

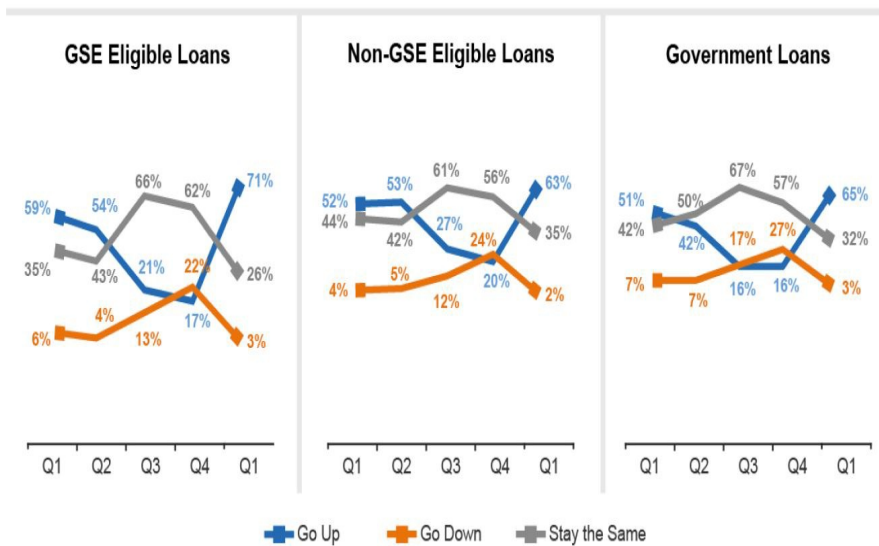
Lenders see Increased Demand, Higher Profits in 2015

By: Jann Swanson | Thu, Mar 19 2015, 2:32 PM

In its quarterly survey of lenders' sentiment Fannie Mae found increasing optimism about the mortgage business. The survey conducted in the first quarter of 2015 revealed that, compared with the fourth quarter of 2014, lenders expect **both mortgage demand and their profit margins** to grow over the next three months.

The number of lenders who expect near-term purchase mortgage demand to grow finally reversed a downward trend that lasted throughout 2014. More lenders expect that, although there might be seasonal influences, the higher demand will extend to all types of loans and the **increased optimism** was present no matter whom the respondent represented; mortgage banks, depository institutions, or credit unions. Seventy-one percent of lenders say they expect purchase mortgage demand to go up over the next three months compared with 59 percent reported during the same quarter last year. For non-GSE eligible loans the increased demand was expected by 63 percent and for government loans by 65 percent.

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

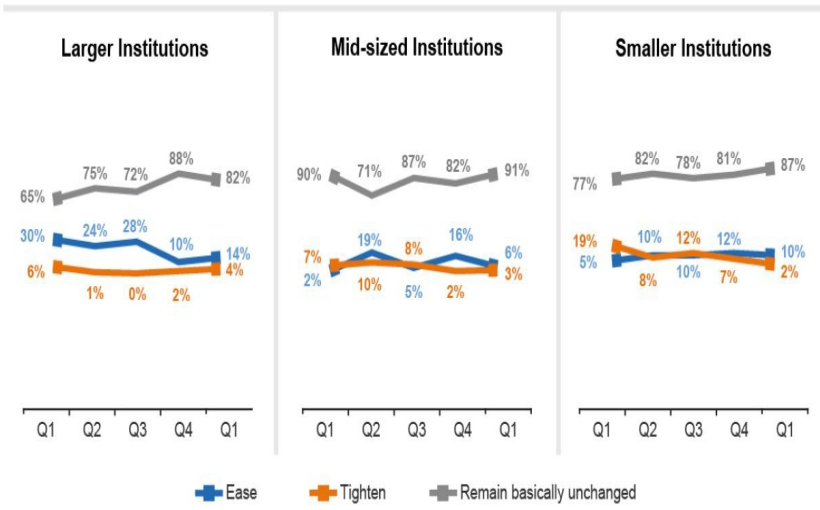


Sixty-two percent of lenders interviewed expect home prices to increase over the next 12 months compared to only 47 percent with that expectation in the fourth quarter 2014 survey. The average size of the increase was estimated at 2.4 percent, up from 1.7 percent in the earlier survey.

