

# Mortgage Lender Sentiment Survey™

## Q2 2015 Data Summary

The Mortgage Lender Sentiment Survey™ conducted by Fannie Mae polls senior executives, such as CEOs and CFOs, at Fannie Mae's lending institution partners to track insights into their lending activities and market expectations.

### Survey Highlights

#### *Economic and Housing Sentiment*

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

#### *Consumer Purchase Mortgage Demand*

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

#### *Credit Standards*

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

#### *Mortgage Execution Outlook*

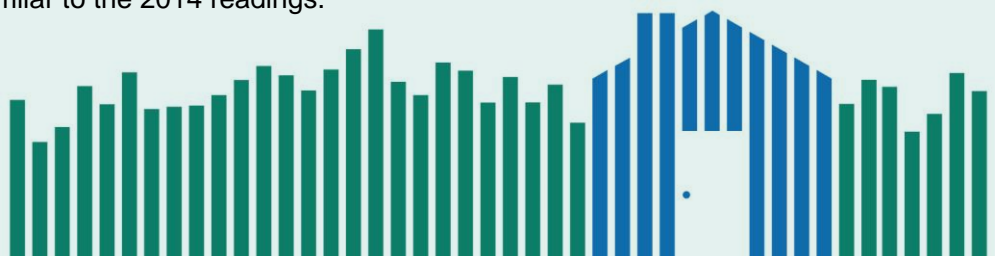
- Most institutions reported that they expect to maintain their strategy in relation to secondary market outlets over the next 12 months. More lenders expect to increase rather than to decrease the shares of loan originated and then sold to GSEs.

#### *Mortgage Servicing Rights (MSR) Execution Outlook*

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

#### *Rising Profit Margin Expectations for the Next Three Months*

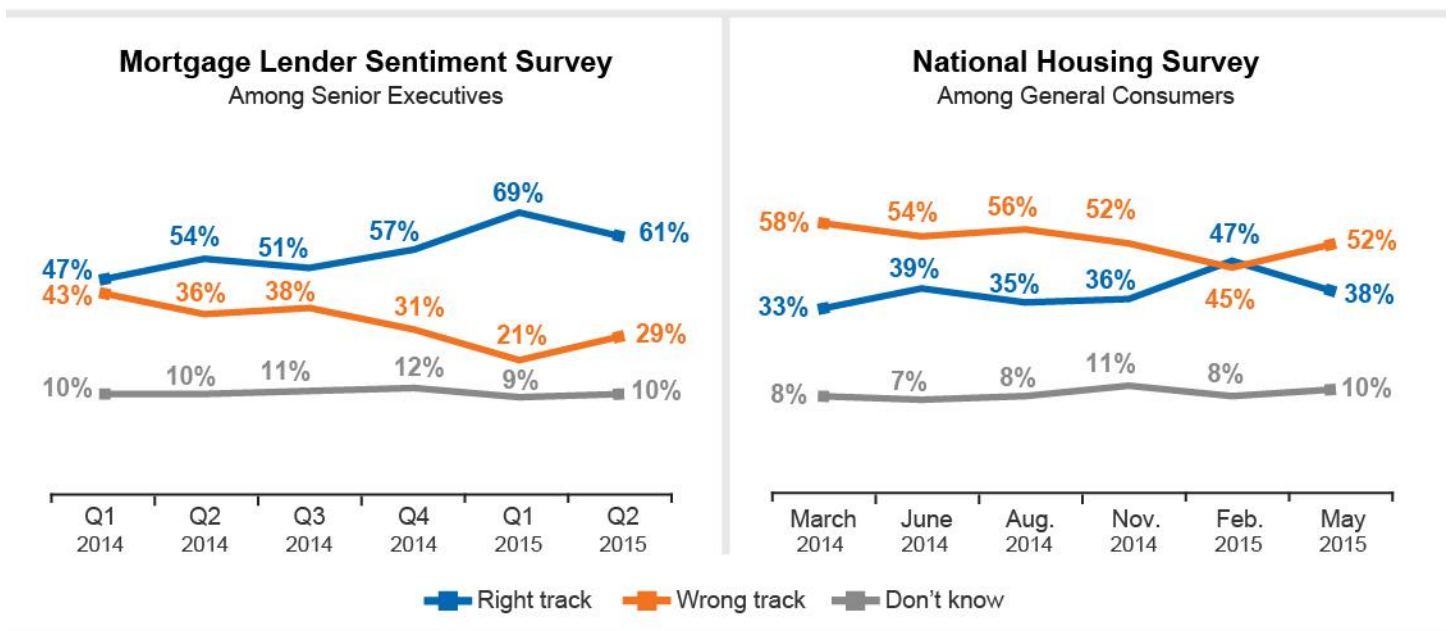
- Although lenders' profit margin outlook across institution sizes fell slightly this quarter from last quarter (Q1), with more lenders reporting decreased profit margin expectations over the next three months, it remains similar to the 2014 readings.



## Economic and Housing Sentiment

Senior mortgage executives continue to be more optimistic about the economy than general consumers reported by the Fannie Mae National Housing Survey™.

