

Mortgage Lender Sentiment Survey[®] Special Topics Report

Lenders' Perspectives on Closing Costs

October 2024



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Executive Summary

Most lenders believe simplifying and standardizing closing cost line-item descriptions would be valuable and consider industry alignment and technology updates as the key challenges. Settlement/closing fees, lender fees, borrower credit report & VOI/E/A* fees, and lender's title insurance/AOL** fees are cited as the top areas to increase transparency. Borrower credit report & VOI/E/A fees, lender's title insurance/AOL fees, and real estate agent fees are cited as the top areas to reduce costs.

Value and Challenges

(Combined % Very and Somewhat Valuable)



81% say it would be

valuable to simplify and standardize line-item descriptions for the mortgage industry

Top Challenges to Standardization



67% say **getting key players to align on standardization**



54% say **updating technology (e.g., integration with LOS or industry data portals)**

Opportunities to Increase Transparency and Reduce Costs

Ease of Explaining Closing Costs **49%** say **Easy** & **45%** say **Difficult**

Top Areas to Better Define/Clarify Line items to Increase Transparency

(Showing % biggest opportunity + 2nd biggest opportunity)



39% Settlement/Closing Fees



28% Lender Fees



26% Borrower Credit Report & VOI/E/A* Fees



24% Lender's Title Insurance Premium or AOL** Fees

Top Areas to Reduce Cost

(Showing % biggest opportunity + 2nd biggest opportunity)



45% Borrower Credit Report & VOI/E/A* Fees



38% Lender's Title Insurance Premium or AOL** Fees



20% Real Estate Agent Fees

* VOI/E/A refers to Verification of Income/Employment/Assets.

** AOL refers to Attorney Opinion Letter.





Business Context

Business Context and Research Questions

Business Context

Closing costs are various fees and charges paid by borrowers in connection with the closing of a home purchase or a mortgage refinancing, typically itemized under “Closing Cost Details” on the Closing Disclosure. They generally include:

- Loan-related amounts such as origination fees, discount points, title exam, lender’s title insurance, appraisal fees, and prepaid items such as taxes and insurance escrow payments; and
- Other costs, such as owner’s title insurance, real estate agent commissions, inspections, and transfer taxes.

The Consumer Financial Protection Bureau’s TILA-RESPA Integrated Disclosure (TRID) rule requires all settlement fees to be disclosed in the form of a Loan Estimate and the integrated Closing Disclosure. The objective of the Loan Estimate and Closing Disclosure documents is to simplify and clarify the terms of the loan that a borrower is applying for while also showing how much money is needed at closing and for what purpose.

In late July, we surveyed over 200 senior mortgage executives via the Mortgage Lender Sentiment Survey[®] to gather insights from lenders about efforts to simplify and standardize closing cost line-item descriptions, and to gain their opinions on which costs would benefit from clearer definitions to increase transparency for borrowers. Additionally, we asked lenders to provide feedback on areas where they believe costs can be reduced.

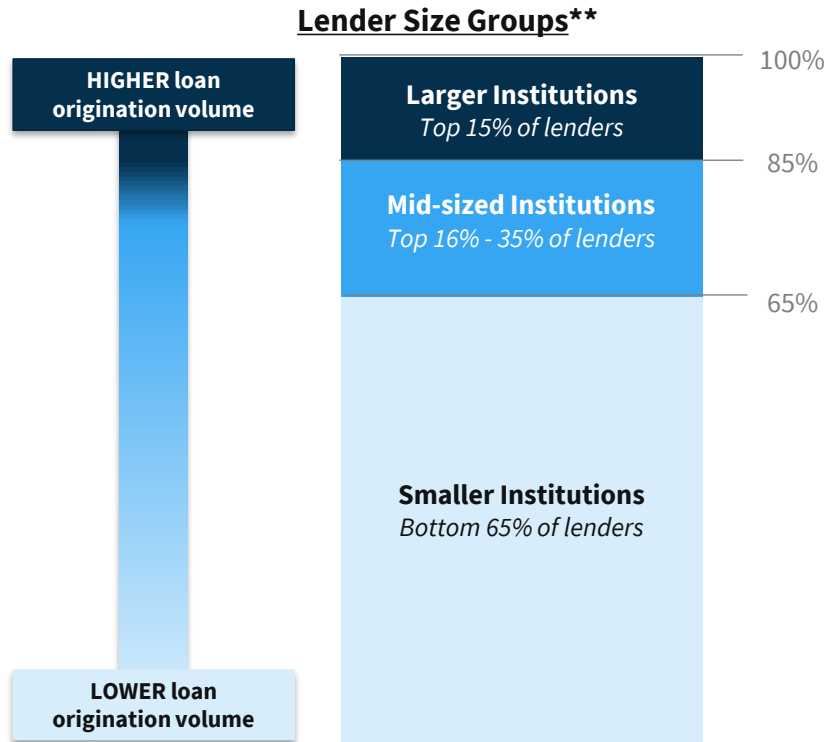
Research Questions

1. What is lenders’ overall assessment about the value closing cost line-item simplification and standardization efforts would bring to the mortgage industry?
2. What are the top benefits lenders believe closing cost line-item simplification and standardization efforts would bring?
3. What are the top implementation challenges lenders foresee?
4. Which cost areas represent the biggest opportunities to better define or clarify cost line items to increase transparency? Which cost areas have the greatest potentials to be reduced?



Respondent Sample and Groups

For the current study, a total of 234 senior executives* completed the survey between July 23 and August 2, representing 213 lending institutions.



Sample Q3 2024		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.		213
Lender Size Groups	Larger Institutions Lenders in the Fannie Mae database who were in the top 15% of lending institutions based on their GSE 2023 loan origination volume (above \$245.69 million)	51
	Mid-sized Institutions Lenders in the Fannie Mae database who were in the next 20% (16%-35%) of lending institutions based on their GSE 2023 loan origination volume (between \$45.727 million and \$245.69 million)	44
	Smaller Institutions Lenders in the Fannie Mae database who were in the bottom 65% of lending institutions based on their GSE 2023 loan origination volume (less than \$45.727 million)	118
Institution Type***	Mortgage Banks (non-depository)	77
	Depository Institutions (excluding credit unions)	84
	Credit Unions	41

* The Mortgage Lender Sentiment Survey results 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.

** Lenders’ 2023 loan volume originated by GSEs used here includes the best available annual origination information from Fannie Mae and Freddie Mac. Lenders in the Fannie Mae database are sorted by their firm’s total 2023 GSE 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.





Research Findings:

Closing Costs

Ease of Explaining Closing Costs to Customers and Ease of Accurately Estimating Closing Costs

While more than half of lenders find it at least somewhat easy to accurately estimate closing costs, their experiences with the ease/difficulty of explaining closing costs to borrowers are mixed, with 49% reporting at least somewhat difficult.

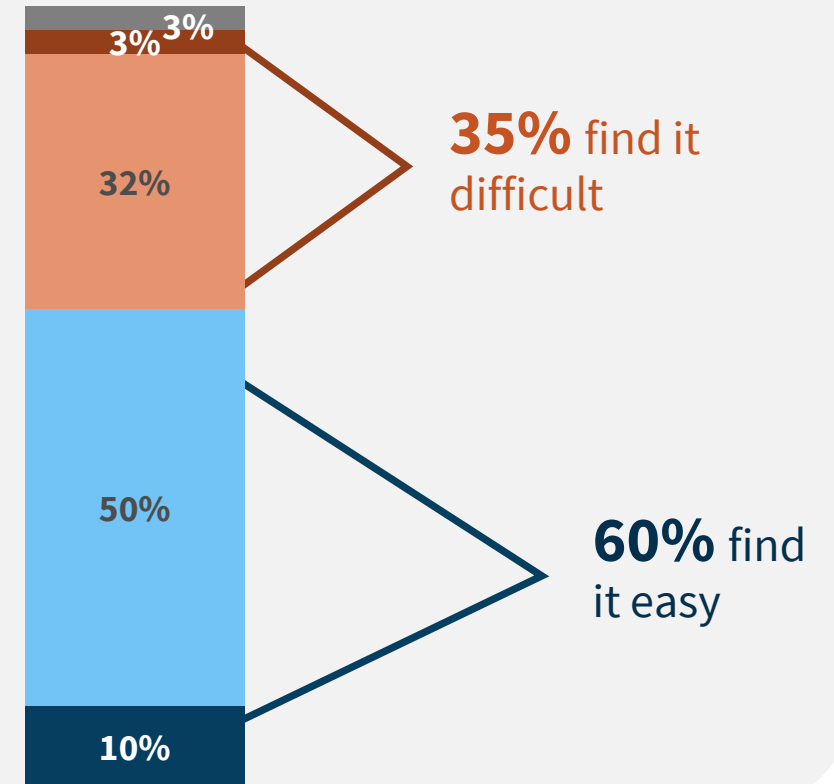
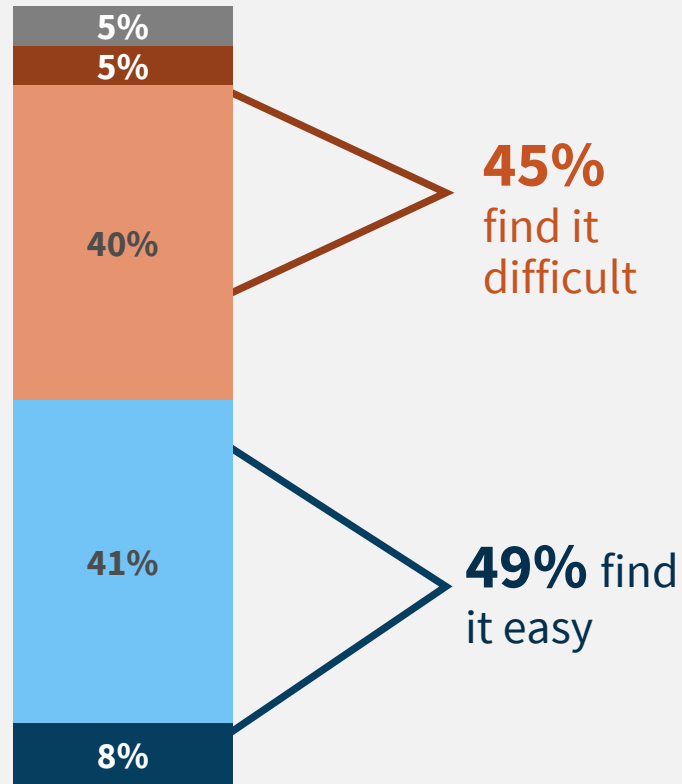
Ease of Explaining Closing Costs to Customers
 Asked of all Institutions, n=213

Ease of Accurately Estimating Closing Costs
 Asked of all Institutions, n=213

Very Easy Somewhat Easy Somewhat Difficult Very Difficult Don't Know/ Not Sure

Significantly more **Credit Unions (24%)** than **Depository Institutions (8%)** and **Mortgage Banks (5%)** find it very easy to explain closing costs to customers.

