Mortgage Lender Sentiment Survey®
Special Topics Report

Lenders’ 2023 Business Priorities and Economic Outlook

May 2023

Fannie Mae®

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Executive Summary

Cost-cutting remains the top business priority for lenders two years in a row, followed closely by business process streamlining. At the same time, lender sentiment toward the U.S. economy continues to be pessimistic, with more lenders believing the economy is on the wrong track rather than on the right track. Housing stock/supply, mortgage rate changes, and bank liquidity risk were cited as the top risk factors for 2023.

Top Business Priorities

(Combined % most important + second most important)

35% say **cost-cutting**

32% say **business process streamlining**

24% say **talent management and leadership**

24% say **consumer-facing technology**

BUSINESS PRIORITY TRENDS:

- **Cost-cutting remains #1** in both 2023 and 2022
- **Regulation and compliance** reached its **highest in 6 years**

Economic Outlook

73% believe the U.S. economy is on the "**wrong track.**"

57% believe it is "**very likely**" the U.S. will enter a recession in the next two years.

44% expect the recession to start in **Q4 2023** *(among those who expect a recession).*

Risks and Credit Standards

TOP RISK FACTORS for 2023

((Combined % biggest risk + second biggest risk + % third biggest risk)

59% Housing stock/supply

55% Mortgage rate changes

38% Bank liquidity risk

CREDIT STANDARDS

The net share of lenders reporting easing credit standards* turns:

Past 3 Months — Negative

Next 3 Months — Negative

which suggests net tightening, a reversal in the trend seen in 2021 (data not tracked between Q2 2022 - Q1 2023)

* Net Ease % = % of lenders saying ease minus % of lenders saying tighten

Business Context

Business Context and Research Questions

Business Context

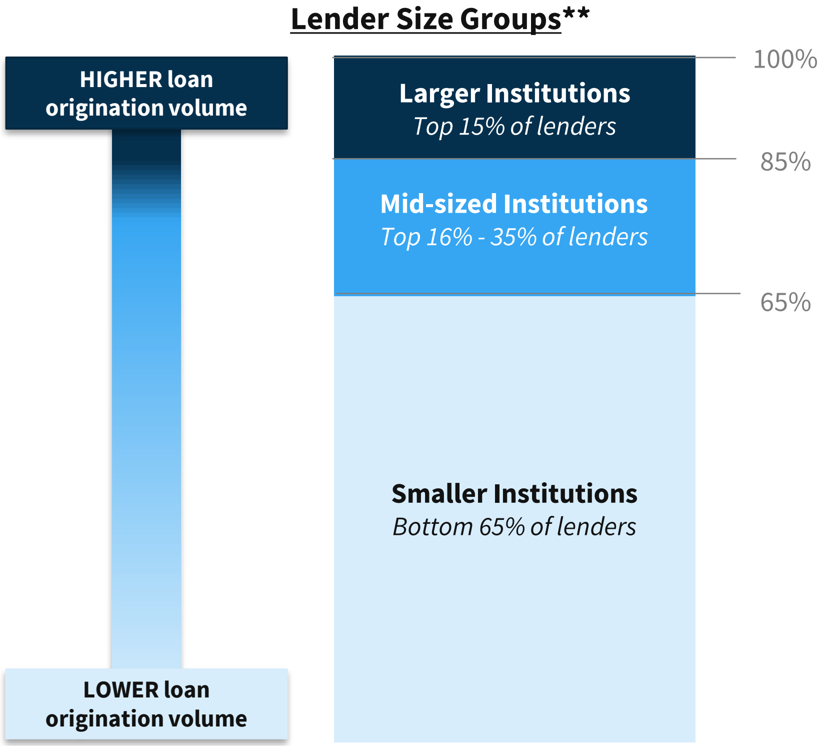
Entering 2023, the mortgage industry has faced a number of challenges, including high home prices, interest-rate hikes, inflation, continued tight housing inventory, and a slowdown of global economic growth. Consensus opinion expects both purchase and refinance originations continuing to slow down this year. In early May, we surveyed over 200 senior mortgage executives, via the Mortgage Lender Sentiment Survey®, to better understand their 2023 business priorities and risk concerns.

Research Questions

1. What are lenders' most important business priorities for 2023 to maintain or improve their competitiveness in the marketplace? And how are their top business priorities for 2023 different from those in the prior five years? What has changed?
2. What do lenders think about the U.S. economy? How likely do they think the U.S. economy will enter a recession over the next two years?
3. What are the top risk factors that lenders think could impact the mortgage business for 2023? To what extent do lenders see the recent banking turmoil (e.g., lack of consumer confidence in banks and bank collapses) impacted their business operation or mortgage production or servicing?
4. How have lenders eased or tightened their underwriting standards for mortgage loan applications over the prior three months? How do lenders expect their underwriting standards to change (ease or tighten) for the following three months?

Respondent Sample and Groups

For the current study, a total of 253 senior executives completed the survey between May 2 and May 15, representing 232 lending institutions.*



Sample Q2 2023		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.		232
Lender Size Groups	**Larger Institutions** Lenders in the Fannie Mae database who were in the top 15% of lending institutions based on their total 2022 loan origination volume (above $1.34 billion)	53
	Mid-sized Institutions Lenders in the Fannie Mae database who were in the next 20% (16%-35%) of lending institutions based on their total 2022 loan origination volume (between $425 million and $1.34 billion)	44
	Smaller Institutions Lenders in the Fannie Mae database who were in the bottom 65% of lending institutions based on their total 2022 loan origination volume (less than $425 million)	135
Institution Type* **	**Mortgage Banks** (non-depository)	89
	Depository Institutions	79
	Credit Unions	53

* The results of the Mortgage Lender Sentiment Survey are reported at the lending institutional parent-company level. If more than one individual from the same institution completes the survey, their responses are weighted to represent their parent institution.
** The 2022 total loan volume per lender used here includes the best available annual origination information from Fannie Mae, Freddie Mac, and Marketrac. Lenders in the Fannie Mae database are sorted by their firm's total 2022 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.

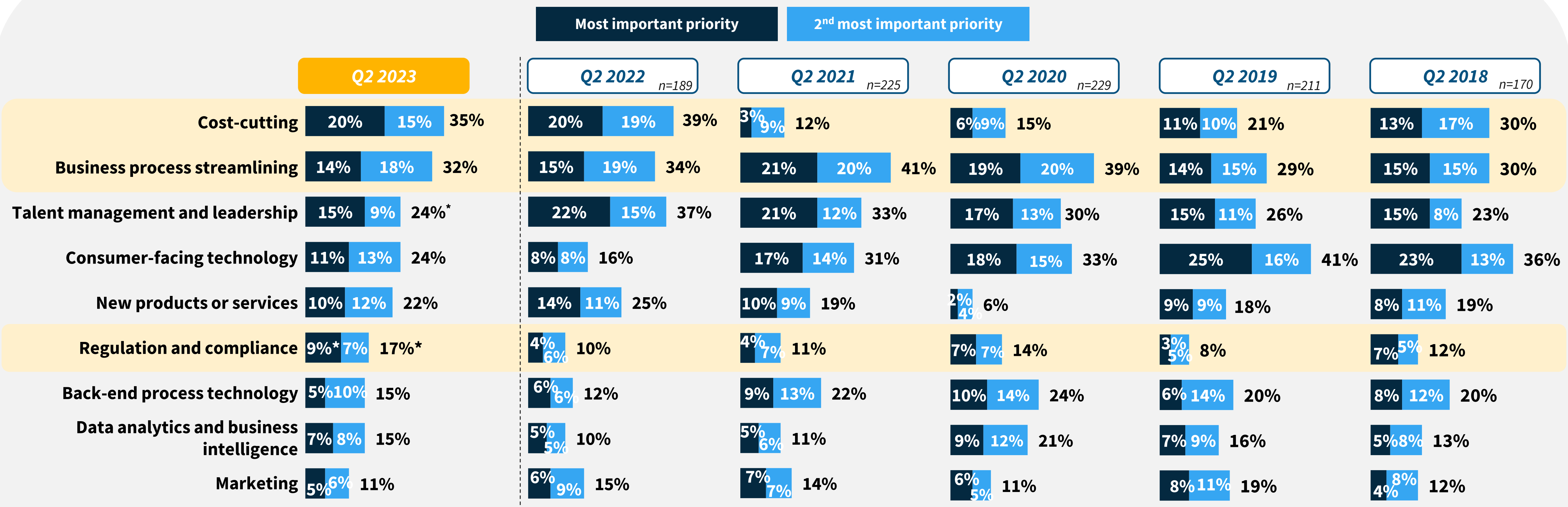
Lenders’ 2023 Business Priorities

Top Business Priorities 2023

Cost-cutting remains the top business priority for lenders for two consecutive years, followed closely by business process streamlining. Regulation and compliance reached its highest share in six years (since 2018).

Most Important Business Priorities for 2023

Select up to two most important, n=232



In 2023, 1% (n=4) chose 'no answer' for the second most important business priority.
Less than 5% (n=14) of respondents said "Other".
Responses include: "Rates", "liquidity and cash availability", "Reopening Seasoned Bulk", "Training new diverse loan officers", "Customer Experience", "Managing NII", "Recruiting Sales People", "Loan Generation", "Networking", "Finding a secondary market partner that does not require me to send them 12 loans per year.", "Updated FNMA Pricing Engine targeted for Co-Issue Sellers", "2nd liens", "Portfolio strategy", "Additional Jumbo Mortgage Sales Outlets".

** Indicates a significant difference in total between 2023 and 2022 at the 95% Confidence Interval*

Q: *To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2023? Please select up to two most important priorities and rank them in order of importance.*

Top Business Priorities 2023 by Institution Type

Depository institutions (excluding credit unions) plan to focus more on talent management and compliance in 2023, while mortgage banks plan to focus more on cost-cutting and new products/services.