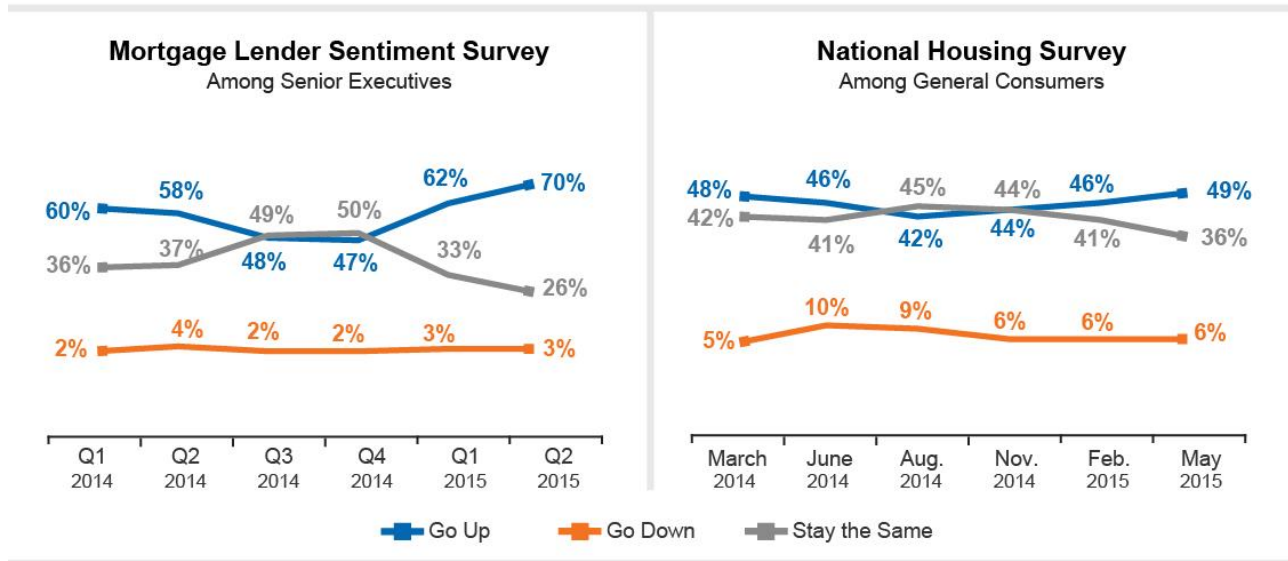
### Share of institutions who think the economy is on the right track or the wrong track....



For details about the National Housing Survey™, please see the [National Housing Survey page](#) on [fanniemae.com](#).

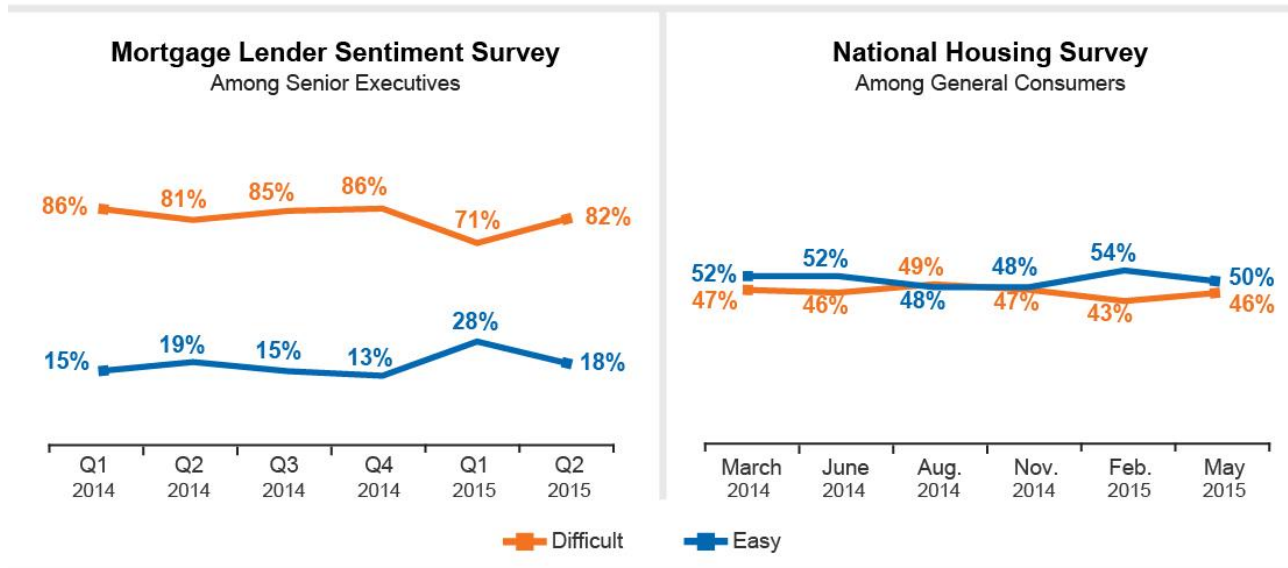
Senior mortgage executives are increasingly optimistic, and significantly more optimistic than the general population of consumers about future home prices. This quarter, the share of lenders expecting home prices to go up over the next 12 months reached a survey high of 70%.

