



American
Bankers
Association®

24th Annual ABA Residential Real Estate Survey Report

March 2017





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Acknowledgements

The American Bankers Association extends its appreciation to the bankers who contributed essential information to the 24th edition of the Real Estate Lending Survey. Their participation in this extensive study, despite already heavy reporting burdens, ensured the success of this research project.

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A Summary of Key Findings

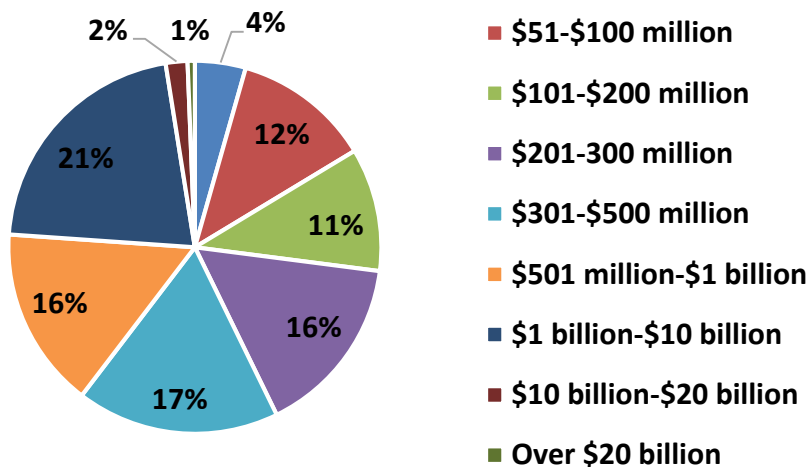
The 24th Real Estate Lending Survey had the participation of 159 banks. The data was collected from January 19, 2017 to February 24, 2017, and in most cases reports calendar year or year-end results. In other cases, the data reflects current activities and expectations at the time of data collection. Of the survey participants, 63 percent of respondents were commercial banks and 37 percent were savings institutions. About 76 percent of the participating institutions had assets of less than \$1 billion.

- The percentage of single family mortgage loans made to first time home buyers increased from 15 percent in 2015 to 16 percent in 2016, a record high in the survey's history.
- The average percentage of participants' 2016 production that were Non-Qualified Mortgages (non-QM) fell from 14 percent in 2015 to 9 percent in 2016. This percentage was similar to the level experienced in 2014 when the QM and non-QM designations were first effective.
- Approximately 44 percent of respondents cite "loans exceeding the debt-to-income ratio" as the most frequent reason why non-QM loans do not meet QM standards.
- Approximately 55 percent of respondents state that regulations are having a moderately negative impact on business, and 22 percent characterize the impact as extremely negative. Only 5 percent state that regulations are having no negative impact.
- Mortgage-specific compliance costs have increased for 97 percent of institutions as a result of recent regulatory reforms, and 75 percent of institutions have had to hire additional staff to cope with these new regulations.
- The impact of the increased regulatory burden was the most frequently expressed mortgage market concern.

