Mortgage Lender Sentiment Survey Questionnaire
Quarterly Tracking Study – Q2 2017

/* DISPLAY */ Welcome to the *Mortgage Lender Sentiment Survey®, a* quarterly survey conducted by Fannie Mae among senior mortgage executives like you. We need your help to gather your views and experience with the mortgage market. Your participation is critical to ensure that results portray a representative view of key mortgage industry indicators. We hope this research will provide intelligence to help you manage your business practices.

The information you provide in this survey will be kept confidential. All results will be reported in the aggregate, and responses will not be linked to any individual person or company.

Thank you for taking part in this survey, your participation is greatly appreciated.

NHS Questions

/* DISPLAY */ This first series of questions asks about the overall economy and mortgage lending industry, nationwide. We're specifically interested in your opinion as a senior mortgage executive.

/* 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?

1) Right track
2) Wrong track
3) Don't know

/* Q1A */ Do you think it is very difficult, somewhat difficult, somewhat easy, or very easy for consumers to get a home mortgage today?

1) Very difficult
2) Somewhat difficult
3) Somewhat easy
4) Very easy
5) Don't know

/* 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?

1) Go up
2) Go down
3) Stay the same
4) Don't know

/* Q4a */ ## IF Q2=C1 ## 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? **/* OPEN END NUMERIC (0 TO 100) */**

/* Q5a */ ## IF Q2=C2 ## 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? **/* OPEN END NUMERIC (0 TO 100) */**

Consumer Demand

 /* DISPLAY */ This section is about consumer demand for single-family mortgages. We will be asking you these questions across three market categories, GSE-Eligible, Non-GSE-Eligible, and Government. We will also be asking these questions separately by purchase market and refinance market.

/* DISPLAY */ Now, let's focus on the consumer demand for single-family purchase mortgages your firm has experienced over the past three months.

/* METRIC A */ 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?

Hover over the terms "GSE Eligible," "Non-GSE Eligible," and "Government" in the table below to see the definitions.

Consumer Demand for Purchase Mortgages for the Past 3 Months
1) Went up significantly
2) Went up somewhat
3) Stayed the same
4) Went down somewhat
5) Went down significantly
6) Not applicable

/* REPEAT CODES */

/* Q6a */ Purchase - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q6b */ Purchase - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q6c */ Purchase - **[* Government *] [- 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. -]**

/* END SERIES */

/* Q7 */ ## IF (Q6a=c1, c2, c4, c5) OR (Q6b= c1, c2, c4, c5) OR (Q6c= c1, c2, c4, c5) ## 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) **/* OPEN END 1 BOXES 0 REQ */**

/* END SERIES */

/* METRIC A */ Now, let's focus on the <u>purchase</u> mortgages over the <u>next three months</u>.

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?

<u>**Consumer Demand for Purchase Mortgages for the Next 3 Months**</u>
1) Go up significantly
2) Go up somewhat
3) Stay the same
4) Go down somewhat
5) Go down significantly
6) Not applicable

/* REPEAT CODES */

/* Q14a */ Purchase - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q14b */ Purchase - **[* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]**
/* Q14c */ Purchase - **[* Government *] [- 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. -]**

/* END SERIES */

/* METRIC A */ ## IF Q14a=C1, C2 ## You mentioned that you expect your firm's consumer demand for <u>**GSE**</u> 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. **/* RANDOM ROTATE CHOICES */**

1) Home prices are low
2) Mortgage rates are favorable
3) There are many homes available on the market
4) It is easy to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q46a */ 1 - Most important
/* Q46b */ 2 - Second most important

/* END SERIES */

/* METRIC A */ ## IF Q14a=C4, C5 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Home prices are high
2) Mortgage rates are not favorable
3) There are not many homes available on the market
4) It is difficult to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are not favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q47a */ 1 - Most important
/* Q47b */ 2 - Second most important