### Share of institutions who say home prices will... in the next 12 months



Senior mortgage executives continue to be less optimistic than general consumers when it comes to the ease of getting a mortgage today.

### Share of institutions who think it would be... to get a home mortgage today

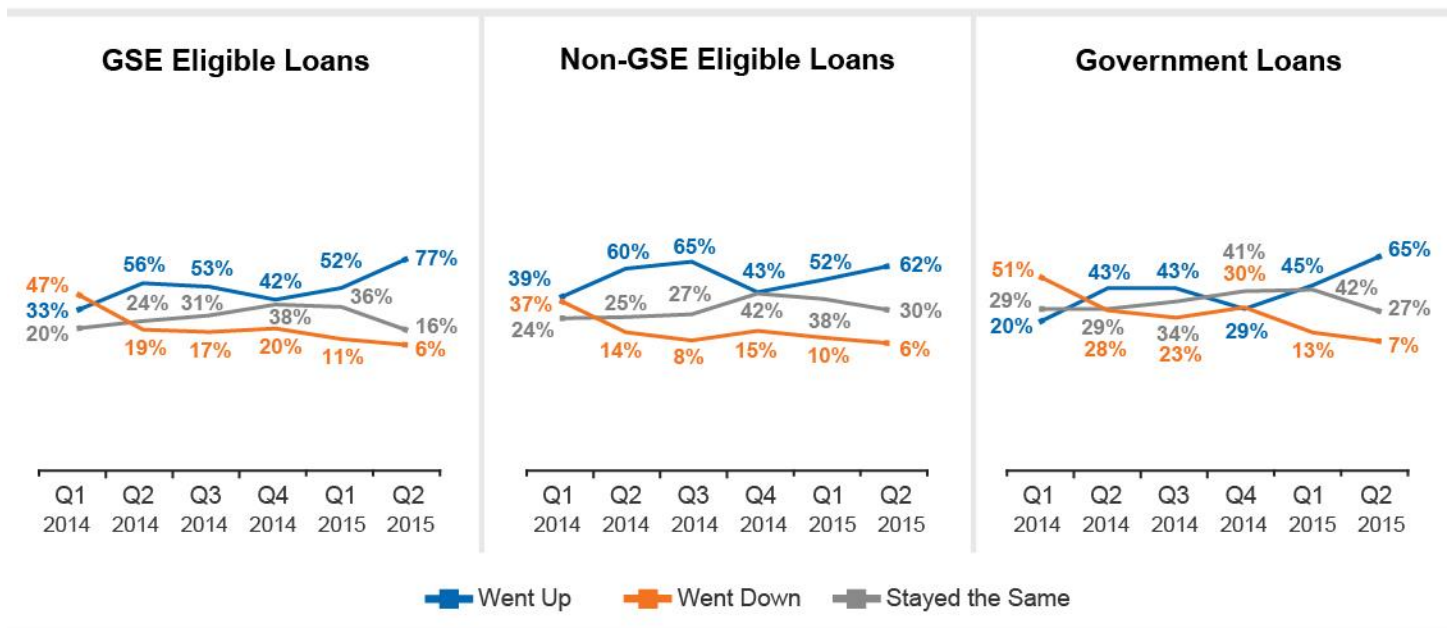


\* For details about the National Housing Survey™, please see the [National Housing Survey page](#) on fanniemae.com.

## Consumer Purchase Mortgage Demand: Past Three Months

The share of lenders reporting increased purchase mortgage demand over the prior three months has climbed again this quarter across three mortgage loan type markets (GSE eligible, non-GSE eligible, and government loans), reaching a survey high this quarter for GSE eligible and government loans (77% and 65%, respectively).