Most Important Business Priorities for 2023

Showing Q2 2023 % selected 'Most important,' 'Second most important,' and Overall Importance; Ranked by Total 'Overall Importance;' n=232

Most important priority | 2nd most important priority

	Total			Mortgage Banks (M) n=89			Depository Institutions (D) n=79			Credit Unions (C) n=53		
	Most important	2nd most important	Overall	Most important	2nd most important	Overall	Most important	2nd most important	Overall	Most important	2nd most important	Overall
Cost-cutting	20%	15%	35%	27%^{D}	16%	43%^{D}	11%	15%	25%	19%	15%	34%
Business process streamlining	14%	18%	32%	12%	19%	31%	13%	15%	28%	15%	11%	26%
Talent management and leadership	15%	9%	24%	13%	8%	21%	24%^{C}	11%	35%^{M}	8%	17%	25%
Consumer-facing technology	11%	13%	24%	9%	11%	20%	12%	14%	26%	10%	13%	24%
New products or services	10%	12%	22%	10%	19%^{D}	29%^{D}	4%	5%	9%	14%^{D}	9%	24%^{D}
Regulation and compliance	9%	7%	17%	7%	5%	12%	16%	12%	28%^{M,C}	8%	4%	11%
Back-end process technology	5%	10%	15%	6%	7%	13%	4%	11%	15%	6%	14%	20%
Data analytics and business intelligence	7%	8%	15%	7%	8%	15%	6%	8%	13%	9%	8%	17%
Marketing	5%	6%	11%	5%	4%	10%	6%	6%	13%	6%	7%	12%

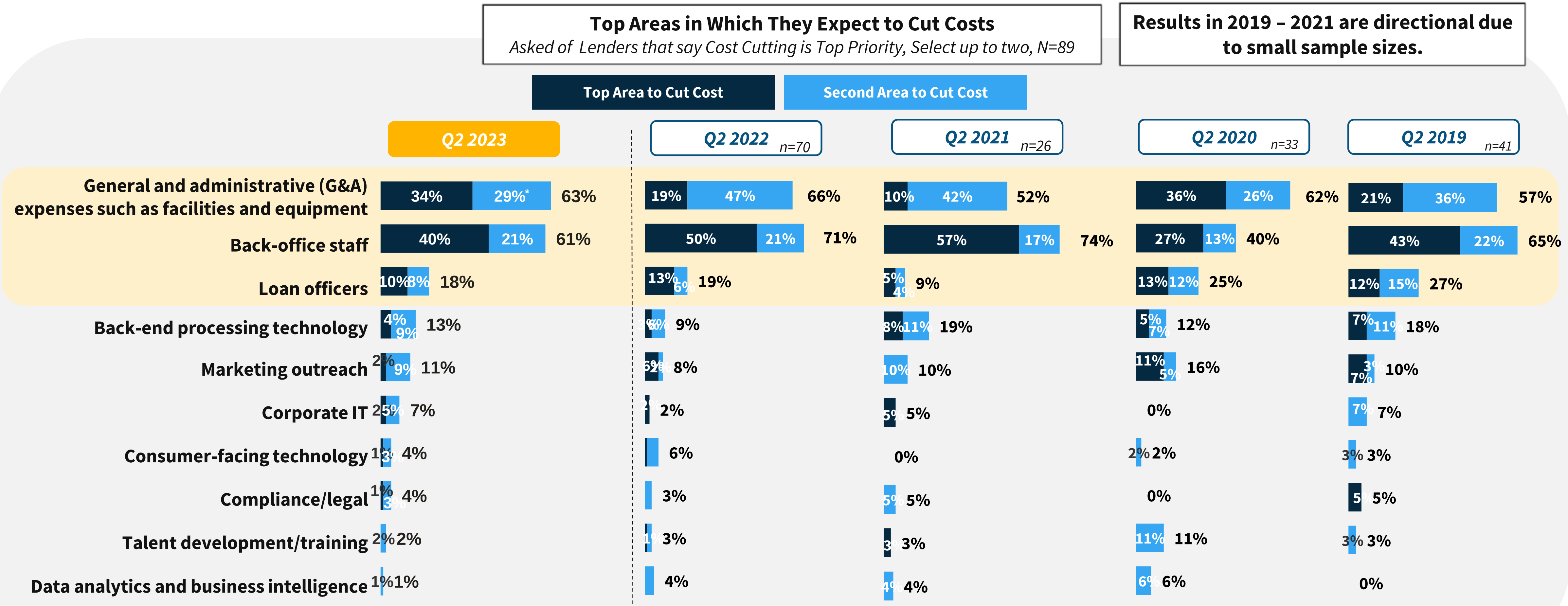
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level

Note: Due to small sample sizes for mortgage banks, depository institutions, and credit unions, results should be interpreted directionally.

Q: *To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2023? Please select up to two most important priorities and rank them in order of importance.*

Top Areas for Cost-Cutting *(Among those who say cost-cutting is the most or second most important priority)*

Most lenders who expect to cut costs plan to cut general and administrative expenses (G&A) and back-office staff, consistent with previous years.



Results in several past years are directional due to small sample sizes.
** Indicates a significant difference in total between 2023 and 2022 at the 95% Confidence Interval*

In 2022, 5% (N=5) chose no answer for the second top area to cut
6% of respondents said "Other". Responses include: "Improve productivity", "Deposits", Grow into talent", "Ops", and "Fulfilment".

Q: *You mentioned that cost cutting would be a top priority for your organization to maintain or improve competitiveness. In which areas do you expect to cut costs? Please select up to two areas.*

Note: Results are intended to be interpreted directionally due to small sample sizes.

Reasons for Other Key Business Priorities in 2023 *(Outside of "Cost Cutting")*

"Business process streamlining" maintained its second-place ranking as lenders seek to reduce costs through streamlining, minimizing manual tasks, and improving accuracy. Both "consumer-facing technology" and "talent management & leadership" also rank in the top 3 to help improve customer experience and drive sales.

What Are They Hoping To Achieve?
Asked of Those Who Listed Top Priority, Showing Top 1 and 3 Priorities

BUSINESS PROCESS STREAMLINING

*"[We are] looking at **technology that will help streamline and reduce appraisal costs** for the borrower. Additionally, [we're] reviewing technology to **improve accuracy in determining income** of self-employed borrowers." – Large Institution*

*"**Primary focus is on manual tasks in the process** that can be automated by bots, secondary task is streamlining the sales process from when a loan closes thru loan delivery." – Mid-sized Institution*

*"We aim to streamline several processes across **mortgage servicing**, including our **call center** by increasing web and IVR self-service options, **loan onboarding** through data-scraping, and default areas through enhanced process flows and mapping paired with automation." – Small Institution*

CONSUMER-FACING TECHNOLOGY

*"We have been **integrating multiple platforms** to allow our LOs to access everything they need while on a call with a borrower without having to login/logout of different applications. The goal is to make both the customer and LO experience as seamless as possible." – Large Institution*

*"We are going to look into CHATGPT plug ins to make the **front-end process more streamlined**." – Mid-sized Institution*

*"Consumers **online experience**. Make it more attractive." – Small Institution*

TALENT MANAGEMENT & LEADERSHIP

*"**Sales development** and coaching of **sales** and **leadership** will lead to higher performance/service levels" – Large Institution*

*"Retaining our current talent and continued **relentless recruiting of talented originators and leadership**. **Increase sales** from coaching up existing and continued addition of new recruits." – Mid-sized Institution*

*"Keeping bright talent **engage** will be important as demand slows down. Talent will find ways to make the most of the current downturn, their **leadership** will shine while others will follow. When the market turns having the right talent will allow for a quicker turnaround." – Small Institution*

Q: *You mentioned **[PRIORITY]** is a top priority for your firm. Could you please share some details about why it is a top priority? What do you want to achieve? (Optional)*

Economic Outlook

U.S. Economy Overall

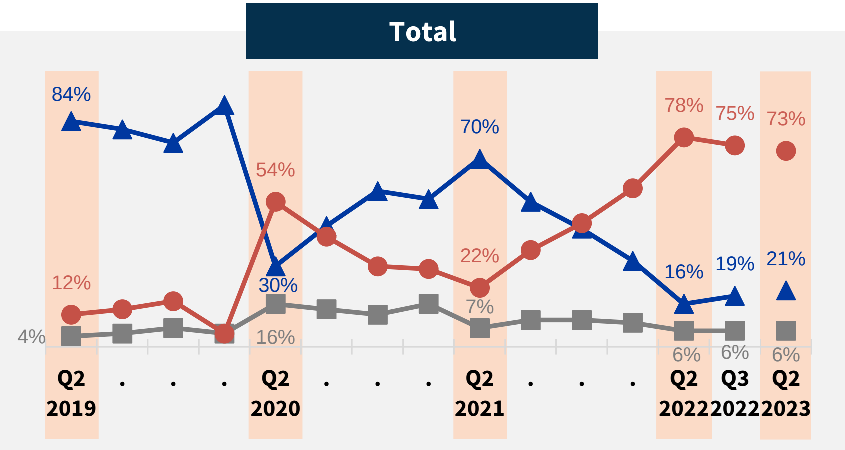
Lenders continue to have a pessimistic outlook toward the economy, following the trend in 2022, with 73% believing the economy is on the wrong track vs. 21% believing the economy is on the right track. This economic sentiment is consistent with consumers based on the May 2023 Fannie Mae National Housing Survey®.

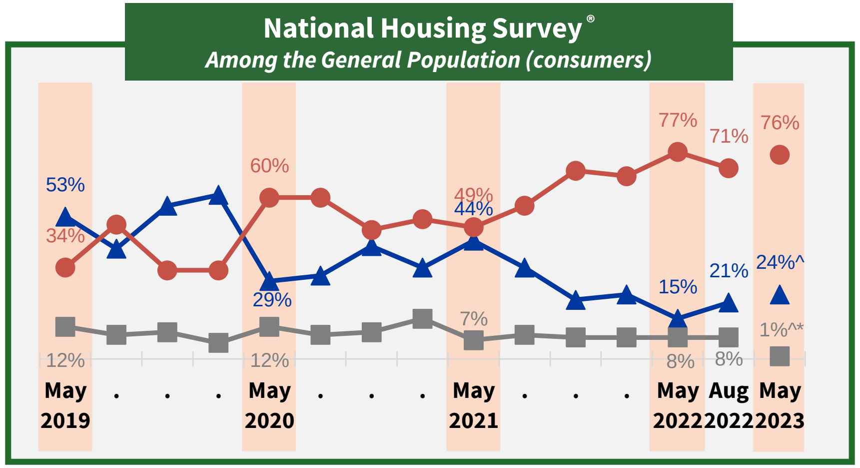
In general, do you, as a senior mortgage executive, think the U.S. economy overall is on the right track or the wrong track?