/* END SERIES */

/* METRIC A */ ## IF Q14b=C1, C2 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Home prices are low
2) Mortgage rates are favorable
3) There are many homes available on the market
4) It is easy to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q49a */ 1 - Most important
/* Q49b */ 2 - Second most important

/* END SERIES */

/* METRIC A */ ## IF Q14b=C4, C5 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Home prices are high
2) Mortgage rates are not favorable
3) There are not many homes available on the market
4) It is difficult to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are not favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q50a */ 1 - Most important
/* Q50b */ 2 - Second most important

/* END SERIES */

/* METRIC A */ ## IF Q14c=C1, C2 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Home prices are low
2) Mortgage rates are favorable
3) There are many homes available on the market
4) It is easy to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q51a */ 1 - Most important
/* Q51b */ 2 - Second most important

/* END SERIES */

/* METRIC A */ ## IF Q14c=C4, C5 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Home prices are high
2) Mortgage rates are not favorable
3) There are not many homes available on the market
4) It is difficult to qualify for a mortgage
5) Economic conditions (e.g., employment) overall are not favorable
6) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q52a */ 1 - Most important
/* Q52b */ 2 **-** Second most important

/* END SERIES */

/* DISPLAY */ The next section is about consumer demand for refinance mortgages. Similarly, we will be asking these questions across three market categories, GSE-Eligible, Non-GSE-Eligible, and Government.

/* DISPLAY */ Now, let's focus on the consumer demand for single-family <u>refinance</u> mortgages your firm has experienced over the <u>past three months</u>.

/* METRIC A */ 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?

<u>Consumer Demand for Refinance Mortgages for the Past 3 Months</u>
1) Went up significantly
2) Went up somewhat
3) Stayed the same
4) Went down somewhat
5) Went down significantly
6) Not applicable

/* REPEAT CODES */

/* Q10a */ Refinance - **[* GSE Eligible *] [- 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). Exclude Government loans from this category. -]**
/* Q10b */ Refinance - **[* Non-GSE Eligible *] [- Non-GSE Eligible Mortgages are defined as mortgages that do not meet the GSE guidelines for purchase. These loans typically require larger down payments typically and carry higher interest rates than GSE loans. Exclude Government loans from this category. -]**

/* Q10c */ Refinance - [* Government *] [- 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. -]

/* END SERIES */

/* DISPLAY */ Now, let's focus on the <u>refinance</u> mortgages over the <u>next three months</u>.

/* METRIC A */ 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?

Consumer Demand for Refinance Mortgages for the Next 3 Months
    1) Go up significantly
    2) Go up somewhat
    3) Stay the same
    4) Go down somewhat
    5) Go down significantly
    6) Not applicable

/* REPEAT CODES */

/* Q18a */ Refinance - [* GSE Eligible *] [- 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). Exclude Government loans from this category. -]
/* Q18a */ Refinance - [* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]
/* Q18c */ Refinance - [* Government *] [- 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. -]

/* END SERIES */

Profit Margin

/* DISPLAY */ Now you will see some questions regarding your firm's 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?

    1) Increase significantly (25+ basis points)
    2) Increase somewhat (5 - 25 basis points)
    3) Remain about the same (0 - 5 basis points)
    4) Decrease somewhat (5 - 25 basis points)
    5) Decrease significantly (25+ basis points)
    6) Not sure/Prefer not to answer/Not applicable

/* METRIC A */ ## IF Q22=4,5 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Consumer demand
2) Competition from other lenders
3) Government monetary or fiscal policy
4) Government regulatory compliance
5) GSE pricing and policies
6) Non-GSE (other investors) pricing and policies
7) Operational efficiency (i.e. technology)
8) Staffing (personnel costs)
9) Marketing expenses
10) Servicing costs
11) Market trend changes (i.e. shift from refinance to purchase)
12) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q24a */ 1 - Most important
/* Q24b */ 2 - Second most important

/* END SERIES */

/* METRIC A */ ## IF Q22=1,2 ## 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. **/* RANDOM ROTATE CHOICES */**