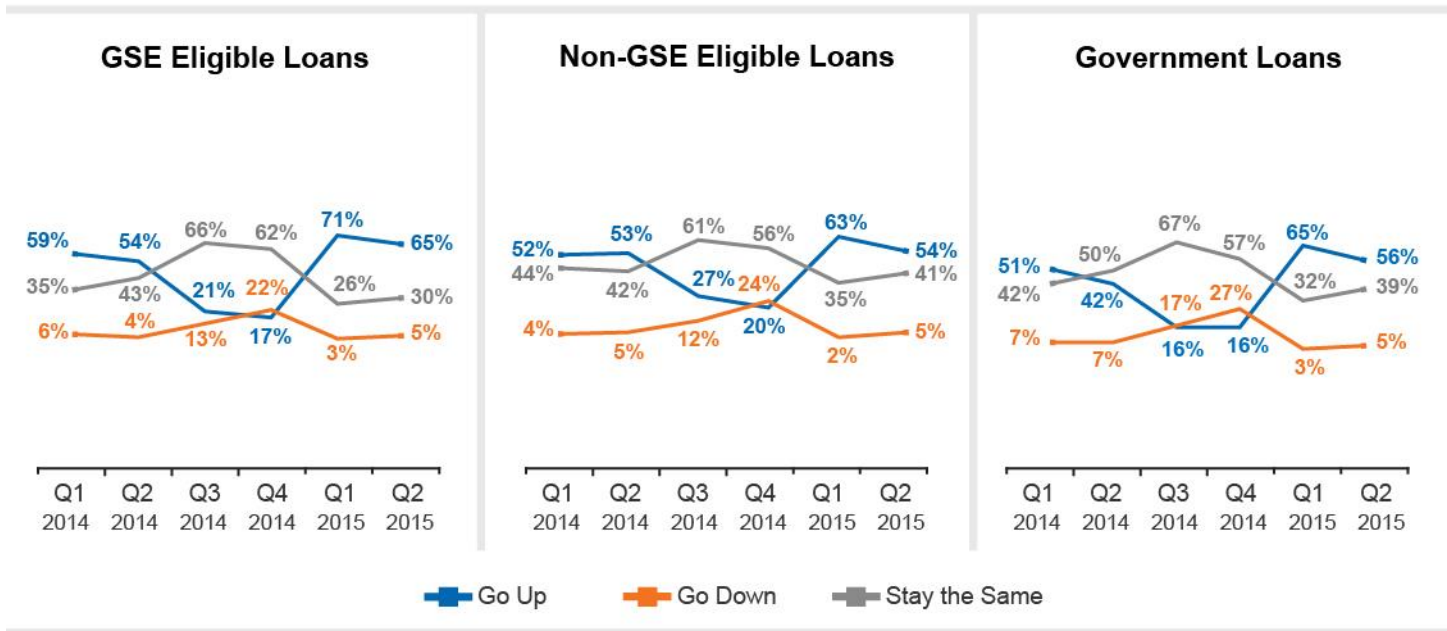
### Share of institutions who say purchase mortgage consumer demand over the past 3 months....



## Consumer Purchase Mortgage Demand Outlook: Next Three Months

For purchase mortgage demand over the next three months, the share of lenders reporting increased demand expectations fell this quarter from last quarter, but remains at a high level, above the 2014 readings, and may reflect some seasonality influences.

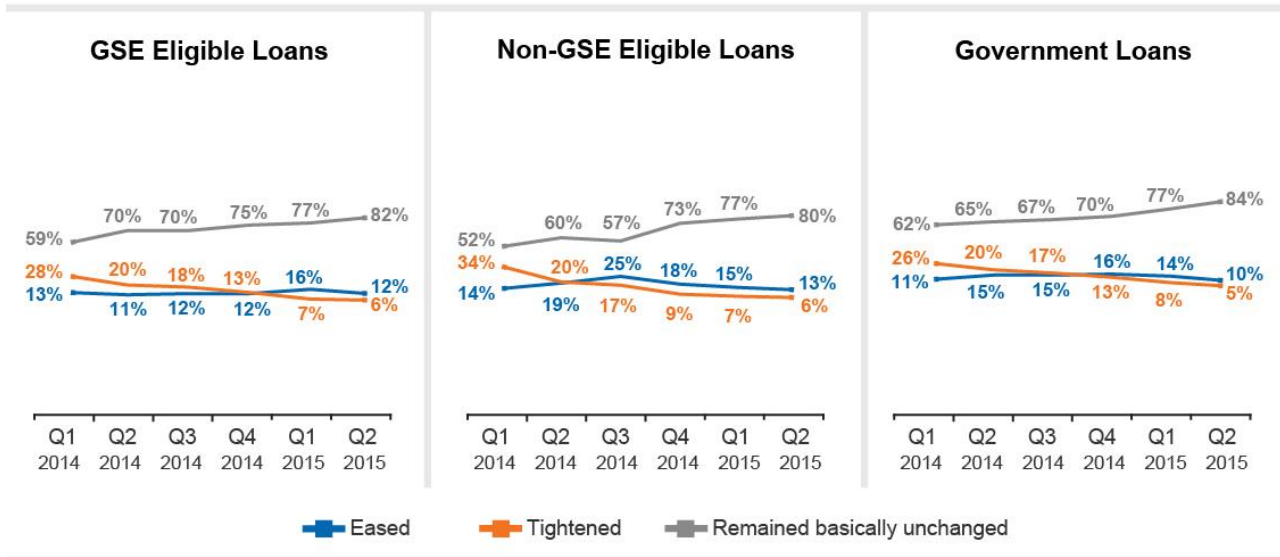
### Share of institutions who say purchase mortgage consumer demand over the next 3 months will...