Significantly more **Smaller (14%)** institutions than **Larger institutions (2%)** find it very easy to explain closing costs to customers.



Q: How easy or difficult has it been for your firm to accurately estimate closing costs?

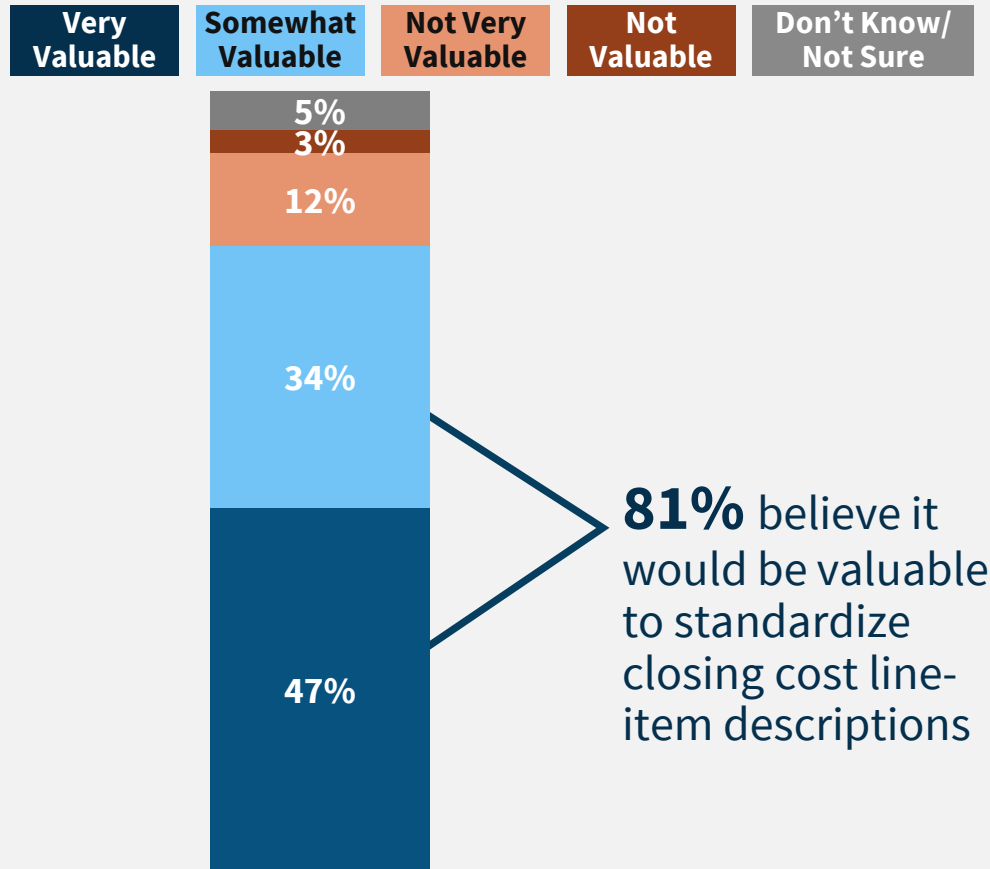


Value of Simplifying and Standardizing Closing Cost Line-Item Descriptions for the Industry

Most lenders believe simplifying and standardizing closing cost line-item descriptions would be valuable for the mortgage industry, regardless of their size and institution type.

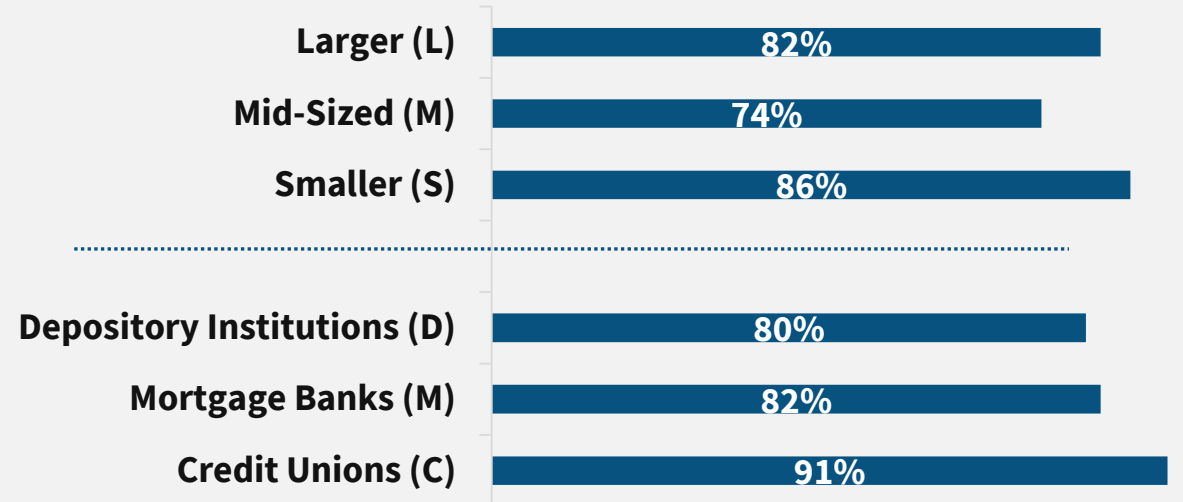
Value of Simplifying and Standardizing Closing Cost Line-Item Descriptions

Asked of all Institutions, n=213



At Least Somewhat Valuable by Size/Type

% Very Valuable + % Somewhat Valuable by Sub-Audience



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

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

Q: Overall, how valuable do you think simplifying and standardizing closing cost line-item descriptions will be for the mortgage lending industry?



Reasons Why It Will Be Valuable and Not Valuable

Lenders see the value in helping borrowers understand the fees and who charges them (in particular, fees charged by non-lender parties). Those who don't think it would be valuable commented that costs have already been simplified or it's not worth the effort given the difficulty of standardization.

Reasons for Why It Will Be Valuable

Open-ended question asked of those who selected 'Very Valuable' + 'Somewhat Valuable'

Lenders commented that it will provide **more transparency to customers to understand the fees and who charges them other than lenders.**

*"I don't think the current system is all that hard to explain or understand, but I have been doing this forever. Any system that would make things **more standardized or clearer** would have to be **faster to prepare** and maybe **generate fewer questions from borrowers.**" – Smaller institution*

*"This will make it easier for borrowers to understand what it is they are paying for and help them realize that the costs are **not the result of lenders 'gouging'** borrowers." – Smaller institution*

*"The borrowers that pay attention to detail will **appreciate the transparency and cost savings**; the borrowers that don't pay attention to detail will likely not notice a difference." – Mid-sized institution*

*"Consumers still don't know who charges fees or controls them. Too often, **they tie all fees back to the lender.** That needs to be **more clear.**" – Larger institution*

Reasons for Why It Will Not Be Valuable

Open-ended question asked of those who selected 'Not Very Valuable' + 'Not Be Valuable'

Some feel the industry has **already simplified closing cost line-item descriptions** and standardizing will be **difficult as there are so many fees from many different parties.**

*"Each company's **fees are unique to their organization** and to standardize the naming and fee structure would be **an unwanted exercise.**" – Smaller institution*

*"I think the industry **has done a good job simplifying the explanation of costs** associated with loans.." – Mid-sized institution*

*"Very **hard to estimate third party fees** – since **we do not control these costs.** Appraisals, title company charges, surveyors, closing agents, etc. are **fees in many cases unique to the transaction. Very difficult to standardize**" – Smaller institution*

*"**They have already been simplified.**" – Larger institution*

Q: You mentioned that you believe simplifying and standardizing closing cost line-item descriptions will be **## insert QR553 choice ##** for the mortgage lending industry. Please share your thoughts on why, such as what values you expect these efforts will bring to the mortgage industry or any concerns you have. (Optional)

