		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 2018 loan origination volume (between $317.5 million and $980 million)		45
	Smaller Institutions Lenders in the Fannie Mae database who were in the bottom 65% of lending institutions based on their total 2018 loan origination volume (less than $317.5 million)		74
Institution Type*	**Mortgage Banks** (non-depository)		72
	Depository Institutions		70
	Credit Unions		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 2018 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 2018 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.

Loan Type Definition

Questions about consumer mortgage demand and credit standards are asked across three loan types: GSE-eligible, non-GSE-eligible, and government loans.

Loan Type Definition Used in the Survey	
Loan Type	**Definition**
GSE-eligible Loans	GSE-eligible Mortgages are defined as mortgages meeting the underwriting guidelines, including loan limit amounts, of the Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac. Government loans are excluded from this category.
Non-GSE-eligible Loans	Non-GSE-eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and may carry higher interest rates than GSE loans. Government loans are excluded from this category.
Government Loans	Government Mortgages primarily include Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) insured loans, but also includes other programs such as Rural Housing Guaranteed and Direct loans.

Consumer Demand

(Purchase and Refinance Mortgages)

Lender sentiment on consumer demand for both recent lending activities and future demand expectations continued to rise, reaching new survey highs for refinance mortgages and the most positive levels seen for any third quarter over the past three-plus years for purchase mortgages.

- For purchase mortgages, the net share of lenders reporting demand growth over the prior three months rose significantly, reaching the highest reading for any third quarter since 2016 across all loan types. The net share of lenders reporting growth expectations reached the highest level for any third quarter in the survey's history (since 2014) for all loan types.
- For refinance mortgages, across all loan types, the net share of lenders reporting demand growth over the prior three months continued the upward trend that began in Q1 2019, reaching new survey highs. Similarly, the net share expecting demand growth expectations for the next three months continued to climb significantly and reached new survey highs across all loan types.

Purchase Mortgage Demand
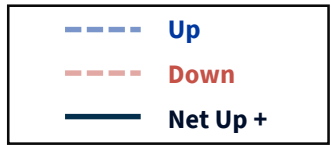
The net share of lenders reporting purchase mortgage demand growth over the prior three months rose significantly, reaching the highest reading for any third quarter since 2016 across all loan types. The net share of lenders reporting growth expectations reached the highest level for any third quarter in the survey's history (since 2014) for all loan types.

GSE-Eligible | **Non-GSE-Eligible** | **Government**

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

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

Refinance Mortgage Demand
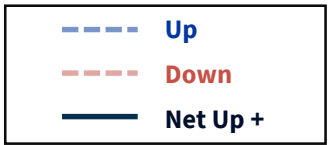
Across all loan types, the net share of lenders reporting demand growth over the prior three months continued the upward trend that began in Q1 2019 and reached new survey highs. Similarly, the net share expecting demand growth expectations for the next three months continued to climb significantly and reached new survey highs across all loan types.
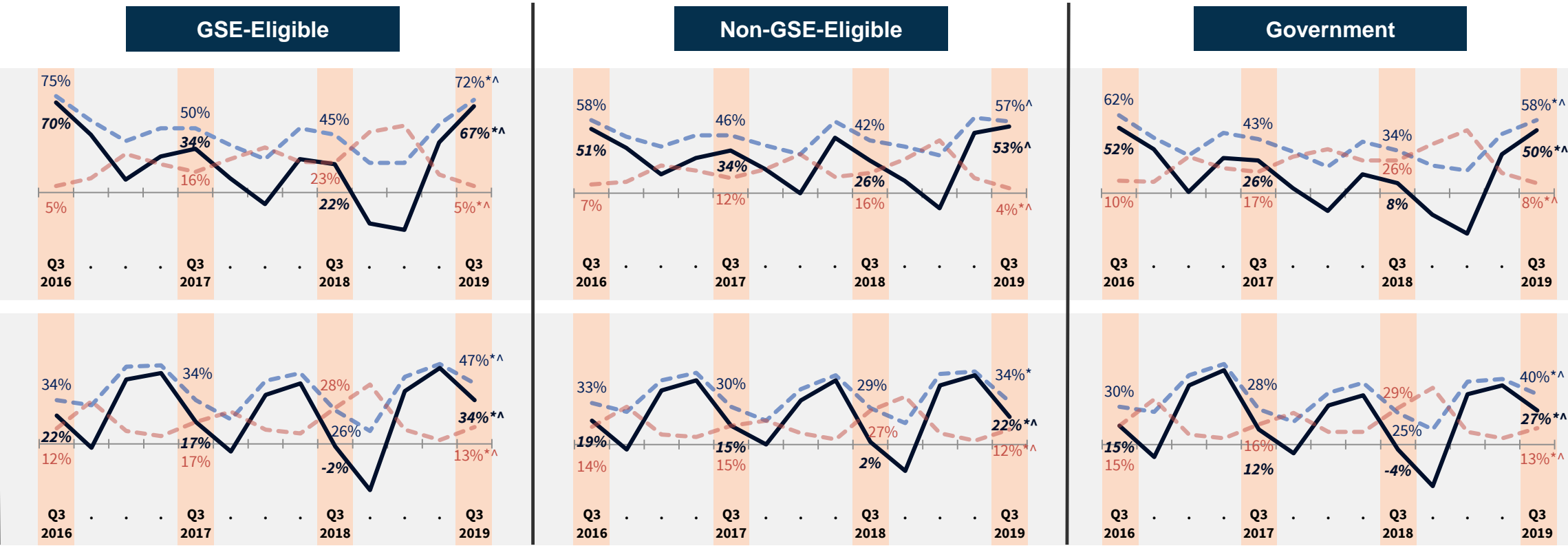
Legend: - - - Up (blue), - - - Down (red), —— Net Up + (navy)

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

* *Denotes a statistically significant change compared with Q2 2019 (previous quarter)*
^ *Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)*

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

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

Credit Standards

Overall, most lenders reported no major changes in their underwriting credit standards for the prior three months and expected no major changes for the next three months. However, the pace of easing continues to trend downward.

- For GSE-eligible loans over the prior three months, the share of lenders reporting tightening is higher than the share reporting easing, resulting in a net tightening for the first time since Q4 2014. For government loans, lenders on net continued to report tightening, reaching the highest net tightening level since Q2 2014.

- For the next three months, for GSE-eligible and government loans, the net share of lenders reporting easing expectations declined to the lowest level in the survey's history, moving to net tightening. For non-GSE-eligible loans, the net easing expectations fell to the lowest level since Q2 2015.

Credit Standards

The net share of lenders reporting easing credit standards for GSE-eligible loans over the prior three months turned negative for the first time since Q4 2014. For government loans, lenders on net continued reporting tightening, reaching the lowest level since Q2 2014. For GSE-eligible and government loans over the next three months, the net share of lenders reporting easing expectations declined to the lowest level in the survey's history, and for non-GSE-eligible loans, the net easing expectations fell to the lowest level since Q2 2015.

Legend: Ease, Tighten, Net Ease+
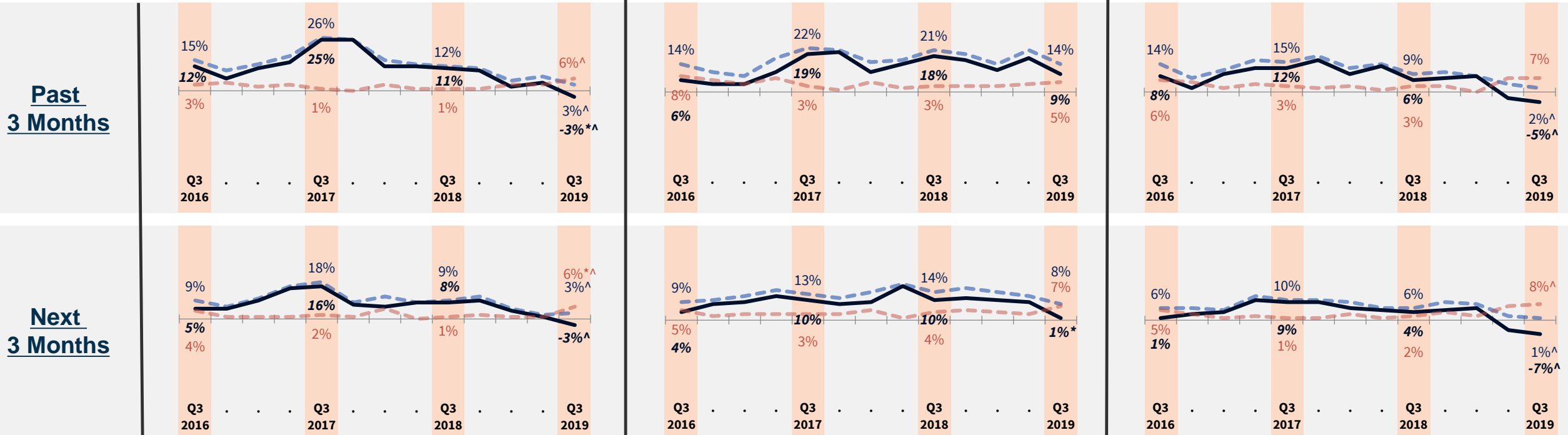
Net Ease + = % of lenders saying ease minus % of lenders saying tighten
The % saying "remain unchanged" is not shown

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

Profit Margin Outlook

Lenders' net profit margin outlook continued its upward trend, reaching the most positive reading in survey history (last survey high in Q1 2015).

- "Consumer demand" and "operational efficiency" continued to be cited by lenders as the two most important reasons for their increased profit margin outlook.
- For the eleventh consecutive quarter, "competition from other lenders" was cited as the top reason for lenders' decreased profit margin outlook. "GSE pricing and policies " jumped to the second most important reason, reaching its highest point since Q2 2014.

Lenders' Profit Margin Outlook – Next 3 Months

Lenders' net profit margin outlook continued its upward trend, reaching the most positive reading in survey history (last survey high in Q1 2015). "Consumer demand" and "operational efficiency" continued to be cited by lenders as the two most important reasons for their increased profit margin outlook.

Profit Margin Outlook

	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19
	n=190	n=134	n=166	n=176	n=174	n=190	n=184	n=159	n=178	n=202	n=176	n=200	n=168
Increase	28%	15%	16%	23%	17%	16%	17%	18%	21%	11%	20%	41%	53%*^
About the same	55%	39%	46%	48%	54%	46%	35%	47%	38%	45%	51%	47%	35%*
Decrease	17%	46%	38%	29%	29%	38%	48%	35%	41%	45%	28%	12%	13%^

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

Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19
11%	-31%	-22%	-6%	-12%	-22%	-31%	-17%	-20%	-34%	-8%	29%	40%^
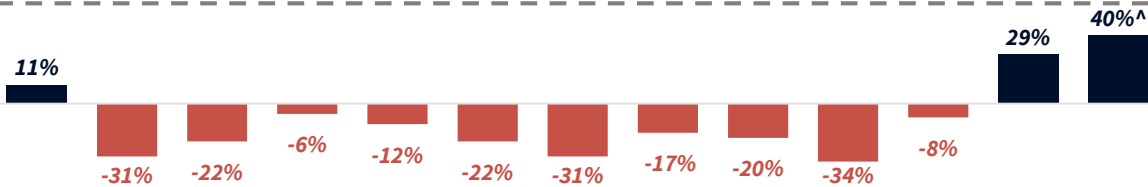
Key Reasons for Expected Increase – Q3 2019

Consumer demand	**61%**
Operational efficiency (e.g., technology)	**43%**
Market Trend Changes	22%
GSE pricing and policies	19%
Less competition from other lenders	13%

Showing data for selected answer choices only. n=86

Key Reasons for Expected Decrease – Q3 2019

Competition from other lenders	**66%**
GSE pricing and policies	**28%**
Staffing (personnel costs)	21%
Government regulatory compliance	20%
Market trend changes (e.g., shift from refinance to purchase)	19%

Showing data for selected answer choices only. n=23

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

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

Increased Profit Margin Outlook – Top Drivers

"Consumer demand" and "operational efficiency" continued to be cited by lenders as the two most important reasons for their increased profit margin outlook.

Consumer Demand

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
42%	22%	34%	56%	22%	21%	41%	64%	61%^

Operational Efficiency

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
51%	62%	43%	58%	64%	65%	47%	32%	43%^

Market Trend Changes

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
28%	34%	41%	31%	9%	0%	11%	17%	22%

GSE Pricing and Policies

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
11%	36%	29%	11%	12%	3%	9%	7%	19%*

Less Competition from Other Lenders

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
6%	2%	2%	0%	7%	19%	8%	22%	13%

Government monetary or fiscal policy

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
9%	3%	6%	4%	6%	9%	3%	8%	12%
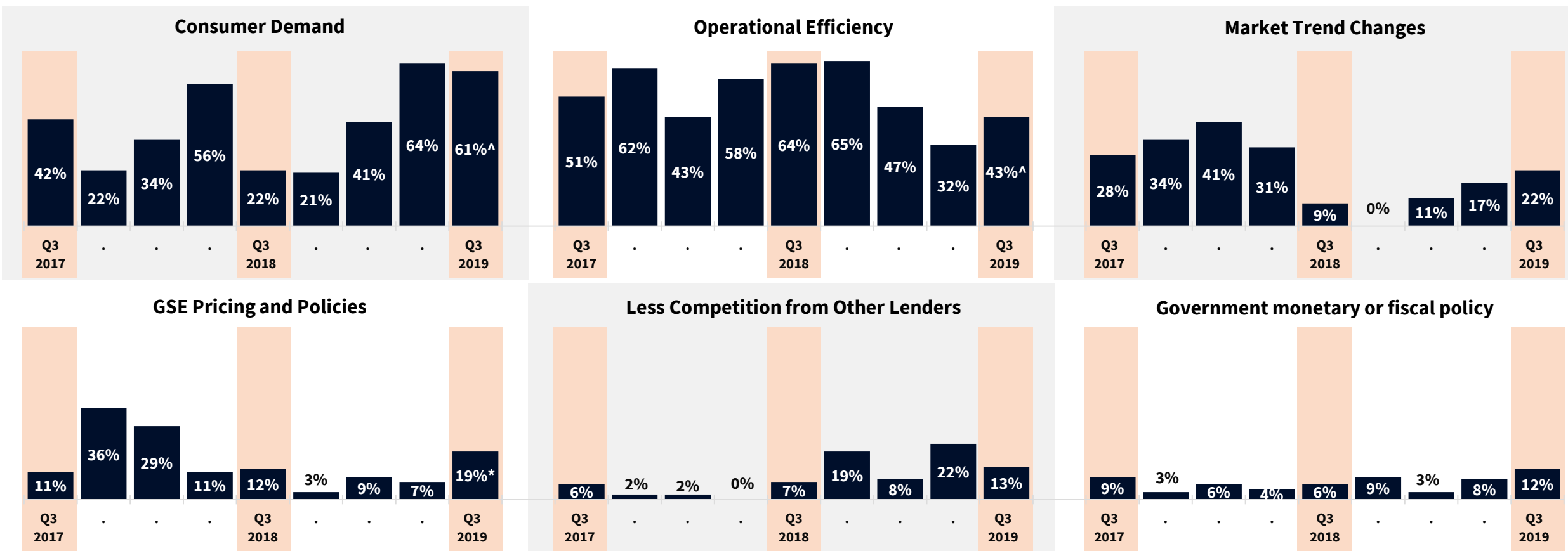
Q: What do you think will drive the increase in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance. (Showing % rank 1 + 2)

Total: Q2 2017: N=40 ; Q3 2017: N=30 ; Q4 2017: N=29 ; Q1 2018: N=34 ; Q2 2018: N=30 ; Q3 2018: N=38 ; Q4 2018: N=22 ; Q1 2019: N=36; Q2 2019: N=81; Q3 2019: N=86

Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ *Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)*

Decreased Profit Margin Outlook – Top Drivers

For the eleventh consecutive quarter, "competition from other lenders" was cited as the top reason for lenders' decreased profit margin outlook. "GSE pricing and policies " jumped to the second most important reason, reaching its highest point since Q2 2014.
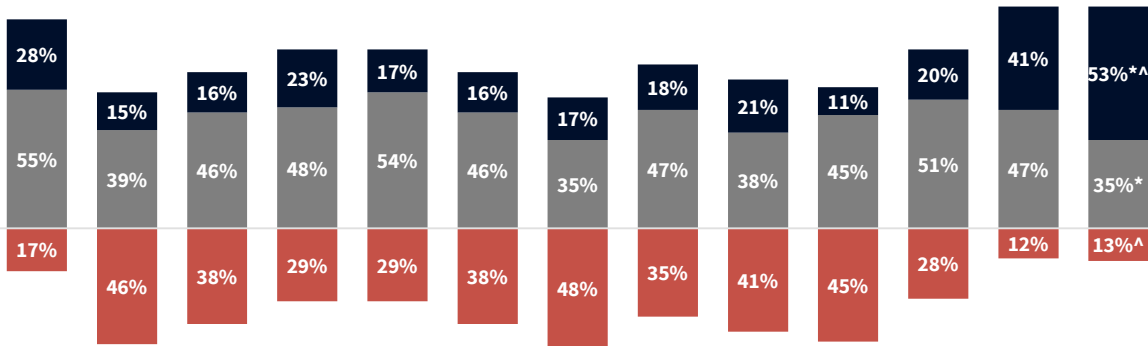
Competition from Other Lenders