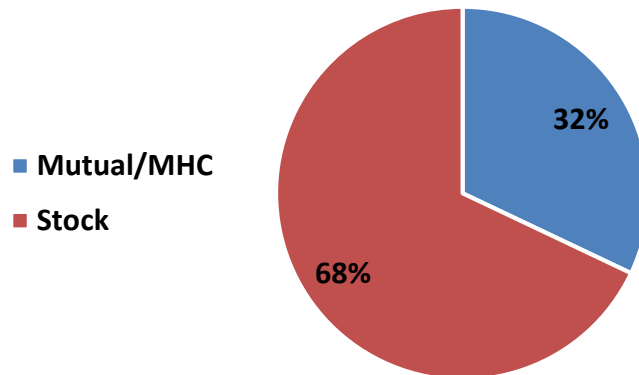
Survey Participant Profile

Bank Demographics

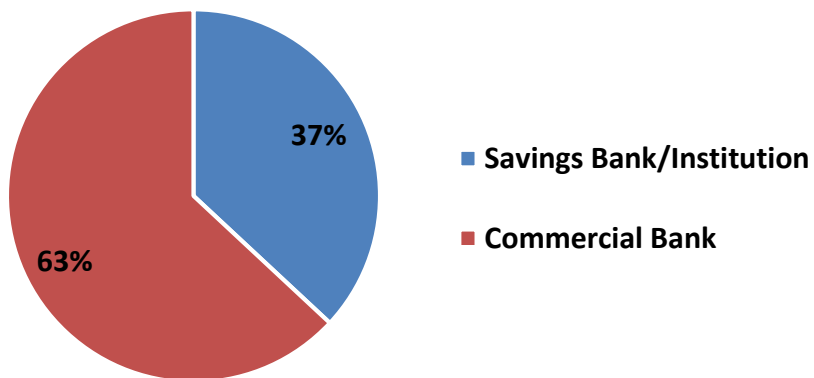
Bank Asset Size



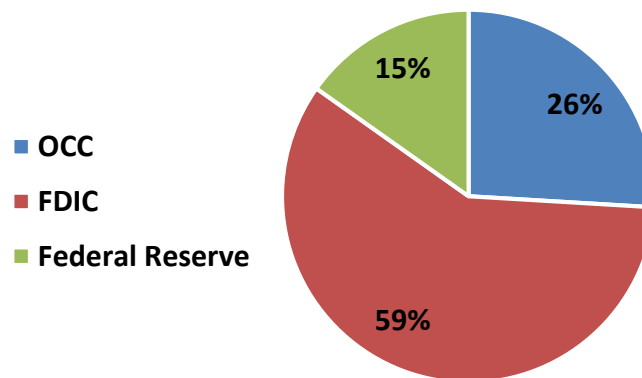
Bank Ownership Type



Bank Charter Type

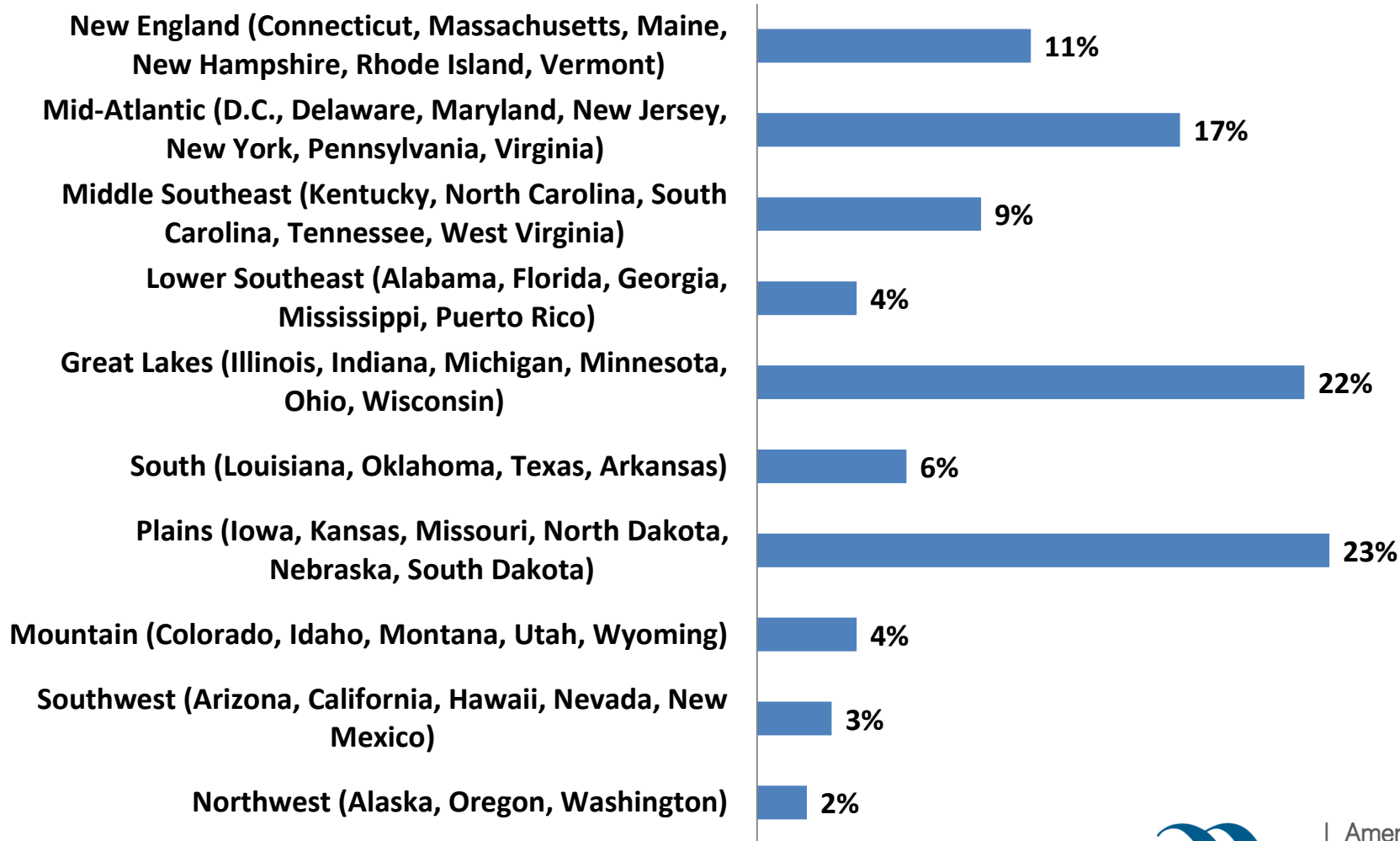


Chief Federal Regulator



Survey Participant Profile

Bank Location





Loan Production

Top Loan Origination Systems

Ranking	Loan Origination System
1	Encompass (Ellie Mae)
2	Mortgagebot (D+H)
3	Laser Pro (Harland)
4	Wolters Kluwer (Compliance One)
5	Calyx Point (Calyx Software)