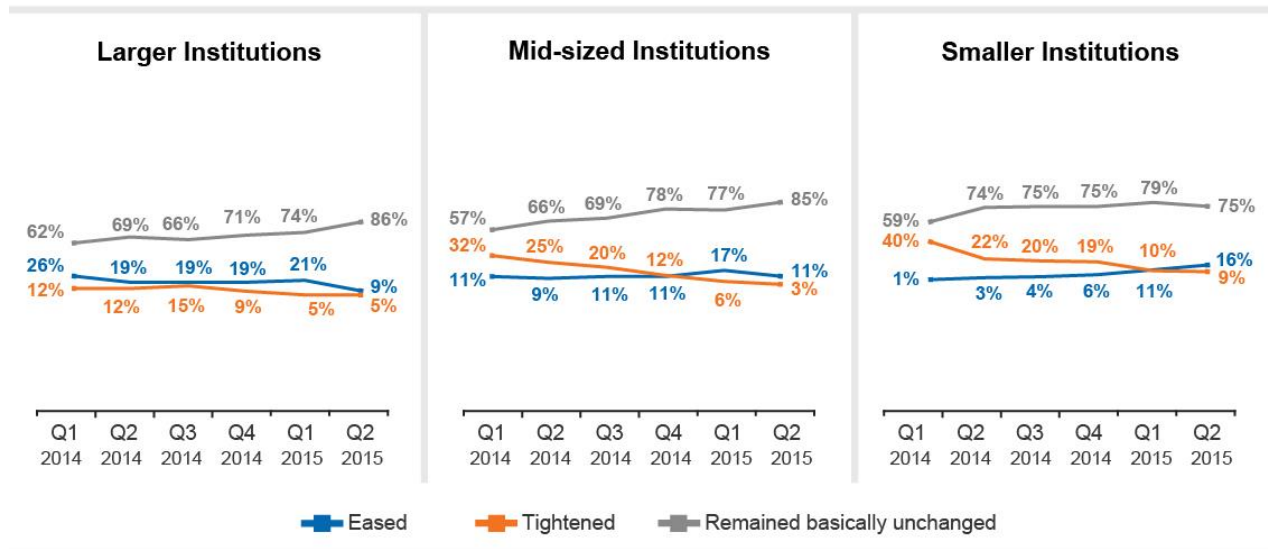
## Credit Standards: Past Three Months

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

### Share of institutions who say their credit standards over the past 3 months...



### For GSE eligible loans<sup>+</sup>, share of institutions by loan volume group who say their credit standards over the past 3 months...



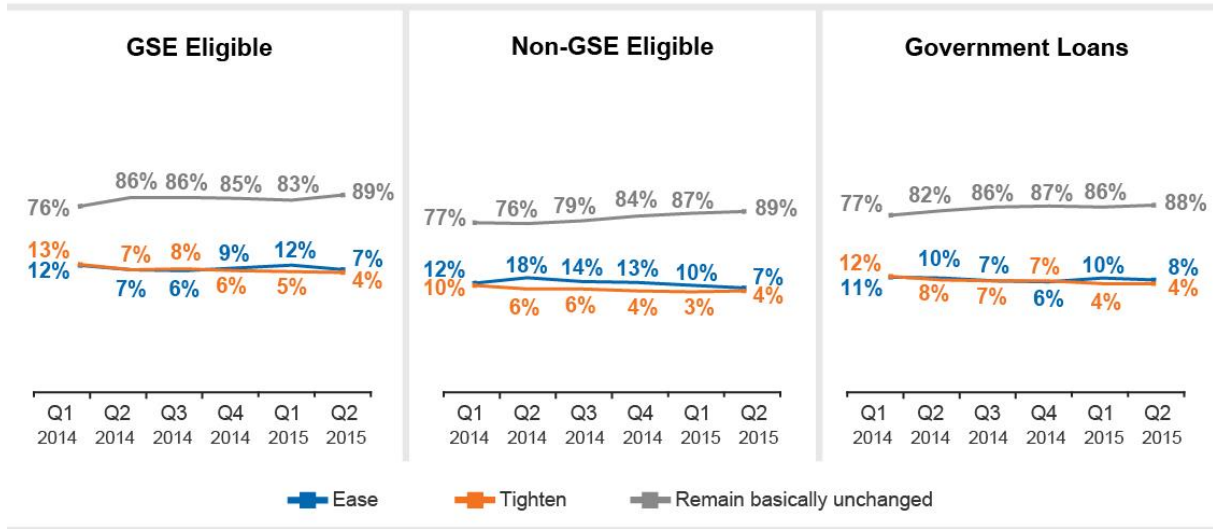
<sup>+</sup> Similar results are found for the other two loan type markets. Data for the GSE eligible loan type market is shown here, as an example. Please click [here](#) for detailed findings about the other mortgage loan type markets.