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
74%	75%	78%	78%	71%	74%	77%	59%	66%

GSE Pricing and Policies

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
7%	5%	10%	8%	9%	12%	17%	20%	28%^

Staffing

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
17%	29%	12%	19%	15%	19%	18%	28%	21%

Government Regulatory Compliance

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
19%	13%	6%	9%	14%	5%	7%	18%	20%

Market Trend Changes

Q3 2019	.	.	.	Q3 2018	.	.	.	Q3 2019
15%	19%	35%	31%	23%	16%	16%	3%	19%

Operational Efficiency

Q3 2017	.	.	.	Q3 2018	.	.	.	Q3 2019
13%	8%	7%	12%	9%	7%	5%	13%	12%

Q: What do you think will drive the decrease in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance. (Showing % rank 1 + 2)

Total: Q2 2017: N=49 ; Q3 2017: N=49 ; Q4 2017: N=75 ; Q1 2018: N=85 ; Q2 2018: N=52 ; Q3 2018: N=69 ; Q4 2018: N=87 ; Q1 2019: N=52 ; Q2 2019: N=24; Q3 2019=23
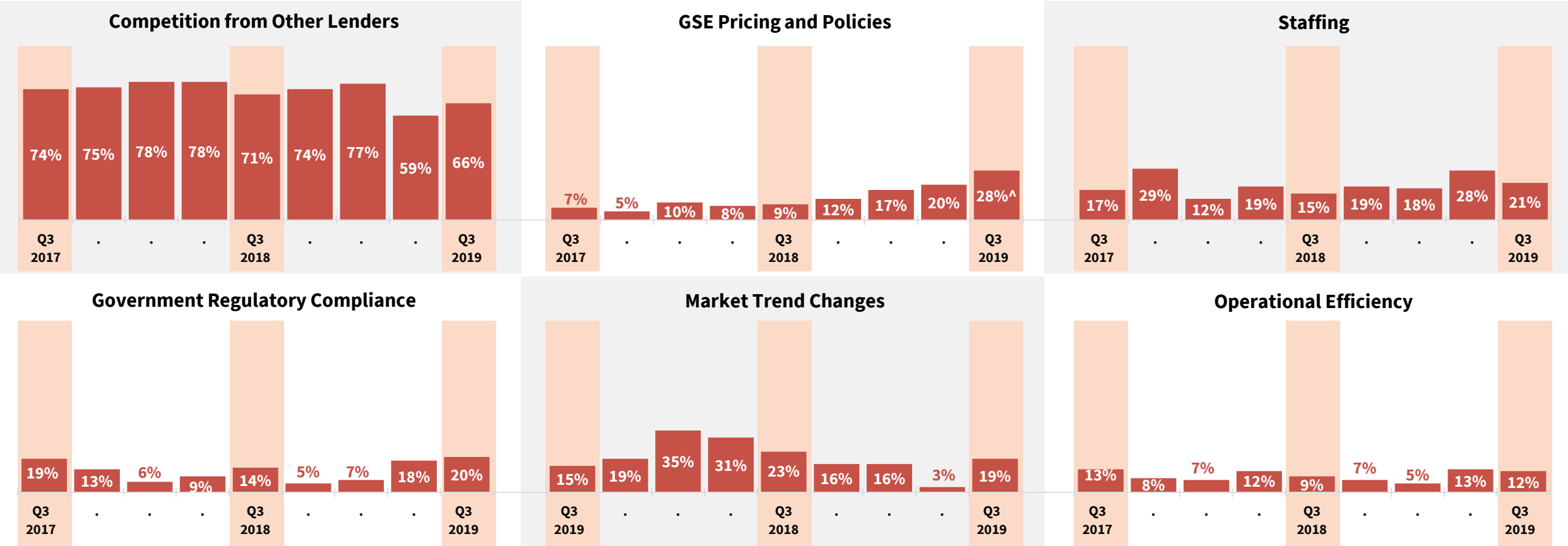
Denotes a statistically significant change compared with Q2 2019 (previous quarter)

^ *Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)*

Appendix

Appendix

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 2018. 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.

Institution Type

	Larger	Mid-sized	Smaller
Other	1%	3%	1%
Mortgage Banks	57%	51%	18%
Credit Union	3%	13%	35%
Depository Institution	39%	33%	47%

Loan Type

	Larger	Mid-sized	Smaller
Government	20%	19%	10%
Jumbo	21%	19%	20%
Conforming	60%	62%	70%

Loan Purpose

	Larger	Mid-sized	Smaller
Purchase	62%	64%	54%
Refi	38%	36%	46%
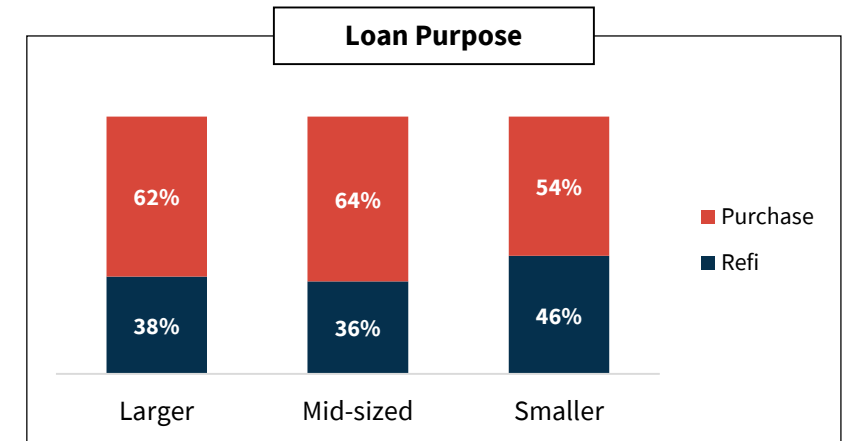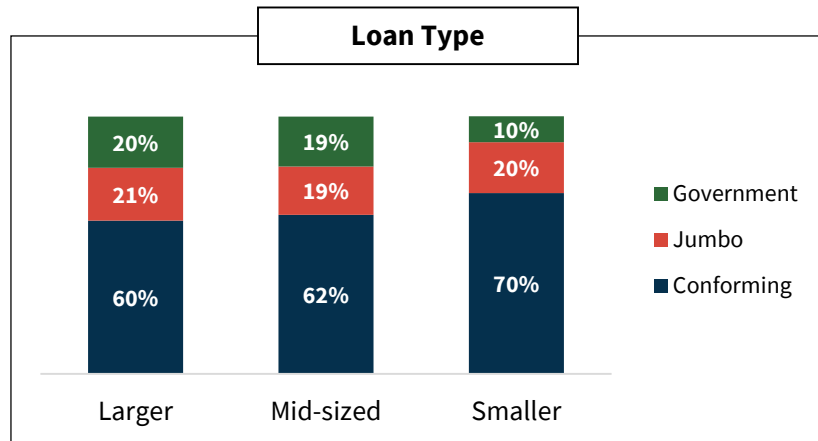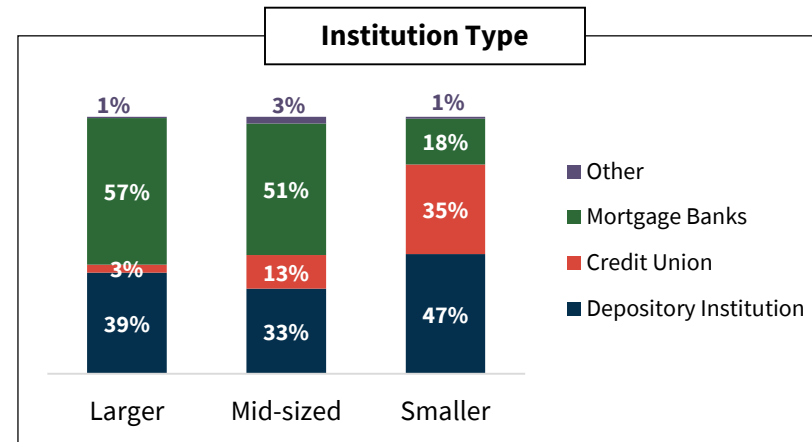
Note: Government loans include FHA loans, VA loans and other non-conventional loans from Marketrac.

Sample Sizes

		Q3 2017		Q4 2017		Q1 2018		Q2 2018		Q3 2018		Q4 2018		Q1 2019		Q2 2019		Q3 2019	
		Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error	Sample Size	Margin of Error
Total Lending Institutions		**190**	**±6.64%**	**196**	**±6.42%**	**196**	**±6.43%**	**170**	**±7.04%**	**184**	**±6.78%**	**212**	**±6.52%**	**184**	±7.03%	**211**	**±6.19%**	**179**	**±6.82%**
Loan Origination Volume Groups	Larger Institutions	58	±11.16%	72	±9.47%	64	±10.32%	40	±13.79%	45	±12.83%	59	±12.36%	49	±13.62%	61	±10.50%	60	±10.64%
	Mid-sized Institutions	66	±10.69%	55	±11.78%	51	±12.36%	36	±15.07%	42	±13.73%	58	±12.47%	43	±14.59%	57	±11.43%	45	±13.25%
	Smaller Institutions	66	±11.65%	69	±11.25%	81	±10.30%	94	±9.60%	97	±9.51%	95	±9.74%	92	±9.92%	93	±9.62%	74	±10.92%
Institution Type	Mortgage Banks	73	±10.12%	74	±9.88%	69	±10.36%	56	±11.87%	66	±10.89%	76	±10.80%	53	±13.05%	91	±8.92%	72	±10.37%
	Depository Institutions	75	±10.71%	77	±10.37%	63	±11.63%	67	±11.29%	68	±11.31%	88	±10.15%	79	±10.72%	85	±9.80%	70	±10.98%
	Credit Unions	38	±15.18%	37	±15.27%	56	±12.04%	34	±16.05%	39	±14.96%	38	±15.48%	33	±16.69%	34	±16.05%	33	±16.32%

2017
Q1 was fielded between February 1, 2017 and February 13, 2017
Q2 was fielded between May 3, 2017 and May 14, 2017
Q3 was fielded between August 2, 2017 and August 13, 2017
Q4 was fielded between November 1, 2017 and November 14, 2017

2018
Q1 was fielded between February 7, 2018 and February 19, 2018
Q2 was fielded between May 2, 2018 and May 14, 2018
Q3 was fielded between August 1, 2018 and August 13, 2018
Q4 was fielded between October 31, 2018 and November 12, 2018

2019
Q1 was fielded between February 6, 2019 and February 17, 2019
Q2 was fielded between May 1, 2019 and May 12, 2019
Q3 was fielded between July 31, 2019 and August 11, 2019

2019 Q3 Cross-Subgroup Sample Sizes

	Total	Larger Lenders	Mid-Sized Lenders	Smaller Lenders
Total	**179**	**60**	**45**	**74**
Mortgage Banks (non-depository)	72	37	23	12
Depository Institutions	70	18	14	38
Credit Unions	33	5	7	21

2019 Q3 Sample Sizes: Consumer Demand

Purchase Mortgages:

	Past 3 Months			Next 3 Months		
	GSE-Eligible	Non-GSE-Eligible	Government	GSE-Eligible	Non-GSE-Eligible	Government
Total Lending Institutions	**174**	**168**	**154**	**175**	**169**	**156**
Larger Institutions	58	58	56	59	59	57
Mid-sized Institutions	44	43	39	44	43	39
Smaller Institutions	72	67	58	72	67	60

Refinance Mortgages:

	Past 3 Months			Next 3 Months		
	GSE-Eligible	Non-GSE-Eligible	Government	GSE-Eligible	Non-GSE-Eligible	Government
Total Lending Institutions	**168**	**158**	**146**	**168**	**159**	**148**
Larger Institutions	54	54	52	55	55	53
Mid-sized Institutions	43	39	39	42	39	38
Smaller Institutions	71	65	56	71	65	56

2019 Q3 Sample Sizes: Credit Standards

	Past 3 Months			Next 3 Months		
	GSE-Eligible	Non-GSE-Eligible	Government	GSE-Eligible	Non-GSE-Eligible	Government
Total Lending Institutions	**173**	**170**	**155**	**173**	**170**	**155**
Larger Institutions	59	58	57	59	59	57
Mid-sized Institutions	42	42	39	42	42	39
Smaller Institutions	72	69	59	72	69	59

Calculation of the "Total"

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

Example:

Over the past three months, apart from normal seasonal variation, did your firm's consumer demand for single-family purchase mortgages go up, go down, or stay the same? GSE Eligible (Q3 2019)	Larger Institutions	Mid-sized Institutions	Smaller Institutions	Q3 "Total"
Go up	72%	79%	66%	**72% [(72% + 79% + 66%)/3]**
Stayed the same	28%	16%	22%	**22%**
Go down	0%	5%	12%	**5%**

GSE Eligible

Q3 2017: 50%, 34%, 16%
Q3 2018: 45%, 32%, 23%
Q2 2019: 53%, 32%, 14%
Q3 2019: 72%*^, 22%*^, 5%*^

Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019

Appendix

U.S. Economy Overall

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

— Right Track

— Don't know

— Wrong Track
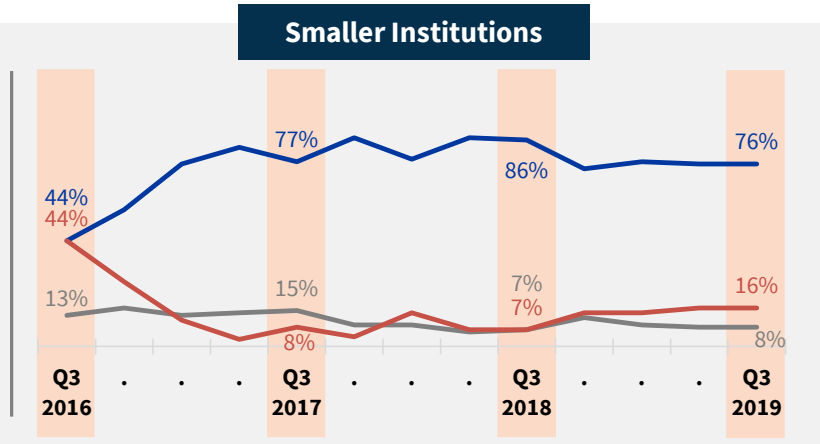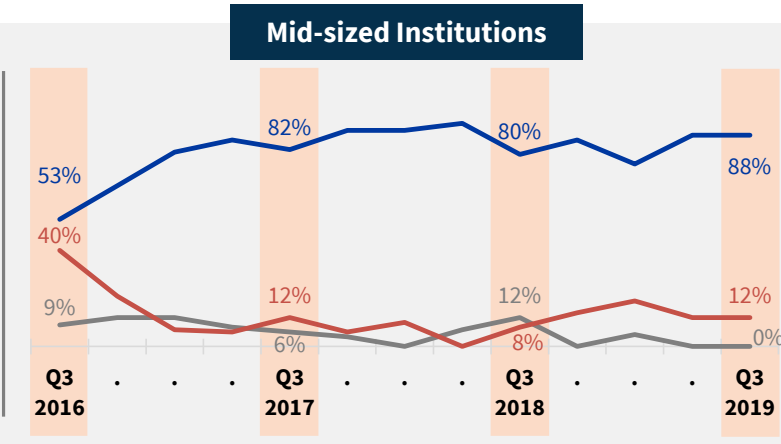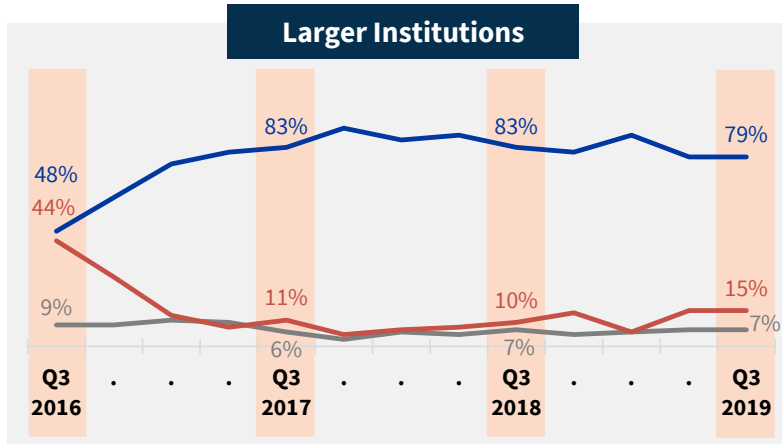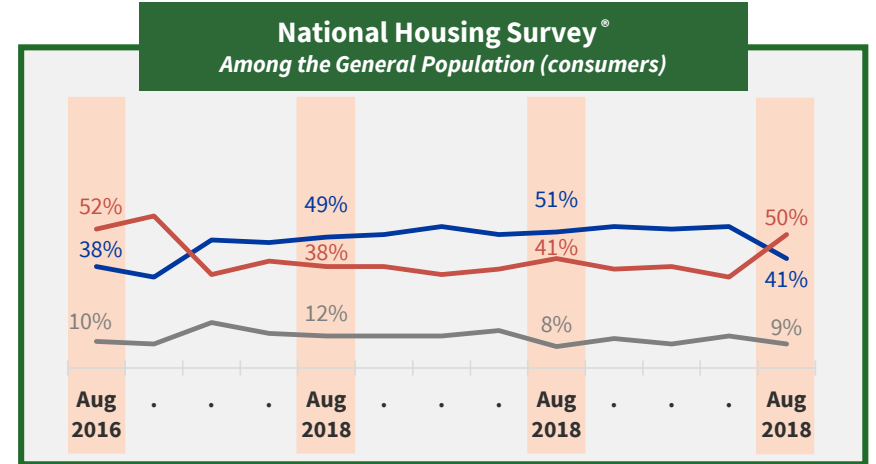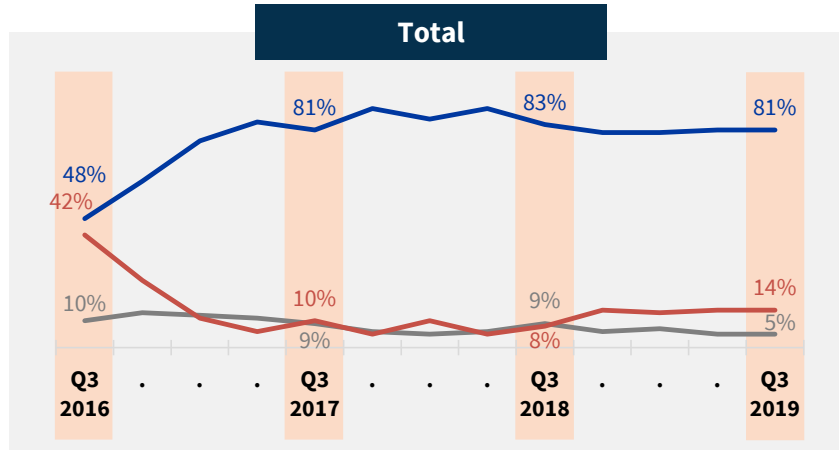
Total