Loan Production

Participant Loan Volume for 2016

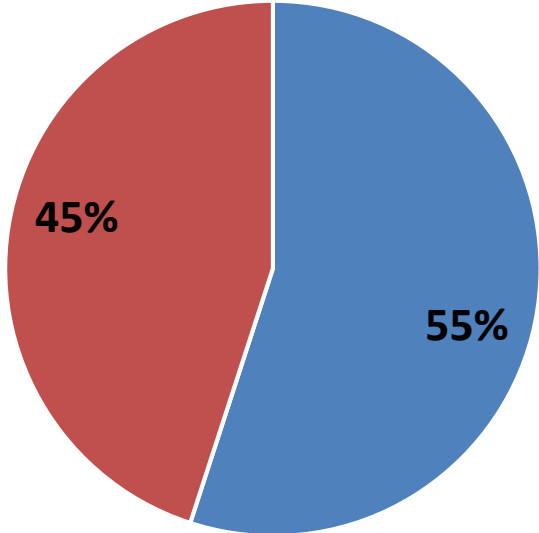
	1-4 Family Mortgage Loans (\$)	Home Equity Loans (drawn lines-of-credit) (\$)	Second Trust Loans (closed-end) (\$)	Multifamily Mortgage Loans (\$)
Median	\$42,500,000	\$5,000,000	\$1,146,300	\$2,500,000
Average	\$159,565,271	\$11,253,902	\$3,056,220	\$27,224,405