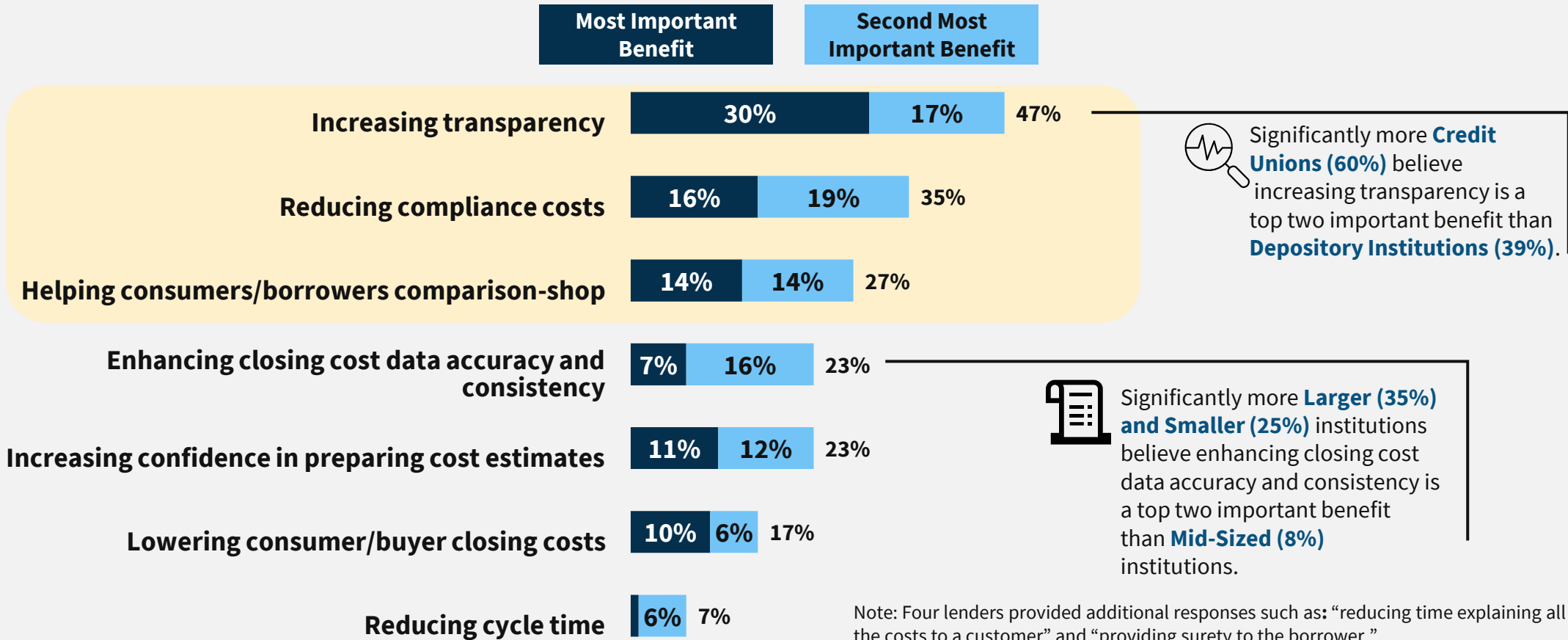


Benefits of Closing Cost Line-Item Description Simplification and Standardization Efforts

Lenders cited increased transparency, reducing compliance costs, and helping consumers comparison-shop as the most important benefits of simplifying and standardizing closing cost line-item descriptions.

Top Benefits of Simplifying and Standardizing Closing Cost Line-Item Descriptions

Asked of all Institutions, n=213



Percentages shown for “CHOICE ONE” and “CHOICE TWO” responses are rounded to the nearest whole number. As a result, the total percentage may vary slightly from the sum of the individual percentages.

Q: Listed below are some potential benefits of closing cost line-item description simplification and standardization efforts. Based on your firm’s experience, please select up to two of the most important benefits you think these efforts would bring to the mortgage industry.

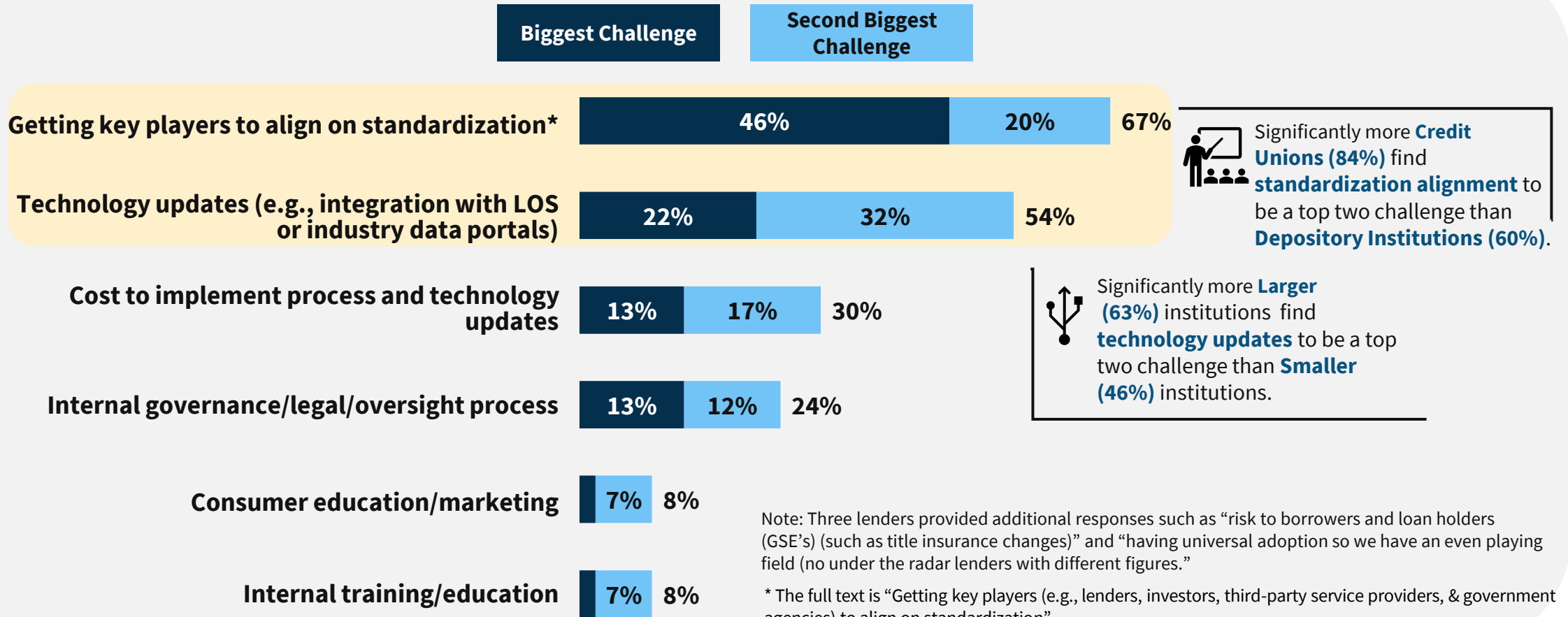


Challenges of Implementing Closing Cost Line-Item Description Standardization Efforts

Getting key players to align on standardization and technology updates were the biggest challenges cited by lenders when implementing closing cost line-item standardization efforts.

Top Challenges of Implementing Line-Item Descriptions Standardization Efforts

Asked of all Institutions, n=213



Note: Three lenders provided additional responses such as “risk to borrowers and loan holders (GSE’s) (such as title insurance changes)” and “having universal adoption so we have an even playing field (no under the radar lenders with different figures.”

* The full text is “Getting key players (e.g., lenders, investors, third-party service providers, & government agencies) to align on standardization”

Percentages shown for “CHOICE ONE” and “CHOICE TWO” responses are rounded to the nearest whole number. As a result, the total percentage may vary slightly from the sum of the individual percentages.

Q: Listed below are some possible challenges that the mortgage lending industry might face when implementing closing cost line-item description standardization efforts. Based on your experience, please select up to two of the biggest implementation challenges.



Closing Cost Areas Defined

Here are the cost areas with descriptions, shown in the survey.

Labels used in this report	Full text shown in the survey
Lender Fees	Lender fees such as loan origination, underwriting, and processing fees
Property-Related Fees (e.g., appraisal and survey)	Property-related fees such as Appraisal fee and Survey fee <ul style="list-style-type: none"> • <i>Appraisal fee: Fee for an independent and objective appraiser's opinion of the market value of the property.</i> • <i>Survey fee: Fee for conducting and creating a survey of the property. Survey drawings show the property's boundaries and any encroachments or easements on the land.</i>
Borrower Credit Report & VOI/E/A Fees	Borrower credit report and/or income/employment/assets verification fees <i>Fees to obtain borrower credit reports for assessing credit risk or fees charged to verify borrower income, employment, or assets.</i>
Lender's Title Insurance Premium or Attorney Opinion Letter (AOL) Fee	Lender's title insurance premium or attorney opinion letter (AOL) fee <i>Lender's title insurance policy or AOL protects the lender with respect to the priority of the lenders' lien against the property. Most lenders require borrowers to pay for a lender's title insurance policy or AOL.</i>
Other Title-Related Fees (e.g., title search)	Other title-related fees such as title search <i>Fees to obtain a title insurance policy such as title search, title exams, title certification, endorsements, closing protection, insurance binders, and commitment fees.</i>
Settlement/Closing Fees	Settlement/Closing fees <i>Fees related to conducting and finalizing the loan settlement or real estate closing transaction, such as closing fee, settlement fee, title closing fee</i>
Other Fees (e.g., document delivery)	Other fees such as document-preparation fee, application fee, document delivery fee, wire transfer fee, notary fee, etc.
Real Estate Agent Fees	Real estate agent commissions and fees

Mortgage Lending Life Cycle



Top Cost Areas to Better Define and Clarify Line Items to Increase Transparency


Lenders pointed to the areas of Settlement/Closing fees, Lender fees, Borrower Credit Report & VOI/E/A fees, and Lender's Title Insurance Premium/AOL fees as the top areas to better define and clarify cost line items to increase transparency.