- 48%
- 42%
- 10%
- 81%
- 10%
- 9%
- 83%
- 9%
- 8%
- 81%
- 14%
- 5%

Q3 2016 . . . Q3 2017 . . . Q3 2018 . . . Q3 2019

National Housing Survey®
Among the General Population (consumers)

- 52%
- 38%
- 10%
- 49%
- 38%
- 12%
- 51%
- 41%
- 8%
- 50%
- 41%
- 9%

Aug 2016 . . . Aug 2018 . . . Aug 2018 . . . Aug 2018

Larger Institutions

- 48%
- 44%
- 9%
- 83%
- 11%
- 6%
- 83%
- 10%
- 7%
- 79%
- 15%
- 7%

Q3 2016 . . . Q3 2017 . . . Q3 2018 . . . Q3 2019

Mid-sized Institutions

- 53%
- 40%
- 9%
- 82%
- 12%
- 6%
- 80%
- 12%
- 8%
- 88%
- 12%
- 0%

Q3 2016 . . . Q3 2017 . . . Q3 2018 . . . Q3 2019

Smaller Institutions

- 44%
- 44%
- 13%
- 77%
- 15%
- 8%
- 86%
- 7%
- 7%
- 76%
- 16%
- 8%

Q3 2016 . . . Q3 2017 . . . Q3 2018 . . . Q3 2019

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

Home Prices – Next 12 Months

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

— **Go Up** (blue)
— **Stay the Same** (gray)
— **Go Down** (red)

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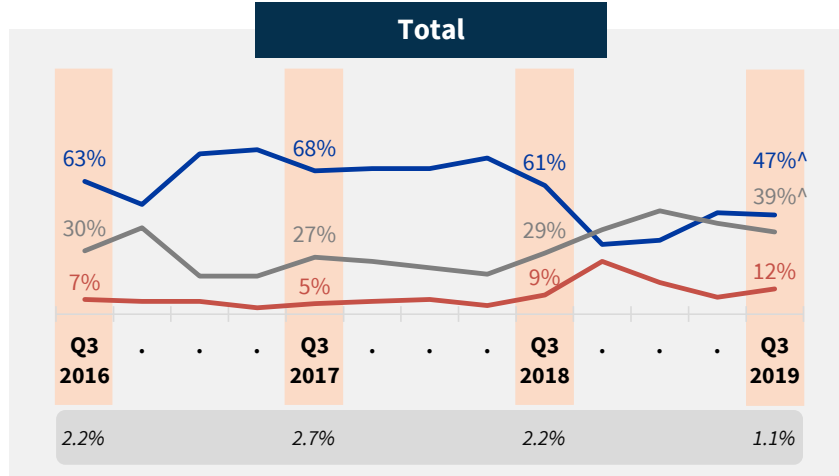
Total

Q3 2016	Q3 2017	Q3 2018	Q3 2019
63%	68%	61%	47%^
30%	27%	29%	39%^
7%	5%	9%	12%
2.2%	2.7%	2.2%	1.1%

National Housing Survey®
Among the General Population (consumers)

Aug 2016	Aug 2017	Aug 2018	Aug 2019
43% / 40%	54% / 33%	48% / 36%	47% / 36%
8%	6%	10%	11%
2.1%	3.3%	2.8%	2.4%

Larger Institutions

Q3 2016	Q3 2017	Q3 2018	Q3 2019
69%	71%	58%	44%
25%	22%	32%	41%
4%	8%	8%	11%
2.6%	2.5%	1.8%	1.1%

Mid-sized Institutions

Q3 2016	Q3 2017	Q3 2018	Q3 2019
64%	68%	64%	52%
29%	27%	24%	30%
7%	5%	12%	18%
2.1%	2.9%	2.4%	1.0%

Smaller Institutions

Q3 2016	Q3 2017	Q3 2018	Q3 2019
56% / 35%	65% / 33%	60% / 30%	47%^ / 45%
10%	2%	9%	8%
1.8%	2.5%	2.3%	1.2%

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

Difficulty of Getting a Mortgage

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

Easy
(Very easy + Somewhat easy)

Difficult
(Very difficult + Somewhat difficult)

Total

Easy: 28% (Q3 2016), 41% (Q3 2017), 52% (Q3 2018), 60% (Q3 2019)
Difficult: 72% (Q3 2016), 59% (Q3 2017), 47% (Q3 2018), 40% (Q3 2019)

National Housing Survey®
Among the General Population (consumers)

Easy: 54% (Aug 2016), 55% (Aug 2017), 58% (Aug 2018), 62% (Aug 2019)
Difficult: 43% (Aug 2016), 42% (Aug 2017), 41% (Aug 2018), 36% (Aug 2019)

Larger Institutions

Easy: 22% (Q3 2016), 44% (Q3 2017), 60% (Q3 2018), 65% (Q3 2019)
Difficult: 78% (Q3 2016), 56% (Q3 2017), 40% (Q3 2018), 35% (Q3 2019)

Mid-sized Institutions

Easy: 33% (Q3 2016), 45% (Q3 2017), 43% (Q3 2018), 54% (Q3 2019)
Difficult: 67% (Q3 2016), 56% (Q3 2017), 57% (Q3 2018), 46% (Q3 2019)

Smaller Institutions

Easy: 27% (Q3 2016), 35% (Q3 2017), 55% (Q3 2018), 59% (Q3 2019)
Difficult: 73% (Q3 2016), 66% (Q3 2017), 45% (Q3 2018), 40% (Q3 2019)

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)
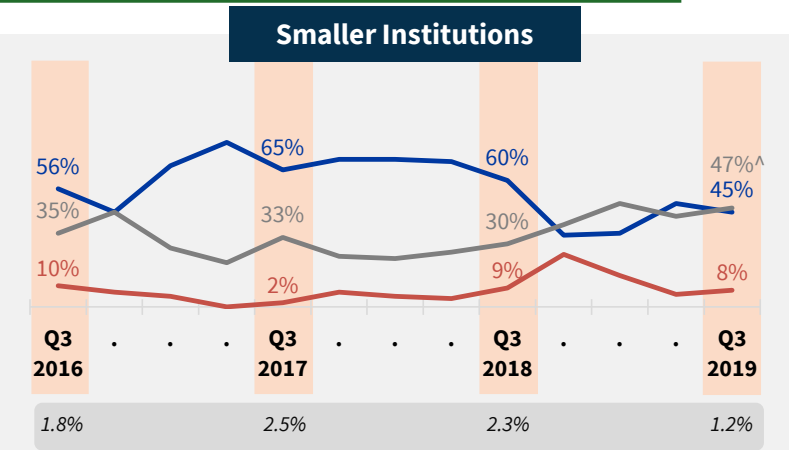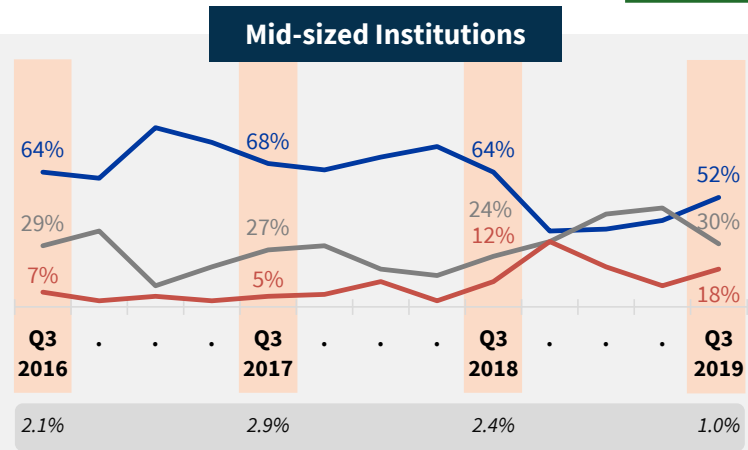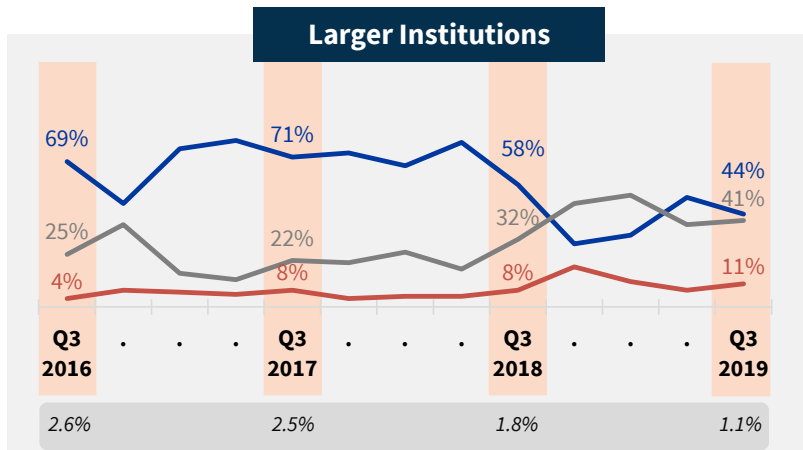
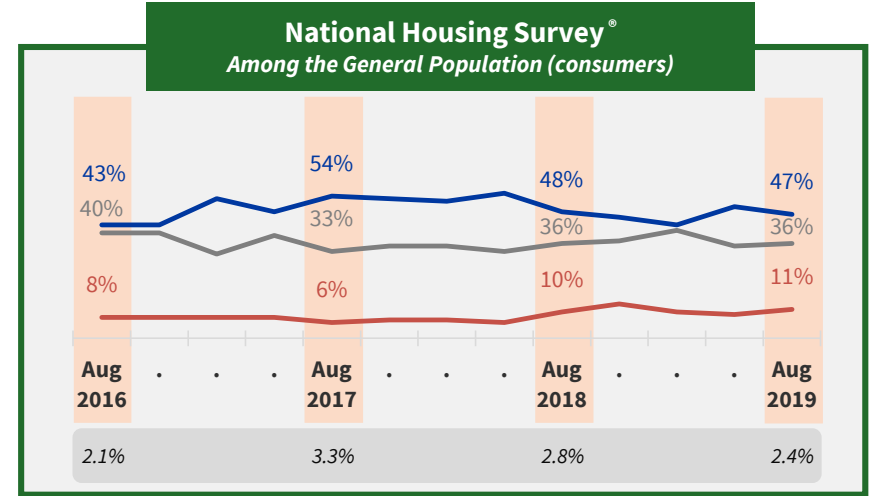*National Housing Survey:* http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html

Appendix

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

Larger Institutions

Past 3 Months
- 72%, 68%, 4%
- 62%, 47%, 15%
- 49%, 35%, 14%
- 72%^, 72%*^, 0%*^
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months
- 30%, 17%, 13%
- 40%, 21%, 19%
- 30%, 24%, 6%
- 38%*, 19%*, 19%*
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Mid-sized Institutions

Past 3 Months
- 81%, 85%, 4%
- 50%, 35%, 15%
- 41%, 30%, 11%
- 79%*^, 74%*^, 5%^
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months
- 42%, 32%, 10%
- 33%, 17%, 16%
- 41%, 20%, -21%
- 54%^, 49%^L, 5%^
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Smaller Institutions

Past 3 Months
- 68%, 61%, 7%
- 38%, 19%, 19%
- 46%, 23%, 23%
- 66%^, 54%^, 12%L
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months
- 31%, 17%, 14%
- 28%, 21%, 12%
- 28%, 16%, 7%
- 47%^, 31%*^, 16%
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Legend:
- Up (blue dashed)
- Down (red dashed)
- Net Up + (black solid)

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

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

*Denotes a statistically significant change compared with Q2 2019 (previous quarter)

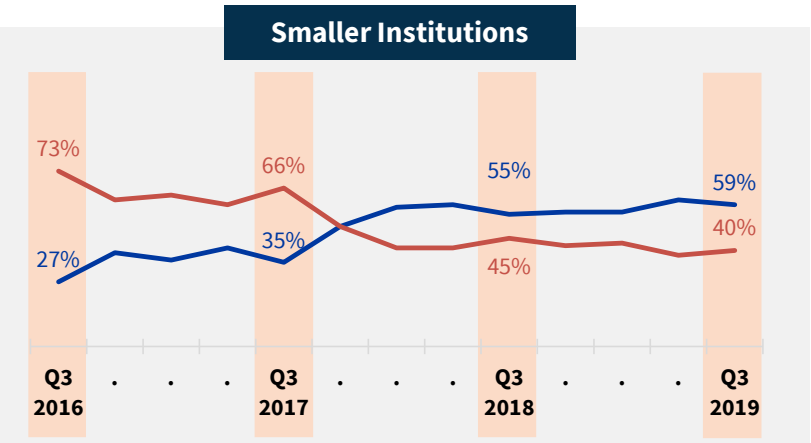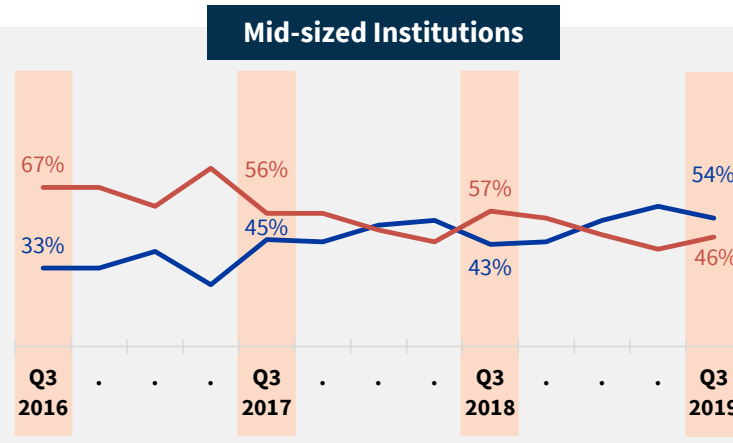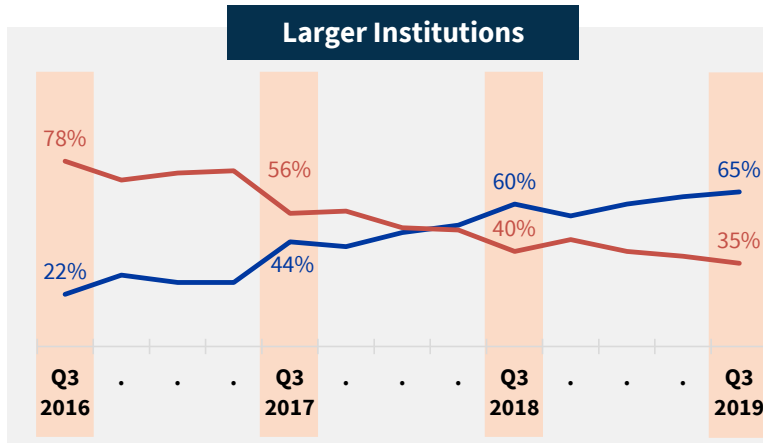^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)
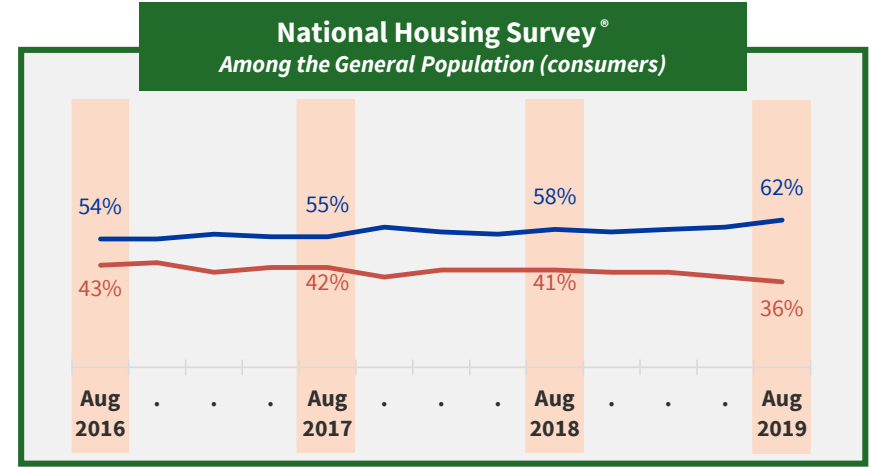
L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