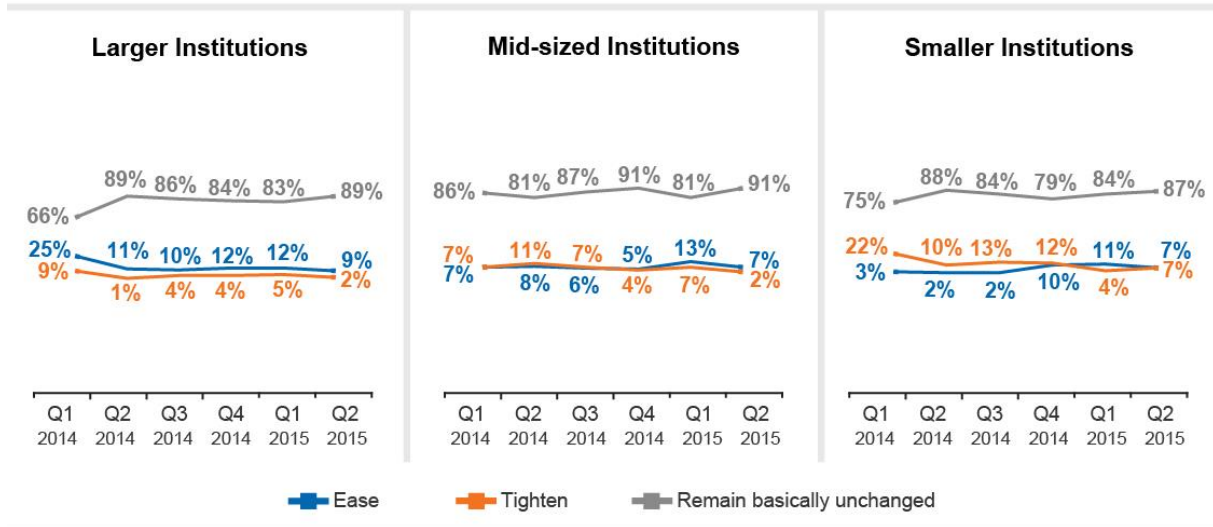
## Credit Standard Expectations: Next Three Months

The share of lenders reporting credit standards to remain about the same for the next three months increased slightly this quarter.

### Share of institutions who say their credit standards over the next 3 months will...



### For GSE eligible loans<sup>+</sup>, share of institutions by loan volume group who say their credit standards over the next 3 months will...

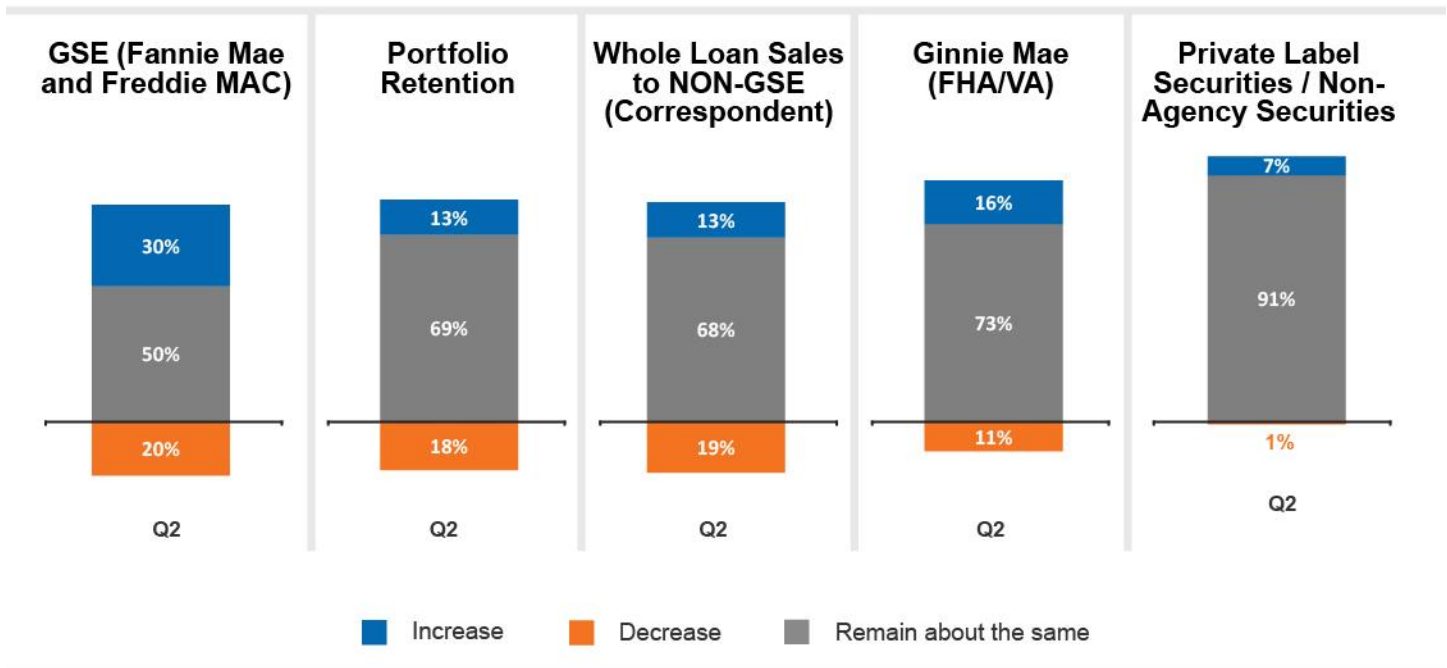


<sup>+</sup>Similar results are found for the other two loan type markets. Data for the GSE eligible loan type market is shown here, as an example. Please click [here](#) for detailed findings about the other mortgage loan type markets.