1) Consumer demand
2) Less competition from other lenders
3) Government monetary or fiscal policy
4) Government regulatory compliance
5) GSE pricing and policies
6) Non-GSE (other investors) pricing and policies
7) Operational efficiency (i.e. technology)
8) Staffing (personnel costs) reduction
9) Marketing expense reduction
10) Servicing cost reduction
11) Market trend changes (i.e. shift from refinance to purchase)
12) Other **/* DO NOT ROTATE */**

/* REPEAT CODES */

/* Q26a */ 1 - Most important
/* Q26b */ 2 - Second most important

/* END SERIES */

Credit Standards

 /* DISPLAY */ This section is about your firm's credit standards for approving applications from individuals for mortgage loans.

/* METRIC B */ Now, let's focus on the past three months.

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)? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.

Credit Standards over the Past 3 Months
1) Eased considerably
2) Eased somewhat
3) Remained basically unchanged
4) Tightened somewhat
5) Tightened considerably
6) Not applicable

/* REPEAT CODES */

/* Q27a */ [* GSE Eligible *] [- 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). Exclude Government loans from this category. -]
/* Q27b */ [* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]
/* Q27c */ [* Government *] [- 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. -]

/* END SERIES */

/* Q28 */ ## IF ANY (Q27a, Q27b, Q27c) = c1,c2,c4,c5 ## 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) **/* OPEN END 1 BOXES 0 REQ */**

/* DISPLAY */ Now let's focus on the next three months.

/* METRIC A */ 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)?

<u>Credit Standards over the Next 3 Months</u>
1) Ease considerably
2) Ease somewhat
3) Remain basically unchanged
4) Tighten somewhat
5) Tighten considerably
6) Not applicable

/* REPEAT CODES */

/* Q31a */ [* GSE Eligible *] [- 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). Exclude Government loans from this category. -]
/* Q31b */ [* Non-GSE Eligible *] [- 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. Exclude Government loans from this category. -]
/* Q31c */ [* Government *] [- 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. -]

/* END SERIES */

/* Q32 */ ## IF ANY (Q31a, Q31b, Q31c) = c1,c2,c4,c5 ## 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) **/* OPEN END 1 BOXES 0 REQ */**

/* QR83 */ Does your firm originate or acquire loans through wholesale channels such as mortgage brokers or correspondent channels?

1) Yes
2) No
3) Not sure/don't know

/* QR84 */ ## IF QR83=c1 ## Does your firm apply credit overlays when originating or acquiring loans through wholesale channels?

1) Yes
2) No
3) Not sure/don't know

/* QR84a */ /* ## IF QR84=c1## How does your firm anticipate changing your credit overlays to brokers/correspondents over the next 6 months?

1) We plan on reducing credit overlays
2) We plan on increasing credit overlays
3) We plan on keeping credit overlays about the same

Mortgage Execution Share

 /* DISPLAY */ **The next series of questions is about your firm's mortgage-origination execution strategy.**

/* METRIC A */ Approximately, what percent of your firm's total mortgage originations goes to each of the following categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. **/* OPEN END NUMERIC (0 TO 100) */**

/* REPEAT CODES */

/* Q35a */ Portfolio Retention
/* Q35b */ GSE (Fannie Mae and Freddie Mac)
/* Q35c */ Ginnie Mae (FHA/VA)
/* Q35d */ Private Label Securities / Non-Agency Securities
/* Q35e */ Whole Loan Sales to NON-GSE (Correspondent)
/* Q35f */ Other

/* END SERIES */

/* q35fother */ ## IF Q35f > 0 ## On the previous page you indicated "other." Please specify your firm's other post mortgage-origination execution category. **/* OPEN END 1 BOXES 1 REQ */ ## QUESTION IS REQUIRED ##**

/* METRIC A */ Looking forward, what percent of your firm's total mortgage originations over the next 12 months will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. **/* OPEN END NUMERIC (0 TO 100) */**