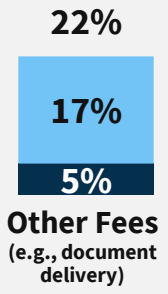
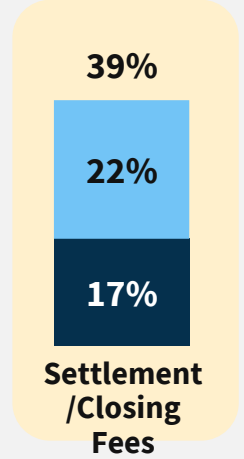
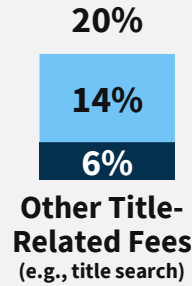
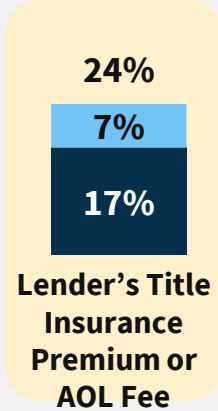
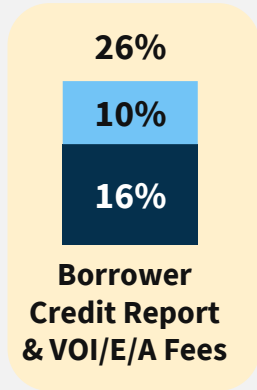
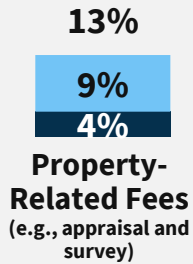
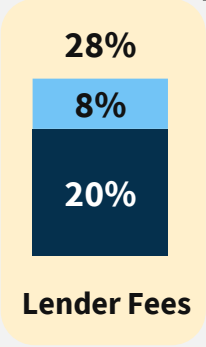
Biggest Opportunities to Better Define and Clarify Cost Line Items to Increase Transparency
Asked of all Institutions, n=213

Biggest Opportunity **Second Biggest Opportunity**

Significantly more **Smaller** institutions (**36%**) find **lender fees** to be a top two opportunity than **Larger** (**21%**) institutions.

Significantly more **Larger** (**37%**) institutions find **borrower credit report & VOI/E/A fees** to be a top two opportunity than **Smaller** (**15%**) institutions.

 Significantly more **Mortgage Banks** (**34%**) find **borrower credit report & VOI/E/A fees** to be a top two opportunity than **Depository Institutions** (**14%**) and **Credit Unions** (**16%**).



Mortgage Lending Life Cycle

Percentages shown for "CHOICE ONE" and "CHOICE TWO" responses are rounded to the nearest whole number. As a result, the total percentage may vary slightly from the sum of the individual percentages.

Q: Which areas do you think present the biggest opportunities for the industry to better define and clarify cost line items to increase transparency?

Note: Five lenders provided additional responses such as "any fee the borrower shops for," "taxes on new construction," "escrows," and "all of the above as well as taxes and insurance and how they change over time."



Reasons for Why or How to Increase Transparency Across Cost Areas

Many lenders feel that current fee explanations are often lumped together and too complex. Some think that the increased transparency of simplifying or breaking down fees in these areas will lead to better borrower understanding of fees.

Why is it an issue and what can be done to increase transparency?
Asked of Those Who Listed Each as Their Top Priority, Showing 1st-4th Largest Opportunity

Lender's Fees

Standardizing lender fees and descriptions nationally **will improve borrower understanding and lender reputation.**

*"Lenders use **different nomenclature** to describe the same fee. There should be consistency." – Smaller institution*

*"**States are not aligned** when it comes to allowable fees that fall under discount and/or origination." – Larger institution*

*"If we had **national standards**...that would make it easier for state licensed lenders." – Larger institution*

Settlement/Closing Fees

There is a lot of confusion due to **lumped costs and complex terms.** Standardizing the descriptions **across properties and states is a big opportunity.**

*"The terminology can **be complex and not easy to understand.**" – Mid-sized institution*

*"...**differences from one property to the next** is something that makes the process confusing and problematic" – Larger institution*

*"Transparency increases when costs are identified by a **common name.**" – Smaller institution*

Lender's Title Insurance Premium/AOL Fee

Lenders feel borrowers **don't understand** what lender's title insurance is and why they need it. They believe **simplifying the fees & descriptions and educating borrowers would help.**

*"People often seem to **not understand why lender's title insurance is required,** or, more specifically, why they need to pay for it." – Smaller institution*

*"With several potential charges related to title insurance, **simplifying the charges** and/or benefits descriptions...will help. Also, **educating borrowers on the importance** of title insurance is critical." – Mid-sized Institution*

Borrower Credit Report & VOI/E/A Fees

Lenders believe **having these fees broken down** would increase transparency and **help borrowers understand** what they're being charged.

*"The fact that credit reporting agencies report multiple fees on a single file should be **broken down** so borrowers can see how much they are in fact **overcharging.**" – Smaller institution*

*"The fees we are seeing in this space are out of control. By far the **most expensive increase**...this is due to few aggregators in the space." – Mid-sized institution*

Q: You mentioned that you believe the cost line items in the area of ## INSERT QR557 CHOICE ## need to be better defined and clarified to increase transparency. Please share your thoughts on why, such as what issues you are seeing and what can be improved.



Top Cost Areas Representing Biggest Opportunities to Reduce Closing Costs Overall

Lenders cited borrower credit report & VOI/E/A fees, lender’s title insurance premium/AOL fees, and real estate agent fees as the areas representing the biggest opportunities to reduce costs.

Biggest Opportunities to Reduce Closing Costs Overall Asked of all Institutions, n= 213

Biggest Opportunity

Second Biggest Opportunity



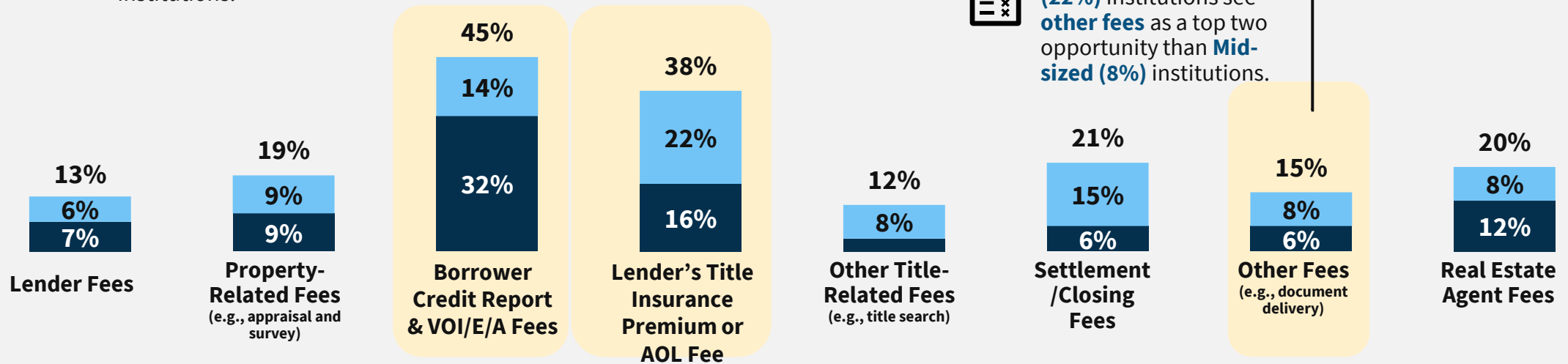
Significantly **more Larger (56%)** institutions see **borrower credit report & VOI/E/A fees** as a top two opportunity **than Smaller (36%)** institutions.



Significantly more **Mortgage Banks (53%)** see **borrower credit report & VOI/E/A fees** as a top two opportunity than **Credit Unions (29%)**.



Significantly more **Smaller (22%)** institutions see **other fees** as a top two opportunity than **Mid-sized (8%)** institutions.



Mortgage Lending Life Cycle

Percentages shown for “CHOICE ONE” and “CHOICE TWO” responses are rounded to the nearest whole number. As a result, the total percentage may vary slightly from the sum of the individual percentages.

Q: Which areas do you think present the biggest opportunities for the industry to reduce closing costs overall? Please select up to two areas?

Note: Six lenders provided additional responses such as “loan originator commissions,” “insurance cost increase,” “overall compliance disclosures,” and “Loan Level Price Adjustments.”



Reasons for Why or How to Reduce Costs Across Cost Areas

Many lenders noted that some fees have increased significantly while others are overpriced given the associated risk. They believe that tech solutions, automation, and caps on fees are potential solutions to bring costs down.

Why is it an issue and what can be done to bring down the costs in this area?
Asked of Those Who Listed Each Choice as Their Top Priority, Showing 1st-3rd Largest Opportunities

Borrower Credit & VOI/E/A Fees

Prices are increasing at extremely high rates in this area, leading **lenders to face backlash** from borrowers. Lenders are confident in the potential for **a tech solution to this increasingly important problem.**

*“The costs for these services are incurred by third party providers for which the **lender has no control**...Often lenders cannot collect these fees...and most lenders are **originating loans at a loss** as a result.” – Larger institution*

*“Credit [fees] have **skyrocketed**. This is seen as lender price gouging, when in reality the **bureaus are running a monopoly** that’s going unchecked.” – Smaller institution*

*“It would seem that **technology improvements** might make the credit providers’ cost to produce these reports decrease.” – Mid-sized institution*

Lender’s Title Insurance Premium or AOL fee

Lenders feel this is **overpriced given the rarity of its usage.** Automation, increased borrower understanding, and increased use of alternatives are potential solutions.