## Mortgage Execution Outlook: Next 12 Months

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

Share of institutions who say the share of each of the following mortgage execution channels over the next year will....

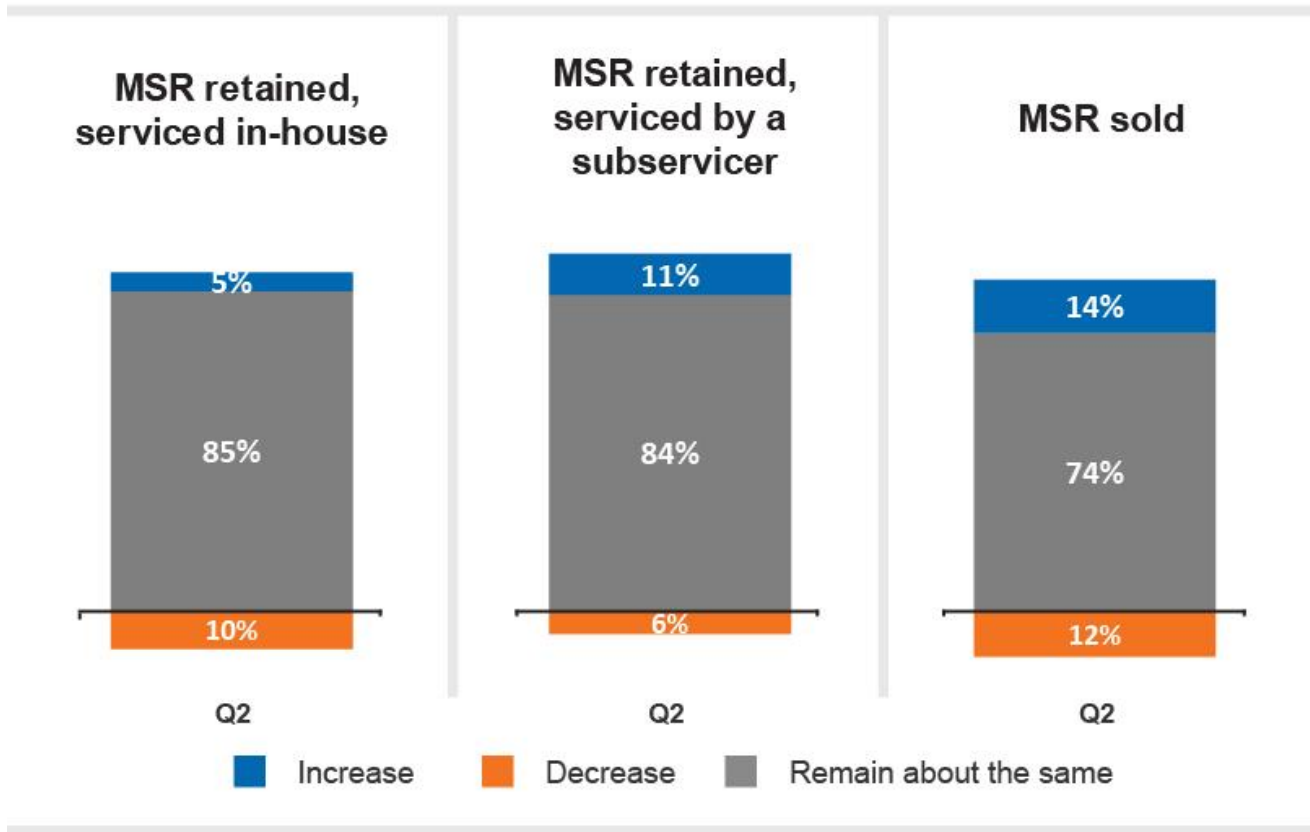




## Mortgage Servicing Rights (MSR) Execution Outlook: Next 12 Months

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

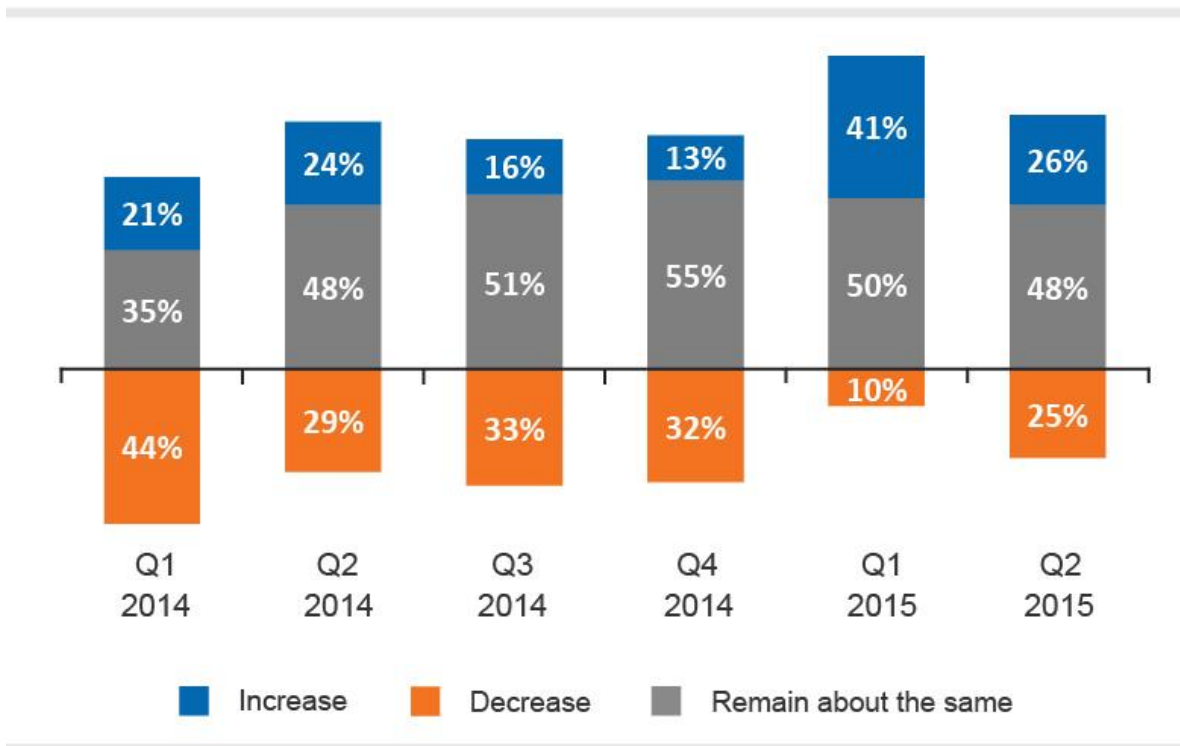
Share of institutions who say the share of their mortgage servicing rights execution channel over the next year will....



## Profit Margin Outlook: Next Three Months

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

### Share of institutions who say their profit margins over the next 3 months will...



+ Please click [here](#) for detailed findings.

# Addendum

## About the Survey

The Mortgage Lender Sentiment Survey conducted by Penn Schoen Berland in coordination with Fannie Mae is a quarterly online attitudinal survey among senior executives, such as CEOs and CFOs, of Fannie Mae’s lending institution partners to track insights into their lending activities and market expectations.

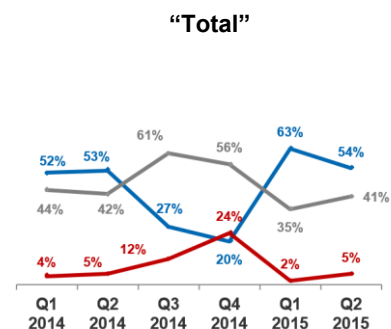
The results of the Mortgage Lender Sentiment Survey are reported at the lending institutional level. If more than one individual from the same institution completes the survey, their responses are averaged to represent their institution.

Results are analyzed at the aggregate level and reported out by loan origination volume group (larger, mid-sized, and smaller) and institution type (mortgage banks and depository institutions). For further details on the methodology and findings, please see the [Fannie Mae Mortgage Lender Sentiment Survey page](#) on fannimae.com.

Definitions of groups are listed in the Table below. Loan volume grouping is based on the lending institution’s 2013 total industry loan volume that includes the best available annual industry origination information from sources such as Home Mortgage Disclosure Act (HMDA), Fannie Mae, Freddie Mac, or Marketrac. The most recent loan volume data available is 2013.

