



Mortgage Trends

Q4 2022 Survey Results



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Introduction



There's no question that this is a volatile time in lending, but there's still plenty of opportunity. In the spirit of helping our brokers navigate these uncertain times, we created a Q4 Mortgage Trend Insights survey and sent it to our broker community, which numbers in the thousands. We wanted to find out what they think is coming in Q4 and beyond.

In addition to taking the pulse of our broker community, we also wanted to add context to their observations. With thousands of loans funded in all kinds of economic climates, we've seen cycles like this before... and we know what has worked in the past for brokers in these circumstances. In this report, we'll point out where we see room for growth.

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7

QUESTIONS

117

TOTAL
RESPONDENTS



The Survey

We sent out a simple 7-question survey to the thousands of brokers in our network, asking questions like, “Do you expect to close more loans in Q4 of 2022 as compared to Q3 of 2022?” and “Where do you see housing prices going in Q4 of 2022?” The goal was to get a pulse on how brokers were feeling about the housing and mortgage market. As Q4 generally tends to cool down compared to Q3 and Q2, and the national news and interest hikes are making some buyers skittish, we wanted to know how it was affecting brokers. The results were interesting and, in some cases, surprising.

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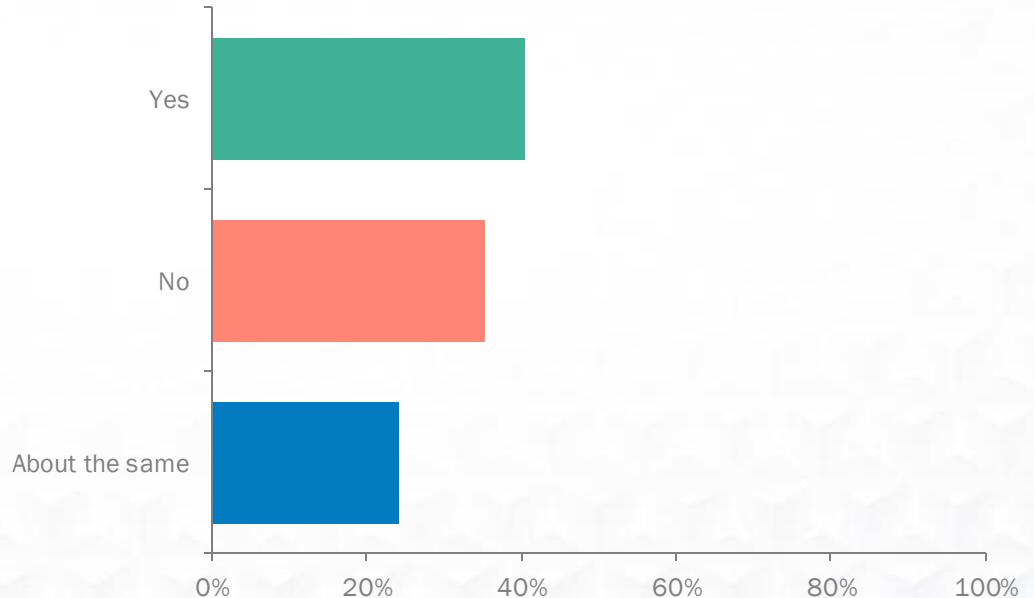


Question 1/7

Getting right down to the issues that matter, our first question was designed to gauge broker confidence. We were encouraged to learn that fully 40% of brokers were expecting to do more business in Q4. 24% expected to do about the same amount of business, making for a healthy majority that was not expecting a slowdown. That said, anecdotal chats with some of our brokers do indicate a decrease in volume of business. But we see several solutions to the volume problem some brokers are reporting.

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Do you expect to close more loans in Q4 of 2022 as you expect compared to Q3 of 2022?