The survey found that the **credit tightening** observed last year has continued to lessen, gradually moving into 2015. More lenders reported easing than reported tightening with representatives of mortgage banks continuing to report easing more frequently than those from depository institutions.

Compared with the general population of consumers, senior mortgage executives continue to be more optimistic about the overall economy and more pessimistic about consumers' ability to get a mortgage today. While **28 percent of lenders** said it would be somewhat or very easy for a consumer to get a loan today 47 percent of consumers asked a similar question in the most recent monthly National Housing Survey thought they could easily obtain financing for a home.

For Non-GSE eligible loans[†], share of institutions by loan volume group who say their credit standards over the next 3 months will...

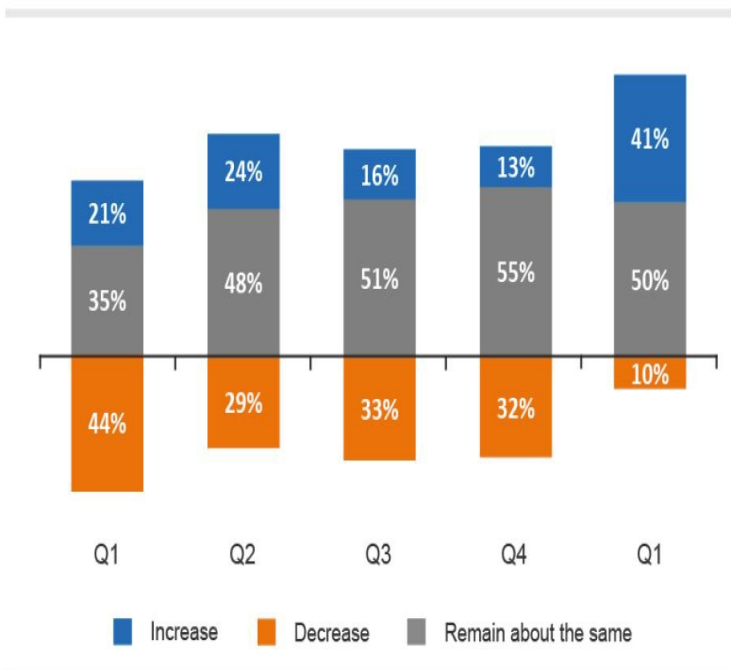


[†]Similar results are found for the other two loan type markets. Data for the Non-GSE eligible loan type market are shown here, as an example. Please click [here](#) for detailed findings about the other mortgage loan type markets.

Most institutions reported that they expect to maintain both their strategies in relation to **secondary market outlets and Mortgage Servicing Rights (MSR) execution** over the next year. Among larger institutions and mortgage banks, more lenders reported they expect to decrease rather than increase the share sold to GSEs and among mortgage banks, more lenders reported plans to retain rather than sell their MSRs.

Lenders' **profit margin outlook** has improved significantly from last year, in particular among larger lenders, with the share of lenders expecting their profit margin to go up over the next three months increasing significantly this quarter. Forty-one percent of lenders reported increased profit margin expectations, compared with 21 percent during the same quarter last year and only 13 percent in the last survey-

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



Doug Duncan, Fannie Mae senior vice president and chief economist said improving economic conditions and prospects for profit margins appear to be fueling increased optimism among mortgage lenders at the start of 2015. "The first quarter results mirror a similar trend among American households, as shown in our recently released National Housing Survey™ data," he said. "These results are consistent with our view that an improving economy, strengthening employment, and increasing consumer confidence should support a modest housing expansion in 2015, after an uneven and disappointing year for housing activity in 2014."

The Mortgage Lender Sentiment Survey™ conducted by Fannie Mae 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 survey was first conducted in Q1 2014.

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