*“This is an insurance which is **rarely used**...I feel premiums collected versus claims paid out are out of line...” – Smaller institution*

*“The cost of title insurance is **high**. Although the premiums are set in many cases by state regulations - **the premium is high relative to the real losses.**” - Smaller institution*

*“In my experience, title defects are **rare** ...title underwriters stubbornly and consistently deny coverage...What is the value to the borrower and the lender?” – Larger institution*

*“This process should be **more automated**, allowing anyone to determine within minutes the validity and chain of the title.” – Smaller institutions*

*“If borrowers **understand** this cost, they will push for **better pricing/alternatives.**” – Mid-sized institution*

Real-Estate Agent Fees

Lenders feel like these fees are too high and **proposed solutions include caps on commissions, regulation, or a flat fee.**

*“The US has the **highest RE commission structure** relative to other developed countries. It is a monopoly...we must **cap commissions**...” – Smaller institution*

*“The RE commission is equal to or **exceeds all other closing costs** combined.” – Larger institution*

*“Real estate agents are **not regulated** anywhere close to where lenders are regulated.” – Smaller institution*

*“This **fee should be flat** and shouldn’t give realtors an incentive to push prices up.” – Smaller institution*

Q: You mentioned that you believe the biggest opportunity to reduce closing costs would be in the area of ## INSERT QR559 CHOICE ## Please share your thoughts on why, such as what issues you are seeing and what can be improved.





Appendix

Appendix

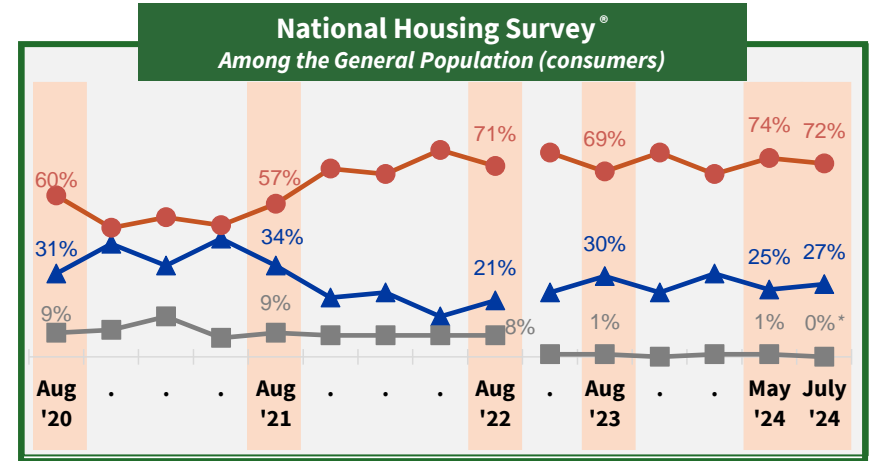
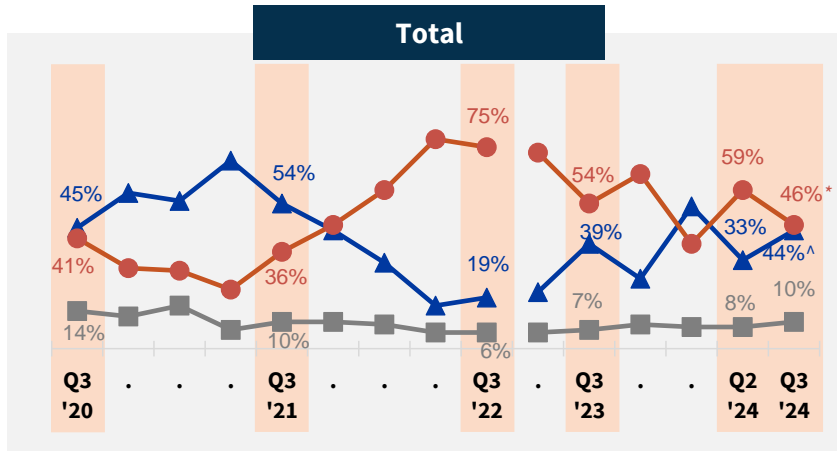
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U.S. Economy Overall

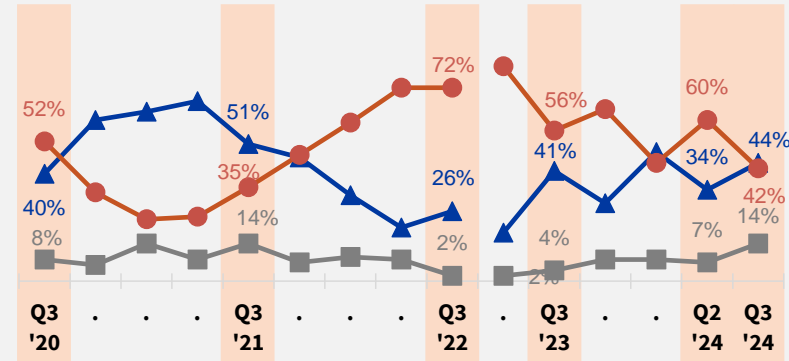
Lenders' outlook toward the U.S. economy grew significantly more positive this quarter. Consumer sentiment remains low with only 27% saying the economy is on the right track.

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

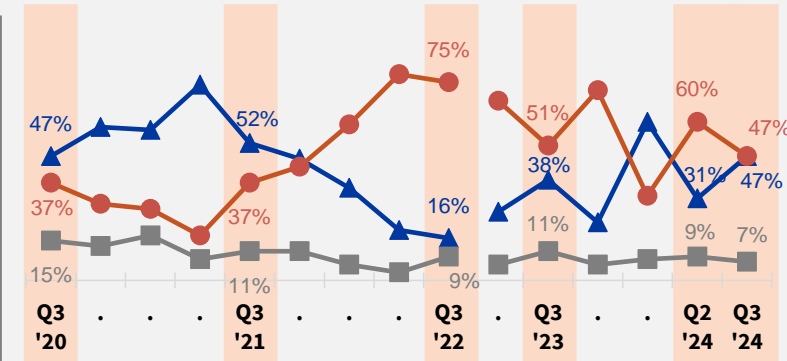
- ▲ Right Track
- Don't know
- Wrong Track



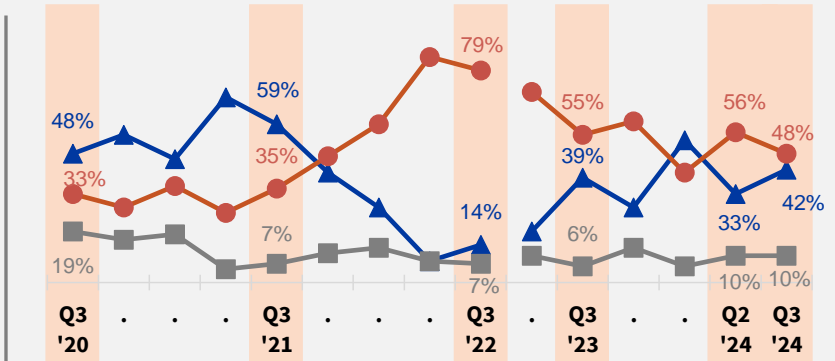
Larger Institutions (L)



Mid-sized Institutions (M)



Smaller Institutions (S)



L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level
* Denotes a statistically significant change comparing Q3 2024 with Q2 2024 (or May 2024 for NHS)
[^] Denotes a statistically significant change comparing Q3 2024 with Q2 2024 (or May 2024 for NHS)

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

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

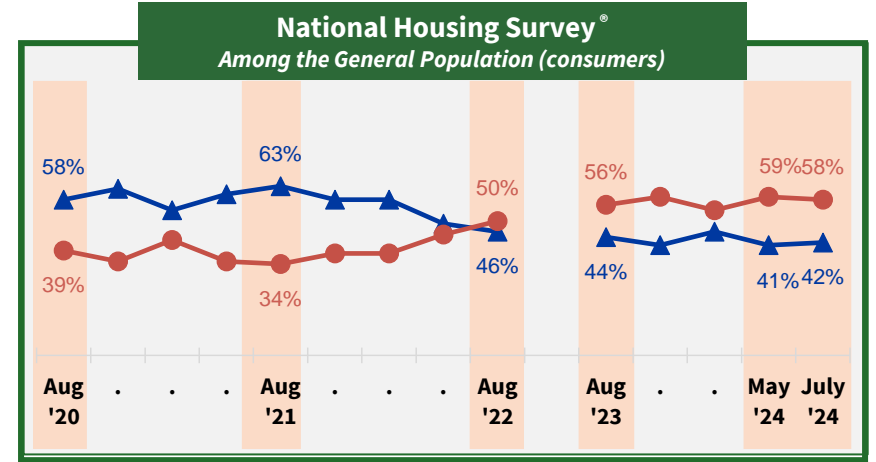
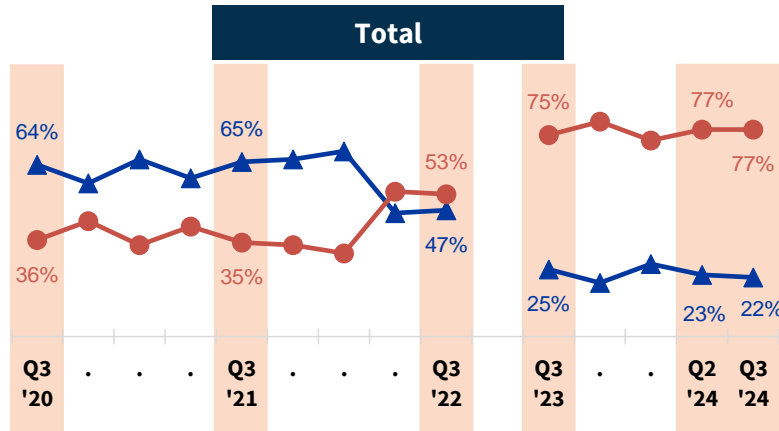


Difficulty of Getting a Mortgage

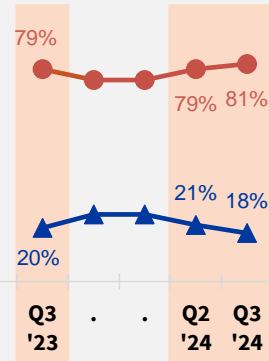
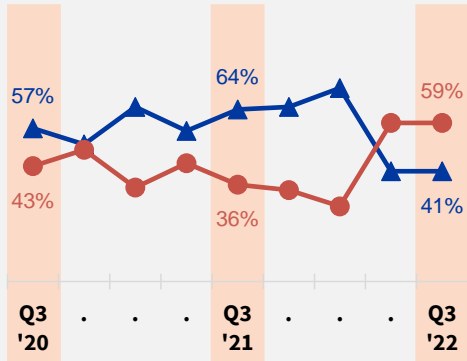
Most lenders continue to believe it is difficult for consumers to get a mortgage, a sentiment that remains at historically elevated levels since the pandemic. Perceived difficulties with getting a mortgage continue to be higher among lenders than consumers.