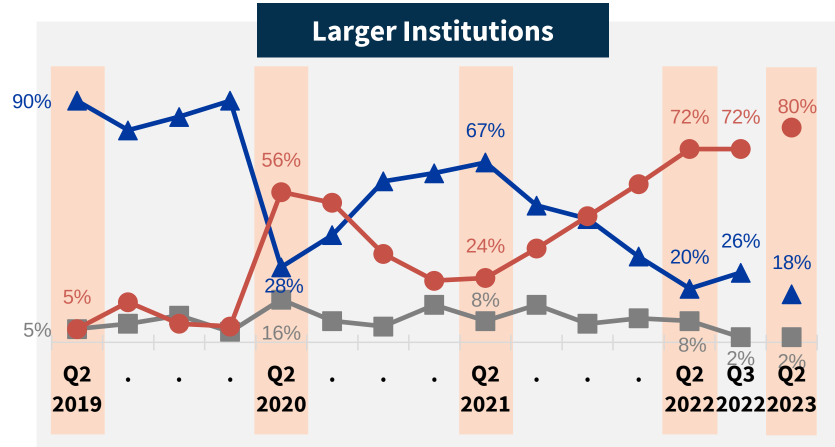
Right Track

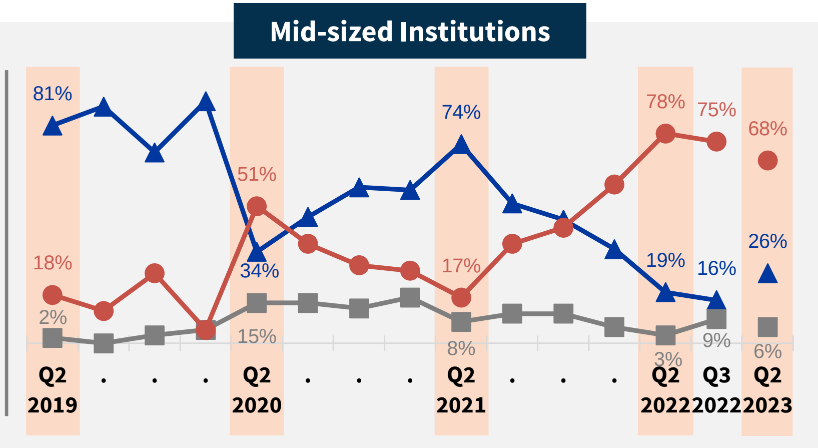
Don't know

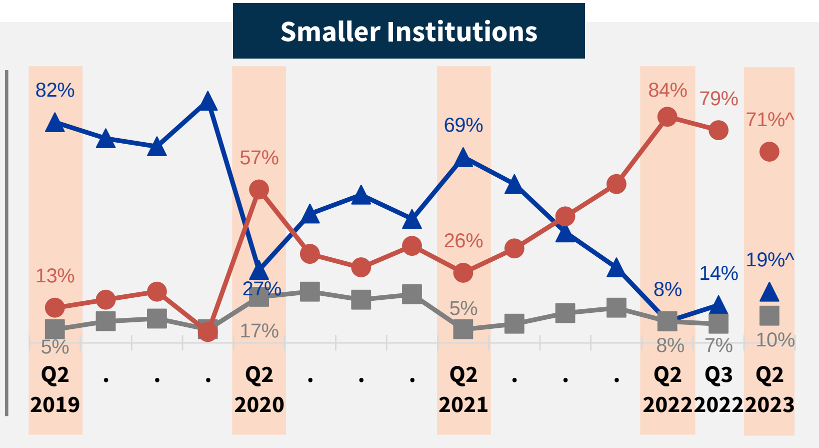
Wrong Track









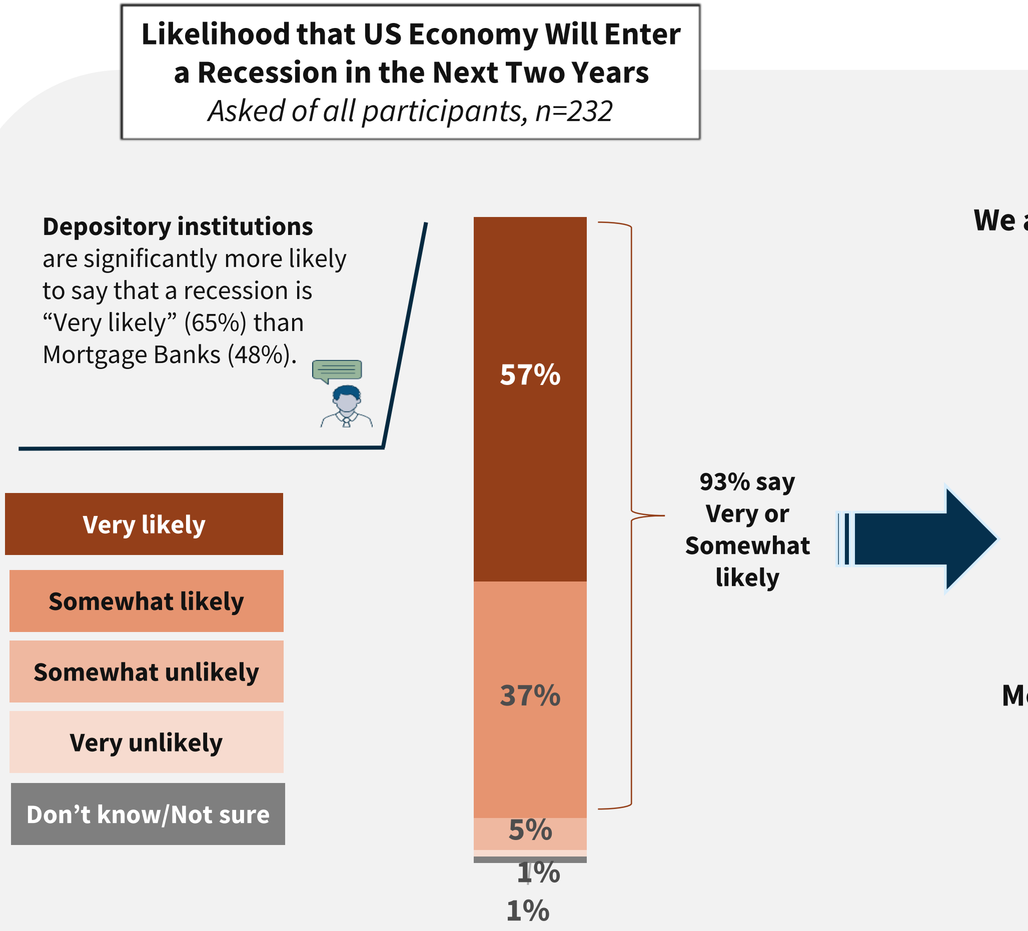


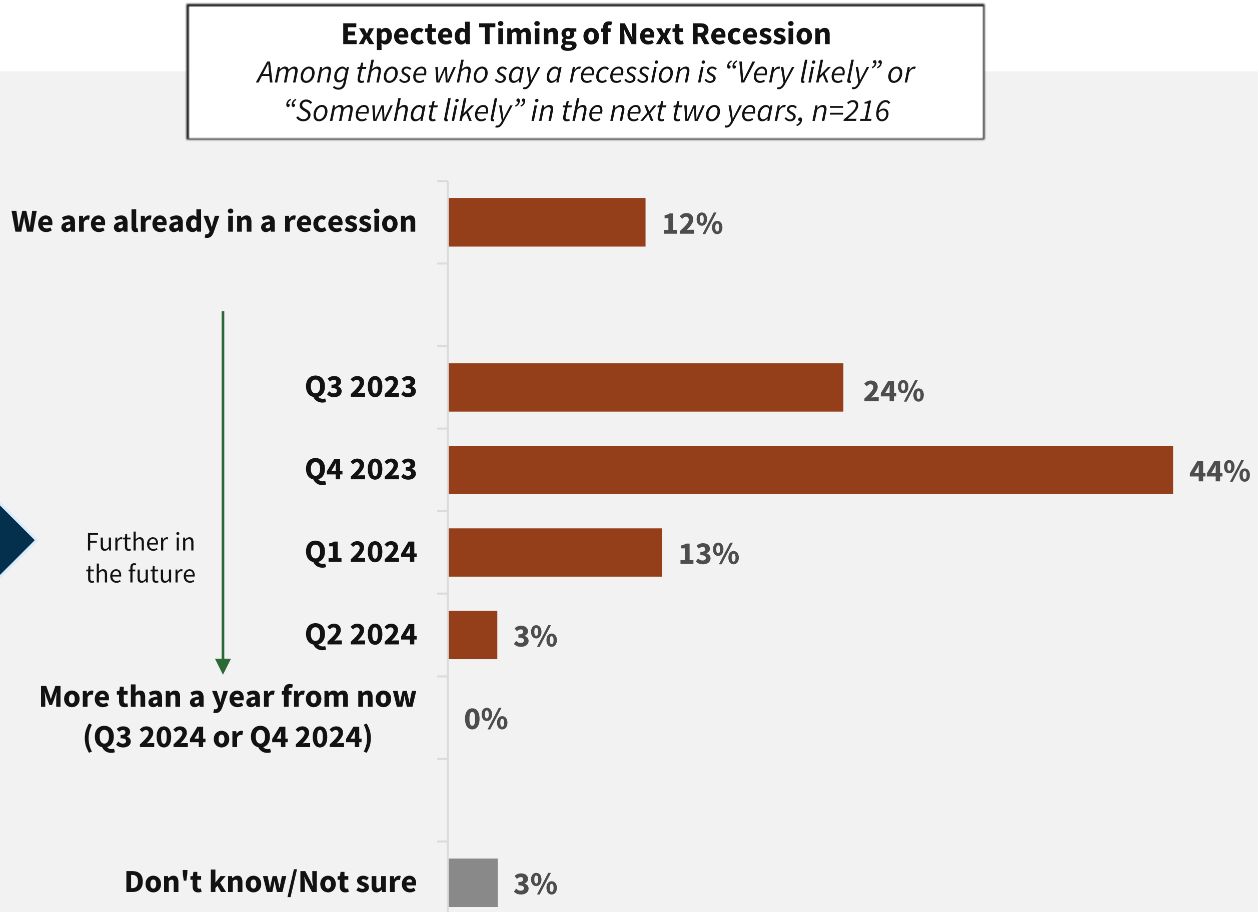
** Denotes a statistically significant change compared with previous quarter in Q3 2022 (or August 2022 for NHS)*
^ Denotes a statistically significant change compared with previous Q2 in Q2 2022 (or May 2022 for NHS)

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

Expected Likelihood and Timing of Recession

Most lenders (93%) believe the U.S. economy will "very likely" (57%) or "somewhat likely" (37%) enter a recession in the next two years. Among them, many (68%) expect the recession to start in Q3 or Q4 this year (2023).





Note: Calculations are made using unrounded and weighted respondent level data to help ensure precision in survey results. As a result, differences of up to 1 percentage point from calculated data (summarized results, etc.) may occur due to rounding.

Q: *Based on current economic conditions and your perspective as a mortgage executive, how likely do you think that the U.S. economy will enter a recession over the next two years (in 2023 and 2024)?*

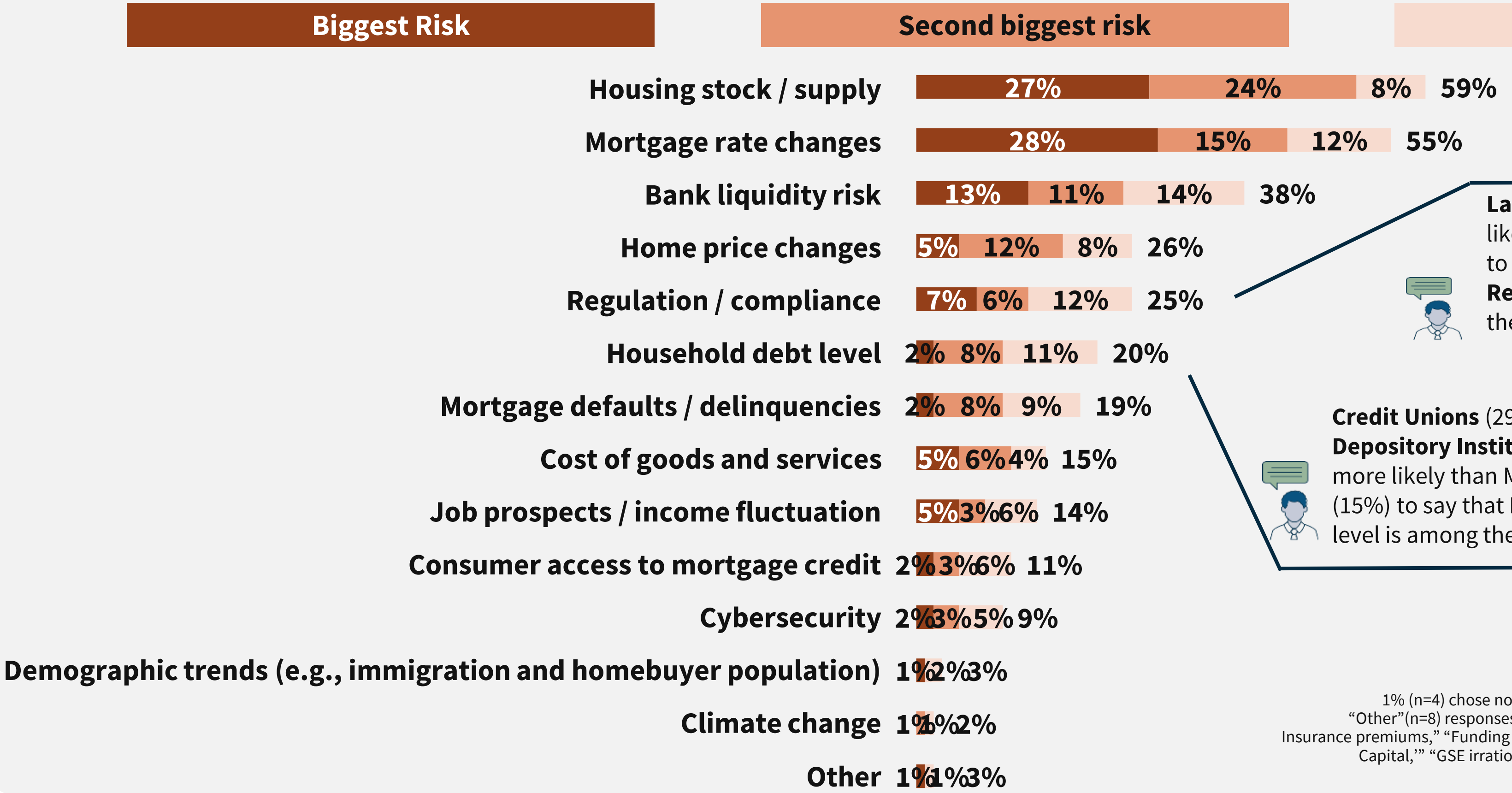
Q: *When would you expect the U.S. recession to start? Your best estimate would be fine.*