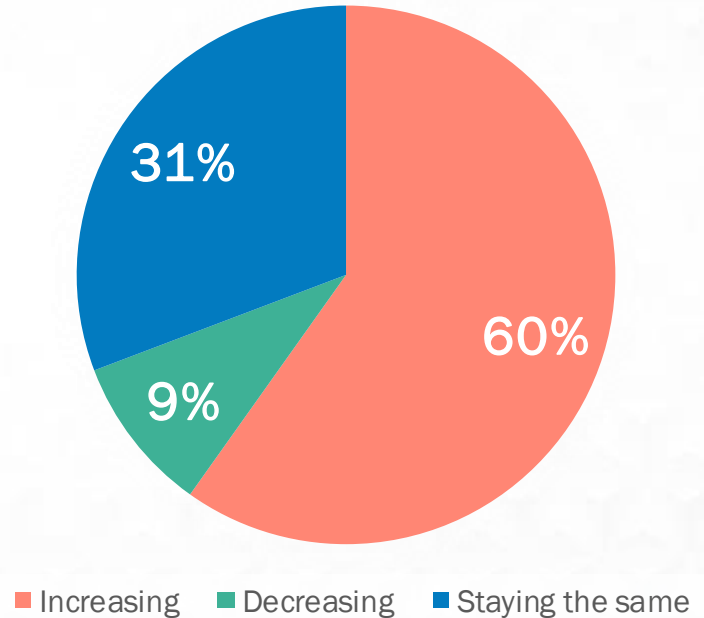


Question 2/7

The enthusiasm for closing more loans was not caused by unrealistic expectations about rates. With an historic rise in interest rates this year in the Fed's attempts to curb inflation, mortgage rates have followed suit and have risen apace. When asked where they saw rates going in Q4, the majority of our brokers expect a hike – nearly 60% of them – and we tend to agree. The economy hasn't cooled enough to slow inflation yet, so we can likely expect the Fed to continue to hike rates until it does.

This is not all bad news for the broker community, as the enthusiasm for closing loans indicates. While it's true that interest rate hikes tend to cool the market for conventional loans, there is still plenty of upside in non-traditional mortgage products. And while conventional borrowers may sit out a higher-interest market, those with bigger down payments or those looking for investment properties may see opportunities where others don't.

Where do you see interest rates going in Q4 of 2022?



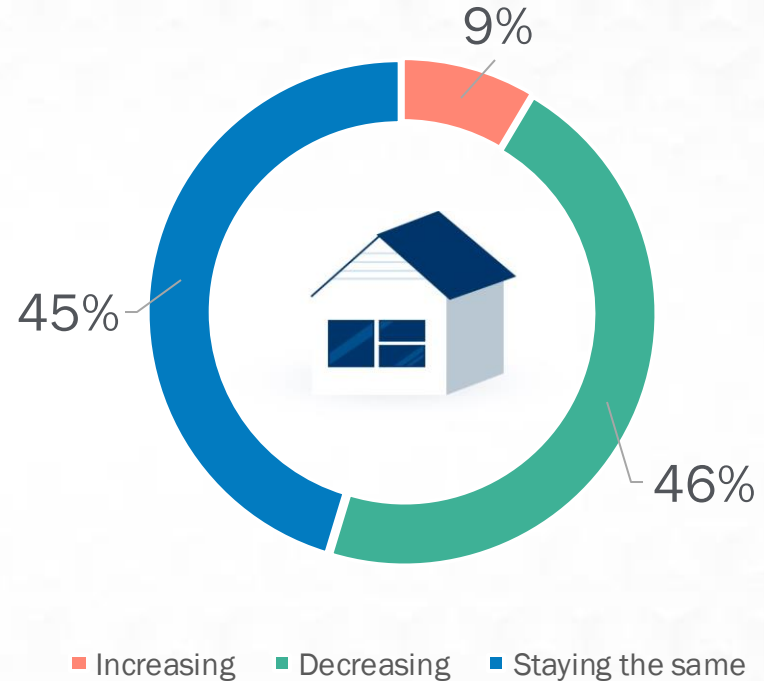
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Question 3/7

Just about half of the brokers we surveyed (46.15%) see housing prices going down, and another huge chunk (45.30%) expect them to stay about the same. While this may mean that some traditional borrowers will want to stay put, this opens up opportunities for other borrowers. For example, cooling home prices may help first-time home buyers who were unable to jump into a red-hot market even a few months back. Flat or dropping home prices may also excite investors, who have been waiting for a peak to pass to start finding properties to flip.