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

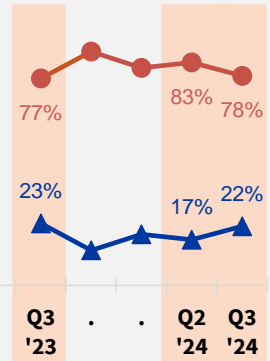
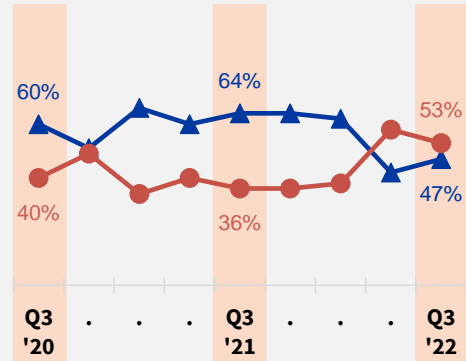
— Easy (Very/Somewhat)
— Difficult (Very/Somewhat)



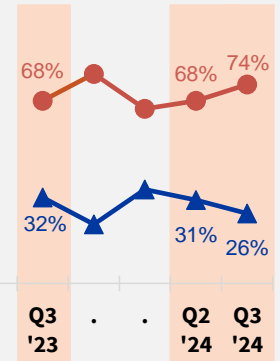
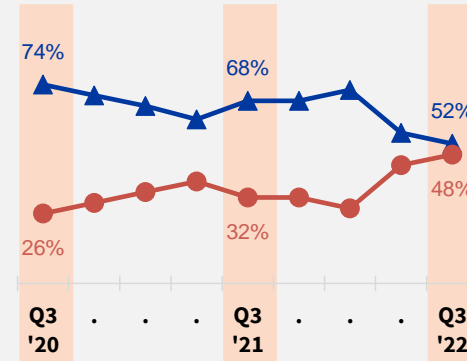
Larger Institutions (L)



Mid-sized Institutions (M)



Smaller Institutions (S)



L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level
* Denotes a statistically significant change comparing Q3 2024 with Q2 2024 (or May 2024 for NHS)
^ Denotes a statistically significant change comparing Q3 2024 with Q2 2024 (or May 2024 for NHS)

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

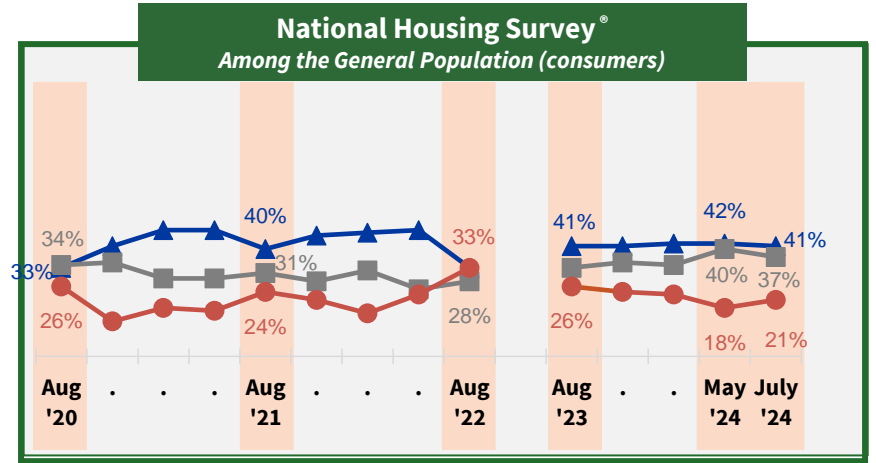
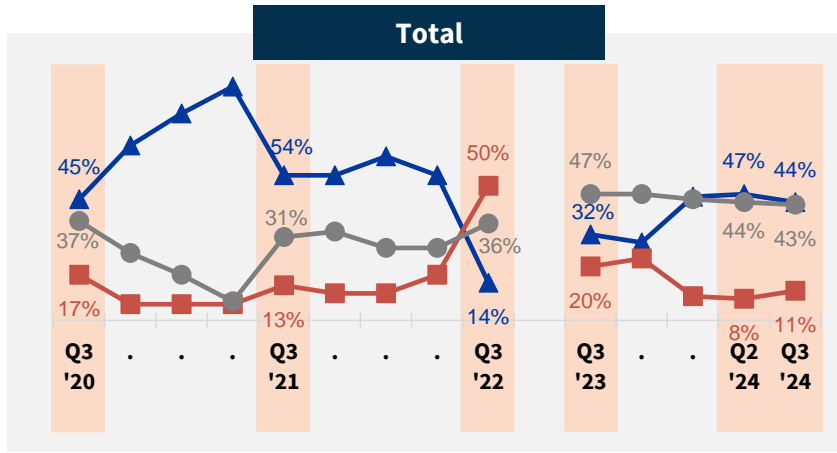


U.S. Home Prices – Next 12 Months

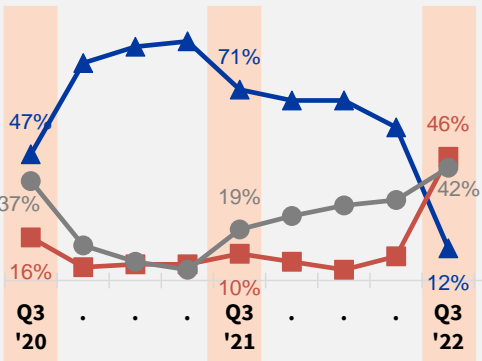
The share of lenders who expect home prices to go up vs. go down in the next 12 months plateaued this quarter. While consumer expectations of home prices going up remained stable, significantly fewer say prices will go down.

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

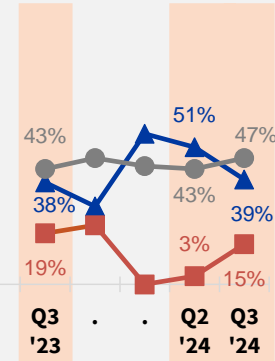
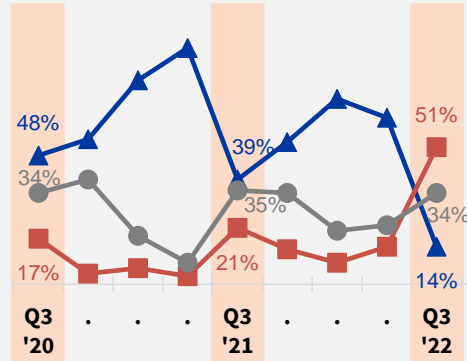
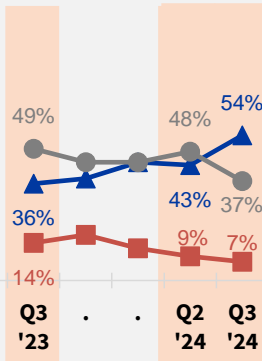
- ▲ Go up
- Go down
- Stay the same



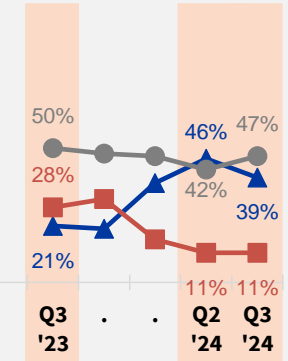
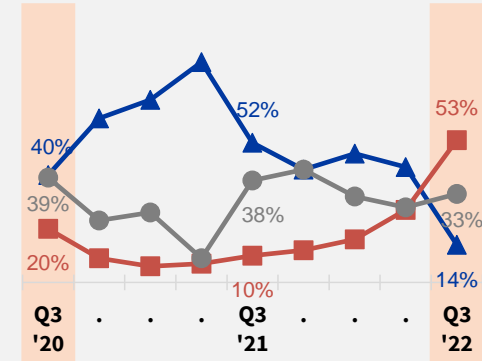
Larger Institutions (L)



Mid-sized Institutions (M)



Smaller Institutions (S)



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* Denotes a statistically significant change comparing Q3 2024 with Q2 2024 (or May 2024 for NHS)
^ Denotes a statistically significant change comparing Q3 2024 with Q2 2024 (or May 2024 for NHS)

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





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Reasons for Why or How to Increase Transparency Across Cost Areas (continued)

Some lenders say “other title-related” fees often vary by title company and, for the “other fees” area, there are often many extra “junk” fees. Others think standardization across the board and consolidating the fees into one would help increase transparency.

Why is it an issue and what can be done to increase transparency?