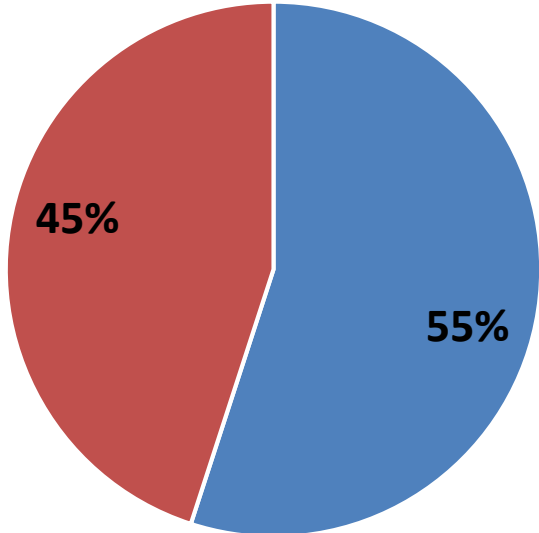
Loan Production

1-4 Family Mortgage Loan Originations

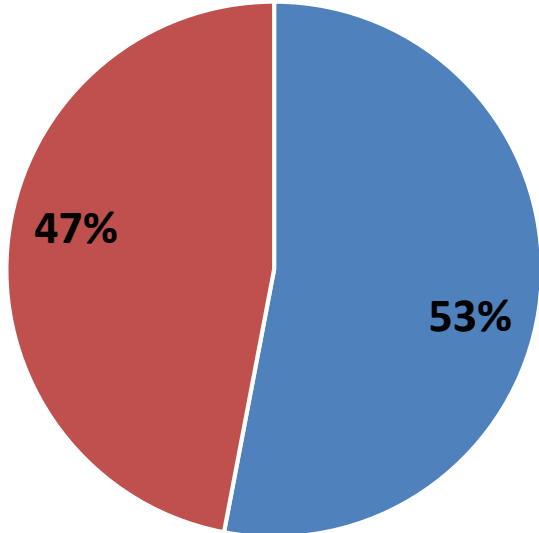
2014



2015



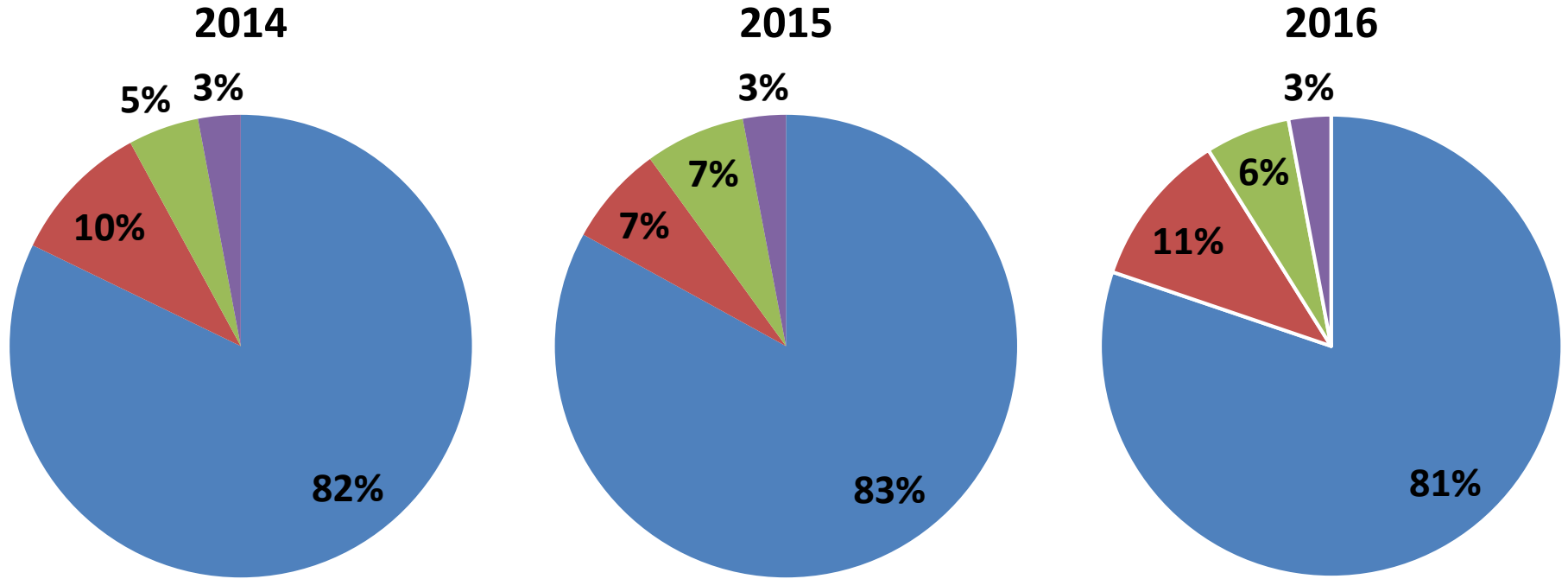
2016



■ Purchase
■ Refinance



Loan Production Origination Sources



- Retail
- Wholesale/Correspondent
- Internet
- Other

Loan Production

Servicing Portfolios (Data as of 2016 YE)

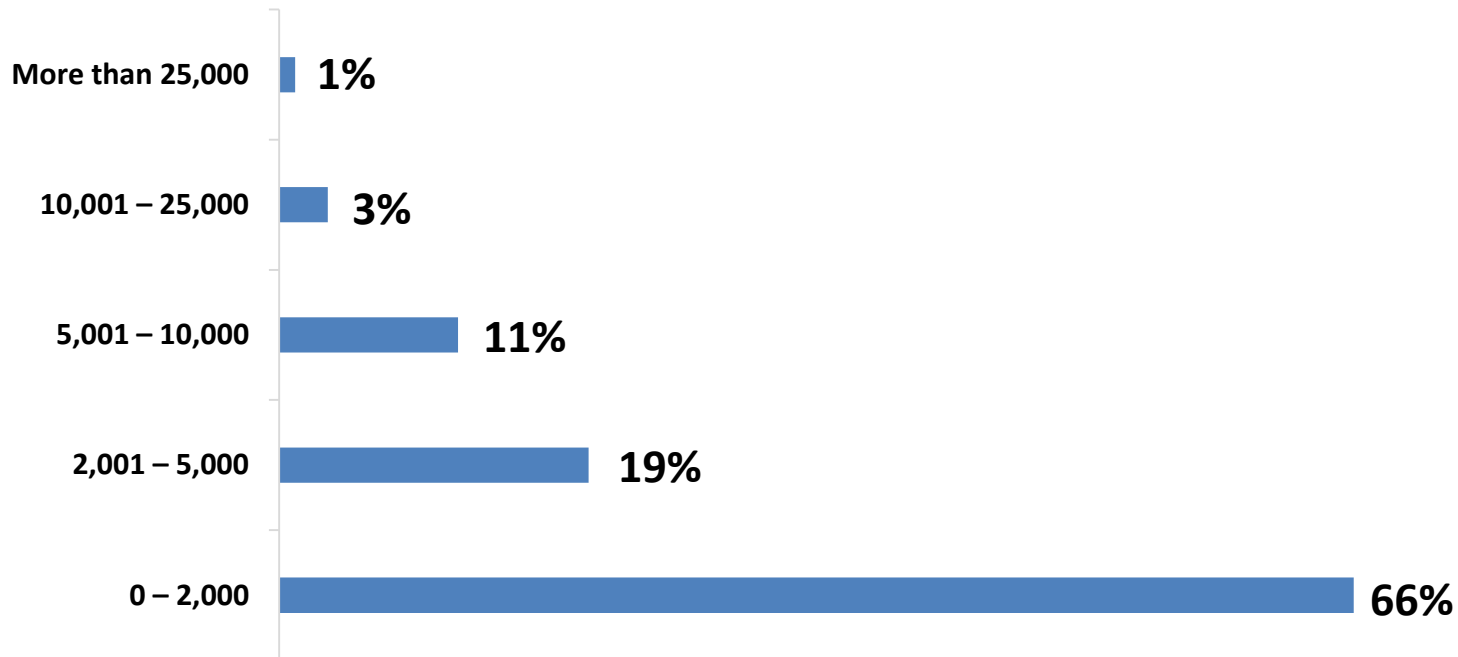
By Asset Size	Serviced for Bank (averages in millions, unless otherwise noted)	Serviced for Others (averages in millions, unless otherwise noted)
Over \$20 Billion	Data Not Available	Data Not Available
\$10 - \$20 Billion	\$2.6 billion	\$720.3
\$1 - \$10 Billion	\$486.2	\$567.1
\$501 Million - \$1 Billion	\$219.2	\$313.6
\$301 - \$500 Million	\$118.7	\$102.8
\$201 - \$300 Million	\$47.9	\$30.1
\$101 - \$200 Million	\$37.9	Negligible
\$51 - \$100 Million	\$23.2	Negligible
Up to \$50 Million	\$3.5	Negligible