Risks and Credit Standards

Risk Factors that Could Impact Single-Family Residential Mortgage Business for 2023

Housing stock/supply and mortgage rate changes are considered the biggest risk factors for 2023, followed by bank liquidity risk. Lenders are less concerned with cybersecurity, consumer access to credit, and cost of goods and services.

Top-3 Risk Factors that could impact the Single-Family Residential Mortgage Business
(n=232)



Larger institutions are more likely than Mid-Sized institutions to say that **Regulation/compliance** is among the top-3 risks (36% vs. 12%)

Credit Unions (29%) and **Depository Institutions** (28%) are more likely than Mortgage Banks (15%) to say that **Household debt** level is among the top 3 risks

1% (n=4) chose no answer for the third largest impact on single-family residential mortgage business
“Other”(n=8) responses include: “Seasoned Bulk,” “Insurance,” “High cost to produce a loan,” “Increased Insurance premiums,” “Funding to support loans,” “IMBs fraudulently claiming ERC refunds constituting ‘Phantom Capital,’” “GSE irrational behavior, over-focusing on affordable. Too strong handed QC,” “Competition.”

Q: *Below are some possible risk factors that could impact the single-family residential mortgage business. In your view, what are the biggest risks for 2023? Please select up to three and rank them in order of significance.*

Impact of Recent Banking Turmoil on Company Operation or Mortgage Production/Servicing

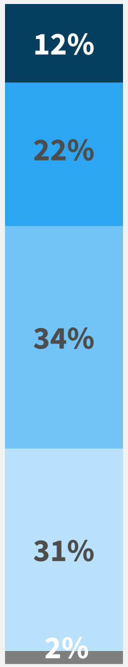
Around a third of lenders say that the recent banking turmoil has had “significant” or “some” impact. Lenders pointed to reduced/tightened liquidity and mortgage volume declines.

Impact of Banking Turmoil

on Firm’s Operations/Residential Mortgage Production or Servicing

Asked of all participants, n=232

Credit Unions (40%) and **Depository Institutions** (38%) are significantly more likely to say that recent banking turmoil has had “no impact at all” on their business than Mortgage Banks (23%).



- Significant impact
- Some impact
- Little impact
- No impact at all
- Don’t know/Not sure

*Impact: Includes those who say “significant” or “some” impact

What impacts are you seeing?

BANKING TURMOIL HAS Significant impact

Reduced/Tightened Liquidity

*“With **deposit balances reducing** and **cost of deposits** increasing coupled with **cost of funds** increasing **liquidity has reduced** which has impacted our ability to portfolio loans forcing most production into GSE salable loans and with GSE pricing for high balance loans being above market production has been negatively impacted in high-cost markets.”*
– Large Institution

*“**Lack of liquidity** in the jumbo markets and unaffordability in GSE market with rapid increase of rates. Perplexed by current administration posture on inflation and impact to housing market. Lower the Fed Fund rate and short-term market rates.”*
– Small Institution

Mortgage Volume Declined

*“Our **mortgage volume has declined** 65% over the past twelve months and 75% versus two years prior.”*
– Mid-sized Institution

“Consumer confidence is diminished. Coupled with higher rates, an unofficial recession, and tight inventory, borrowers are hesitant, and sellers are stagnant.”
– Small Institution

BANKING TURMOIL HAS Some impact

Operational Adjustments

“Our warehouse lines have either required deposits in order to stay active or they have increased their interest rate to us. This in turn pinches our profitability and margins.”
– Large Institution

*“We have **increased credit spreads**, as the Agencies have done, and firms are managing cash very closely.”*
– Mid-sized Institution

“We've seen an influx of deposits from SVB, we hired several of the venture bankers from SVB. This deposit growth has been good for our balance sheet.”
– Large Institution

Reduced/Tightened Liquidity

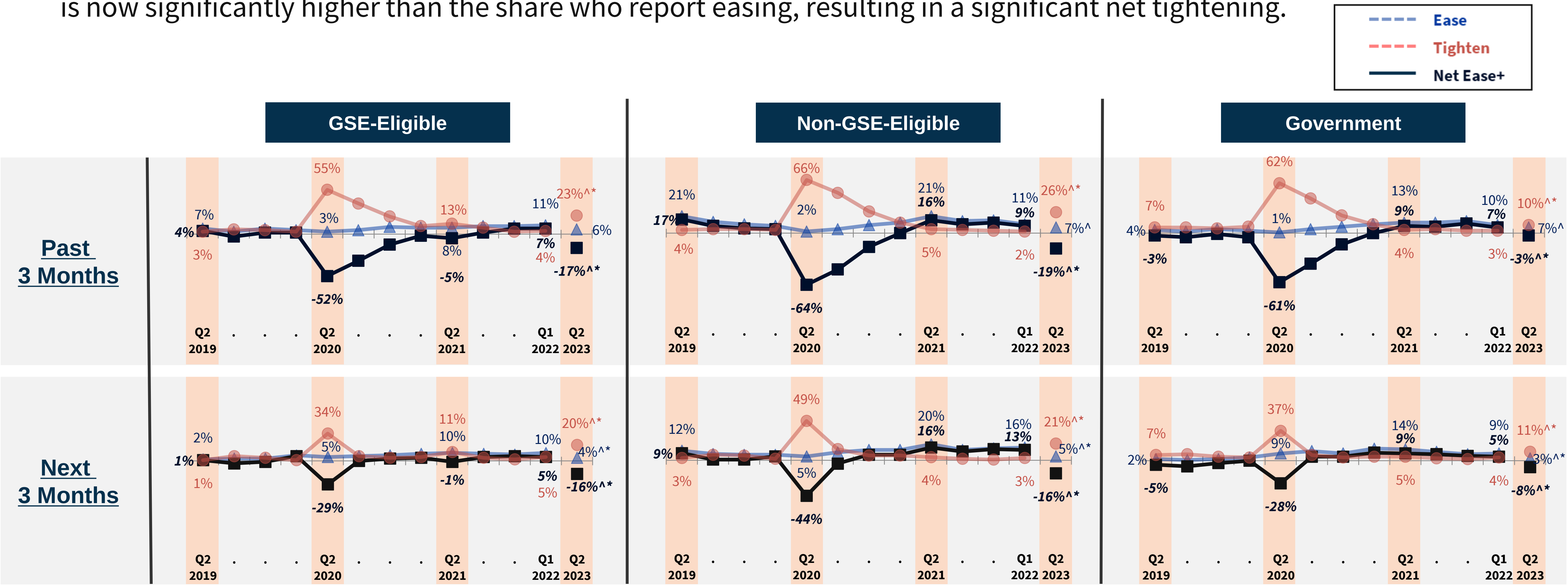
*“Deposit outflows and **tightened liquidity** has created the challenge of holding long term loans in portfolio.”*
– Small Institution

Q: *How has the recent banking turmoil (e.g., lack of consumer confidence in banks and bank collapses) impacted your firm’s operation or residential mortgage production or servicing?*

Q: *You mentioned that the recent banking turmoil has [A little impact/Some impact/Significant impact] on your firm’s operation or residential mortgage production or servicing. Could you share some details? What impacts are you seeing? (Optional)*

Credit Standards

The trend of credit easing for both the prior three months and the following three months has reversed, compared with 2021 (data points between Q2 2022 – Q1 2023 not tracked). The share of lenders who report credit tightening is now significantly higher than the share who report easing, resulting in a significant net tightening.



Net Ease + = % of lenders saying ease minus % of lenders saying tighten

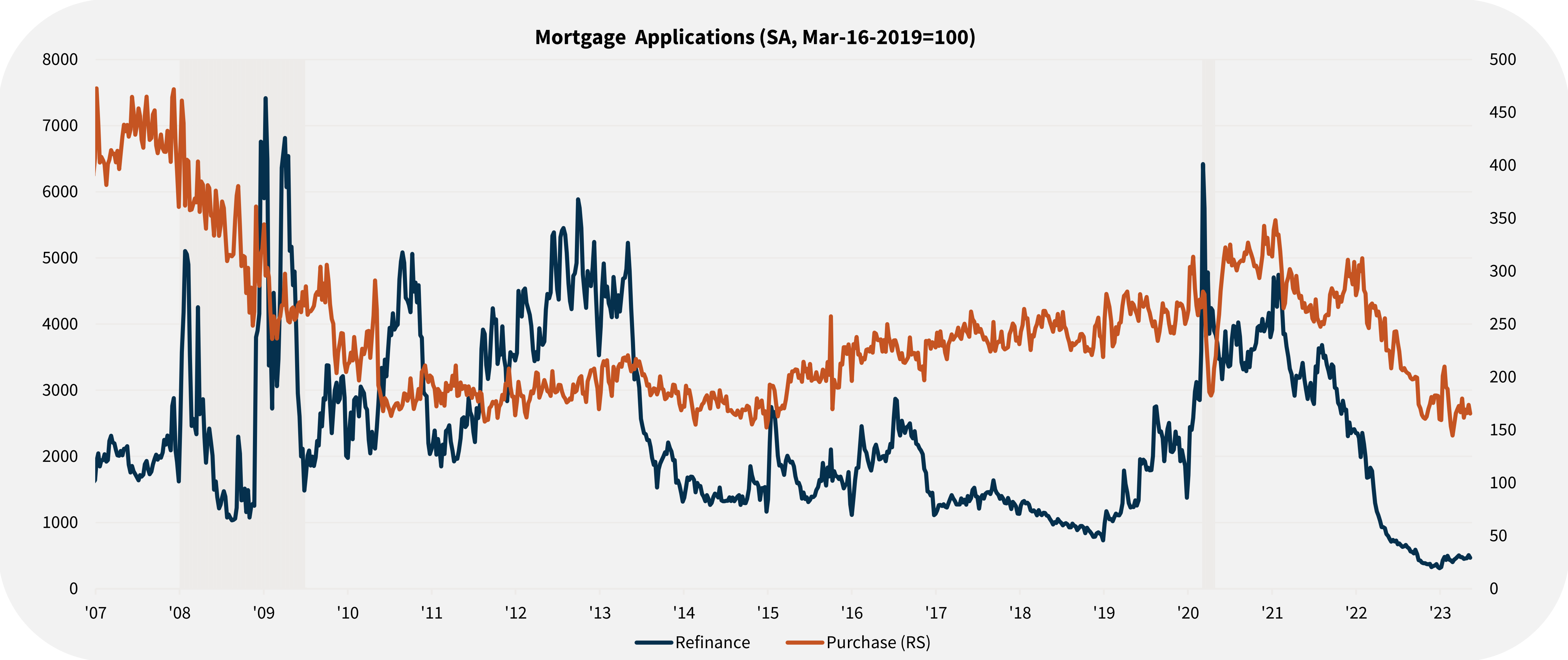
The % saying "remain unchanged" is not shown