/* REPEAT CODES */

/* Q44a */ Portfolio Retention
/* Q44b */ GSE (Fannie Mae and Freddie Mac)
/* Q44c */ Ginnie Mae (FHA/VA)
/* Q44d */ Private Label Securities / Non-Agency Securities
/* Q44e */ Whole Loan Sales to NON-GSE (Correspondent)
/* Q44f */ ## INSERT RESPONSE FROM q35fother ##

/* END SERIES */

Mortgage Servicing Rights

/* DISPLAY */ Now, we will be asking you about your firm's mortgage servicing rights (MSR) strategy.

/* METRIC A */ Approximately, what percent of your mortgage servicing rights (MSR) goes to each of the following categories? Please enter a percent in each box below. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. /* OPEN END NUMERIC (0 TO 100) */

/* REPEAT CODES */

/* Q38a */ MSR retained, serviced in-house
/* Q38b */ MSR retained, serviced by a subservicer
/* Q38c */ MSR sold

/* END SERIES */

/* METRIC A */ Looking forward, what percent of your firm's mortgage servicing rights (MSR) over the next 12 months will go to each of the following categories? Please enter a percent for each category. If a category is not applicable to your firm, please enter 0. The percentages below must add up to 100%. /* OPEN END NUMERIC (0 TO 100) */

 /* REPEAT CODES */

/* Q45a */ MSR retained, serviced in-house
/* Q45b */ MSR retained, serviced by a subservicer
/* Q45c */ MSR sold

/* END SERIES */

/* Q45d*/ ## IF Q38C does not equal Q45C ## What do you think will drive the change in your firm's percentage of MSR sold over the next 12 months? Please be as specific as possible. (Optional) /* OPEN END 1 BOXES 0 REQ */

Rotating Questions – Housing Industry Views

/* DISPLAY */ In the next section, we would like to gather your views about the current housing industry and your firm's business priorities.

/* METRIC A */ To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2017? Please select up to two most important priorities and rank them in order of importance. **/* RANDOM ROTATE CHOICES */ ## MIMIC THE LAYOUT OF G26A FOR GRID PRESENTATION; DO NOT ALLOW SAME CHOICE FOR QR197 AND QR198 ##**

1) Consumer-facing technology
2) Back-end process technology
3) Marketing
4) Talent management & leadership
5) New products or services
6) Data analytics and business intelligence
7) Regulation and compliance
8) Business process streamlining
9) Cost cutting
10) Other **/* SPECIFY */ /* DO NOT ROTATE */**

/* REPEAT CODES */
/* QR197 */ Most Important Priority
/* QR198 */ Second Most Important Priority
/* END SERIES */

/* QR199 */ You mentioned that **/* [INSERT QR197] */** is a top priority for your firm. Could you share some details about why it is a top priority? What do you want to achieve? **/* OPEN END 1 BOXES 1 REQ */**

/* QR200 */ Do you expect to see more or less consolidation in the mortgage industry during 2017 compared to 2016?

Consolidation could be caused by mergers and acquisitions, or lenders exiting the business.

1) Expect to see more consolidation
2) Expect to see less consolidation
3) Expect no major changes

/* QR201 */ ## IF QR200=C1 ## What impact do you believe more consolidation would have on the housing industry?

1) Very positive impact
2) Somewhat positive impact
3) Somewhat negative impact
4) Very negative impact
5) No impact

/* QR201a */ ## IF QR201=C1 ## Why do you believe more consolidation would have very positive impact on the housing industry? Please share your thoughts.

/* QR201b */ ## IF QR201=C2 ## Why do you believe more consolidation would have somewhat positive impact on the housing industry? Please share your thoughts.
/* OPEN END 1 BOXES 1 REQ */

/* QR201c */ ## IF QR201=C3 ## Why do you believe more consolidation would have somewhat negative impact on the housing industry? Please share your thoughts.