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

Purchase Mortgage Demand: <u>GSE-Eligible (by institution type)</u>

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Legend:
- - - Up
- - - Down
—— Net Up +

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

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

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)

^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

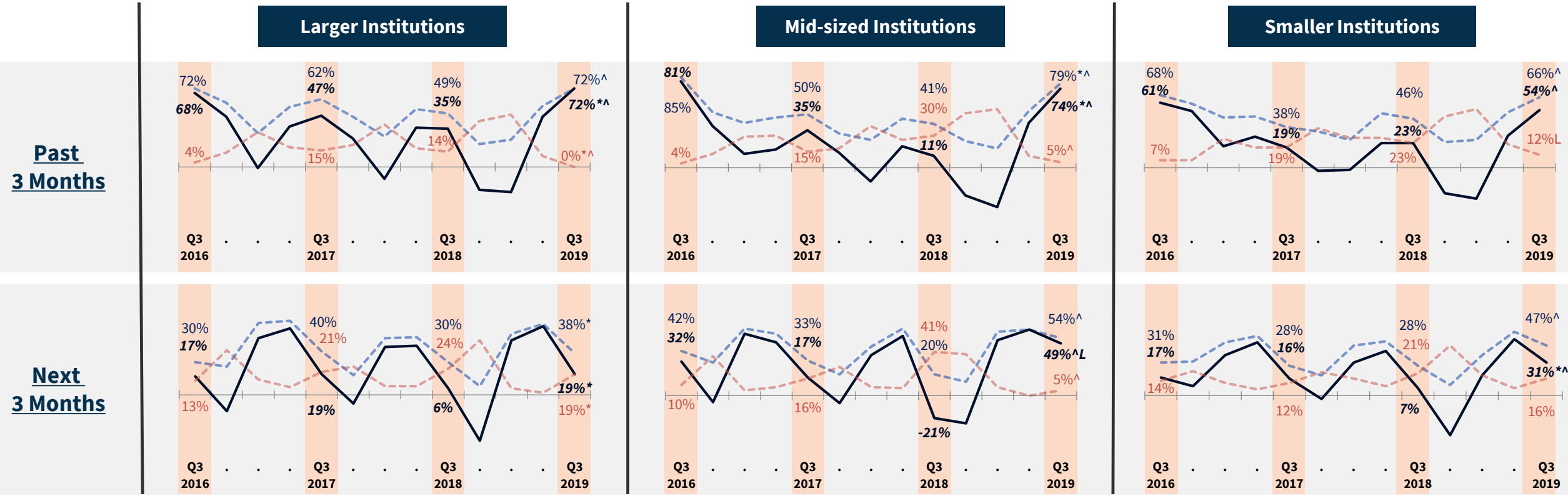*M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level*

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

Purchase Mortgage Demand: <u>Non-GSE-Eligible (by institution size)</u>

Larger Institutions

Past 3 Months
- 66% / **60%** (Q3 2016)
- 6%
- 42% / **26%** / 16% (Q3 2017)
- 41% / **31%** / 10% (Q3 2018)
- 62%^ / **60%^** / 2% (Q3 2019)

Next 3 Months
- 31% / **20%** / 11% (Q3 2016)
- 27% / 22% / **5%** (Q3 2017)
- 37% / 24% / **13%** (Q3 2018)
- 32%* / 19%* / **13%*** (Q3 2019)

Mid-sized Institutions

Past 3 Months
- 50% / **42%** / 8% (Q3 2016)
- 50% / **43%** / 7% (Q3 2017)
- 45% / **31%** / 14% (Q3 2018)
- 46% / **41%** / 5% (Q3 2019)

Next 3 Months
- 30% / **16%** / 14% (Q3 2016)
- 33% / **19%** / 14% (Q3 2017)
- 32% / 23% / **-9%** (Q3 2018)
- 27%* / **22%*^** / 5%^ (Q3 2019)

Smaller Institutions

Past 3 Months
- 58% / **50%** / 8% (Q3 2016)
- 46% / **32%** / 14% (Q3 2017)
- 40% / 26% / **14%** (Q3 2018)
- 62%^ / **56%*^** / 6%^ (Q3 2019)

Next 3 Months
- 37% / **22%** / 15% (Q3 2016)
- 30% / **21%** / 9% (Q3 2017)
- 25% / 24% / **1%** (Q3 2018)
- 43%^ / **31%^** / 12% (Q3 2019)

Legend:
- - - - Up
- - - - Down
——— Net Up +

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

Q: Over the <u>next three months</u>, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family <u>purchase</u> mortgages to go up, go down, or stay the same? *"Up"* = Go up significantly + Go up somewhat, *"Down"* = Go down significantly + Go down somewhat
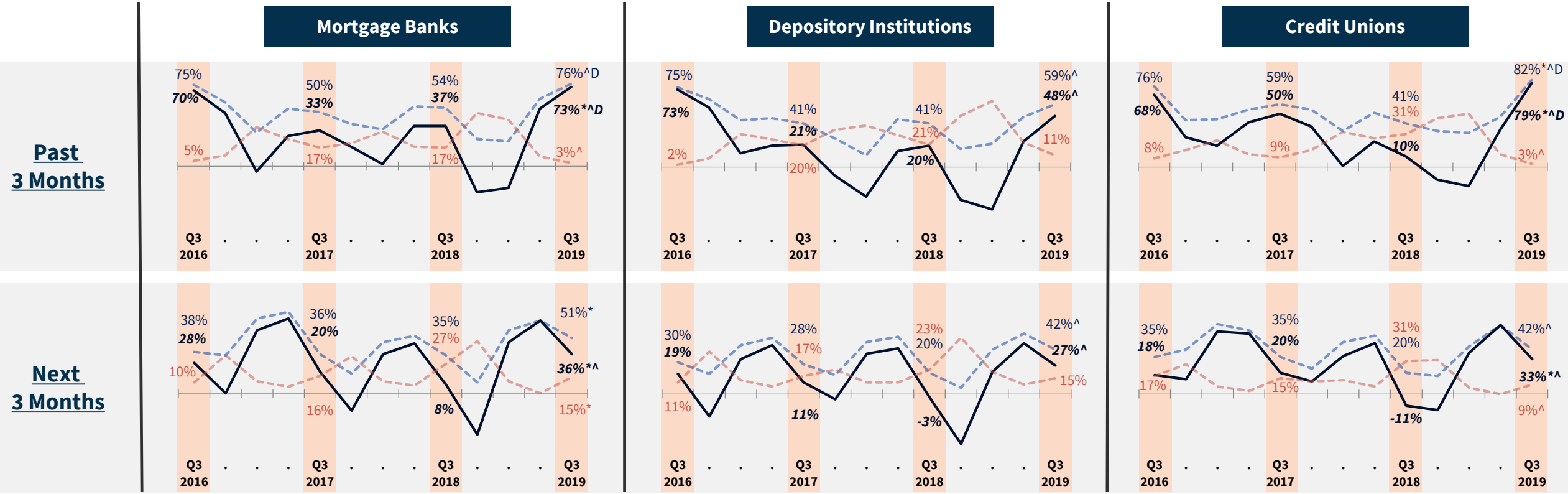
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L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

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

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

Mortgage Banks

Depository Institutions

Credit Unions

Past 3 Months

Mortgage Banks: 43%, 31%, 60%, 59%, 12%, 38%, 26%, 50%, 41%, 9%, 12%, 1%
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Depository Institutions: 62%, 58%, 43%, 27%, 35%, 50%, 43%^, 4%, 16%, 19%, 16%, 7%*
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Credit Unions: 63%, 54%, 65%, 62%, 40%, 32%, 68%^, 65%^, 9%, 3%, 8%, 3%^
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months

Mortgage Banks: 23%, 15%, 28%, 15%, 43%, 22%, 35%*, 23%*, 8%, 13%, 21%, 12%*
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Depository Institutions: 33%, 22%, 25%, 16%, 23%, 20%, 34%, 22%^, 11%, 9%, -3%, 12%
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Credit Unions: 39%, 22%, 43%, 31%, 15%, 38%, 39%*^, 23%*^, 17%, 12%, -23%, 16%^
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Legend:
- - - Up
- - - Down
— Net Up +

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

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat
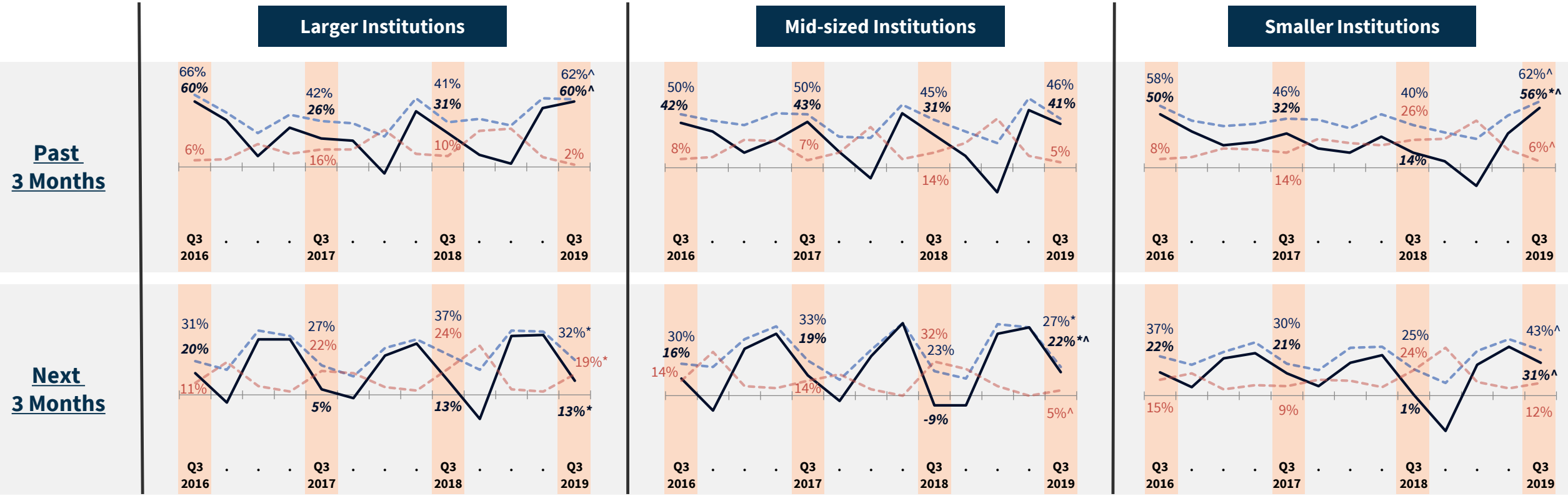
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

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

Purchase Mortgage Demand: Government (by institution size)

Larger Institutions

Past 3 Months

- 64%
- 57%
- 7%
- 55%
- 36%
- 19%
- 37%
- 22%
- 15%
- 60%^
- 55%^
- 5%^

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Next 3 Months

- 24%
- 13%
- 11%
- 30%
- 24%
- 6%
- 30%
- 27%
- 3%
- 35%
- 15%*
- 20%*

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Mid-sized Institutions

Past 3 Months

- 69%
- 65%
- 4%
- 38%
- 23%
- 15%
- 33%
- 31%
- 2%
- 58%^
- 50%^
- 8%^

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Next 3 Months

- 40%
- 28%
- 12%
- 30%
- 16%
- 14%
- 37%
- 18%
- -19%
- 47%^
- 41%^
- 6%^

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Smaller Institutions

Past 3 Months

- 45%
- 24%
- 21%
- 38%
- 23%
- 15%
- 34%
- 23%
- 11%
- 57%^
- 45%^
- 12%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Next 3 Months

- 25%
- 20%
- 5%
- 21%
- 15%
- 6%
- 26%
- 22%
- 4%
- 38%*
- 26%
- 12%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Legend:
- Up (blue dashed)
- Down (red dashed)
- Net Up + (black solid)

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

Q: Over the next three months, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family purchase mortgages to go up, go down, or stay the same? "Up" = Go up significantly + Go up somewhat, "Down" = Go down significantly + Go down somewhat
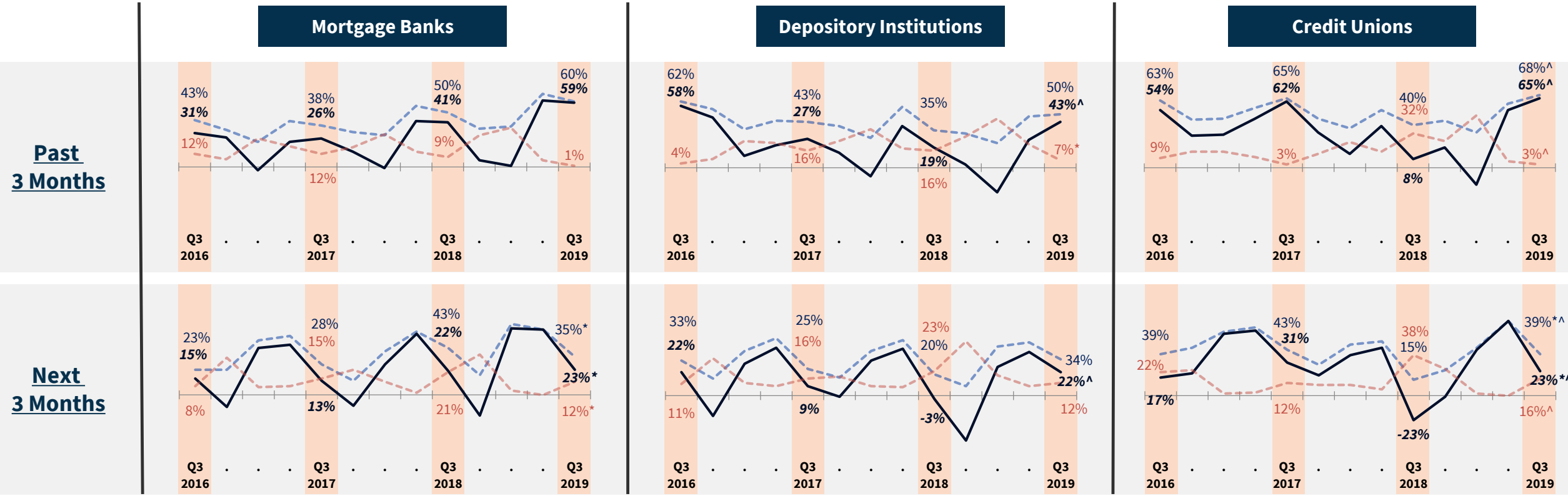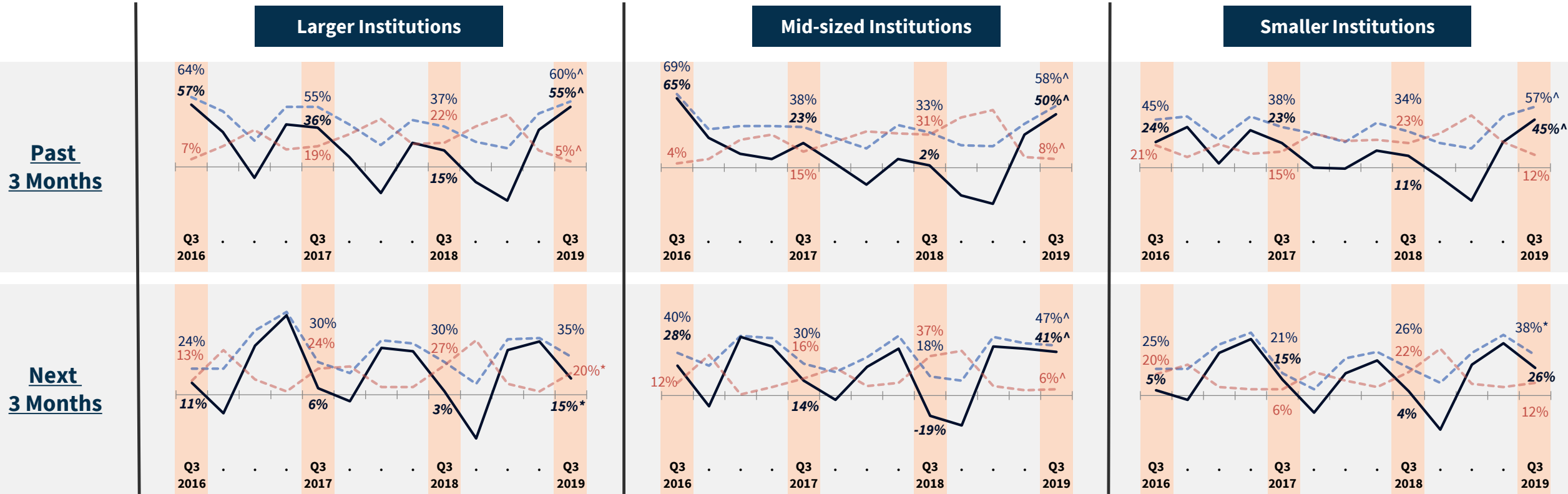
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L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