Loan Production

1-4 Family Loan Serviced

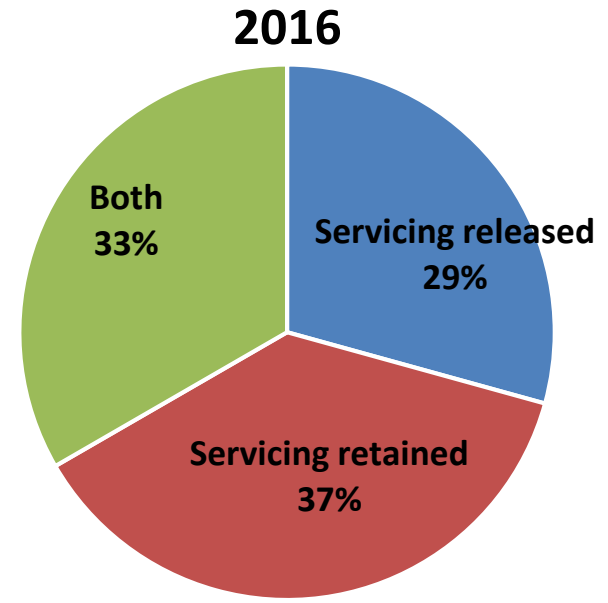
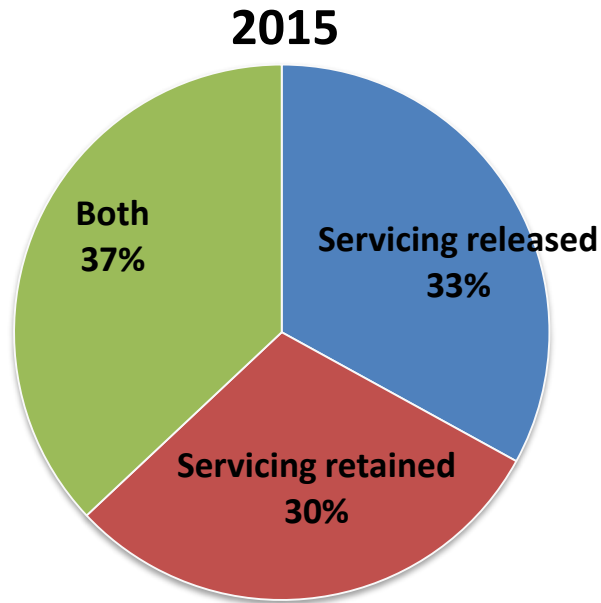
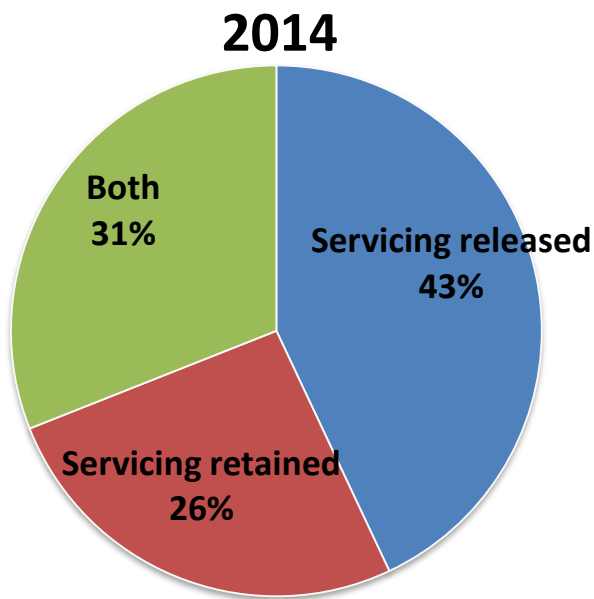
Please estimate the number of 1-4 family loans your bank serviced as of December 31, 2016.