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

Appendix

Mortgage Applications as of May 27, 2022

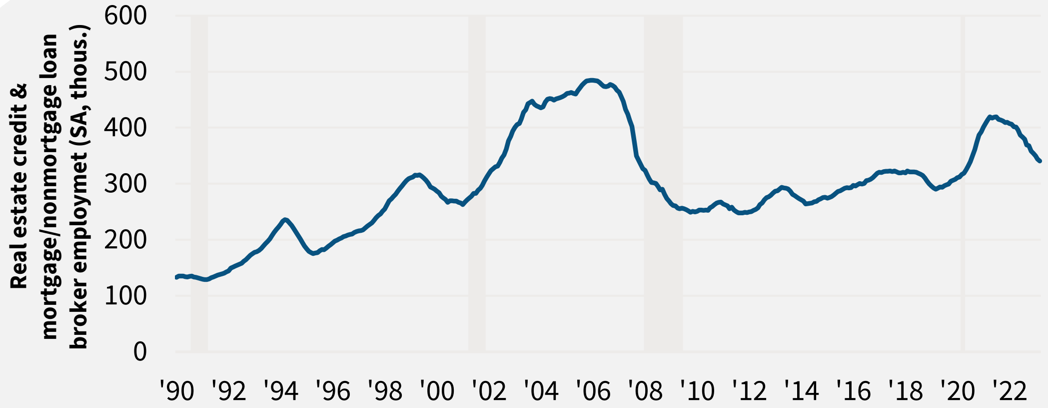
Increasing mortgage rates in early 2021, a lack of available homes for sale, and affordability issues have limited mortgage application demand compared to the highs in late 2020 and at the start of 2021, with the rapid climb in mortgage rates weighing heavily on refinance applications as well as purchase applications.

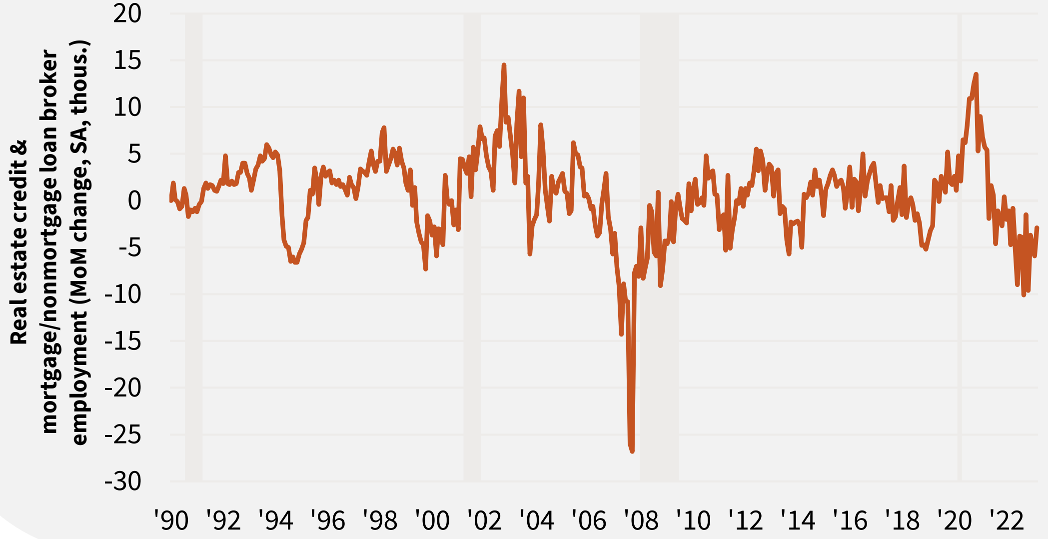


Source: Mortgage Bankers Association

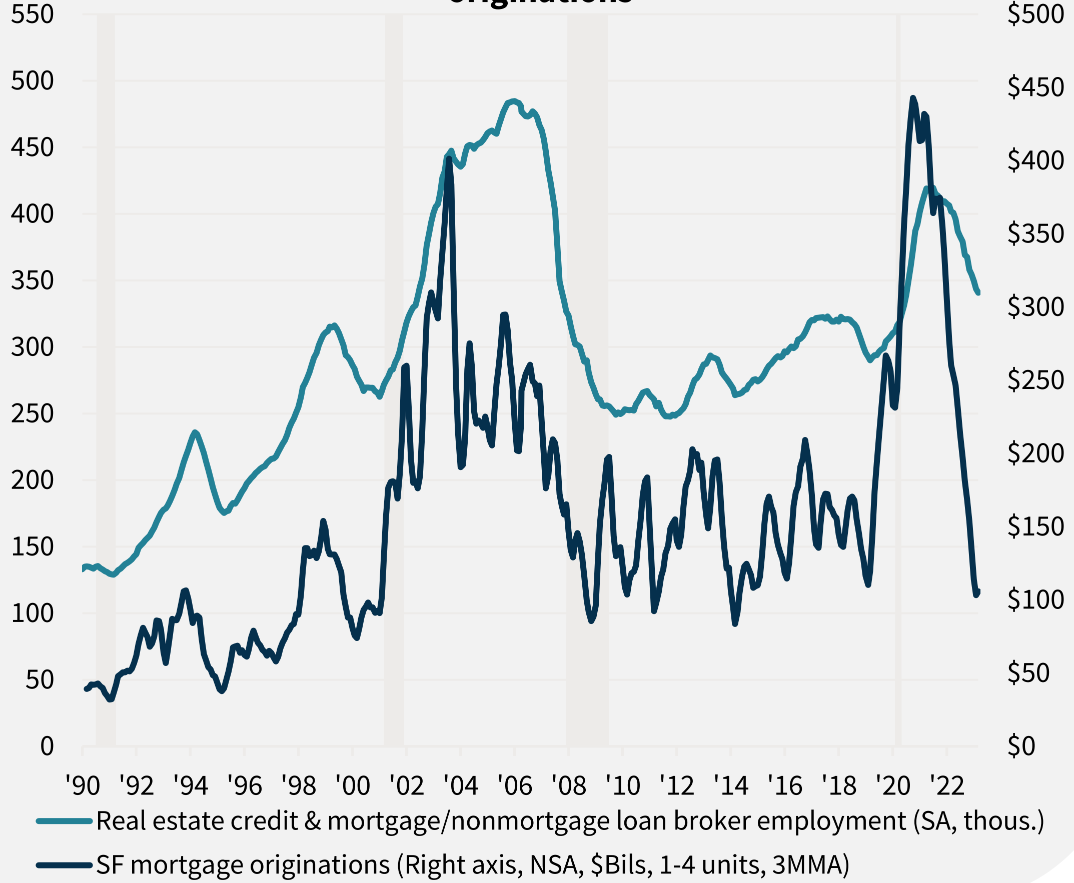
Mortgage Industry Employment Overview

The increase in mortgage rates has led to a sharp decline in origination volumes, leading to some layoffs in the mortgage industry as lenders have begun to cut costs, as shown by the month-over-month changes below. Employment levels currently reached the lowest since 2020, but, compared to 2019, they remain relatively high.





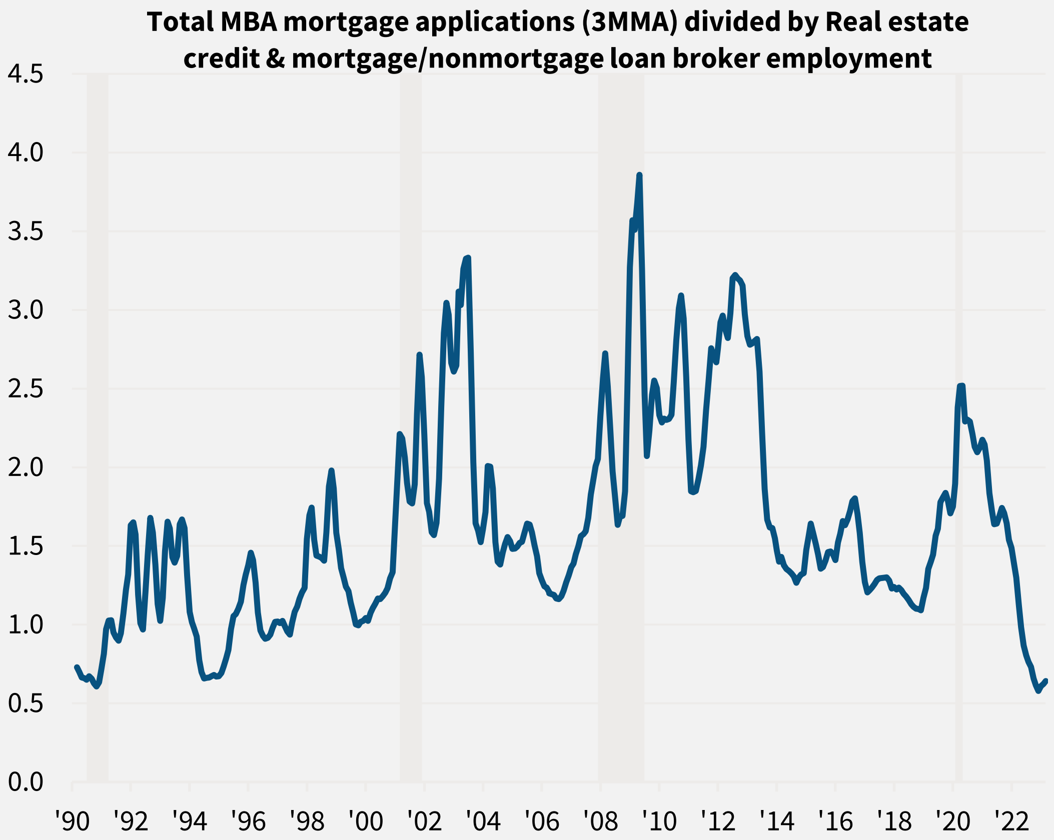
Mortgage industry employment vs. SF mortgage originations