Asked of Those Who Listed Each Choice as Their Top Priority, Showing 5th & 6th Largest Opportunities

Other Title-Related Fees (e.g., title search)

“Every title company has a host of **junk fees which differ** from each other.” – Larger institution

“There can be so many fees from the title company. It would be best if all of these fees were **just one fee for closing**.” – Smaller institution

“Title insurance is much **more expensive than necessary**. Anything that can be done to make the process more transparent would be helpful.” – Mid-sized institution

Other Fees (e.g., document delivery)

“I’ve had customers ask me what all these extra fees are and why. They sometimes feel like there are a lot of **extra charges that don’t seem warranted**.” – Smaller institution

“These **vary** by lender, by definition, and largely are **junk fees**.” – Smaller institution

“This is one of the **most costly areas** in a mortgage transaction – lots of ‘junk fees’ built in for borrowers.” – Mid-sized institution

“Migrating to an **all-in fee/cost** approach would be a significant improvement to the customer.” – Mid-sized institution

Q: You mentioned that you believe the cost line items in the area of ## INSERT QR557 CHOICE ## need to be better defined and clarified to increase transparency. Please share your thoughts on why, such as what issues you are seeing and what can be improved.



Reasons for Why or How to Increase Transparency Across Cost Areas (continued)

A few lenders mentioned the potential impact of the NAR settlement on real estate agent commissions. Some pointed to wide differences in appraisal fees.

Why is it an issue and what can be done to increase transparency?
Asked of Those Who Listed Each Choice as Their Top Priority, Showing 7th-9th Largest Opportunities

Property-Related Fees (e.g., appraisal and survey)

*“It would be helpful if Fannie Mae would **set a maximum price** that could be charged.” – Smaller institution*

*“There appears to be **wide difference** in the appraisal fees even within the same MSA.” – Mid-sized institution*

*“Appraisal fee vs. AMC fee should be a **single line item or broken out**.” – Smaller institution*

*“**Increased types** of collateral evaluation reports and/or multiple report fees [would help].” – Mid-sized institution*

Real-Estate Agent Fees

*“With the new legislation/court cases the **realtors will implement junk fees** to accommodate for the change.” – Smaller institution*

*“Highlighting the **absolute cost** that real estate commissions are adding to the home buying transaction [would help].” – Larger institution*

*“impacts of the real-estate industry settlement and how borrowers may be involved in **compensating realtors going forward**.” – Larger institution*

Other (specify)*

*“Lenders tend to **low ball the fees the borrower can shop** for to make their offer look more competitive.” – Mid-sized institution*

*“Each state handles **new construction taxes** and general reassessments differently. If this was **standardized by the agencies where each lender treated this the same**, then it would eliminate confusion among borrower.” – Mid-sized institution*

*“While we believe we **should all be showing these the same way**, that is not the case.” – Smaller institution*

Q: You mentioned that you believe the cost line items in the area of ## INSERT QR557 CHOICE ## need to be better defined and clarified to increase transparency. Please share your thoughts on why, such as what issues you are seeing and what can be improved.



Reasons for Why or How to Reduce Costs Across Cost Areas (continued)

Some lenders say that the lack of standardization makes it difficult to estimate and can differ depending on many variables. Many think automation and technology can help reduce some of these fees.

Why is it an issue and what can be done to bring down the costs in this area?
Asked of Those Who Listed as Their Top Priority, Showing 4th-6th Largest Opportunities

Property-Related Fees (e.g., appraisal and survey)

“Appraisal fees can be **difficult to operationalize** for proper estimates. There aren’t standardized fees, making it difficult.” – Mid-sized institution

“The agencies have more appraisal data for valuation purposes than any other 3rd party. **No need for appraisers.**” – Mid-sized institution

“Reducing property-related fees like appraisal and survey costs can be **achieved by leveraging technology.**” – Smaller institution

Lender Fees

“The possibility of **increased automation** could allow for the lowering of the fees.” – Mid-sized institution

“Having a **standardized flat fee** for underwriting, processing, and origination across the industry improves the lending experience for the consumer.” – Mid-sized institution

“**Standardization** among agencies [would be an improvement].” – Mid-sized institution

Settlement/Closing Fees

“Settlement/Closing fees often constitute a large portion of the closing costs and **can vary widely** depending on lender, location, and the specifics of the transaction” – Mid-sized institution

Q: You mentioned that you believe the biggest opportunity to reduce closing costs would be in the area of ## INSERT QR559 CHOICE ## Please share your thoughts on why, such as what issues you are seeing and what can be improved.



Reasons for Why or How to Reduce Costs Across Cost Areas (continued)

Some lenders feel like there are too many fees, and that these fees, in aggregate, increase costs substantially for borrowers. Some lenders believe that they can be reduced and explained better.

Why is it an issue and what can be done to bring down the costs in this area?

Asked of Those Who Listed as Their Top Priority, Showing 7th-9th Largest Opportunities

Other Fees (e.g., document delivery)

*“This is an area where some lenders and third parties **take advantage**.” – Smaller institution*

*“The whole process has become an avenue for **every entity involved to add numerous fees for every action** that used to be included in the cost of doing the business. Whenever something is mandatory, i.e. notarizing a deed; that makes that action ripe for adding fees. **When every element that touches the process adds what individually would be a minor fee suddenly when added together the costs have ballooned substantially.**” – Smaller institution*

*“There are a lot of fees for ancillary services. **If one provider aggregated services**, there should be cost savings for the consumer.” – Smaller institution*

Other Title-Related Fees (e.g., title search)

*“This is one of the **most costly** expenses borrowers face.” – Mid-sized institution*

*“The title fees for us have had **the most disparity** on descriptions.” – Smaller institution*

Other (specify)*

*“**Government fees.**” – Mid-sized institution*

*“The volume and complexity of regulatory required disclosures is ridiculous. They could **be reduced, better explained, and consolidated** into one disclosure in plain English.” – Smaller institution*

*“**Mortgage Tax** is a fee imposed in NY State...Financing the above cost and spreading out for the life of the loan will help bring down closing cost.” – Smaller institution*

Q: You mentioned that you believe the biggest opportunity to reduce closing costs would be in the area of ## INSERT QR559 CHOICE ## Please share your thoughts on why, such as what issues you are seeing and what can be improved.





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Mortgage Lender Sentiment Survey[®]

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

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

Examples of Past Studies

- **Lenders' 2024 Business Priorities**
- **Mortgage Technology Competitiveness and Value**
- **Condominium Mortgage Lending**
- **Artificial Intelligence and Mortgage Lending**
- **Costs and Impact of Digitization Efforts on Cost Efficiency**
- **Appraisal Modernization**
- **Blockchain**
- **Closing Homeownership Gaps**

Results are reported at the lending institution parent-company level. If more than one individual from the same institution completes the survey, their responses are averaged to represent their parent company.



Methodology of Mortgage Lender Sentiment Survey[®]

Survey Methodology

- A 5-minute online survey among senior executives, such as CEOs and CFOs, of Fannie Mae's lending institution partners.
- To ensure that the survey results represent the behavior and output of organizations rather than individuals, the Fannie Mae Mortgage Lender Sentiment Survey is structured and conducted as an establishment survey.
- Each respondent is asked about ~10 questions.

Sample Design

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

Data Weighting

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



Cross-Subgroup Sample Sizes

	Total	Larger Lenders	Mid-Sized Lenders	Smaller Lenders
Total	213	51	44	118
Mortgage Banks (non-depository)	77	33	23	21
Depository Institutions	84	16	12	56
Credit Unions	41	1	5	35





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How to Read Significance Testing

On slides where significant differences between three groups are shown:

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

Example:

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?
Asked of all Institutions

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>N=</i>	213	51	44	118	77	84	41
Go up	44%	54%	39%	39%	51% ^D	35%	35%
Go down	11%	7%	15%	11%	7%	17% ^M	9%
Stay the same	43%	37%	47%	46%	40%	46%	54%
Don't know	2%	2%	0%	3% ^M	1%	1%	2%

3% is significantly higher than 0%
 (Mid-sized institutions)

17% is significantly higher than 7%
 (Mortgage Banks)



Calculation of the “Total”

The “Total” data presented in this report is an average of the means of the three loan origination volume groups (see an illustrated example below). Percentages below may add not sum to 100% due to rounding.

Example:

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

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
<i>N</i> =	213	51	44	118	77	84	41
Right track	44%	44%	47%	42%	49%	43%	41%
Wrong track	46%	42%	47%	48%	44%	45%	51%
Don't know	10%	14%	7%	10%	8%	12%	7%

“Total” of 44% is
 $(44\% + 47\% + 42\%) / 3$



Ease of Explaining Closing Costs to Customers

Based on your firm's experience, how easy or difficult is it to explain closing costs to your customers?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	213	51	44	118	77	84	41
Very easy	8%	2%	7%	14% ^L	5%	8%	24% ^{MD}
Somewhat easy	41%	39%	44%	39%	36%	46%	34%
Somewhat difficult	40%	38%	41%	40%	45%	37%	39%
Very difficult	5%	8% ^M	0%	6%	5%	7%	2%
Don't know/Not sure	5%	11% ^S	6%	0%	9% ^{DC}	1%	0%
Not applicable (my firm doesn't interact with consumer borrowers)	2%	2%	2%	1%	0%	0%	0%

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



Ease of Accurately Estimating Closing Costs

How easy or difficult has it been for your firm to accurately estimate closing costs?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	213	51	44	118	77	84	41
Very easy	10%	7%	8%	16%	8%	11%	21% ^M
Somewhat easy	50%	45%	57%	47%	47%	52%	45%
Somewhat difficult	32%	32%	27%	36%	39%	32%	32%
Very difficult	3%	6% ^S	3%	1%	3%	4%	0%
Don't know/Not sure	3%	8% ^{MS}	0%	0%	3%	1%	2%
Not applicable (my firm doesn't interact with consumer borrowers)	2%	2%	5%	1%	0%	0%	0%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
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Value of Simplifying/Standardizing Closing Cost Line-Item Descriptions