/* QR201d */ ## IF QR201=C4 ## Why do you believe more consolidation would have very negative impact on the housing industry? Please share your thoughts.
/* OPEN END 1 BOXES 1 REQ */

/* QR202 */ ## IF QR200=C2 ## What impact do you believe less consolidation would have on the housing industry?

1) Very positive impact
2) Somewhat positive impact
3) Somewhat negative impact
4) Very negative impact
5) No impact

/* QR202a */ ## IF QR202=C1 ## Why do you believe less consolidation would have very positive impact on the housing industry? Please share your thoughts.

/* QR202b */ ## IF QR202=C3 ## Why do you believe less consolidation would have somewhat positive impact on the housing industry? Please share your thoughts.
/* OPEN END 1 BOXES 1 REQ */

/* QR202c */ ## IF QR202=C3 ## Why do you believe less consolidation would have somewhat negative impact on the housing industry? Please share your thoughts.

/* QR202d */ ## IF QR202=C4 ## Why do you believe less consolidation would have very negative impact on the housing industry? Please share your thoughts.
/* OPEN END 1 BOXES 1 REQ */

/* METRIC A */ Listed below are some economic trends or potential policy changes. Generally speaking, what kind of impact do you see each trend or potential policy change will have on the housing market for 2017? **## SHOW AS GRID WITH METRIC ALONG TOP AND QR203A THROUGH QR203L ON LEFT SIDE ##**

1) Very Positive Impact
2) Somewhat Positive Impact
3) No Impact
4) Somewhat Negative Impact
5) Very Negative Impact

/* REPEAT CODES */ /* RANDOM ROTATE SERIES */
/* QR203a */ Financial Regulation/De-regulation
/* QR203b */ U.S. Economy
/* QR203c */ Healthcare Policy
/* QR203d */ Tax Policy

/* QR203e */ Interest Rates
/* QR203f */ Housing Supply
/* QR203g */ Housing Policy
/* QR203h */ Home Prices
/* QR203i */ Immigration Policy
/* QR203j */ Trade Policy
/* QR203k */ Federal Budget
/* QR203l */ Energy Regulation/De-regulation

/* END SERIES */

/* QR204 */ ## IF NO C1 OR C2 IS SELECTED AMONG GR203A, THEN SKIP QR204 ## ## SHOW QR204 IF C1 IS SELECTED MORE THAN ONCE AMONG GR203A ## ## IF C1 IS ONLY SELECTED ONCE IN GR203A, THEN AUTOCODE QR204 TO THE RESPECTIVE RESPONSE BELOW AND DO NOT SHOW QR204 ## ## IF NO C1 IS SELECTED AMONG GR203A AND MORE THAN ONE C2 IS SELECTED, THEN SHOW QR204 ## ## IF NO C1 IS SELECTED AMONG GR203A AND ONLY ONE C2 IS SELECTED, THEN AUTOCODE TO THE RESPECTIVE RESPONSE BELOW AND DO NOT SHOW QR204 ## Which trend or potential policy change do you think will have the largest positive impact on the housing industry? **/* RANDOM ROTATE CHOICES */**