Where do you see housing prices going in Q4 of 2022?



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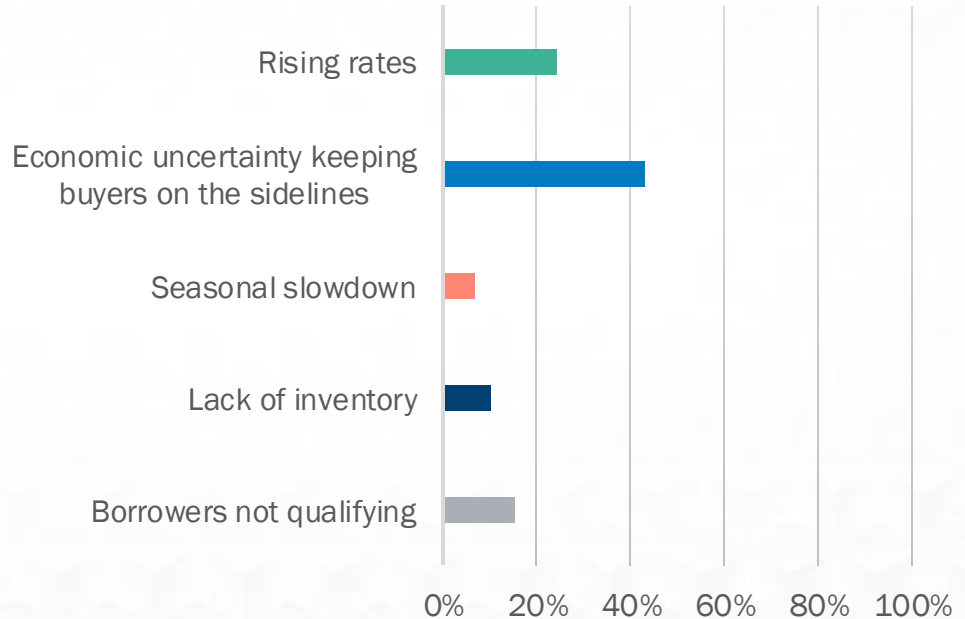


Question 4/7

While we imagined seasoned brokers would find the ways to navigate these choppy waters, we also wanted to take a pulse on what challenges were ahead. Of the potential challenges listed, “Economic uncertainty making buyers sit on the sidelines” was the biggest concern, with 43% of brokers listing it. “Rising rates” was second at 24%.

It’s true that if we pay attention only to the national news, economic uncertainty and rising rates is definitely making some buyers skittish, leading to the cooling in home prices. But that’s what’s positioning the brokers who thrive at Quontic to find new pockets of opportunity during these times. Our portfolio of unique mortgage products is perfectly suited to what conventional banks may consider “nontraditional” borrowers: small business owners with inconsistent income, gig workers, immigrants, investors, and foreign nationals, to name a few. While other buyers sit it out, these groups tend to lean in and take advantage of opportunities. As a Quontic broker, you’re well-positioned to grow your business with these often underrepresented but lucrative sectors.

What do you anticipate being your biggest challenge in Q4?