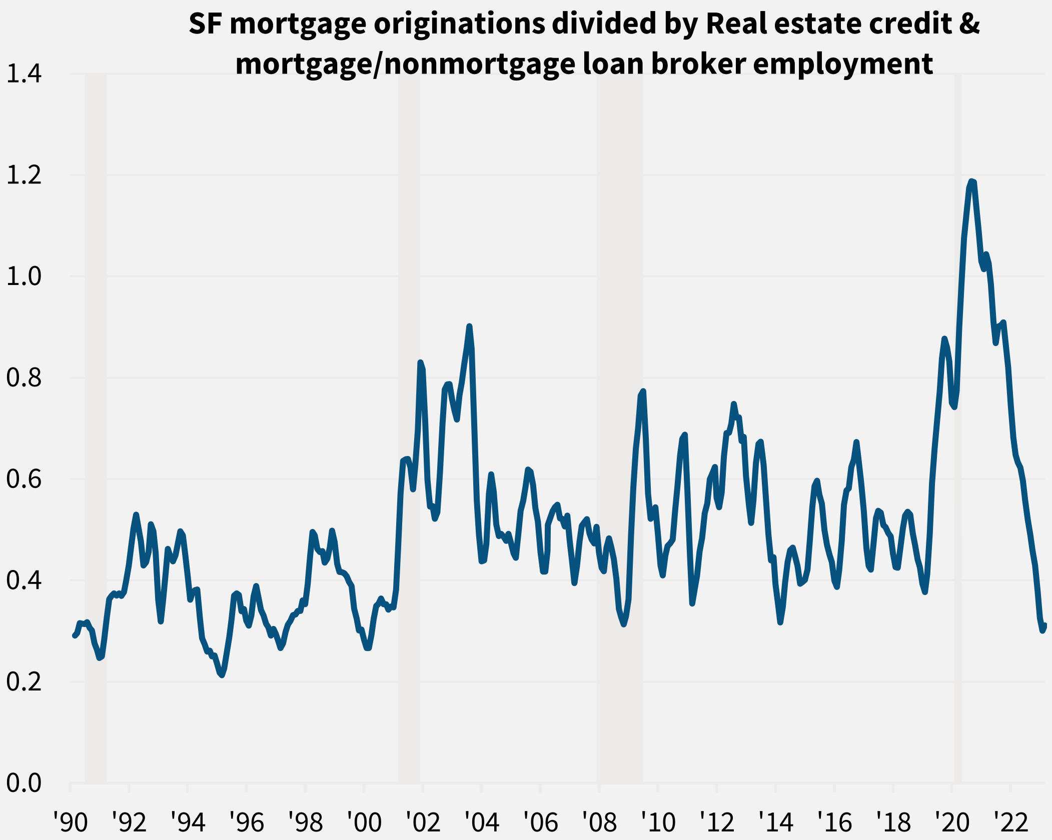


Source: Bureau of Labor Statistics, Fannie Mae analysis

Productivity

The average amount of origination volume per employee* spiked at the end of 2020 before retreating through 2021, 2022, and the beginning of 2023 as mortgage rates increased and volumes declined. Loan applications per employee* followed a similar pattern.



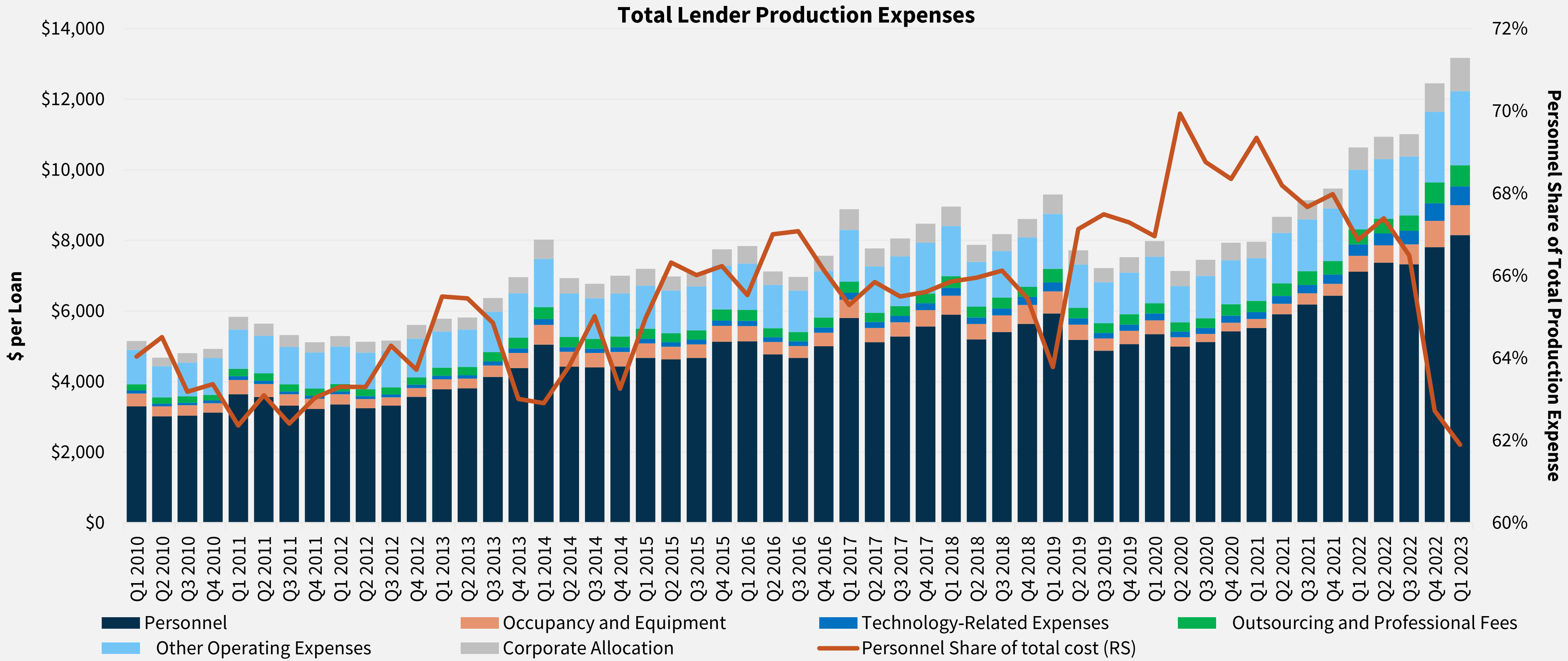


* Based on total mortgage industry employment, not specific to specific roles

Source: Mortgage Bankers Association, Bureau of Labor Statistics, Fannie Mae analysis

Loan Origination Cost

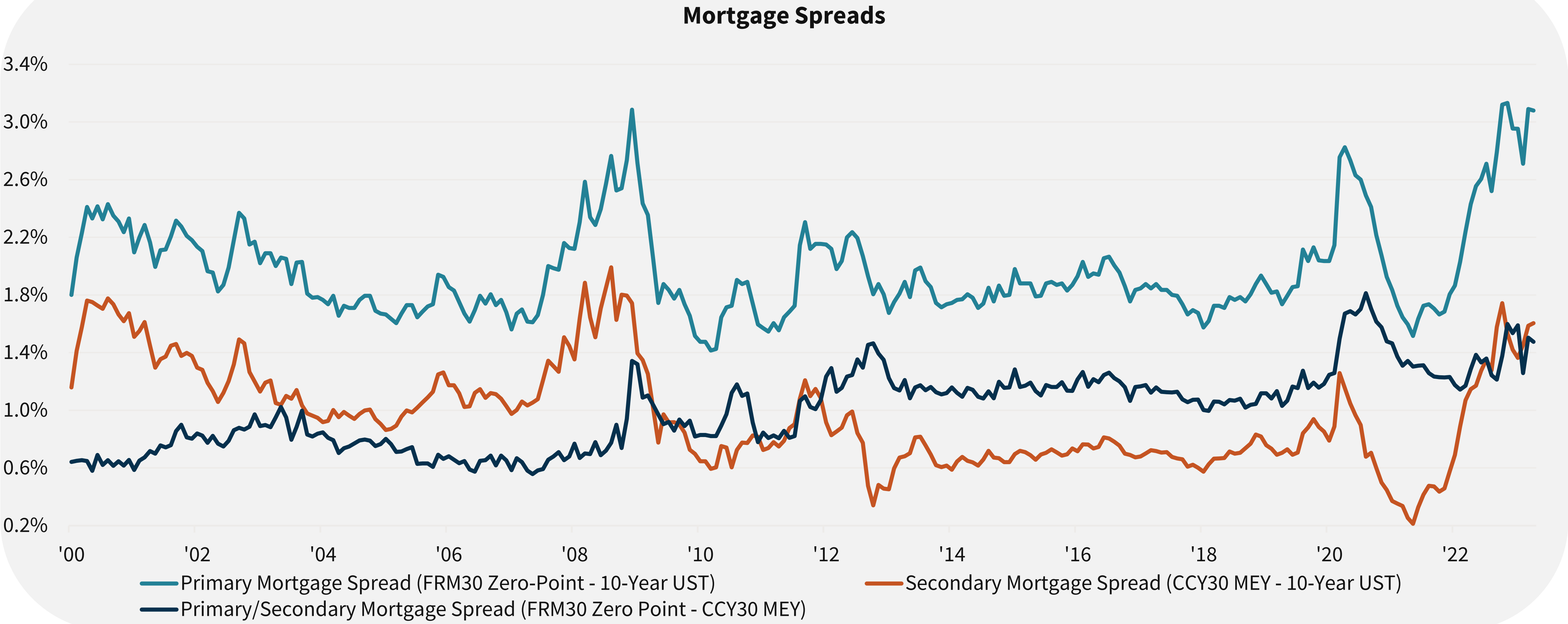
The average origination cost per loan has steadily increased since Q2 2020 and reached a study-high of $13,171 per loan in Q1 2023. The majority of lender expense is for personnel, and the share of personnel cost to total expenses has also increased over time, from about 64% in Q1 2010 to a peak of 70% in Q2 2020, though it currently sits at 62%, the lowest since 2011.



Source: Mortgage Bankers Association, Mortgage Bankers Performance Reports - Quarterly and Annual

Mortgage Spreads

Primary and secondary spreads have widened sharply as the mortgage rate has risen much faster than the 10-year Treasury, though the primary/secondary spread has only risen slightly.



Appendix

Objectives of Mortgage Lender Sentiment Survey®

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

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

Examples of Past Studies

- **Costs and Impact of Digitization Efforts on Cost Efficiency**
- **Lenders 2022 Business Priorities**
- **Appraisal Modernization**
- **Blockchain**
- **Closing Homeownership Gaps**
- **Remote Working**

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

Methodology of Mortgage Lender Sentiment Survey®

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.