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

Purchase Mortgage Demand: <u>Government (by institution type)</u>

Mortgage Banks

Depository Institutions

Credit Unions

Past 3 Months

Mortgage Banks: 77%, 71%, 6%, 48%, 31%, 17%, 43%, 31%, 12%, 66%^D, 58%^, 8%^
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Depository Institutions: 50%, 40%, 10%, 39%, 21%, 18%, 26%, 19%, 7%, 47%^, 40%*^, 7%*
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Credit Unions: 41%, 24%, 17%, 41%, 29%, 20%, 12%, 35%, 15%, 59%, 47%, 12%
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months

Mortgage Banks: 39%, 29%, 10%, 29%, 16%, 13%, 31%, 28%, 3%, 47%, 34%^, 13%*^
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Depository Institutions: 22%, 17%, 5%, 25%, 15%, 10%, 23%, 19%, -4%, 30%*, 17%, 13%*
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Credit Unions: 25%, 21%, -4%, 25%, 15%, 10%, 35%, 17%, -18%, 37%, 33%^, 4%^
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Legend:
- - - Up
- - - Down
—— Net Up +

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

Q: Over the <u>next three months</u>, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family <u>purchase</u> mortgages to go up, go down, or stay the same? *"Up"* = Go up significantly + Go up somewhat, *"Down"* = Go down significantly + Go down somewhat
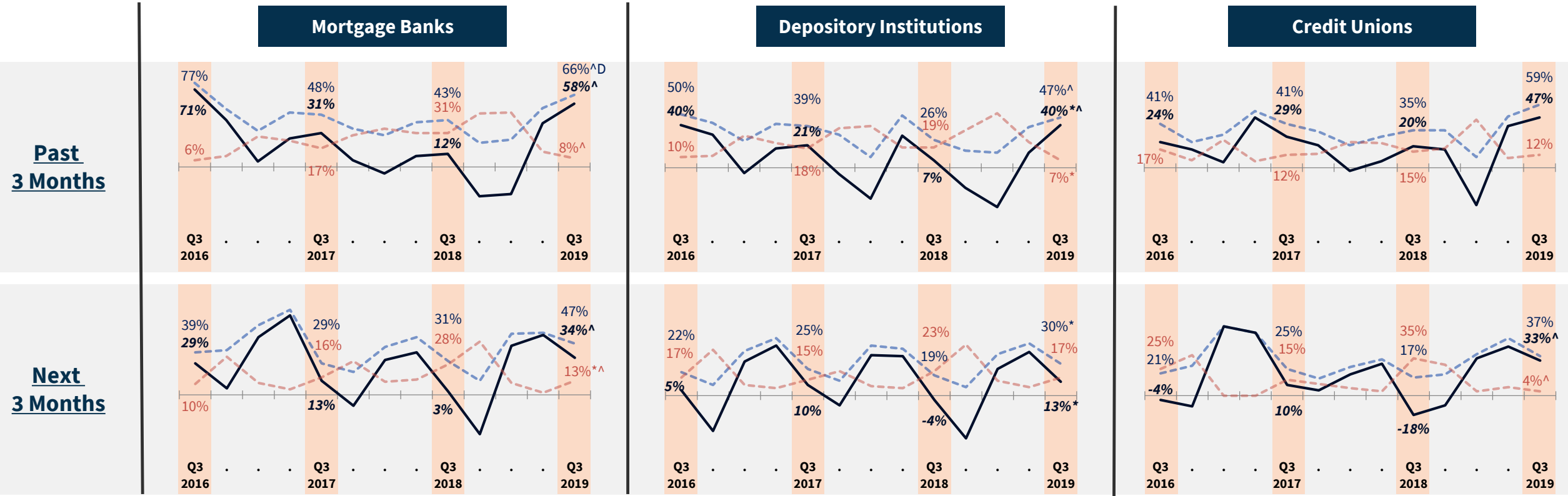
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

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

Purchase Mortgage Demand: Drivers of Change (selected verbatim)

Past 3 Months
N=117

- **Dropping interest rates**
- **Seasonality**
- **Inventory/Market expansion**

Drivers of Demand Up

Drivers of Demand Down

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

"We are in the Hurricane Michael disaster area, there are many households looking for a place to live. All of the apartments were destroyed." – *Smaller Institution*

"Inventory and Rates." – *Mid-sized Institution*

"We saw an increase in inventory for the first time in a while and lower rates drove more buyer demand and took more buyers off the sidelines." – *Smaller Institution*

"We work in an area with limited inventory. The decrease in interest rates, coupled with the seasonality of the purchase market has made this a strong buying season. We still have low inventories, but people are willing to buy because of their net cashflow position." – *Smaller Institution*

"West Coast housing prices in Urban markets are very high, so demand is in the jumbo space." – *Larger Institution*

"Drop in interest rates and moderating price appreciation." – *Mid-sized Institution*

"Greater market share; lower interest rates." – *Mid-sized Institution*

"It is hard to ignore seasonality so I'm sure that played a part. The decreased rates this year has allowed homeowners who previously would not move due to the low fixed rate on their home, to decide to purchase a new home." – *Mid-sized Institution*

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

You mentioned that you expect your firm's consumer demand for GSE eligible loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select up to two of the most important reasons and rank them in order of importance. (*Showing % rank 1*)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey *Among the General Population (consumers)**
N=	80	22	24	34	
Mortgage rates are favorable	71%	79%	69%	67%	37%
Economic conditions (e.g., employment) overall are favorable	27%	21%	31%	27%	21%
There are many homes available on the market	1%	0%	0%	3%	16%
It is easy to qualify for a mortgage	0%	0%	0%	0%	4%
Home prices are low	0%	0%	0%	0%	11%

You mentioned that you expect your firm's consumer demand for GSE eligible loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select up to two of the most important reasons and rank them in order of importance. (*Showing % rank 1*)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey *Among the General Population (consumers)***
N=	25	11	2	12	
Home prices are high	38%	44%	50%	26%	54%
There are not many homes available on the market	13%	12%	0%	17%	4%
Economic conditions (e.g., employment) overall are not favorable	13%	9%	50%	9%	19%
It is difficult to qualify for a mortgage	7%	0%	0%	17%	7%
Mortgage rates are not favorable	3%	0%	0%	9%	5%

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

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

You mentioned that you expect your firm's consumer demand for Non-GSE eligible loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select up to two of the most important reasons and rank them in order of importance. (*Showing % rank 1*)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey *Among the General Population (consumers)**
N=	59	19	11	28	
Mortgage rates are favorable	61%	66%	60%	58%	37%
Economic conditions (e.g., employment) overall are favorable	21%	23%	18%	21%	21%
It is easy to qualify for a mortgage	11%	10%	13%	11%	4%
Home prices are low	1%	0%	0%	4%	11%
There are many homes available on the market	0%	0%	0%	0%	16%

You mentioned that you expect your firm's consumer demand for Non-GSE eligible loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select up to two of the most important reasons and rank them in order of importance. (*Showing % rank 1*)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey *Among the General Population (consumers)***
N=	21	11	2	8	
Home prices are high	48%	53%	50%	38%	54%
There are not many homes available on the market	18%	7%	50%	25%	4%
Economic conditions (e.g., employment) overall are not favorable	4%	0%	0%	12%	19%
Mortgage rates are not favorable	4%	0%	0%	12%	5%
It is difficult to qualify for a mortgage	2%	4%	0%	0%	7%

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

Purchase Mortgage Demand: Drivers of Change (Government)

You mentioned that you expect your firm's consumer demand for government loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select up to two of the most important reasons and rank them in order of importance. (*Showing % rank 1*)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey *Among the General Population (consumers)**
N=	61	20	18	23	
Mortgage rates are favorable	66%	65%	54%	83%	37%
Economic conditions (e.g., employment) overall are favorable	21%	20%	35%	4%	21%
Home prices are low	7%	10%	11%	0%	11%
It is easy to qualify for a mortgage	4%	5%	0%	9%	4%
There are many homes available on the market	0%	0%	0%	0%	16%

You mentioned that you expect your firm's consumer demand for government loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select up to two of the most important reasons and rank them in order of importance. (*Showing % rank 1*)	Total	Larger Institutions (L)	Mid-sized Institutions (M)	Smaller Institutions (S)	National Housing Survey *Among the General Population (consumers)***
N=	20	11	2	7	
There are not many homes available on the market	24%	16%	50%	29%	4%
Home prices are high	23%	26%	0%	29%	54%
Economic conditions (e.g., employment) overall are not favorable	16%	9%	50%	14%	19%
It is difficult to qualify for a mortgage	11%	4%	0%	29%	7%
Mortgage rates are not favorable	0%	0%	0%	0%	5%

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

Upward Purchase Demand Outlook Drivers

Lenders say favorable mortgage rates are the top reason driving increased expected future demand among all loan types, reaching new survey highs for GSE-eligible and government loans, and matching the survey high last seen in Q3 2016 for non-GSE-eligible loans.

GSE-Eligible	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
N=	143	102	66	41	103	111	63	37	96	91	48	21	88	128	80
Mortgage rates are favorable	89%	86%	94%	87%	70%	82%	80%	83%	57%	54%	57%	16%	79%	89%	98%*^
Economic conditions (e.g., employment) overall are favorable	65%	60%	67%	75%	85%	80%	76%	90%	90%	84%	81%	88%	76%	73%	82%
There are many homes available on the market	7%	13%	19%	18%	17%	15%	16%	9%	9%	13%	21%	24%	22%	20%	9%
It is easy to qualify for a mortgage	9%	11%	4%	2%	5%	8%	2%	5%	17%	15%	9%	28%	6%	8%	7%
Home prices are low	14%	13%	7%	6%	9%	5%	7%	3%	3%	6%	7%	6%	2%	5%	1%

Non-GSE-Eligible	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
N=	104	73	60	31	80	91	51	33	77	76	48	31	88	110	59
Mortgage rates are favorable	81%	80%	85%	72%	58%	64%	74%	59%	53%	58%	49%	24%	72%	73%	85%^
Economic conditions (e.g., employment) overall are favorable	61%	59%	67%	72%	79%	75%	76%	73%	88%	79%	74%	63%	64%	70%	68%
It is easy to qualify for a mortgage	16%	11%	13%	13%	15%	17%	12%	23%	22%	23%	34%	40%	19%	20%	22%
There are many homes available on the market	10%	15%	15%	17%	17%	15%	10%	16%	4%	9%	12%	17%	18%	16%	10%
Home prices are low	16%	10%	10%	10%	9%	8%	8%	3%	3%	3%	4%	4%	2%	6%	4%

Government	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
N=	105	81	45	29	76	99	44	27	67	65	41	21	74	98	61
Mortgage rates are favorable	83%	85%	84%	76%	66%	76%	79%	69%	46%	50%	57%	28%	70%	80%	90%^
Economic conditions (e.g., employment) overall are favorable	59%	57%	53%	66%	81%	75%	72%	77%	79%	79%	69%	65%	73%	71%	82%
There are many homes available on the market	10%	12%	12%	21%	9%	12%	16%	12%	13%	10%	19%	20%	14%	19%	8%
It is easy to qualify for a mortgage	21%	22%	24%	23%	20%	19%	13%	23%	28%	32%	27%	55%	22%	18%	8%^
Home prices are low	14%	8%	11%	4%	6%	8%	6%	2%	3%	4%	8%	0%	5%	7%	7%

*Q: You mentioned that you expect your firm's consumer demand for GSE Eligible/Non-GSE Eligible/government loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please **select up to two of the most important reasons** and rank them in order of importance. (**Showing Total, % rank 1+2**)

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

Downward Purchase Demand Outlook Drivers

Lenders are citing a lack of homes on the market as the top reason driving down expected future demand among GSE-eligible and Government loans, and high home prices as the top reason among Non-GSE-eligible loans.

GSE-Eligible	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
N=	11	1	26	48	19	12	31	48	22	13	47	95	24	8	25
There are not many homes available on the market	53%	0%	55%	37%	34%	73%	82%	74%	64%	83%	69%	45%	57%	75%	71%
Home prices are high	40%	0%	33%	33%	39%	48%	47%	41%	47%	74%	66%	62%	65%	75%	66%
Economic conditions (e.g., employment) overall are not favorable	57%	100%	41%	26%	12%	7%	12%	15%	13%	5%	8%	11%	30%	24%	17%
It is difficult to qualify for a mortgage	38%	100%	28%	19%	24%	30%	16%	12%	4%	0%	1%	3%	6%	0%	7%
Mortgage rates are not favorable	0%	0%	19%	67%	74%	25%	20%	23%	67%	26%	44%	64%	22%	12%	3%^

Non-GSE-Eligible	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
N=	11	6	24	38	13	11	25	32	17	7	44	76	17	8	21
Home prices are high	41%	0%	19%	35%	38%	44%	53%	37%	27%	54%	65%	60%	70%	80%	75%
There are not many homes available on the market	47%	0%	37%	30%	18%	41%	84%	65%	61%	79%	61%	41%	38%	62%	52%
Economic conditions (e.g., employment) overall are not favorable	47%	49%	59%	30%	10%	26%	15%	11%	18%	10%	9%	9%	36%	26%	18%
Mortgage rates are not favorable	16%	32%	21%	66%	77%	43%	19%	21%	64%	21%	47%	70%	26%	13%	8%^
It is difficult to qualify for a mortgage	38%	100%	39%	17%	52%	28%	12%	23%	16%	25%	8%	6%	17%	0%	6%

Government	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
N=	13	4	23	42	12	8	25	38	16	12	43	81	16	10	20
There are not many homes available on the market	44%	0%	37%	35%	37%	65%	81%	72%	66%	73%	54%	46%	37%	44%	69%
Home prices are high	46%	0%	33%	29%	24%	53%	47%	40%	36%	45%	65%	51%	51%	72%	60%
Economic conditions (e.g., employment) overall are not favorable	40%	0%	54%	40%	22%	12%	27%	15%	19%	4%	9%	15%	17%	17%	21%
It is difficult to qualify for a mortgage	55%	67%	25%	20%	33%	37%	13%	8%	13%	0%	10%	8%	20%	30%	11%
Mortgage rates are not favorable	0%	22%	16%	56%	75%	22%	18%	22%	56%	31%	44%	64%	37%	22%	0%^

*Q: You mentioned that you expect your firm's consumer demand for GSE Eligible/Non-GSE Eligible/government loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please **select up to two of the most important reasons** and rank them in order of importance. (**Showing Total, % rank 1+2**)

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

Appendix

Refinance Mortgage Demand: <u>GSE-Eligible (by institution size)</u>

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

Mortgage Banks — Past 3 Months: 83%, 81%, 2%, 51%, 18%, 69%, 6%, -33%, -63%, 90%*^D, 90%*^D, 0%*^ (Q3 2016 – Q3 2019)

Depository Institutions — Past 3 Months: 64%, 54%, 10%, 59%, 13%, 75%, 6%, -46%, -69%, 73%*^, 66%*^, 7%*^ (Q3 2016 – Q3 2019)

Credit Unions — Past 3 Months: 72%, 62%, 10%, 71%, 10%, 67%, 3%, -61%, -64%, 85%*^, 82%*^, 3%^ (Q3 2016 – Q3 2019)

Mortgage Banks — Next 3 Months: 38%, 20%, 18%, 36%, 13%, 56%, 9%, -23%, -47%, 66%*^, 58%*^, 8%^ (Q3 2016 – Q3 2019)

Depository Institutions — Next 3 Months: 24%, 16%, -8%, 44%, 8%, 56%, 4%, -36%, -52%, 67%*^, 58%*^, 9%*^ (Q3 2016 – Q3 2019)

Credit Unions — Next 3 Months: 34%, 18%, 16%, 36%, 4%, 53%, 5%, -32%, -48%, 60%*^, 54%*^, 6%^ (Q3 2016 – Q3 2019)

Legend:
- - - Up
- - - Down
— Net Up +

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

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

Denotes a statistically significant change compared with Q2 2019 (previous quarter)

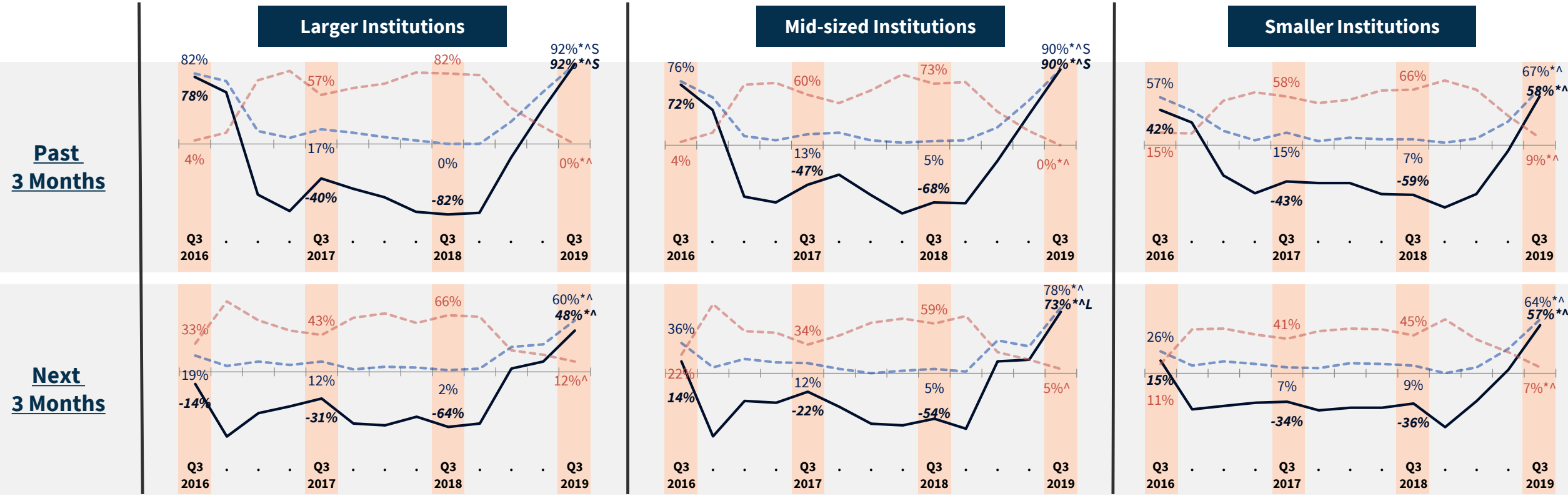^ *Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)*