1) Financial Regulation/De-regulation **## SHOW IF QR203A=C1 ## ## SHOW IF NO GR203A=C1 AND QR203A=C2 ##**
2) U.S. Economy **## SHOW IF QR203B=C1 ## ## SHOW IF NO GR203A=C1 AND QR203B=C2 ##**
3) Healthcare Policy **## SHOW IF QR203C=C1 ## ## SHOW IF NO GR203A=C1 AND QR203C=C2 ##**
4) Tax Policy **## SHOW IF QR203D=C1 ## ## SHOW IF NO GR203A=C1 AND QR203D=C2 ##**
5) Interest Rates **## SHOW IF QR203E=C1 ## ## SHOW IF NO GR203A=C1 AND QR203E=C2 ##**
6) Housing Supply **## SHOW IF QR203F=C1 ## ## SHOW IF NO GR203A=C1 AND QR203F=C2 ##**
7) Housing Policy **## SHOW IF QR203G=C1 ## ## SHOW IF NO GR203A=C1 AND QR203G=C2 ##**
8) Home Prices **## SHOW IF QR203H=C1 ## ## SHOW IF NO GR203A=C1 AND QR203H=C2 ##**
9) Immigration Policy **## SHOW IF QR203I=C1 ## ## SHOW IF NO GR203A=C1 AND QR203I=C2 ##**
10) Trade Policy **## SHOW IF QR203J=C1 ## ## SHOW IF NO GR203A=C1 AND QR203J=C2 ##**
11) Federal Budget **## SHOW IF QR203K=C1 ## ## SHOW IF NO GR203A=C1 AND QR203K=C2 ##**
12) Energy Regulation/De-regulation **## SHOW IF QR203L=C1 ## ## SHOW IF NO GR203A=C1 AND QR203L=C2 ##**

/* QR205 */ ## IF QR204=C1-C12 ## Could you share your thoughts on why you think **/* [INSERT QR204] */** will have the largest positive impact on the housing market? How do you see **/* [INSERT QR204] */** impacting the housing industry? **/* OPEN END 1 BOXES 1 REQ */**

/* QR206 */ ## IF NO C4 OR C5 IS SELECTED AMONG GR203A, THEN SKIP QR206 ## ## SHOW QR206 IF C5 IS SELECTED MORE THAN ONCE AMONG GR203A ## ## IF C5 IS ONLY SELECTED ONCE IN GR203A, THEN AUTOCODE QR206 TO THE RESPECTIVE RESPONSE BELOW AND DO NOT SHOW QR206 ## ## IF NO C5 IS SELECTED AMONG GR203A BUT MORE THAN ONE C4 IS SELECTED, THEN SHOW QR206 ## ## IF NO C5 IS SELECTED AMONG GR203A AND ONLY ONE C4 IS SELECTED, THEN AUTOCODE QR204 TO THE RESPECTIVE RESPONSE BELOW AND DO NOT SHOW QR206 ## Which trend or potential policy change do you think will have the largest negative impact on the housing industry?**/* RANDOM ROTATE CHOICES */**

1) Financial Regulation/De-regulation **## SHOW IF QR203A=C5 ## ## SHOW IF NO GR203A=C5 AND QR203A=C4 ##**
2) U.S. Economy **## SHOW IF QR203B=C5 ## ## SHOW IF NO GR203A=C5 AND QR203B=C4 ##**
3) Healthcare Policy **## SHOW IF QR203C=C5 ## ## SHOW IF NO GR203A=C5 AND QR203C=C4 ##**
4) Tax Policy **## SHOW IF QR203D=C5 ## ## SHOW IF NO GR203A=C5 AND QR203D=C4 ##**
5) Interest Rates **## SHOW IF QR203E=C5 ## ## SHOW IF NO GR203A=C5 AND QR203E=C4 ##**
6) Housing Supply **## SHOW IF QR203F=C5 ## ## SHOW IF NO GR203A=C5 AND QR203F=C4 ##**
7) Housing Policy **## SHOW IF QR203G=C5 ## ## SHOW IF NO GR203A=C5 AND QR203G=C4 ##**
8) Home Prices **## SHOW IF QR203H=C5 ## ## SHOW IF NO GR203A=C5 AND QR203H=C4 ##**
9) Immigration Policy **## SHOW IF QR203I=C5 ## ## SHOW IF NO GR203A=C5 AND QR203I=C4 ##**
10) Trade Policy **## SHOW IF QR203J=C5 ## ## SHOW IF NO GR203A=C5 AND QR203J=C4 ##**
11) Federal Budget **## SHOW IF QR203K=C5 ## ## SHOW IF NO GR203A=C5 AND QR203K=C4 ##**
12) Energy Regulation/De-regulation **## SHOW IF QR203L=C5 ## ## SHOW IF NO GR203L=C5 AND QR203A=C4 ##**

/ QR207 */* **## IF QR206=C1-C12 ##** Could you share your thoughts on why you think */* **[INSERT QR206]** */* will have the largest negative impact on the housing market? How do you see */* **[INSERT QR206]** */* impacting the housing industry? */* **OPEN END 1 BOXES 1 REQ */***

/* METRIC A */ Listed below are different risks associated with mortgage banking.