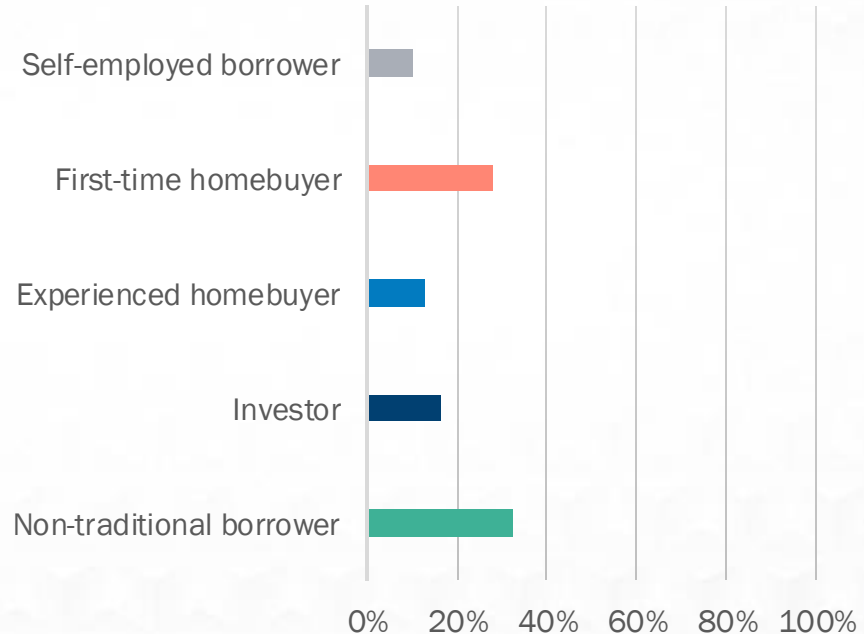


Question 5/7

Unsurprisingly, fully one-third of Quontic brokers saw “non-traditional borrowers” as the segment with the most opportunity in Q4. First-time home buyers came in at 28%, a nod to the fact that cooling home prices may finally give first-time buyers the foot in the door they need to buy a home. The way to work with first-time buyers is to focus on the fact that lower prices offset the rise in rates, which can seem big compared to recent rates, but is not historically significant compared to some highs of decades past.

While “self-employed borrowers” and “investors” made up 25% of our responses to the opportunity question, we expect this percentage to be even larger, and encourage our brokers to aggressively move into this sector for Q4 and beyond.

Which type of borrower do you see as the biggest opportunity in Q4?



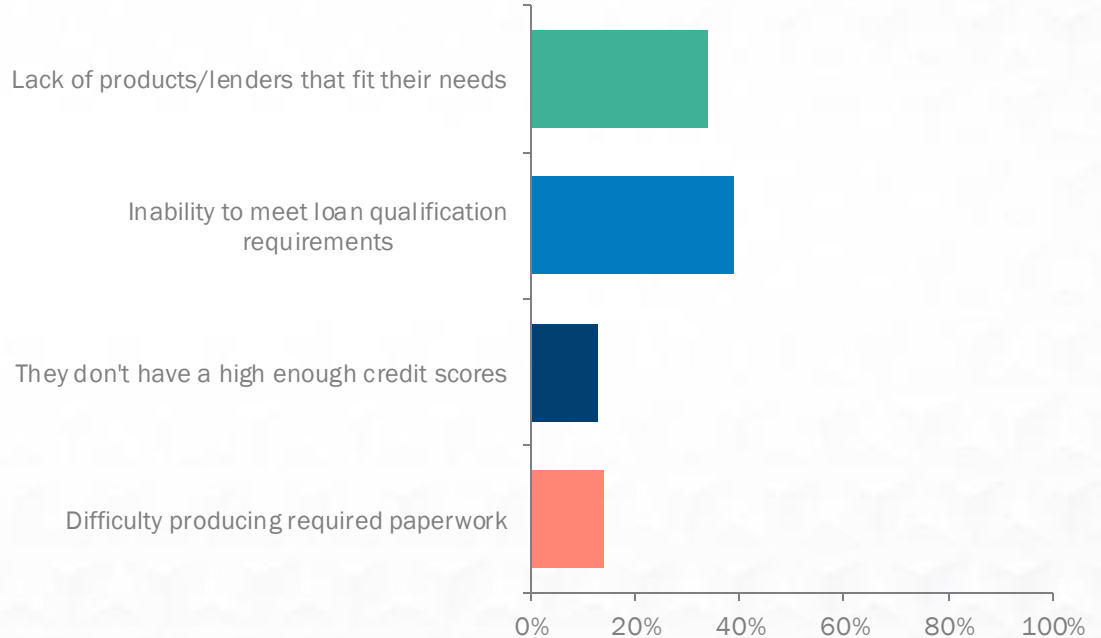
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Question 6/7

Narrowing down the field of mortgages to non-QM borrowers, we wanted to know what brokers consider the biggest challenge in this opportunity-rich sector. The top response here was “Inability to meet loan requirements,” ahead by a slim margin at 39%. This is an issue we’ve sought to address by making our loan requirements stringent enough to make sure only high-quality borrowers are approved, but dynamic enough to take into account the many ways borrowers can prove ability to repay. That’s why we have some of the most innovative documentation allowances for self-employed individuals and a variety of products, including our popular “Lite Doc” solution.

