MONEY HOUSE

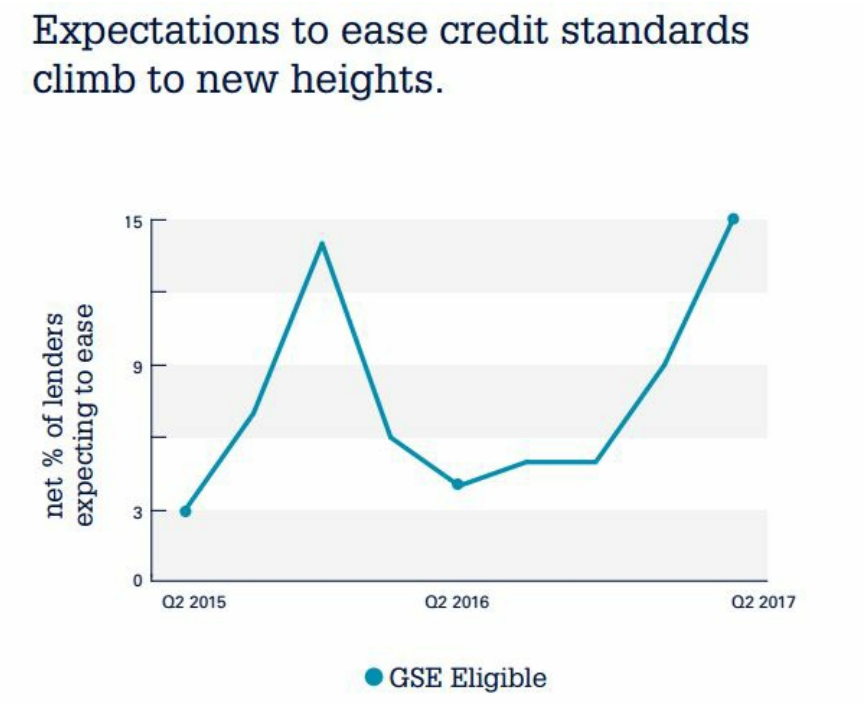
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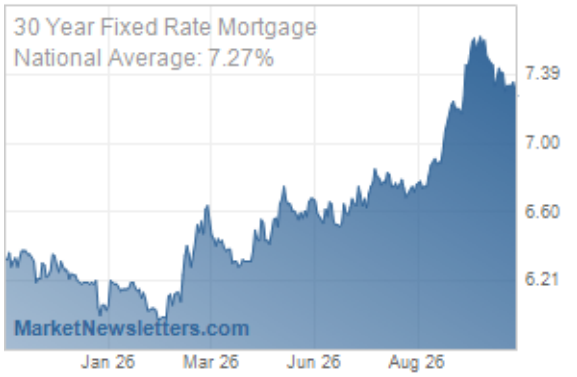
Falling Demand, Competition, Push Lenders Toward Easing Standards

As home buying affordability has declined, it has indirectly moved lenders' apparent willingness to loosen credit standards in the opposite direction. Fannie Mae says its second quarter Mortgage Lender Sentiment Survey shows the net share of **lenders reporting they have eased credit standards over the prior three months has ticked up** gradually since the fourth quarter of 2016.

Looking forward over the next three months, the net share saying they plan to ease credit standards has also been growing. The net share of those expecting easing for GSE eligible and government loans reached new survey highs in the second quarter and net responses for non-GSE eligible loans tied a previous survey high reached in the second quarter of 2014.



National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.85	+0.03
10 YR Treasury	4.9017	-0.0282
30 YR Treasury	5.2708	-0.0374

Pricing as of: 11/2 9:00AM EST

Recent Housing Data

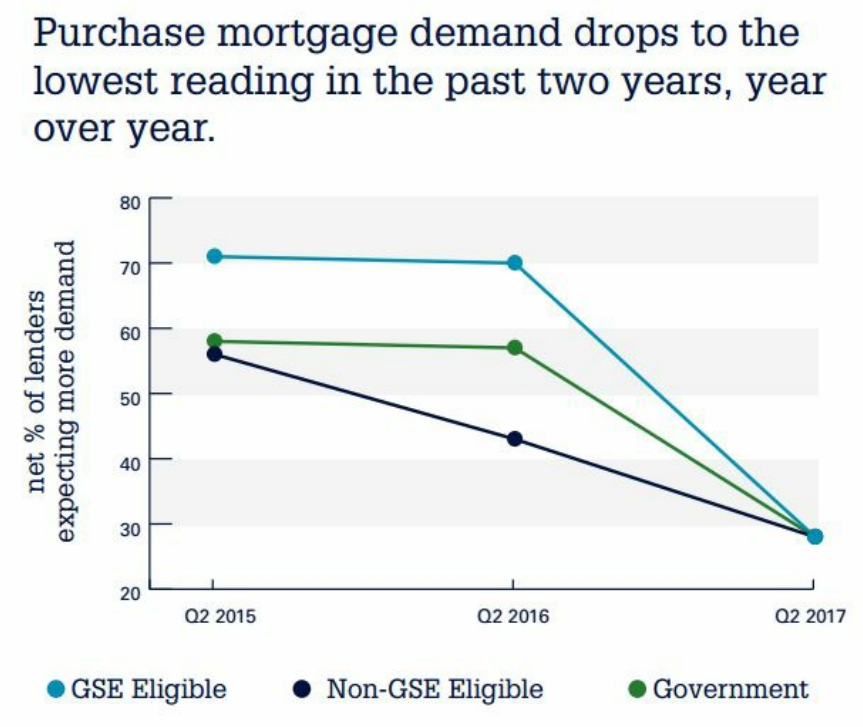
		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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The survey found concerns about economic conditions to be the principal driver of changes in lending standards. The net share of lenders reporting that demand for home purchase loans grew over the previous three months fell to the lowest reading for any second quarter since 2014. Lenders appear optimistic that this is temporary; the net share of lenders expecting increased demand over the upcoming three months was relatively stable on an annual basis.