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

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

Refinance Mortgage Demand: <u>Non-GSE-Eligible (by institution size)</u>

Larger Institutions

Past 3 Months
- 70%
- **67%**
- 3%
- 52%
- 7%
- 73%
- 8%
- 81%*^S
- **79%*^S**
- 2%*^
- -45%
- -65%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Next 3 Months
- 33%
- 12%
- 42%
- 7%
- 61%
- 4%
- 53%*^
- **43%*^**
- 10%^
- **-21%**
- -35%
- -57%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Mid-sized Institutions

Past 3 Months
- 48%
- **42%**
- 6%
- 57%
- 17%
- 62%
- 11%
- 67%*^
- **67%*^S**
- 0%*^
- -40%
- -51%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Next 3 Months
- 26%
- 14%
- 31%
- 14%
- 53%
- 8%
- 55%*^
- **47%*^**
- 8%^
- 12%
- -17%
- -45%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Smaller Institutions

Past 3 Months
- 47%
- **31%**
- 16%
- 60%
- 18%
- 62%
- 10%
- 51%*^
- **38%*^**
- 13%*^M
- -42%
- -52%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Next 3 Months
- 21%
- 16%
- 39%
- 7%
- 45%
- 11%
- 50%*^
- **42%*^**
- 8%*^
- 5%
- -32%
- -34%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Legend:
- - - - **Up**
- - - - **Down**
—— **Net Up +**

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

Q: Over the <u>next three months</u>, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family <u>refinance</u> mortgages to go up, go down, or stay the same? *"Up"* = Go up significantly + Go up somewhat, *"Down"* = Go down significantly + Go down somewhat
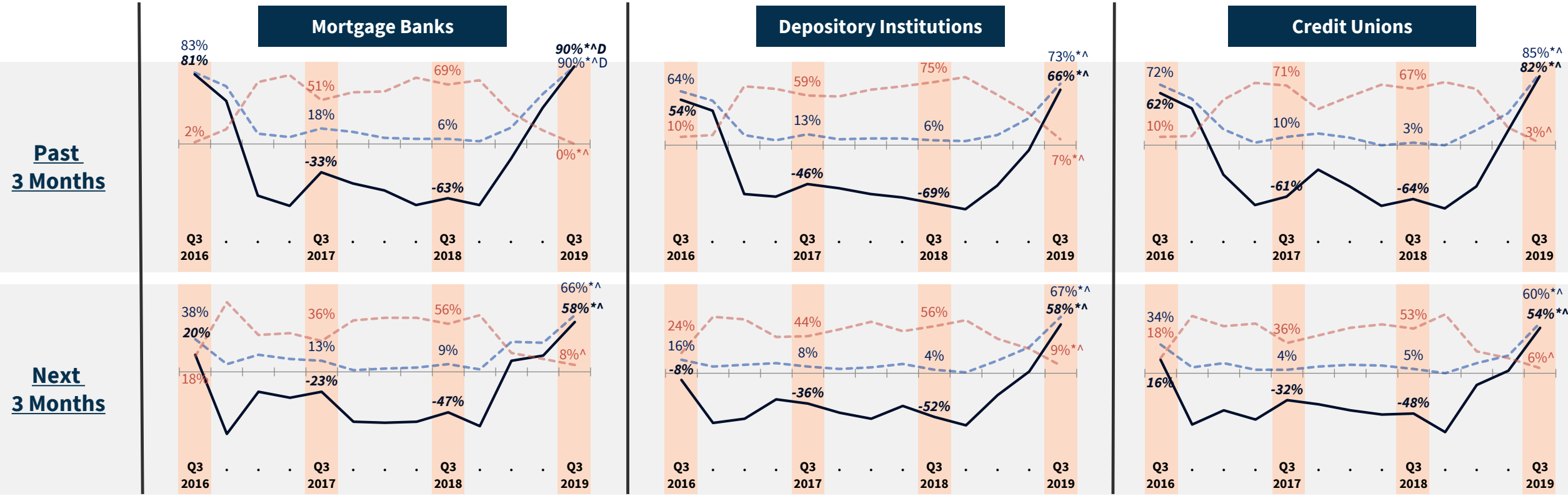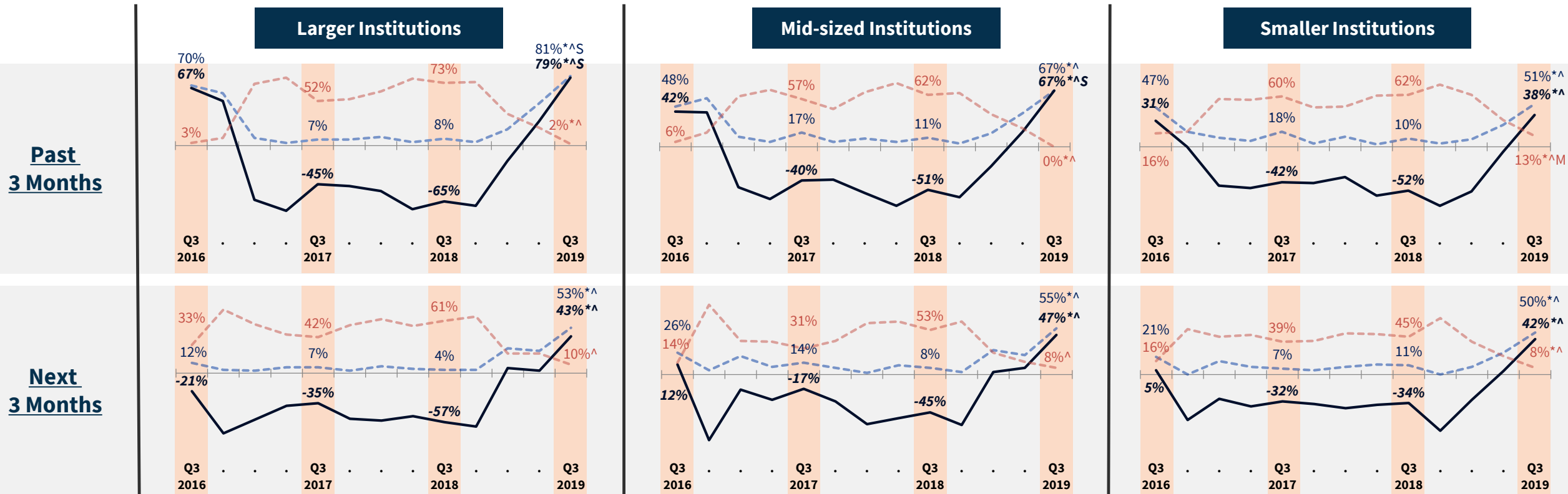
Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

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

Refinance Mortgage Demand: <u>Non-GSE-Eligible (by institution type)</u>

Mortgage Banks | Depository Institutions | Credit Unions

Past 3 Months

Mortgage Banks: 54%, 49%, 5%, 67%*^, 67%*^, 13%, 18%, -37%, -39%, 0%*^ — Q3 2016, Q3 2017, Q3 2018, Q3 2019

Depository Institutions: 52%, 45%, 7%, 56%, 18%, 70%, 9%, 60%*^, 47%*^, -38%, -61%, 13%*^M — Q3 2016, Q3 2017, Q3 2018, Q3 2019

Credit Unions: 62%, 49%, 13%, 69%, 11%, 69%, 0%, 74%*^, 71%*^, 3%^, -58%, -69% — Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months

Mortgage Banks: 20%, 18%, -2%, 33%, 11%, 46%, 17%, 48%*^, 43%*^, -22%, -29%, 5%*^ — Q3 2016, Q3 2017, Q3 2018, Q3 2019

Depository Institutions: 23%, 15%, -8%, 43%, 9%, 57%, 3%, 55%*^, 45%*^, -34%, -54%, 10%*^ — Q3 2016, Q3 2017, Q3 2018, Q3 2019

Credit Unions: 31%, 18%, 13%, 34%, 7%, 53%, 3%, 55%*^, 42%*^, 13%^, -27%, -50% — Q3 2016, Q3 2017, Q3 2018, Q3 2019

- - - Up
- - - Down
—— Net Up +

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

Q: Over the <u>next three months</u>, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family <u>refinance</u> mortgages to go up, go down, or stay the same? *"Up"* = Go up significantly + Go up somewhat, *"Down"* = Go down significantly + Go down somewhat
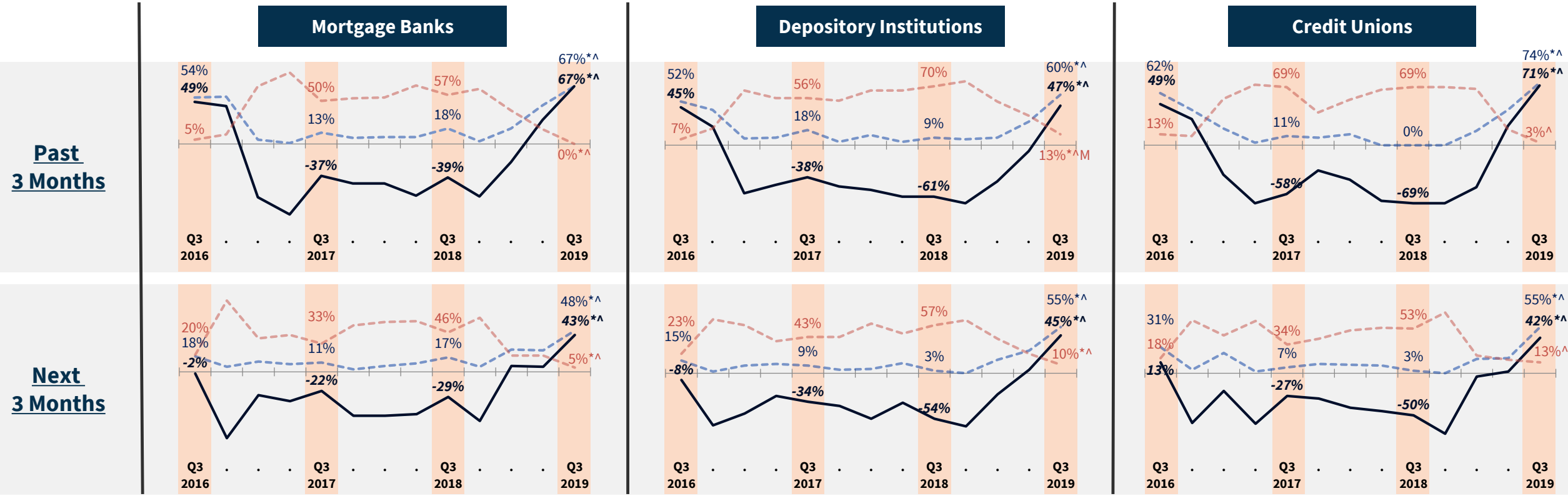
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^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

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

Refinance Mortgage Demand: <u>Government (by institution size)</u>

Larger Institutions

Past 3 Months
- 72%
- 67%
- 5%
- 13%
- 56%
- 0%
- 87%
- 81%*^S
- 79%*^S
- 2%*^
- -43%
- -87%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Next 3 Months
- 31%
- 15%
- -16%
- 43%
- 6%
- 69%
- 2%
- 51%*^
- 39%*^
- 12%^
- -37%
- -67%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Mid-sized Institutions

Past 3 Months
- 62%
- 59%
- 3%
- 9%
- 59%
- 4%
- 70%
- 75%*^S
- 70%*^S
- 5%^
- -50%
- -66%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Next 3 Months
- 31%
- 23%
- 8%
- 36%
- 12%
- 53%
- 6%
- 65%*^S
- 60%*^S
- 5%^
- -24%
- -47%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Smaller Institutions

Past 3 Months
- 28%
- 23%
- 5%
- 8%
- 60%
- 5%
- 67%
- 41%*^
- 27%*^
- 14%*^
- -52%
- -62%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Next 3 Months
- 16%
- 13%
- -3%
- 33%
- 2%
- 47%
- 6%
- 38%^
- 33%*^
- 5%*^
- -31%
- -41%

Q3 2016 · · · Q3 2017 · · · Q3 2018 · · · Q3 2019

Legend:
- - - Up
- - - Down
— Net Up +

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

Q: Over the <u>next three months</u>, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family <u>refinance</u> mortgages to go up, go down, or stay the same? *"Up"* = Go up significantly + Go up somewhat, *"Down"* = Go down significantly + Go down somewhat
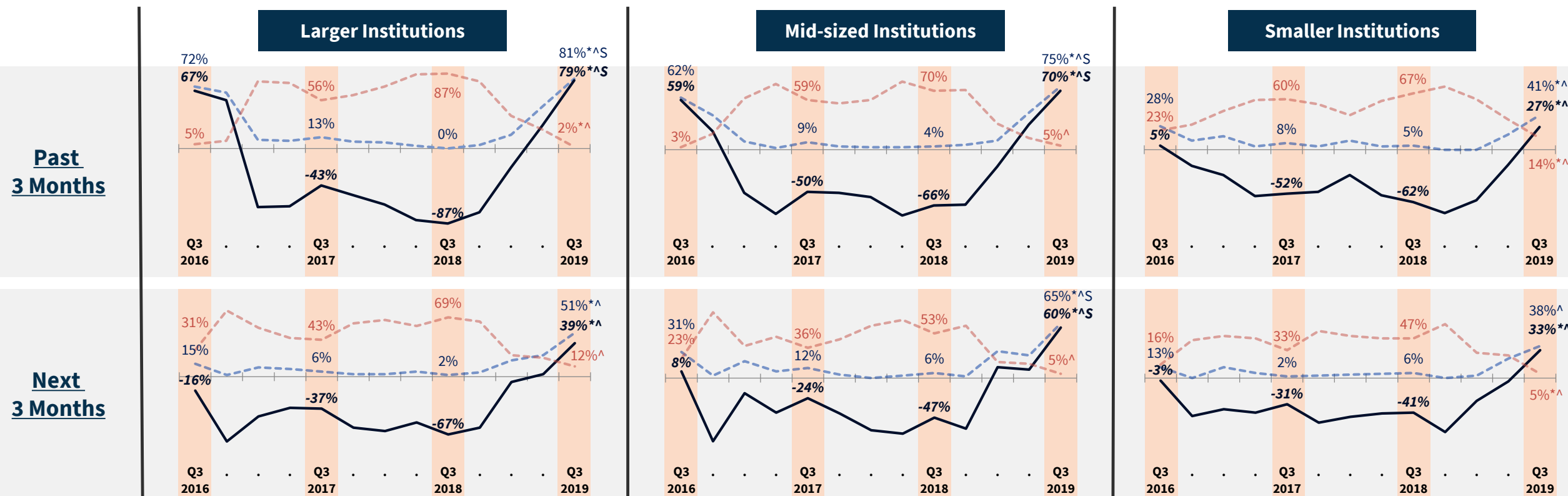
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L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level

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

Refinance Mortgage Demand: <u>Government</u> (by institution type)

Mortgage Banks

Depository Institutions

Credit Unions

Past 3 Months

Mortgage Banks
- 78%
- 76%
- 2%
- 55%
- 14%
- 71%
- 6%
- 75%*^D
- 70%*^D
- 5%*^
- -41%
- -65%

Depository Institutions
- 44%
- 31%
- 13%
- 61%
- 5%
- 74%
- 3%
- 58%*^
- 47%*^
- 11%*^
- -56%
- -71%

Credit Unions
- 40%
- 24%
- 16%
- 61%
- 9%
- 71%
- 0%
- 54%*^
- 50%*^
- 4%^
- -52%
- -71%

Q3 2016 · · Q3 2017 · · Q3 2018 · · Q3 2019

Next 3 Months

Mortgage Banks
- 32%
- 17%
- 15%
- 34%
- 11%
- 57%
- 9%
- 55%*^
- 47%*^
- 8%^
- -23%
- -48%

Depository Institutions
- 31%
- 12%
- -19%
- 46%
- 2%
- 61%
- 1%
- 46%*^
- 37%*^
- 9%*^
- -44%
- -60%

Credit Unions
- 27%
- 10%
- -17%
- 29%
- 8%
- 48%
- 5%
- 42%*^
- 38%*^
- 4%^
- -21%
- -43%