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

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



The second quarter 2015 Fannie Mae Mortgage Lender Sentiment Survey was conducted between May 7, 2015 and May 17, 2015.

Sample Q2-2015		Sample Size
<b>Total Lending Institutions</b> The “Total” data throughout this report is an average of the means of the three loan origination volume groups listed below (with ~33% weight per group).		238
<b>Loan Origination Volume Groups</b>	<b>Larger Institutions</b> Fannie Mae’s customers whose 2013 total industry loan origination volume was in the top 15% (above \$965 million)	55
	<b>Mid-sized Institutions</b> Fannie Mae’s customers whose 2013 total industry loan origination volume was in the next 20% (16%- 35%) (between \$269 million to \$965 million)	68
	<b>Smaller Institutions</b> Fannie Mae’s customers whose 2013 total industry loan origination volume was in the bottom 65% (less than \$269 million)	115
<b>Institution Type</b>	<b>Mortgage Banks (non-depository)</b>	71
	<b>Depository Institutions</b>	105
	<b>Credit Unions</b>	52

## Loan Type Definitions

Questions about consumer mortgage demand and credit standards are asked across three loan type markets: GSE eligible, Non-GSE eligible, and Government loans.

Loan Type	Definition
<b>GSE Eligible Loans</b>	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.
<b>Non-GSE Eligible Loans</b>	Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments and typically carry higher interest rates than GSE loans. Government loans are excluded from this category.
<b>Government Loans</b>	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.

## National Housing Survey

The Fannie Mae National Housing Survey polls a national representative sample of 1,000 adult respondents every month to assess their attitudes about homeownership, renting a home, the economy, and household finances. For details, please see the [National Housing Survey page](#) on fanniemae.com.

### Disclaimer

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