Q6: What is your biggest concern with non-QM borrowers for Q4?



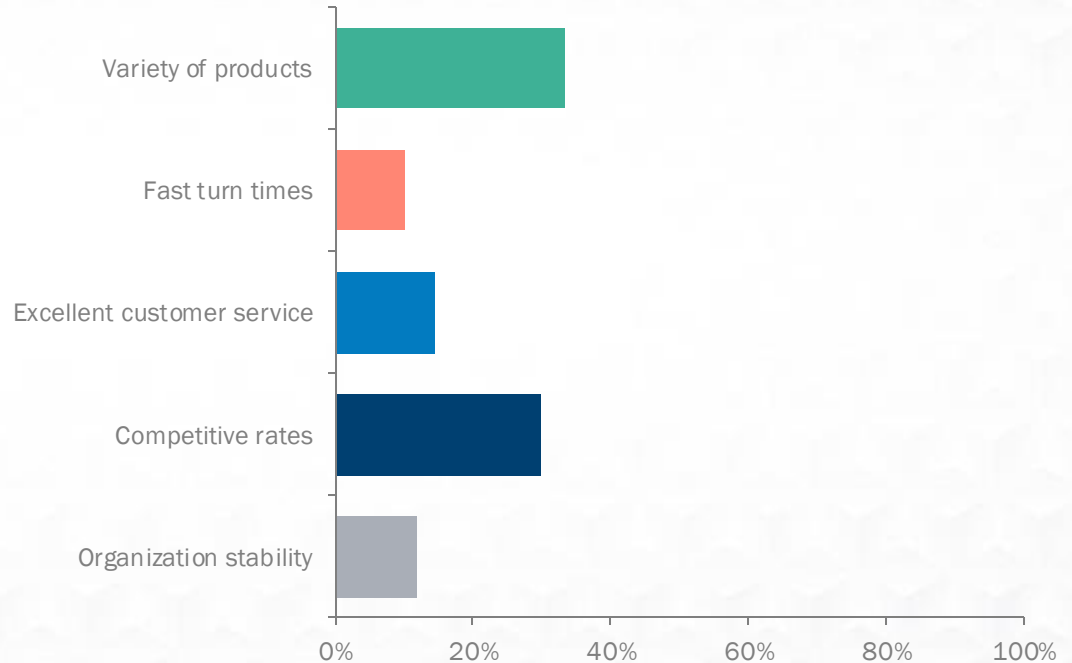
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Question 7/7

To learn how we can grow and evolve our offerings to better serve our brokers, we wanted to know: what do you value in your lending partners? The top response came in at 33%, “variety of products.” At Quontic, we strive to create loan products that serve brokers’ needs, including our non-QM loans and [owner-occupied](#) and [investor Lite Doc mortgages, 12-Month Bank Statement mortgages](#), along with more conventional products. As a CDFI (Community Development Financial Institution), we are uniquely positioned to serve underbanked communities and bring the dream of home ownership to a broader swath of your customers, so we’re always innovating to help you do more business.

What will you value most from your lender partners in Q4?



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In Summary

We were delighted to learn of ongoing broker enthusiasm in what most consider a volatile and even difficult market. The capacity to be adaptive is one of the qualities we strive for, and we're excited that the replies to our Q4 Mortgage Trends survey revealed that our brokers are up for the challenges of the moment as well, finding opportunities where others see difficulties. With an eye toward expanding who we work with, including first-time home buyers eager to jump into a cooling market that's excluded them for too long, to investors ready to take advantage of the exciting opportunities opening up, Q4 promises to be exciting.

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