Please select <u>up to three</u> risks that are your firm's top areas of focus this year (2017) and rank them in order of importance. Hover over the terms in the table below to see the definitions. ## COPY LOGIC FROM GR163A: ALLOW RESPONDENT TO CHOOSE ONE, TWO, OR THREE OPTIONS FROM GRID. DO NOT ALLOW THEM TO CHOOSE THE SAME CHOICE TWICE. DO NOT ALLOW REPONSES TO 2ND MOST IMPORTANT WITHOUT MOST IMPORTANT, NOR 3RD WITHOUT 2ND ##

1) **[* Credit Risk *] [-** *Credit Risk* **rises as loan quality deteriorates, affecting both the ability to sell originated loans and the market value and profitability of the servicing portfolio. -]**
2) **[* Volume Decrease Risk *] [-** *Volume Decrease Risk* **rises when consumer demand for new mortgages (purchasing and refinancing) declines. Factors could include interest rate changes, job prospects, living expense changes, economic trends, demographic trends, etc. -]**
3) **[* Interest Rate Risk *] [-** *Interest Rate Risk*: **When rates rise, lenders could face extension risk (i.e., they risk being "stuck" with a portfolio of super low rates in a rising rate environment), but their servicing income and the value of their Mortgage Servicing Assets (MSA) portfolio may increase. When rates fall, they face prepayment risk (i.e., that borrowers will refinance their loans causing a decline in the institutions' revenue and income) and a decline in MSA values. -]**

[* Pipeline Risk *] ## SHOW AS EMPTY ROW WITH "PIPELINE RISK" IN LEFTMOST COLUMN ##

4) **[* Borrower Fallout *] [-** *Borrower Fallout* **is the risk that a loan that has been issued a rate lock does not close. -]**
5) **[* Product/Liquidity Risk *] [-** *Product/Liquidity Risk* **is the potential that a loan product will have no liquidity once it is ready for sale (e.g., from failure to underwrite or service loans according to investor and insurer requirements). -]**
6) **[* Investor Fallout *] [-** *Investor Fallout Risk* **is the risk that an investor fails to meet the terms of its commitment to purchase a mortgage loan(s). -]**

INSERT EMPTY ROW

7) **[* Investor Risk *] [-** *Investor Risk* **is the risk that an investor fully or partially exits the business of acquiring mortgage loans or severs its relationship with a lender. -]**
8) **[* Repurchase Risk *] [-** *Repurchase Risk* **is a risk that a loan purchased from a lender/seller violates the terms of the seller agreement, requiring the seller to repurchase the loan from the investor. -]**
9) **[* Fraud Risk *] [-** *Fraud Risk* **is the risk that a borrower or participant in the mortgage process misrepresents or omits material information associated with a loan. -]**
10) **[* Operational Risk *] [-** *Operational Risk* **reflects the strain on operating systems as supported by internal controls, information systems, employee capability and integrity and operating processes, including oversight of third-party providers. -]**
11) **[* Compliance Risk *] [-** *Compliance Risk* **is rooted in standards established by the extensive array of consumer protection laws, with special emphasis on the quality of information given to consumers, deterrence of steering consumers to particular mortgage products, and procedures for promoting fair lending. -]**

/* REPEAT CODES */
/* QR208a */ Most Important Focus
/* QR208b */ 2nd Most Important Focus
/* QR208c */ 3rd Most Important Focus
/* END SERIES */