Overall, how valuable do you think simplifying and standardizing closing cost line-item descriptions will be for the mortgage lending industry?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	213	51	44	118	77	84	41
Very valuable	47%	54%	45%	42%	47%	39%	48%
Somewhat valuable	34%	28%	29%	44% ^L	34%	41%	43%
Not very valuable	12%	13%	14%	9%	13%	13%	4%
Not valuable	3%	4%	2%	3%	3%	4%	2%
Don't know/Not sure	5%	1%	10% ^{LS}	3%	3%	4%	2%

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



Benefits of Closing Cost Line-Item Description Simplification and Standardization Efforts

Listed below are some potential benefits of closing cost line-item description simplification and standardization efforts. Based on your firm's experience, please select up to two of the most important benefits you think these efforts would bring to the mortgage industry
Showing Most Important + 2nd Most Important Benefit, Ranked by 'Total'

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	213	51	44	118	77	84	41
Increasing transparency	47%	41%	49%	51%	48%	39%	60% ^D
Reducing compliance costs	35%	38%	34%	34%	40%	35%	27%
Helping consumers/borrowers comparison-shop	27%	23%	31%	28%	25%	25%	36%
Enhancing closing costs data accuracy and consistency	23%	35% ^M	8%	25% ^M	28%	23%	22%
Increasing confidence in preparing cost estimates for Loan Estimate and Closing Disclosure documents	23%	20%	28%	22%	19%	28%	25%
Lowering consumer/borrowing costs	17%	14%	18%	19%	16%	19%	17%
Reducing cycle time	7%	5%	8%	7%	6%	9%	5%
Other	3%	2%	3%	4%	3%	3%	4%

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



Challenges of Implementing Closing Cost Line-Item Description Standardization Efforts

Listed below are some potential challenges that the mortgage lending industry might face when implementing closing cost line-item description simplification and standardization efforts. Based on your experience, please select up to two of the biggest implementation challenges. Showing Biggest Challenge+ Second Biggest Challenge; Ranked by 'Total'

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	213	51	44	118	77	84	41
Getting key players to align on standardization	67%	69%	61%	70%	68%	60%	84% ^D
Technology updates (e.g., integration with LOS or industry data portals)	54%	63% ^S	53%	46%	62%	47%	43%
Cost to implement process and technology updates	30%	33%	27%	31%	30%	29%	42%
Internal governance/legal/oversight process	24%	15%	30%	28%	25%	28%	15%
Consumer education/marketing	8%	5%	11%	8%	7%	8%	10%
Internal training/education	8%	11%	3%	11%	5%	15% ^{MC}	2%
Other	4%	2%	9% ^{LS}	0%	1%	4%	0%

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



Biggest Opportunities to Better Define and Clarify to Increase Transparency

Listed below are some key areas for closing costs. In your view, which areas present the biggest opportunities for the industry to better define and clarify cost line items to increase transparency?

Please select up to two areas.

Showing Biggest Opportunity + Second Biggest Opportunity; Ranked by 'Total'

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	213	51	44	118	77	84	41
Lender fees such as loan origination, underwriting, and processing fees	28%	21%	27%	36% ^L	27%	35%	30%
Property-related fees such as Appraisal fee and Survey Fee	13%	11%	14%	13%	12%	13%	16%
Borrower credit report and/or income/assets/employment verification fees	26%	37% ^S	25%	15%	34% ^{DC}	14%	16%
Lender's title insurance premium or attorney opinion letter (AOL) fee	24%	23%	24%	25%	18%	28%	29%
Other title-related fees such as title search	20%	22%	14%	22%	22%	16%	28%
Settlement/Closing fees	39%	35%	43%	39%	37%	39%	37%
Other fees such as document-preparation fee, application fee, document delivery fee, wire transfer fee, notary fee, etc.	22%	25%	19%	22%	25%	22%	24%
Real estate agent commissions/fees	8%	10%	5%	9%	12%	8%	25%
Other (specify)*	5%	2%	9%	5%	3%	8%	0%

*Other (specify) answers included: "Loan originator commissions", "Insurance cost increase", "Overall compliance disclosures", and "Loan Level Price Adjustments"

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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Biggest Opportunities to Reduce Closing Costs

Which areas do you think present the biggest opportunities for the industry to reduce closing costs overall? Please select up to two areas.
Showing Biggest Opportunity + Second Biggest Opportunity; Ranked by 'Total'

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	213	51	44	118	77	84	41
Lender fees such as loan origination, underwriting, and processing fees	13%	8%	15%	16%	11%	15%	17%
Property-related fees such as Appraisal fee	19%	13%	26%	16%	13%	19%	24%
Borrower credit report and/or income/assets/employment verification fees	45%	56% ^S	41%	36%	53% ^C	41%	29%
Lender's title insurance premium or attorney opinion letter (AOL) fee	38%	39%	34%	42%	38%	38%	46%
Other title-related fees such as title search	12%	10%	17%	8%	8%	10%	5%
Settlement/Closing fees	21%	18%	23%	23%	22%	21%	22%
Other fees such as document-preparation fee, application fee, document delivery fee, wire transfer fee, notary fee, etc.	15%	14%	8%	22% ^M	16%	18%	22%
Real estate agent commissions/fees	20%	21%	18%	22%	21%	20%	22%
Other (specify)*	5%	5%	5%	5%	5%	8%	0%

*Other (specify) answers included: "Loan originator commissions", "Insurance cost increase", "Overall compliance disclosures", and "Loan Level Price Adjustments"

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



Economic Sentiment

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

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	213	51	44	118	77	84	41
Right track	44%	44%	47%	42%	49%	43%	41%
Wrong track	46%	42%	47%	48%	44%	45%	51%
Don't know	10%	14%	7%	10%	8%	12%	7%

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



Ease of Getting a Home Mortgage

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

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	213	51	44	118	77	84	41
Very difficult	15%	8%	14%	24% ^L	10%	20%	29% ^M
Somewhat difficult	62%	73% ^S	64%	50%	74% ^{DC}	50%	46%
Somewhat easy	18%	16%	18%	21%	12%	24%	23%
Very easy	4%	2%	5%	6%	3%	7%	2%
Don't know	0%	1%	0%	0%	1%	0%	0%

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



Home Price Expectation

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

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	213	51	44	118	77	84	41
Go up	44%	54%	39%	39%	51% ^D	35%	35%
Go down	11%	7%	15%	11%	7%	17% ^M	9%
Stay the same	43%	37%	47%	46%	40%	46%	54%
Don't know	2%	2%	0%	3% ^M	1%	1%	2%

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



Home Price Going Up Expectations

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?
*Asked of Institutions who think home prices will go up over the next 12 months.
 Showing summary statistics.*

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	100	31	21	48	43	33	17
Mean	4.2	3.8	4.4	4.8	4.0	4.2	5.2
Median	4.0	4.0	4.0	4.0	4.0	4.0	5.0
Minimum	1.8	1.8	2.0	2.0	1.8	2.6	2.5
Maximum	15.0	6.0	10.0	15.0	10.0	15.0	10.0
Standard deviation	2.1	1.2	2.2	2.7	1.8	2.6	2.5



Home Price Going Down Expectations

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?
*Asked of Institutions who think home prices will go down over the next 12 months.
 Showing summary statistics.*

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	26	4	7	15	6	16	4
Mean	5.8	3.6	7.0	5.7	7.6	5.1	5.4
Median	5.0	2.5	5.0	5.0	5.0	5.0	5.0
Minimum	2.0	2.0	3.0	2.5	3.0	2.0	2.5
Maximum	15.0	10.0	15.0	15.0	15.0	15.0	10.0
Standard deviation	3.7	3.1	4.3	3.1	4.8	2.9	3.5





Appendix

Appendix

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Special Topics Question Text

QR551: First, based on your firm's experience, how easy or difficult is it to explain closing costs to your customers (consumer borrowers)?

QR552: How easy or difficult has it been for your firm to accurately estimate closing costs?

QR553: Overall, how valuable do you think simplifying and standardizing closing cost line-item descriptions will be for the mortgage lending industry?

QR554: You mentioned that you believe simplifying and standardizing closing cost line-item descriptions will be **## insert choice from QR553 ##** for the mortgage lending industry. Please share your thoughts on why, such as what values you expect these efforts will bring to the mortgage industry or any concerns you have. (Optional)

QR555: Listed below are some potential benefits of closing cost line-item description simplification and standardization efforts. Based on your firm's experience, please select up to two of the most important benefits you think these efforts would bring to the mortgage industry.

QR556: Listed below are some possible challenges that the mortgage lending industry might face when implementing closing cost line-item description standardization efforts. Based on your experience, please select up to two of the biggest implementation challenges.

QR557: Listed below are some key areas for closing costs. In your view, which areas present the biggest opportunities for the industry to **better define and clarify cost line items to increase transparency?** Please select up to two areas.

QR558: You mentioned that you believe the cost line items in the area of **## insert choice from QR557 ##** need to be better defined and clarified to increase transparency. Please share your thoughts on why, such as what issues you are seeing and what can be improved. (Optional)

QR559: Which areas do you think present the biggest opportunities for the industry to **reduce closing costs overall?** Please select up to two areas.

QR560: You mentioned that you believe the biggest opportunity to reduce closing costs would be in the area of **## insert choice from QR559 ##** Please share your thoughts on why or how, such as what can be done to bring down the costs in this area. (Optional)