Loan Destination

Servicing Released and Servicing Retained

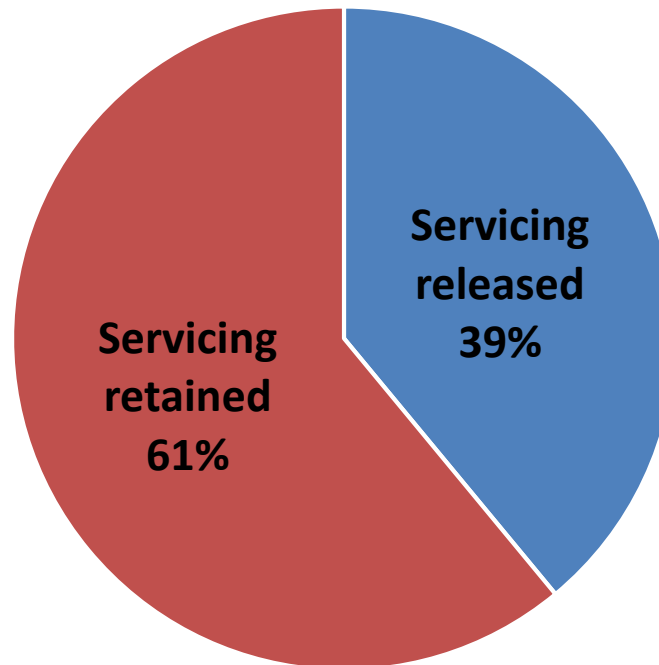




Loan Destination

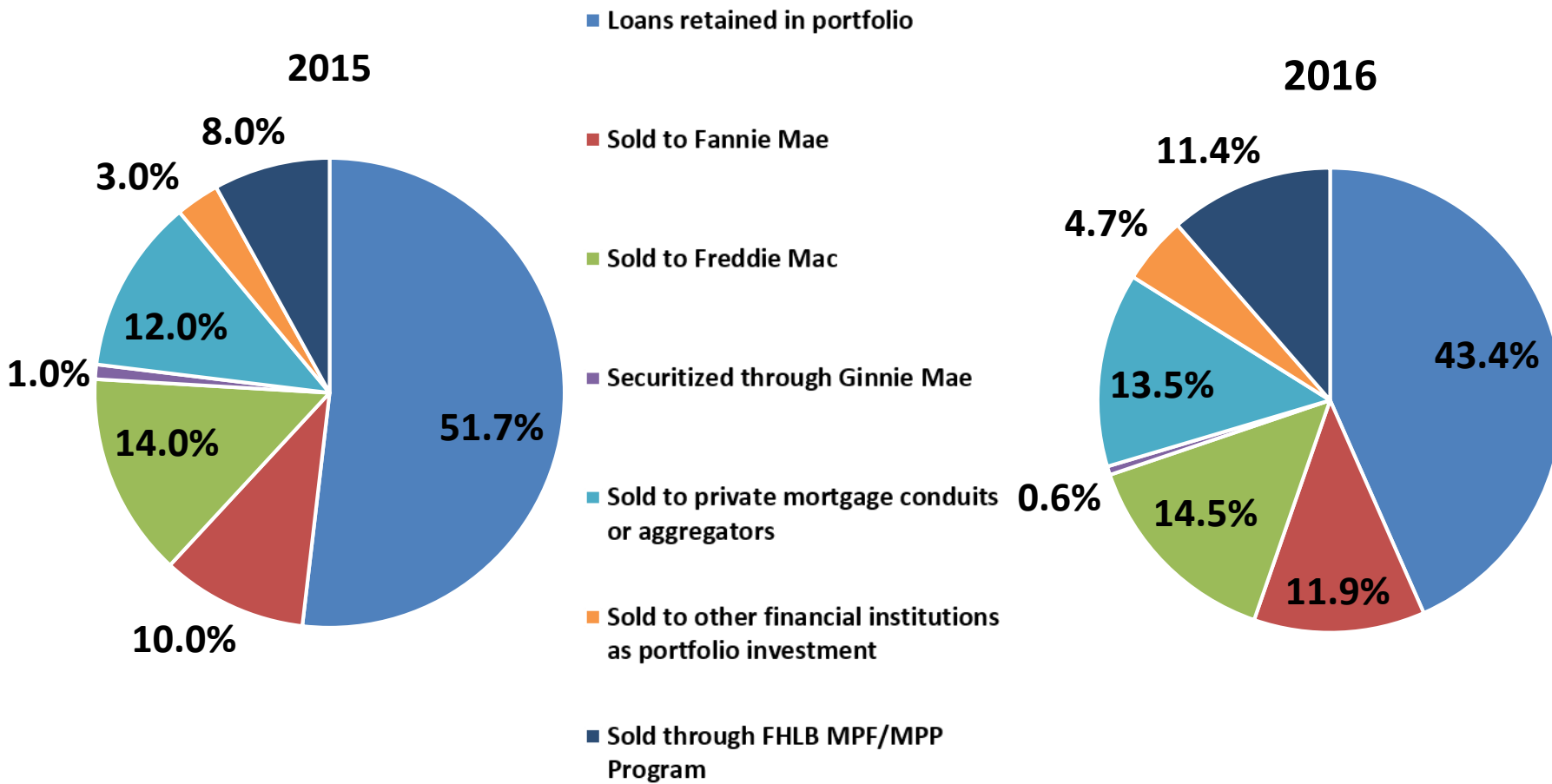
Servicing Released and Servicing Retained