/* **METRIC A** */ Please select up to three risks whose concern level has grown at your firm over the past year and rank them by increased level of concern. Hover over the terms in the table below to see the definitions. **## SAME LOGIC AS GR208A ##**

1) [* **Credit Risk** *] [- *Credit Risk* **rises as loan quality deteriorates, affecting both the ability to sell originated loans and the market value and profitability of the servicing portfolio.** -]
2) [* **Volume Decrease Risk** *] [- *Volume Decrease Risk* **rises when consumer demand for new mortgages (purchasing and refinancing) declines. Factors could include interest rate changes, job prospects, living expense changes, economic trends, demographic trends, etc.** -]
3) [* **Interest Rate Risk** *] [- *Interest Rate Risk*: **When rates rise, lenders could face extension risk (i.e., they risk being "stuck" with a portfolio of super low rates in a rising rate environment), but their servicing income and the value of their Mortgage Servicing Assets (MSA) portfolio may increase. When rates fall, they face prepayment risk (i.e., that borrowers will refinance their loans causing a decline in the institutions' revenue and income) and a decline in MSA values.** -]

[* **Pipeline Risk** *] **## SHOW AS EMPTY ROW WITH "PIPELINE RISK" IN LEFTMOST COLUMN ##**

4) [* **Borrower Fallout** *] [- *Borrower Fallout* **is the risk that a loan that has been issued a rate lock does not close.** -]
5) [* **Product/Liquidity Risk** *] [- *Product/Liquidity Risk* **is the potential that a loan product will have no liquidity once it is ready for sale (e.g., from failure to underwrite or service loans according to investor and insurer requirements).** -]
6) [* **Investor Fallout** *] [- *Investor Fallout Risk* **is the risk that an investor fails to meet the terms of its commitment to purchase a mortgage loan(s).** -]

INSERT EMPTY ROW

7) [* **Investor Risk** *] [- *Investor Risk* **is the risk that an investor fully or partially exits the business of acquiring mortgage loans or severs its relationship with a lender.** -]
8) [* **Repurchase Risk** *] [- *Repurchase Risk* **is a risk that a loan purchased from a lender/seller violates the terms of the seller agreement, requiring the seller to repurchase the loan from the investor.** -]
9) [* **Fraud Risk** *] [- *Fraud Risk* **is the risk that a borrower or participant in the mortgage process misrepresents or omits material information associated with a loan.** -]
10) [* **Operational Risk** *] [- *Operational Risk* **reflects the strain on operating systems as supported by internal controls, information systems, employee capability and integrity and operating processes, including oversight of third-party providers.** -]
11) [* **Compliance Risk** *] [- *Compliance Risk* **is rooted in standards established by the extensive array of consumer protection laws, with special emphasis on the quality of information given to consumers, deterrence of steering consumers to particular mortgage products, and procedures for promoting fair lending.** -]

/* **REPEAT CODES** */
/* **QR209a** */ Concern that increased the most
/* **QR209b** */ Concern that increased the second most
/* **QR209c** */ Concern that increased the third most
/* **END SERIES** */

/* **Q43** */ This is the last question. Are there other topics that you think would be interesting or useful to be included in the future quarterly survey among senior mortgage executives like yourself? (Optional) /* **OPEN END 1 BOXES 0 REQ** */

/* **DISPLAY** */ This now completes the survey. We really appreciate you taking the time to contribute to this important industry research.

You can find the previous quarters' results as well as special topic analyses on the <u>Mortgage Lender Sentiment Survey</u>® page on FannieMae.com.

Please note that responses to the survey questions will be aggregated and analyzed solely to identify important topics, trends, and issues surrounding the mortgage industry. Fannie Mae will not publish respondent names or affiliated institutions.

At this point, you may close your browser window or **<u>click below</u>** to enter your email address if you would like to receive a copy of the Q2 2017 Mortgage Lender Sentiment Survey® report when it's released. To ensure that your survey responses remain anonymous, after clicking on the link you will be directed to a separate website to enter your email address.