Concern over demand was also apparent for **refinance loans**. The net share of lenders reporting rising demand over the prior three months fell to a three year low across all loan types. Again, however, the net share of lenders expecting growing demand for refinancing changed little from the first quarter of the year.

The diminished demand reflects consumer sentiment as revealed in the latest National Housing Survey where the net number of **respondents who said it was a good time to buy a home fell to a survey low**. Fannie Mae explains that tight inventory that has pushed up home prices and, along with interest rates that have been trending upward, constrained affordability.

"Expectations to ease credit standards climbed to survey highpoints in the second quarter as more lenders reported slowing mortgage demand and increasing concerns about competition from other lenders," said Doug Duncan, senior vice president and chief economist at Fannie Mae. "Lenders cited additional contributing factors such as diminishing compliance concerns and more support from the GSEs, including clarification on representations and warranties and tools that provide greater certainty during the loan underwriting process.

When questioned on plans for mortgage execution, **lenders reported expectations to grow Fannie Mae, Freddie Mac, and Ginnie Mae shares over the next 12 months** and reduce portfolio loans and whole loan sales shares.

Slightly more lenders reported they expect to decrease rather than increase the share of MSR sold and the share of MSR retained and serviced in-house (as opposed to by a sub-servicer). The majority expect to maintain their MSR execution strategy.

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Fewer lenders, on net, reported a negative profit margin outlook in the last two quarters after responses reached the surveys worst reading in the fourth quarter of 2016, but more lenders still reported a negative than a positive outlook. The most pessimistic responses came from respondents at mid-sized institutions, while those in larger institutions were most likely to expect profit margins to rise.

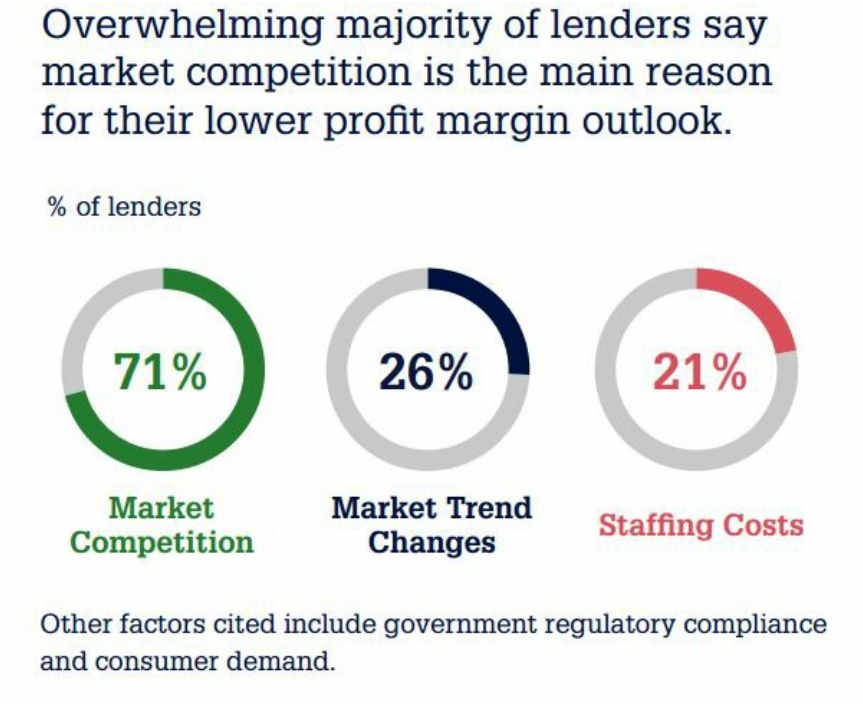


Competition from **other lenders** was the most common reason cited by lenders for their decreased profit outlook, setting a new survey high. The perceived impact of compliance with government regulations declined sharply in the fourth quarter of last year and has remained relatively low.

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Duncan added, "Easing credit standards might also be due in part to increased pressure to compete for **declining mortgage volume**. For the third consecutive quarter, the share of lenders expecting a decrease in profit margin over the next three months exceeded the share with a positive profit margin outlook. For the former, the percentage citing competition from other lenders as a reason for their negative outlook reached a survey high."

The Mortgage Lender Sentiment Survey polls senior executives of its lending institution customers on a quarterly basis to assess their views and outlook across varied dimensions of the mortgage market. The Fannie Mae second quarter 2017 Mortgage Lender Sentiment Survey was conducted between May 3, 2017 and May 14, 2017.

Our Goal is to help our Wholesale Partners grow their business.

Let our highly experienced reverse mortgage team help your company grow its HECM business.

Chris Munson

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