Q3 2016 · · Q3 2017 · · Q3 2018 · · Q3 2019

Legend:
- - - - Up
- - - - Down
- ——— Net Up +

Q: Over the <u>past three months</u>, apart from normal seasonal variation, did your firm's consumer demand for single-family <u>refinance</u> mortgages go up, go down, or stay the same? *"Up"* = Went up significantly + Went up somewhat, *"Down"* = Went down significantly + Went down somewhat
Q: Over the <u>next three months</u>, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family <u>refinance</u> mortgages to go up, go down, or stay the same? *"Up"* = Go up significantly + Go up somewhat, *"Down"* = Go down significantly + Go down somewhat
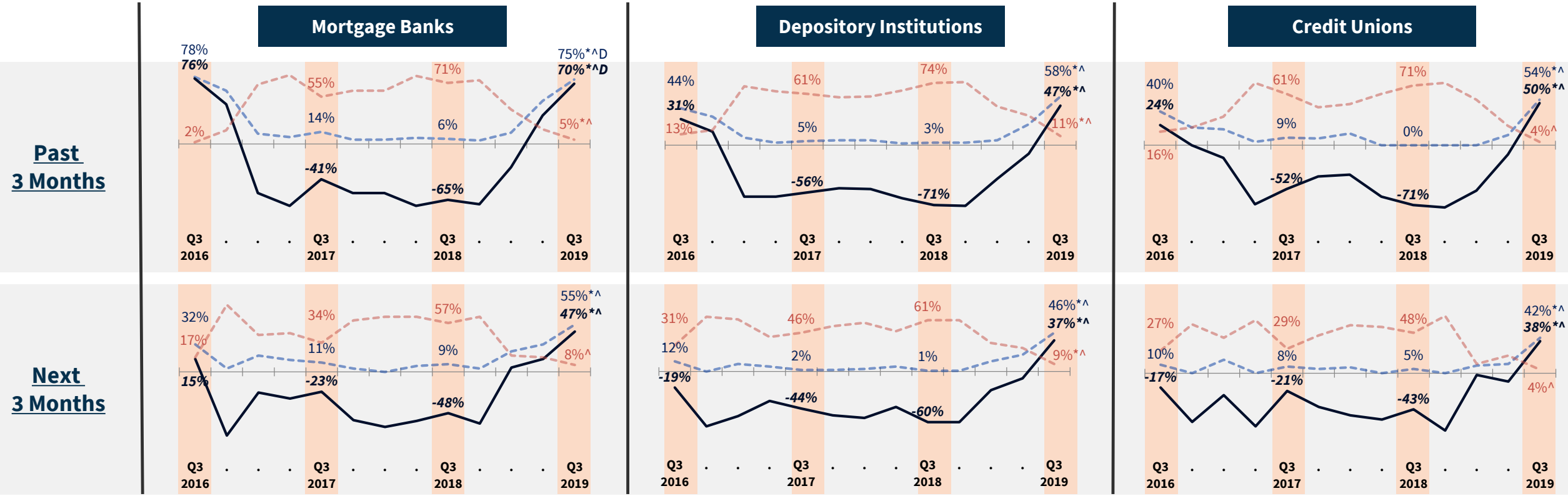
* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

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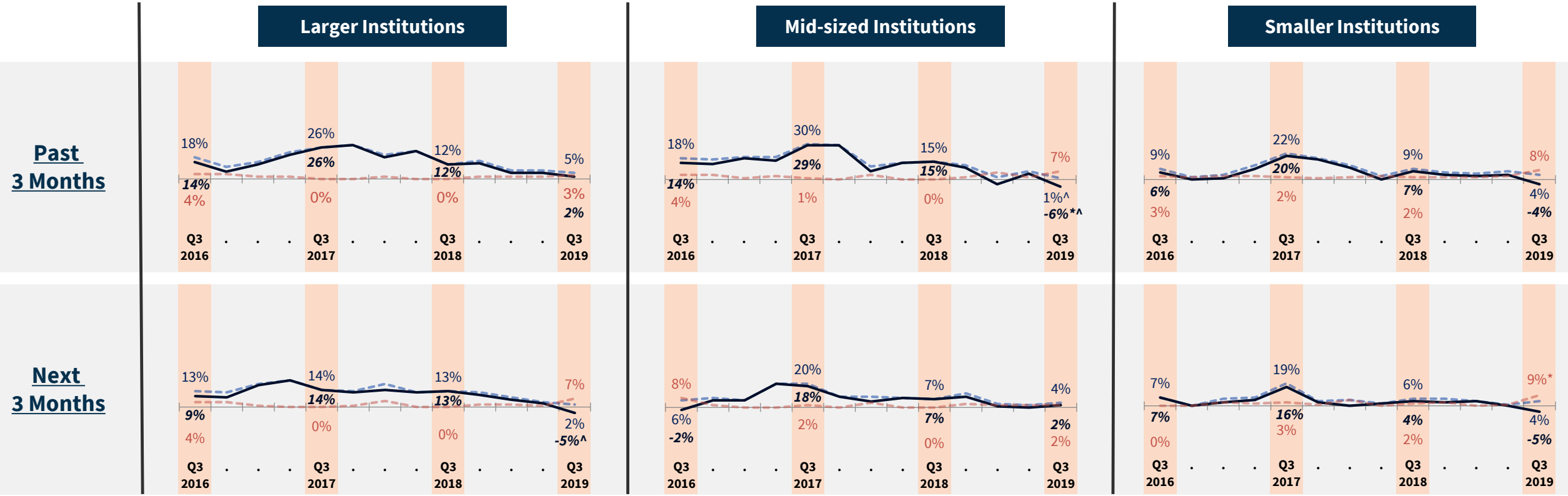*The % saying "stay the same" is not shown*

Appendix

Credit Standards: <u>GSE-Eligible (by institution size)</u>

Larger Institutions

Mid-sized Institutions

Smaller Institutions

Past 3 Months

Larger Institutions:
18%, 26%, **26%**, 12%, **12%**, 5%
14%, 4%, 0%, 0%, 3%, **2%**
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Mid-sized Institutions:
18%, 30%, **29%**, 15%, **15%**, 7%
14%, 4%, 1%, 0%, 1%^, **-6%*^**
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Smaller Institutions:
9%, 22%, **20%**, 9%, **7%**, 8%
6%, 3%, 2%, 2%, 4%, **-4%**
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months

Larger Institutions:
13%, 14%, **14%**, 13%, **13%**, 7%
9%, 4%, 0%, 0%, 2%, **-5%^**
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Mid-sized Institutions:
8%, 20%, **18%**, 7%, **7%**, 4%
6%, **-2%**, 2%, 0%, 2%, **2%**
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Smaller Institutions:
7%, 19%, **16%**, 6%, **4%**, 9%*
7%, 0%, 3%, 2%, 4%, **-5%**
Q3 2016, Q3 2017, Q3 2018, Q3 2019

Legend:
- - - - Ease
- - - - Tighten
——— Net Ease +

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

Q: Over the <u>next three months</u>, how do you expect your firm's credit standards for approving applications from individuals for mortgage loans to change (across purchase mortgages and refinance mortgages)? *"Ease" = Ease considerably + Ease somewhat, "Tighten" = Tighten somewhat + Tighten considerably*
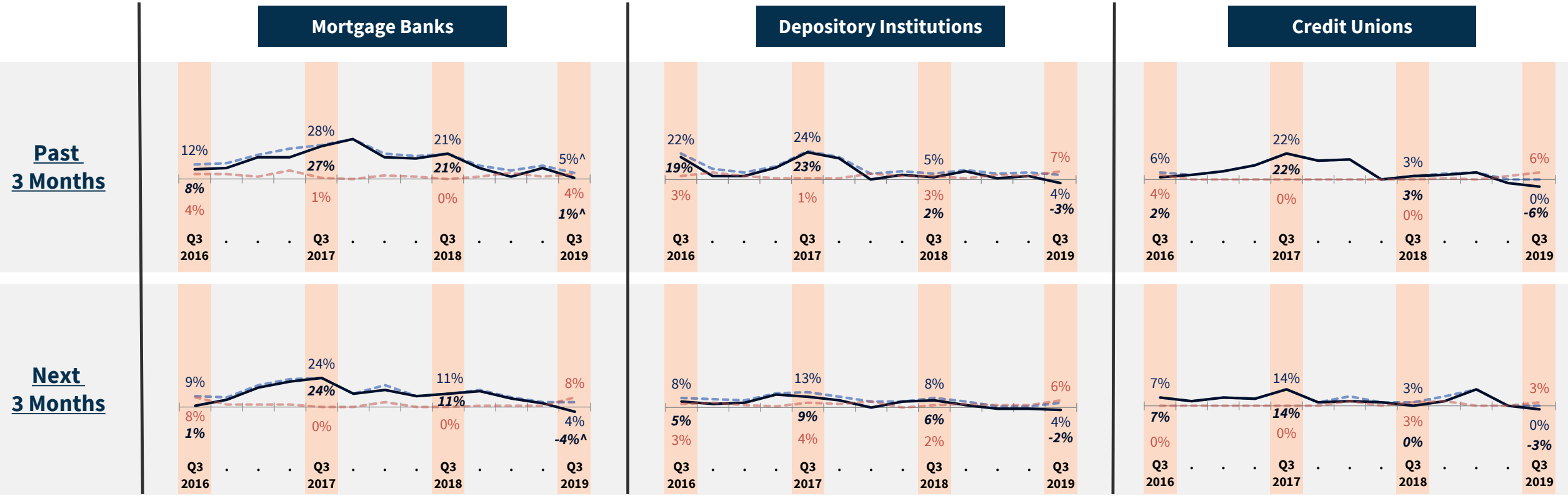
* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

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

Credit Standards: <u>GSE-Eligible (by institution type)</u>

Mortgage Banks

Depository Institutions

Credit Unions

Past 3 Months

Mortgage Banks: 12%, 28%, **27%**, 21%, **21%**, 5%^ | **8%**, 1%, 0%, 4%, **1%**^ | 4%, Q3 2016, Q3 2017, Q3 2018, Q3 2019

Depository Institutions: 22%, 24%, **23%**, 5%, 7%, 4% | 3%, 1%, 3%, **2%**, -3% | Q3 2016, Q3 2017, Q3 2018, Q3 2019

Credit Unions: 6%, 22%, **22%**, 3%, 6%, 0% | 4%, 0%, **3%**, 0%, -6% | 2%, Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months

Mortgage Banks: 9%, 24%, **24%**, 11%, **11%**, 8%, 4% | **1%**, 8%, 0%, 0%, -4%^ | Q3 2016, Q3 2017, Q3 2018, Q3 2019

Depository Institutions: 8%, 13%, **9%**, 8%, **6%**, 6%, 4% | **5%**, 3%, 4%, **2%**, -2% | Q3 2016, Q3 2017, Q3 2018, Q3 2019

Credit Unions: 7%, 14%, **14%**, 3%, 3%, 0% | **7%**, 0%, 3%, **0%**, -3% | Q3 2016, Q3 2017, Q3 2018, Q3 2019

- - - - **Ease**
- - - - Tighten
———— **Net Ease +**

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

Q: Over the <u>next three months</u>, how do you expect your firm's credit standards for approving applications from individuals for mortgage loans to change (across purchase mortgages and refinance mortgages)? *"Ease" = Ease considerably + Ease somewhat, "Tighten" = Tighten somewhat + Tighten considerably*
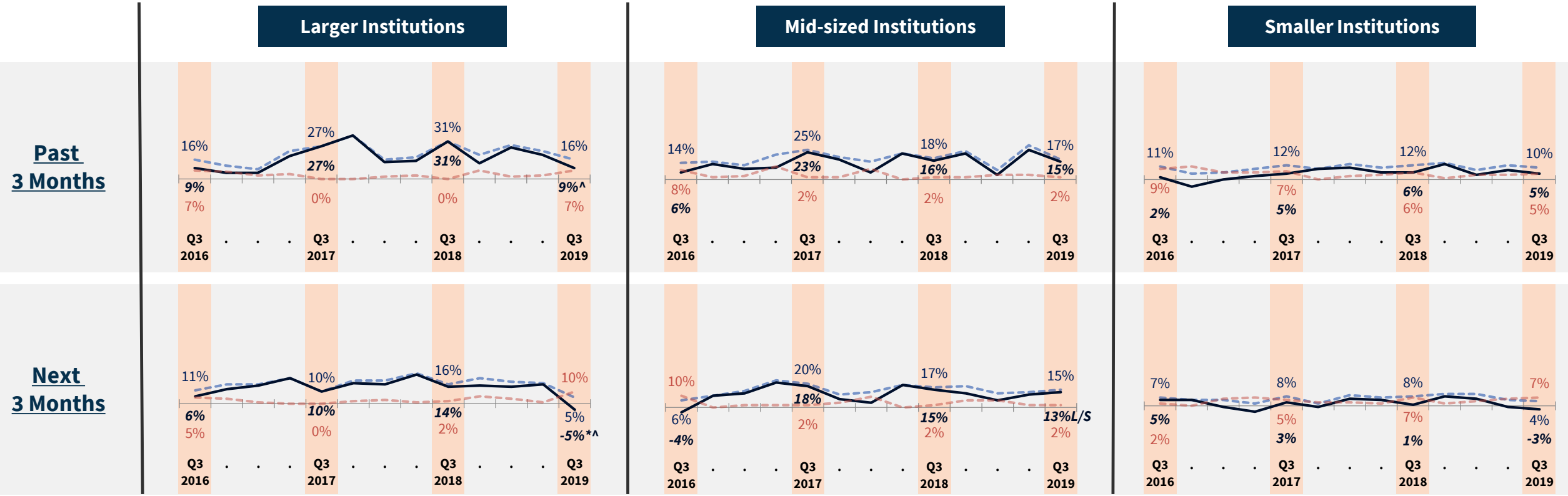
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

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

Credit Standards: <u>Non-GSE-Eligible (by institution size)</u>

Larger Institutions

Mid-sized Institutions

Smaller Institutions

Past 3 Months

Larger Institutions:
- 16% (Q3 2016), 27% (Q3 2017), 31% (Q3 2018), 16% (Q3 2019) — Ease
- 9%, 27%, 31%, 9%^ — Net Ease +
- 7%, 0%, 0%, 7% — Tighten

Mid-sized Institutions:
- 14% (Q3 2016), 25% (Q3 2017), 18% (Q3 2018), 17% (Q3 2019) — Ease
- 6%, 23%, 16%, 15% — Net Ease +
- 8%, 2%, 2%, 2% — Tighten

Smaller Institutions:
- 11% (Q3 2016), 12% (Q3 2017), 12% (Q3 2018), 10% (Q3 2019) — Ease
- 2%, 5%, 6%, 5% — Net Ease +
- 9%, 7%, 6%, 5% — Tighten

Next 3 Months

Larger Institutions:
- 11% (Q3 2016), 10% (Q3 2017), 16% (Q3 2018), 10% (Q3 2019) — Ease
- 6%, 10%, 14%, -5%*^ — Net Ease +
- 5%, 0%, 2%, 5% — Tighten

Mid-sized Institutions:
- 10% (Q3 2016), 20% (Q3 2017), 17% (Q3 2018), 15% (Q3 2019) — Ease
- -4%, 18%, 15%, 13%L/S — Net Ease +
- 6%, 2%, 2%, 2% — Tighten

Smaller Institutions:
- 7% (Q3 2016), 8% (Q3 2017), 8% (Q3 2018), 7% (Q3 2019) — Ease
- 5%, 3%, 1%, -3% — Net Ease +
- 2%, 5%, 7%, 4% — Tighten

- - - Ease
- - - Tighten
— Net Ease +

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

Q: Over the <u>next three months</u>, how do you expect your firm's credit standards for approving applications from individuals for mortgage loans to change (across purchase mortgages and refinance mortgages)? *"Ease" = Ease considerably + Ease somewhat, "Tighten" = Tighten somewhat + Tighten considerably*
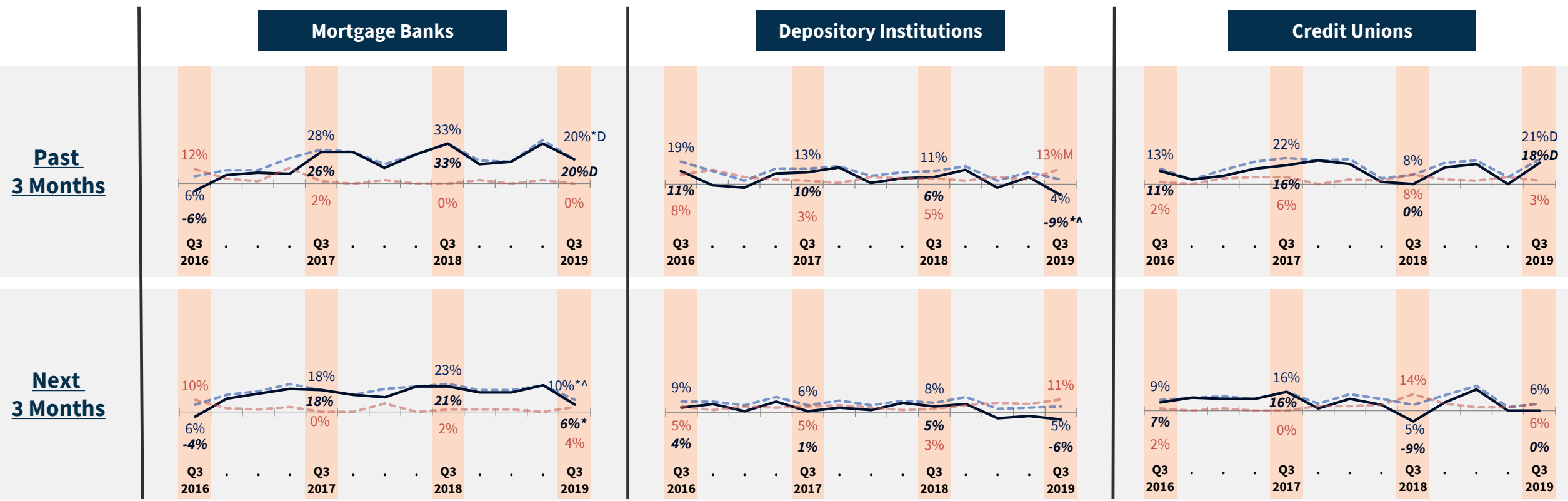
* Denotes a statistically significant change compared with Q2 2019 (previous quarter)