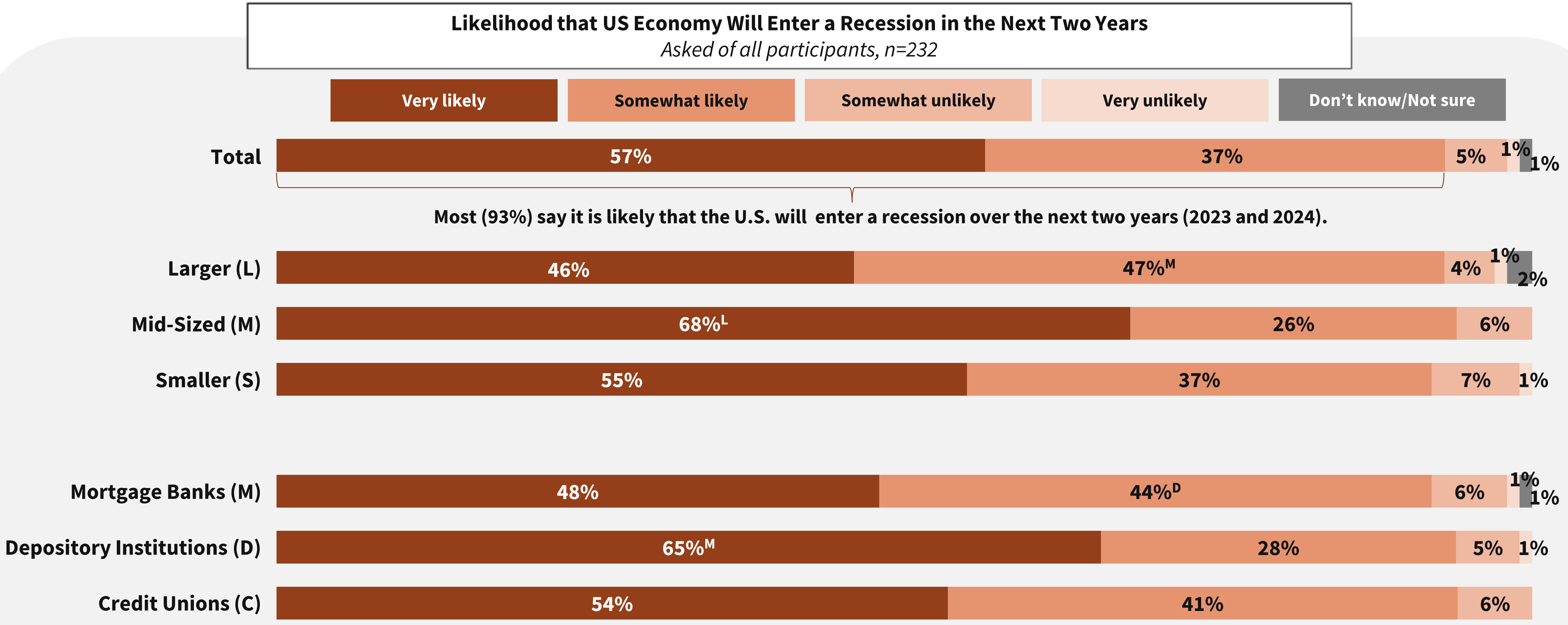
Cross-Subgroup Sample Sizes

	Total	Larger Lenders	Mid-Sized Lenders	Smaller Lenders
Total	232	53	44	135
Mortgage Banks (non-depository)	89	33	21	35
Depository Institutions	79	15	14	50
Credit Unions	53	4	7	42

Appendix

Likelihood of a U.S. Recession in the Next Two Years

About 57% of lenders believe a recession is "very likely" in the next two years. Depository institutions, excluding credit unions, are more likely than mortgage banks to say that a recession is "very likely." Mid-sized lenders are more likely than large lenders to say a recession is "very likely."



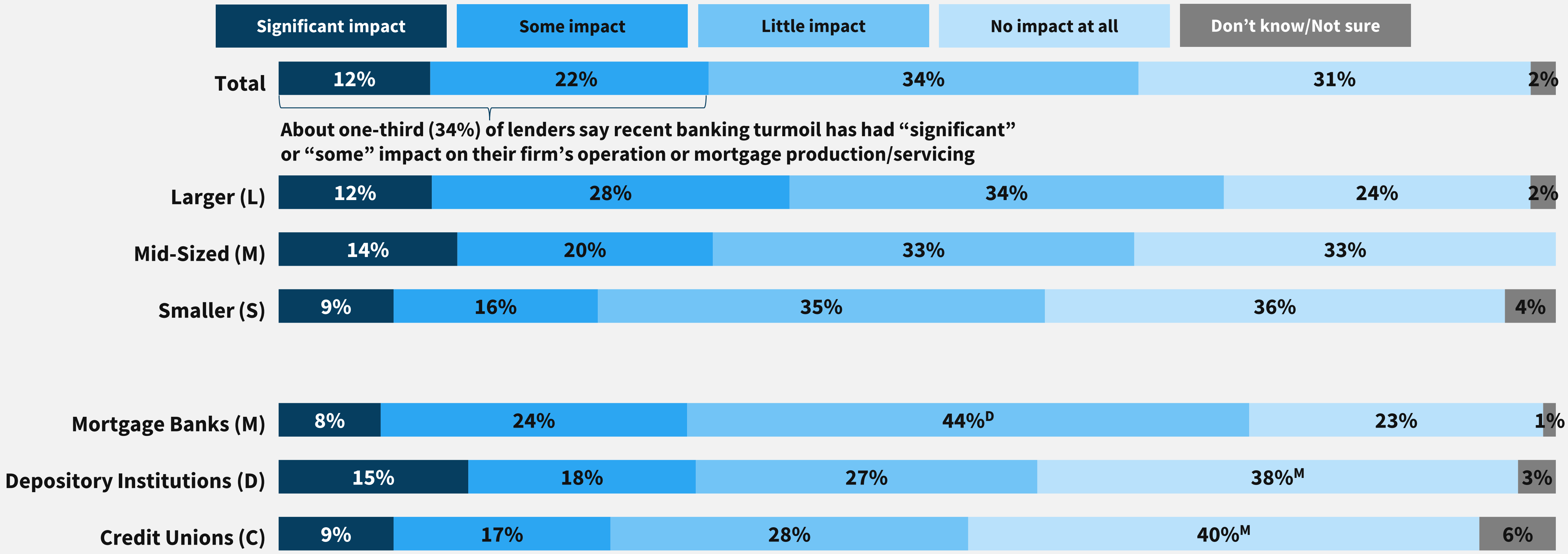
L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
M/D/C - Denote a % is significantly higher than the institution type group that the letter represents at the 95% confidence level
Note: All calculations (summarized, etc.) are made using unrounded and weighted respondent level data to help ensure precision. As a result, minor differences in calculated data of up to 1 percentage point may occur due to rounding.

Q: *Based on current economic conditions and your perspective as a mortgage executive, how likely do you think that the U.S. economy will enter a recession over the next two years (in 2023 and 2024)?*

Impact of Recent Banking Turmoil on Business Operation or Mortgage Production/Servicing

Only about one-third of lenders say that recent banking turmoil has had “significant” or “some impact” on their firm’s operation or mortgage production/servicing. No differences are observed across lender sizes. Depository institutions including credit unions are more likely than mortgage banks to report “no impact.”

Impact of Banking Turmoil on Firm’s Operation or Residential Mortgage Production or Servicing
Asked of all participants, n=232



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: *How has the recent banking turmoil (e.g., lack of consumer confidence in banks and bank collapses) impacted your firm’s operation or residential mortgage production or servicing?*

Credit Standards: Drivers of Change (selected verbatim)

Drivers of Loosening Change

Drivers of Tightening Change

Past 3 Months

N=83

- **Interest rate increases**
- **Regulatory changes**
- **Banking turmoil**

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

"Higher interest rates created incentive for placing mortgages in portfolio rather than selling secondary market." – *Small Institution*

"Competition within marketplace for certain segments." – *Mid-sized Institution*

"Enhanced capacity." – *Large Institution*

"Due to a lack of capital and liquidity in the financial market, we have been forced to tighten our underwriting standards as well as drastically increase our mortgage interest rates." – *Mid-sized Institution*

"Tighter eligibility criteria at the GSE's." – *Small Institution*

"Tightening of the DU and LPA box and potential agency repurchase for immaterial matters." – *Large Institution*

Next 3 Months

N=33

- **Interest rate changes**
- **Regulatory changes**
- **Market/economic conditions**

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

"Due to changes in rate structure, borrowers with lower scores will be able to purchase homes and possibly at a better rate." – *Small Institution*

"There are new approved credit report services that look at [things] other than basing FICO simply on credit debt."– *Large Institution*

"Ease of GSE standards." – *Mid-sized Institution*

"Continued stress in the housing market with values continuing to decline. Expecting rising unemployment as the economy moves towards likely recession." – *Small Institution*

"FHFA imposing new LLPA changes will, overall, be restrictive. Nonprime loans during a recession always contract." – *Mid-sized Institution*

"Less availability due to scarcity of liquidity." – *Large Institution*

How to Read Significance Testing

On slides where significant differences between three groups are shown:

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

Example:

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

	Total	LOAN VOLUME			INSTITUTION TYPE			SERVICING METHOD	
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)	In-house (I)	Via a Sub-servicer (S)
N=	94	26	18	50	35	34	25	59	27
We are looking to retain more MSRs on our originations	59%	58%	73%	47%	61%	52%	54%	52%	67%
We are looking to grow our correspondent lending to aggregate a larger servicing portfolio	20%	26%	24%	11%	26%	9%	16%	19%	17%
We are looking to buy more MSRs	10%	15%	0%	12%	17%	6%	8%	13%	9%
We are looking to grow selectively based on product execution (GSE/Ginnie Mae/others)	45%	64%^{M,S}	32%	37%	48%	45%	38%	41%	51%
Not sure/Prefer not to answer/Not applicable	8%	4%	5%	14%	3%	9%	20%^{M}	12%	4%

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

20% is significantly higher than 3% (mortgage banks)

Calculation of the "Total"

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

Example:

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

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

"Total" of 84% is
(86% + 77% + 89%) / 3

Top Business Priorities in 2023

To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2023? Please select up to two most important priorities and rank them in order of importance.
Showing 'Most important priority' + 'Second most important priority;' 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=	232	53	44	135	89	79	53
Cost cutting	35%	42%	33%	30%	43%C	25%	34%
Business process streamlining	32%	33%	39%S	23%	31%	28%	26%
Talent management and leadership	24%	22%	20%	30%	21%	35%M	25%
Consumer-facing technology	24%	25%	25%	20%	20%	26%	24%
New products or services	22%	21%	23%	21%	29%D	9%	24%D
Regulation and compliance	17%	18%	11%	21%	12%	28%M,C	11%
Back-end process technology	15%	13%	15%	18%	13%	15%	20%
Data analytics and business intelligence	15%	13%	18%	14%	15%	13%	17%
Marketing	11%	6%	12%	14%	10%	13%	12%
Other	5%	5%	3%	7%	3%	6%	8%

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

Top Business Priorities from 2017 to 2023

To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2023? Please select up to two most important priorities and rank them in order of importance.
Showing Most important priority + Second most important priority