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

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

Credit Standards: <u>Non-GSE-Eligible (by institution type)</u>

Mortgage Banks

Past 3 Months

12%	28%	33%	20%*D
6%	26%	33%	20%D
-6%	2%	0%	0%
Q3 2016	Q3 2017	Q3 2018	Q3 2019

Next 3 Months

10%	18%	23%	10%*^
6%	18%	21%	6%*
-4%	0%	2%	4%
Q3 2016	Q3 2017	Q3 2018	Q3 2019

Depository Institutions

Past 3 Months

19%	13%	11%	13%M
11%	10%	6%	4%
8%	3%	5%	-9%*^
Q3 2016	Q3 2017	Q3 2018	Q3 2019

Next 3 Months

9%	6%	8%	11%
			5%
5%	5%	5%	-6%
4%	1%	3%	
Q3 2016	Q3 2017	Q3 2018	Q3 2019

Credit Unions

Past 3 Months

13%	22%	8%	21%D
11%	16%		18%D
2%	6%	8%	3%
		0%	
Q3 2016	Q3 2017	Q3 2018	Q3 2019

Next 3 Months

9%	16%	14%	6%
7%	16%		6%
2%	0%	5%	0%
		-9%	
Q3 2016	Q3 2017	Q3 2018	Q3 2019

Legend:
- - - - Ease
- - - - Tighten
——— Net Ease +

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

Q: Over the <u>next three months</u>, how do you expect your firm's credit standards for approving applications from individuals for mortgage loans to change (across purchase mortgages and refinance mortgages)? *"Ease" = Ease considerably + Ease somewhat, "Tighten" = Tighten somewhat + Tighten considerably*
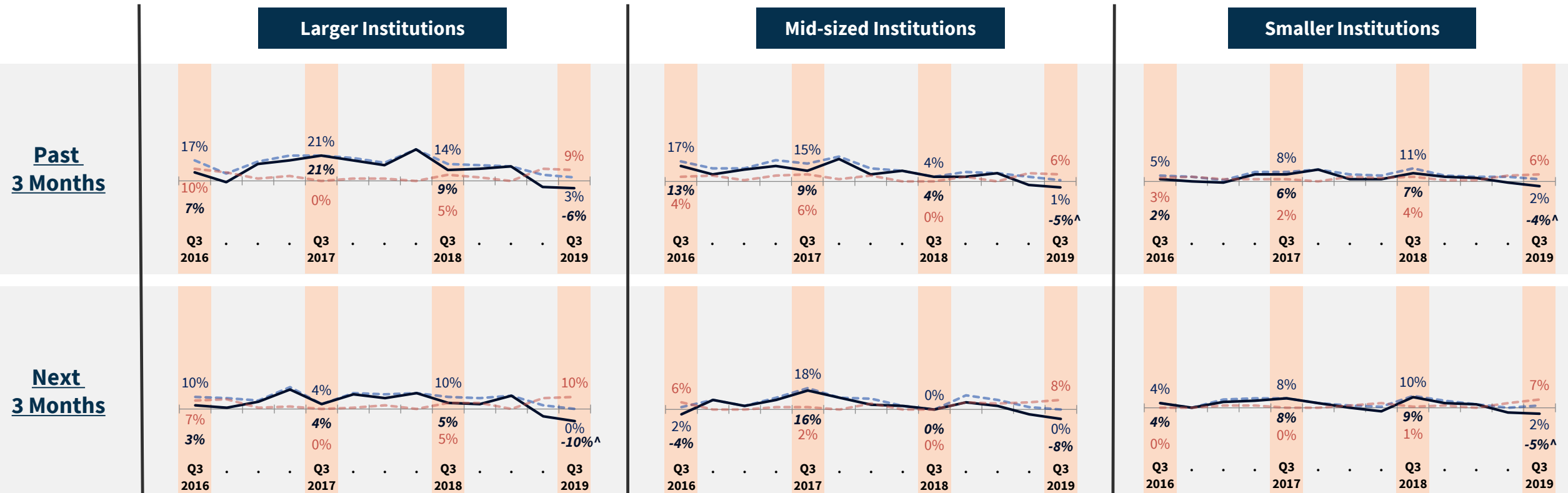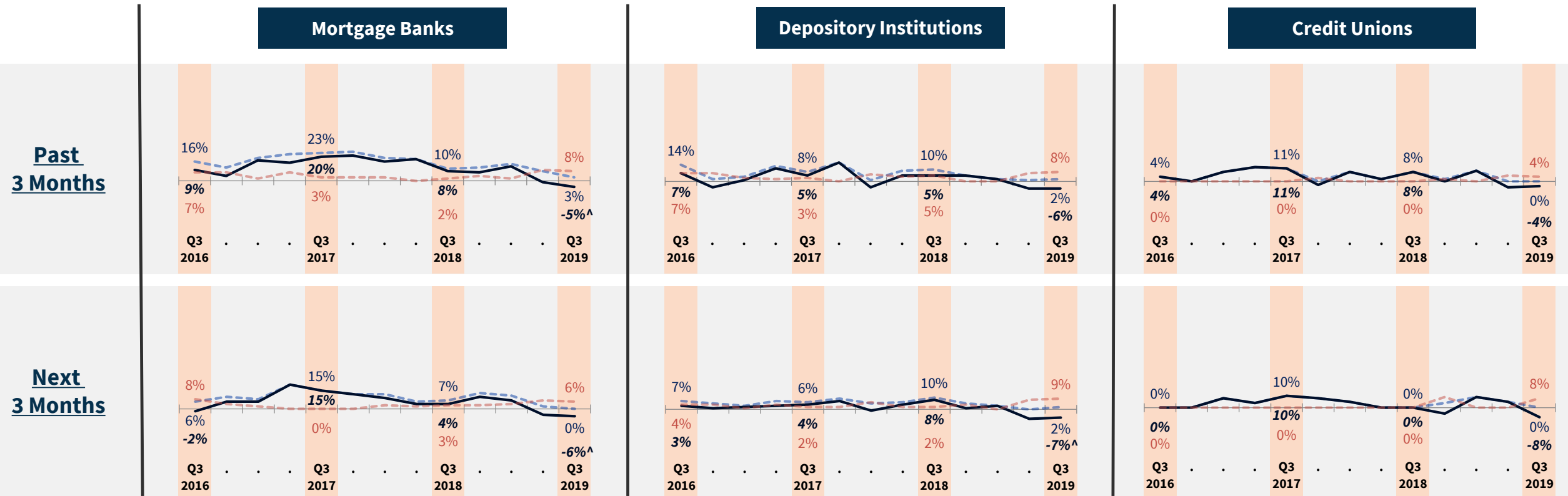
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M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

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

Credit Standards: <u>Government</u> (by institution size)

Larger Institutions

Mid-sized Institutions

Smaller Institutions

Past 3 Months

Larger: 17%, 21%, **21%**, 14%, 9%; 10%, **7%**, 0%, **9%**, 3%, **-6%**; 5% ... Q3 2016, Q3 2017, Q3 2018, Q3 2019

Mid-sized: 17%, 15%, 4%, 6%; **13%**, 4%, **9%**, 6%, **4%**, 0%, 1%, **-5%^**; Q3 2016, Q3 2017, Q3 2018, Q3 2019

Smaller: 5%, 8%, 11%, 6%; 3%, **2%**, **6%**, 2%, **7%**, 4%, 2%, **-4%^**; Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months

Larger: 10%, 4%, 10%, 10%; 7%, **3%**, **4%**, 0%, **5%**, 5%, 0%, **-10%^**; Q3 2016, Q3 2017, Q3 2018, Q3 2019

Mid-sized: 6%, 18%, 0%, 8%; 2%, **-4%**, **16%**, 2%, **0%**, 0%, 0%, **-8%**; Q3 2016, Q3 2017, Q3 2018, Q3 2019

Smaller: 4%, 8%, 10%, 7%; **4%**, 0%, **8%**, 0%, **9%**, 1%, 2%, **-5%^**; Q3 2016, Q3 2017, Q3 2018, Q3 2019

Legend:
- - - **Ease**
- - - **Tighten**
——— **Net Ease +**

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

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

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

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

Credit Standards: Government (by institution type)

Mortgage Banks

Past 3 Months:
- 16%, 23%, 10%, 8%
- 9%, 20%, 8%, 3%
- 7%, 3%, 2%, -5%^
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months:
- 8%, 15%, 7%, 6%
- 6%, 15%, 4%, 0%
- -2%, 0%, 3%, -6%^
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Depository Institutions

Past 3 Months:
- 14%, 8%, 10%, 8%
- 7%, 5%, 5%, 2%
- 7%, 3%, 5%, -6%
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months:
- 7%, 6%, 10%, 9%
- 3%, 4%, 8%, 2%
- 4%, 2%, 2%, -7%^
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Credit Unions

Past 3 Months:
- 4%, 11%, 8%, 4%
- 4%, 11%, 8%, 0%
- 0%, 0%, 0%, -4%
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Next 3 Months:
- 0%, 10%, 0%, 8%
- 0%, 10%, 0%, 0%
- 0%, 0%, 0%, -8%
- Q3 2016, Q3 2017, Q3 2018, Q3 2019

Legend:
- Ease (blue dashed)
- Tighten (red dashed)
- Net Ease + (black solid)

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

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

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

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

Credit Standards: Drivers of Change (selected verbatim)

<div style="text-align: right">

Drivers of Loosening Change

Drivers of Tightening Change

</div>

Past 3 Months
N=34

- **Changes to guidelines**
- **Economic conditions**
- **Portfolio/Strategic changes**

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

"Better qualified customers." – *Larger Institution*

"We were a very conservative shop until recently. We have loosened a few of our guidelines to increase our mortgage volume. For example we now do loans above 80% LTV." – *Mid-sized Institution*

"Opening up non-QM and alternative products/investors with more investors." – *Smaller Institution*

"Late in credit cycle." – *Larger Institution*

"Delinquencies, economic forecast." – *Smaller Institution*

"DU is a bit stricter, especially for cash-out refinance." – *Smaller Institution*

Next 3 Months
N=24

- **Portfolio/Strategic changes**
- **Changes to guidelines**
- **Market/Economic conditions**

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

"Greater utilization of alternative products." – *Smaller Institution*

"Industry trend to lower credit standards." – *Mid-sized Institution*

"We are trying to serve underserved areas and are utilizing Day1, AIM, DPA programs to expand our credit box to include more buyers. Also have opened offices in new locations serving those communities." – *Smaller Institution*

"FHA changes to reduce the max LTV for cashout refi will cause investors to consider what they offer and I expect that all program changes will match overall." – *Larger Institution*

"Inflated prices, slightly slowing employment growth." – *Smaller Institution*

"We rely on the AUS systems of Fannie Mae and FHA to help us get to the credit decision. We expect both to tighten." – *Smaller Institution*

Appendix

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

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

*Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

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

Q3 2019 Mortgage Lender Sentiment Survey®

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

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

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

Increased Profit Margin – Drivers

What do you think will drive the increase in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance. (*Showing % rank 1 + 2*)	Total								
	2017		2018				2019		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	*30*	*29*	*34*	*30*	*38*	*22*	*36*	*81*	*86*
Consumer demand	42%	22%	34%	56%	22%	21%	41%	64%	61%^
Operational efficiency (i.e., technology)	51%	62%	43%	58%	64%	65%	47%	32%	43%^
GSE pricing and policies	11%	36%	29%	11%	12%	3%	9%	7%	19%*
Less competition from other lenders	6%	2%	2%	0%	7%	19%	8%	22%	13%
Government monetary or fiscal policy	9%	3%	6%	4%	6%	9%	3%	8%	12%
Market trend changes (i.e. shift from refinance to purchase)	28%	34%	41%	31%	9%	0%	11%	17%	11%
Non-GSE (other investors) pricing and policies	17%	13%	8%	15%	6%	21%	19%	6%	10%
Staffing (personnel costs) reduction	17%	16%	15%	13%	44%	32%	42%	25%	8%*^
Marketing expense reduction	3%	2%	4%	0%	4%	0%	1%	9%	2%
Government regulatory compliance	7%	0%	6%	0%	7%	0%	0%	2%	2%
Servicing cost reduction	4%	3%	4%	4%	2%	0%	3%	2%	1%

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

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

Decreased Profit Margin – Drivers

What do you think will drive the decrease in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance. (*Showing % rank 1 + 2*)	Total								
	2017		2018				2019		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
N=	*49*	*75*	*85*	*52*	*69*	*87*	*52*	*24*	*23*
Competition from other lenders	74%	75%	78%	78%	71%	74%	77%	59%	66%
GSE pricing and policies	7%	5%	10%	8%	9%	12%	17%	20%	28%^
Staffing (personnel costs)	17%	29%	12%	19%	15%	19%	18%	28%	21%
Government regulatory compliance	19%	13%	6%	9%	14%	5%	7%	18%	20%
Market trend changes (i.e. shift from refinance to purchase)	15%	19%	35%	31%	23%	16%	16%	3%	19%
Operational efficiency (i.e. technology)	13%	8%	7%	12%	9%	7%	5%	13%	12%
Consumer demand	35%	30%	22%	19%	37%	38%	29%	13%	8%^
Marketing expenses	4%	2%	4%	0%	1%	4%	3%	14%	7%
Government monetary or fiscal policy	7%	7%	12%	9%	8%	10%	9%	12%	7%
Non-GSE (other investors) pricing and policies	0%	3%	8%	8%	10%	6%	10%	3%	4%
Servicing costs	2%	4%	3%	2%	2%	1%	3%	3%	4%

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

* Denotes a statistically significant change compared with Q2 2019 (previous quarter)
^ Denotes a statistically significant change compared with Q3 2018 (same quarter of last year)

Appendix

Question Text

Economic and Housing Sentiment

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

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

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

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

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

Consumer Demand

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

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

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

q46. You mentioned that you expect your firm's consumer demand for GSE eligible loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select **up to two** of the most important reasons and rank them in order of importance.

q47. You mentioned that you expect your firm's consumer demand for GSE eligible loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select **up to two** of the most important reasons and rank them in order of importance.

q49. You mentioned that you expect your firm's consumer demand for Non-GSE eligible loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select **up to two** of the most important reasons and rank them in order of importance.

q50. You mentioned that you expect your firm's consumer demand for Non-GSE eligible loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select **up to two** of the most important reasons and rank them in order of importance.

q51. You mentioned that you expect your firm's consumer demand for government loans will go up over the next three months. Which of the following housing marketplace factors do you think will drive the demand to go up? Please select **up to two** of the most important reasons and rank them in order of importance.

q52. You mentioned that you expect your firm's consumer demand for government loans will go down over the next three months. Which of the following housing marketplace factors do you think will drive the demand down? Please select **up to two** of the most important reasons and rank them in order of importance.

Question Text Continued

q10. Over the <u>past three months</u>, apart from normal seasonal variation, did your firm's consumer demand for single-family <u>refinance</u> mortgages go up, go down, or stay the same? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.

q18. Over the <u>next three months</u>, apart from normal seasonal variation, do you expect your firm's consumer demand for single-family <u>refinance</u> mortgages to go up, go down, or stay the same? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.

q20. You indicated that you expect your firm's demand to **go down** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family <u>refinance</u> mortgages to go down over the <u>next three months</u>?

q21. You said that you expect your firm's demand to **go up** for the following types of mortgages. By about what percent do you expect your firm's consumer demand for single-family <u>refinance</u> mortgages to go up over the <u>next three months</u>?

Profit Margin Outlook

q22. Over <u>the next three months</u>, how much do you expect your firm's profit margin to change for its single-family mortgage production?

q23. What primary strategies, if any, is your firm planning to use to address your decreased profit margin? Please select the two most important strategies and rank them in order of importance.

q24. What do you think will drive the decrease in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance.

q25. What primary strategies, if any, is your firm planning to use to achieve your increased profit margin? Please select the two most important strategies and rank them in order of importance.

q26. What do you think will drive the increase in your firm's profit margin over the next three months? Please select the two most important reasons and rank them in order of importance.

Credit Standards

q27. Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.

q28. What do you think drove the change in your firm's credit standards for approving consumer applications for purchase and refinance mortgage loans over the last three months? Please be as specific as possible. (Optional)

q31. Over the next three months, how do you expect your firm's credit standards for approving applications from individuals for mortgage loans to change (across purchase mortgages and refinance mortgages)? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and government mortgages.

q32. What do you think will drive the change in your firm's credit standards for approving consumer applications for purchase and refinance mortgage loans over the next three months? Please be as specific as possible. (Optional)