	Q2 2023	Q2 2022	Q2 2021	Q2 2020	Q2 2019	Q2 2018	Q2 2017
N=	232	189	225	229	211	170	184
Cost cutting	35%	39%	12%	15%	21%	30%	11%
Business process streamlining	32%	34%	41%	39%	29%	30%	35%
Talent management and leadership	24%	37%*	33%	30%	26%	23%	31%
Consumer-facing technology	24%	16%	31%	33%	41%	36%	31%
New products or services	22%	25%	19%	6%	18%	19%	22%
Regulation and compliance	17%*	10%	11%	14%	8%	12%	20%
Back-end process technology	15%	12%	22%	24%	20%	20%	22%
Data analytics and business intelligence	15%	10%	11%	21%	16%	13%	10%
Marketing	11%	15%	14%	11%	19%	12%	18%
Other	5%*	1%	1%	2%	2%	3%	2%

** Indicates a significant difference in total between 2023 and 2022 at the 95% Confidence Interval*

Top Areas for Cost Cutting (if cost cutting is selected as a top priority)

You mentioned that cost cutting would be a top priority for your organization to maintain or improve competitiveness. In which areas do you expect to cut costs? Please select up to two areas.
Asked of Firms that say Cost Cutting is Top Priority
Showing 'Top area to cut cost' + 'Second area to cut cost;' 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=	78	22	14	41	38	20	18
General and administrative (G&A) expenses such as facilities and equipment	63%	76%	55%	52%	67%	50%	61%
Back-office staff	61%	62%	72%	46%	63%	42%	50%
Loan officers	18%	24%	3%	26%	17%	20%	22%
Back-end processing technology	13%	7%	14%	22%	16%	18%	17%
Marketing outreach	11%	0%	28%^{L}	10%	8%	10%	17%
Corporate IT	7%	11%	0%	7%	9%	5%	6%
Compliance/legal	4%	0%	0%	15%	3%	20%^{M}	6%
Consumer-facing technology	4%	4%	0%	7%	0%	15%^{M}	6%
Talent development/training	2%	0%	3%	5%	3%	8%	0%
Data analytics and business intelligence	1%	2%	0%	0%	1%	0%	0%
Other	10%	9%	14%	7%	11%	10%	6%

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

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=	232	53	44	135	89	79	53
Right track	21%	18%	26%	19%	28%^{D}	11%	17%
Wrong track	73%	80%	68%	71%	66%	82%^{M}	79%
Don't know	6%	2%	6%	10%	6%	8%	4%

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

Likelihood of Recession

Based on current economic conditions and your perspective as a mortgage executive, how likely do you think that the U.S. economy will enter a recession over the next two years (in 2023 and 2024)?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	232	53	44	135	89	79	53
Very likely	57%	46%	68%L	55%	48%	65%M	54%
Somewhat likely	37%	47%M	26%	37%	44%D	28%	41%
Somewhat unlikely	5%	4%	6%	7%	6%	5%	6%
Very unlikely	1%	1%	0%	1%	1%	1%	0%
Don’t know/Not sure	1%	2%	0%	0%	1%	0%	0%

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Timing of Expected Recession

When would you expect the U.S. recession to start? Your best estimate would be fine.
Asked among people who think a recession is "Very likely" or "Somewhat likely"

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	216	50	42	125	82	74	50
We are already in a recession	12%	8%	10%	18%	17%	12%	12%
Q3 2023	24%	26%	25%	21%	20%	26%	24%
Q4 2023	44%	42%	51%	40%	40%	45%	42%
Q1 2024	13%	18%	10%	12%	16%	9%	17%
Q2 2024	3%	2%	5%	3%	5%	2%	3%
More than a year from now (Q3 2024 or Q4 2024)	0%	0%	0%	0%	0%	0%	0%
Don't know/Not sure	3%	3%	0%	5%	2%	5%	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
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Risk Factors

Below are some possible risk factors that could impact the single-family residential mortgage business. In your view, what are the biggest risks for 2023? Please select up to three and rank them in order of significance.
Showing Biggest risk + Second biggest risk + Third biggest risk; 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=	232	53	44	135	89	79	53
Housing stock / supply	59%	64%	64%	50%	63%	50%	53%
Mortgage rate changes	55%	57%	56%	54%	51%	56%	60%
Bank liquidity risk	38%	38%	40%	36%	37%	34%	41%
Home price changes	26%	16%	33%L	29%	20%	33%	25%
Regulation / compliance	25%	36%M	12%	26%	28%	28%	23%
Household debt level	20%	17%	19%	25%	15%	28%M	29%M
Mortgage defaults / delinquencies	19%	19%	16%	22%	24%	15%	19%
Cost of goods and services	15%	9%	18%	16%	13%	14%	17%
Job prospects / income fluctuation	14%	17%	8%	17%	17%	13%	17%
Consumer access to mortgage credit	11%	9%	14%	10%	10%	8%	11%
Cybersecurity	9%	8%	11%	7%	14%C	6%	2%
Demographic trends (e.g., immigration and homebuyer population)	3%	4%	2%	2%	1%	5%	2%
Climate change	2%	0%	5%	1%	1%	3%	0%
Other	3%	3%	2%	4%	3%	4%	2%

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Impact of Recent Banking Turmoil

How has the recent banking turmoil (e.g., lack of consumer confidence in banks and bank collapses) impacted your firm's operation or residential mortgage production or servicing?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	232	53	44	135	89	79	53
No impact at all	31%	24%	33%	36%	23%	38%M	40%M
A little impact	34%	34%	33%	35%	44%D	27%	28%
Some impact	22%	28%	20%	16%	24%	18%	17%
Significant impact	12%	12%	14%	9%	8%	15%	9%
Don't know/Not sure	2%	2%	0%	4%	1%	3%	6%

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GSE Eligible Credit Standards Over the Past 3 Months

GSE Eligible: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	232	53	44	135	89	79	53
Eased considerably	1%	0%	2%	1%	0%	0%	4%
Eased somewhat	5%	8%	2%	5%	3%	8%	2%
Remained basically unchanged	70%	78%	61%	70%	66%	73%	77%
Tightened somewhat	16%	11%	24%	14%	22%C	12%	6%
Tightened considerably	6%	3%	8%	9%	7%	5%	11%
Not applicable	1%	0%	2%	1%	1%	3%	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

Non-GSE Eligible Credit Standards Over the Past 3 Months

Non-GSE Eligible: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	232	53	44	135	89	79	53
Eased considerably	.%	0%	0%	1%	0%	3%	0%
Eased somewhat	7%	5%	10%	5%	6%	4%	6%
Remained basically unchanged	61%	62%	61%	59%	57%	59%	68%
Tightened somewhat	18%	23%	11%	20%	22%	21%	13%
Tightened considerably	8%	10%	8%	5%	6%	8%	8%
Not applicable	6%	0%	9%L	9%L	9%	5%	6%

L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
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Government Credit Standards Over the Past 3 Months

Government: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	232	53	44	135	89	79	53
Eased considerably	0%	0%	0%	0%	0%	0%	0%
Eased somewhat	7%	12%	3%	5%	8%	8%	4%
Remained basically unchanged	71%	77%	72%	65%	75%^{C}	69%	58%
Tightened somewhat	9%	8%	11%	9%	13%	7%	6%
Tightened considerably	1%	1%	2%	0%	2%	0%	0%
Not applicable	11%	2%	11%^{L}	21%^{L}	2%	16%^{M}	33%^{M,D}

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

GSE Eligible Credit Standards Over the Next 3 Months

GSE Eligible: Over the next three months, how do you expect your firm's credit standards for approving consumer applications for mortgage loans to change (across both purchase mortgages and refinance mortgages)?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	232	53	44	135	89	79	53
Eased considerably	.%	0%	0%	1%	1%	0%	2%
Eased somewhat	3%	6%	0%	4%	2%	6%	2%
Remained basically unchanged	75%	82%	73%	70%	75%	72%	74%
Tightened somewhat	17%	9%	24%[L]	17%	16%	17%	15%
Tightened considerably	3%	3%	1%	6%	4%	3%	8%
Not applicable	1%	0%	2%	1%	1%	3%	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

Non-GSE Eligible Credit Standards Over the Next 3 Months

Non-GSE Eligible: Over the next three months, how do you expect your firm's credit standards for approving consumer applications for mortgage loans to change (across both purchase mortgages and refinance mortgages)?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	232	53	44	135	89	79	53
Eased considerably	.%	0%	0%	1%	0%	1%	0%
Eased somewhat	4%	2%	6%	6%	3%	4%	6%
Remained basically unchanged	68%	76%^{S}	67%	61%	71%	65%	60%
Tightened somewhat	17%	15%	18%	19%	15%	20%	23%
Tightened considerably	4%	7%	0%	5%	4%	5%	6%
Not applicable	6%	0%	9%^{L}	9%^{L}	8%	5%	6%

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

Government Credit Standards Over the Next 3 Months

Government: Over the next three months, how do you expect your firm's credit standards for approving consumer applications for mortgage loans to change (across both purchase mortgages and refinance mortgages)?

	Total	LOAN VOLUME			INSTITUTION TYPE		
		Larger (L)	Mid-sized (M)	Smaller (S)	Mortgage Banks (M)	Depository Institutions (D)	Credit Unions (C)
N=	232	53	44	135	89	79	53
Eased considerably	.%	0%	0%	1%	1%	0%	0%
Eased somewhat	3%	3%	3%	2%	1%	3%	2%
Remained basically unchanged	75%	85%[S]	74%	66%	81%[C]	72%	56%
Tightened somewhat	9%	6%	11%	11%	12%	9%	8%
Tightened considerably	2%	5%	0%	1%	2%	1%	2%
Not applicable	11%	2%	11%[L]	20%[L]	2%	15%[M]	33%[M,D]

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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Appendix

Question Text

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?

QR497: Based on current economic conditions and your perspective as a mortgage executive, how likely do you think that the U.S. economy will enter a recession over the next two years (in 2023 and 2024)?

QR498: When would you expect the U.S. recession to start? Your best estimate would be fine.

QR440: To maintain or improve your competitiveness in the marketplace, what are your firm's two most important business priorities for 2023? Please select up to two most important priorities and rank them in order of importance.

QR441: You mentioned [PRIORITY] is a top priority for your firm. Could you please share some details about why it is a top priority? What do you want to achieve? (Optional)

QR442: You mentioned that **cost cutting** would be a top priority for your organization to maintain or improve competitiveness. In which areas do you expect to cut costs? Please select up to two areas.

QR499: Below are some possible risk factors that could impact the single-family residential mortgage business. In your view, what are the biggest risks for 2023? Please select up to three and rank them in order of significance.

Q27: Over the past three months, how did your firm's credit standards for approving consumer applications for mortgage loans change (across both purchase mortgages and refinance mortgages)? Please answer for GSE eligible mortgages, non-GSE eligible mortgages, and Government mortgages.

Q28: What do you think drove the change in your firm's credit standards for approving consumer applications for purchase and refinance mortgage loans over the last three months? Please be as specific as possible. (Optional)

Q31: Over the next three months, how do you expect your firm's credit standards for approving applications from individuals for mortgage loans to change (across purchase mortgages and refinance mortgages)?

Q32: What do you think will drive the change in your firm's credit standards for approving consumer applications for purchase and refinance mortgage loans over the next three months? Please be as specific as possible. (Optional)

QR500: How has the recent banking turmoil (e.g., lack of consumer confidence in banks and bank collapses) impacted your firm's operation or residential mortgage production or servicing?

QR500b: You mentioned that the recent banking turmoil has ## PIPE FROM QR500 ## on your firm's operation or residential mortgage production or servicing. Could you share some details? What impacts are you seeing? (Optional)