Average percentage breakdown of released and retained servicing for banks that do both



Loan Destination

1-4 Family Mortgage Origination Destination





Loan Destination A Historical Perspective

Percentage of originations sold to each of the following buyers, average of all sellers

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Conduits/Wholesalers	10%	19%	22%	17%	18%	18%	19%	12%	14%
Fannie Mae	5%	12%	13%	15%	12%	14%	11%	10%	12%
Freddie Mac	5%	17%	15%	13%	15%	15%	13%	14%	15%
FHLB MPF/MPP	4%	5%	5%	7%	9%	9%	8%	8%	11%
Other	2%	4%	8%	7%	6%	4%	2%	3%	5%

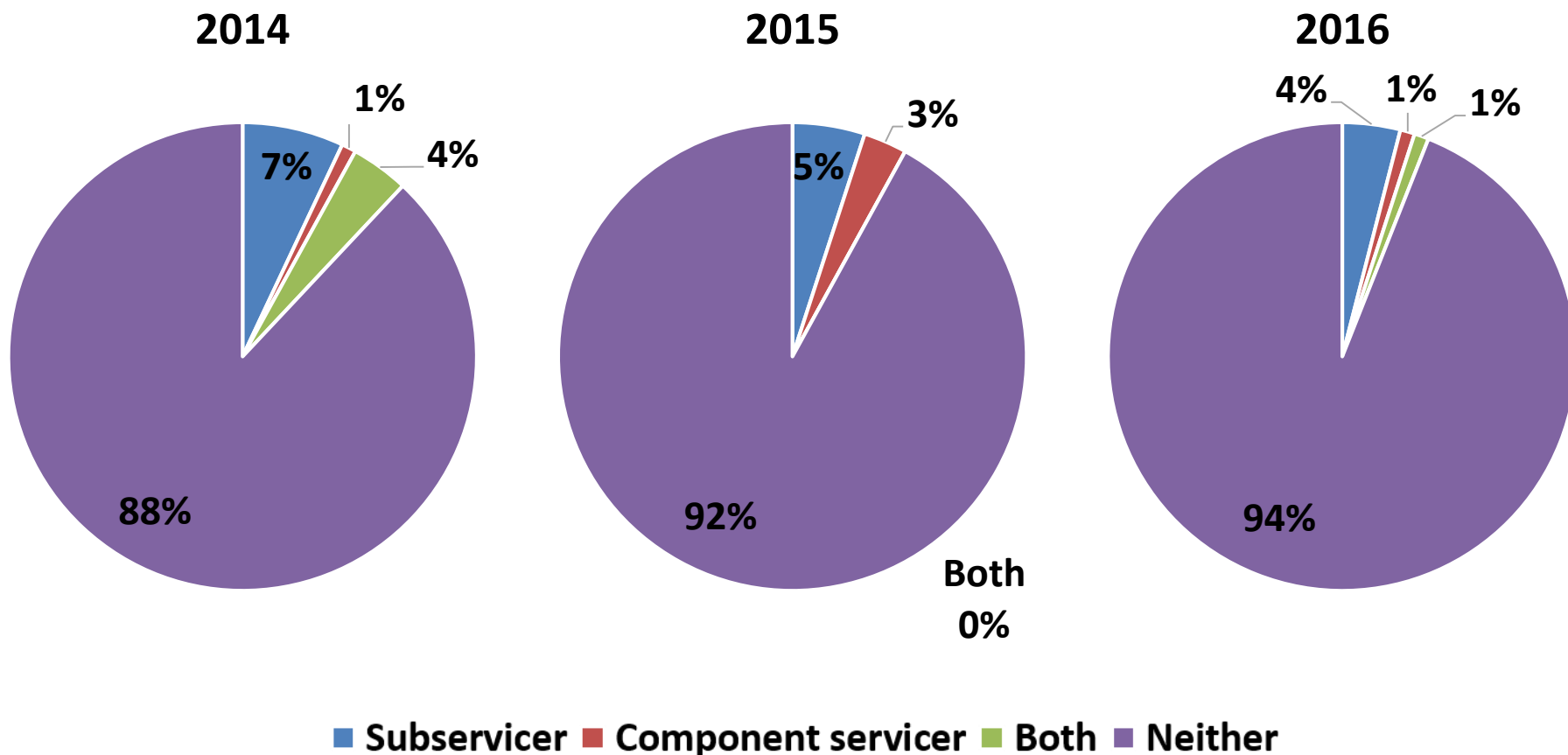


Loan Destination Top Aggregators

Ranking	Aggregator			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1	U.S. Bank	BB&T, U.S. Bank	Wells Fargo	FHLB
2	Wells Fargo	Wells Fargo	U.S. Bank	Wells Fargo
3	FHLB	FHLB	BB&T	U.S. Bank
4	BB&T	SunTrust	Franklin American	PennyMac
5	Franklin American	Franklin American	FHLB	Franklin American

Loan Destination

Subservicer vs. Component Servicer



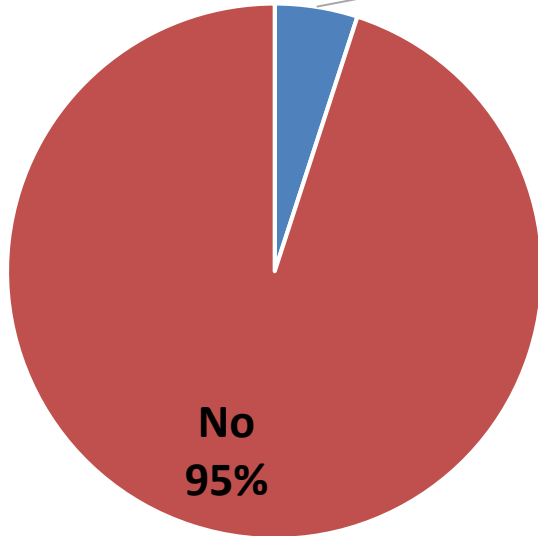


Loan Destination

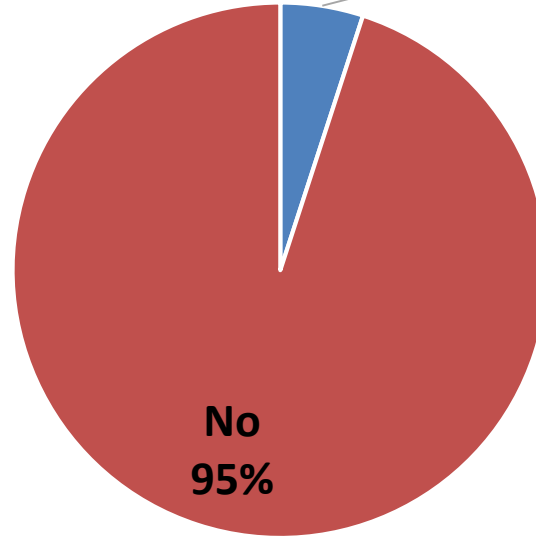
Mortgage Servicing Rights

Have you sold mortgage servicing rights in the past year due to regulatory requirements or capital treatment of mortgage servicing assets?

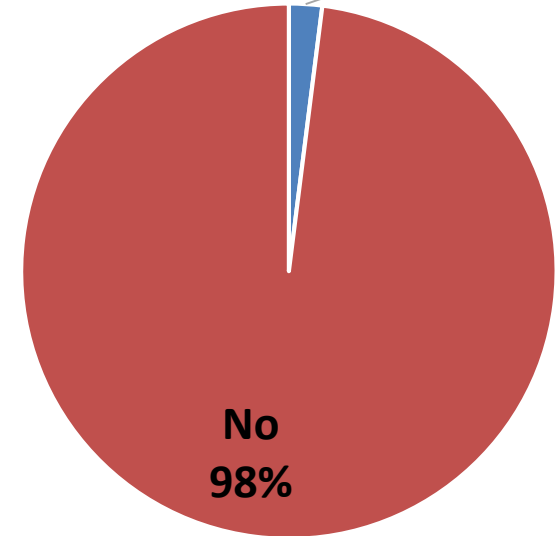
2014
Yes
5%



2015
Yes
5%



2016
Yes
2%

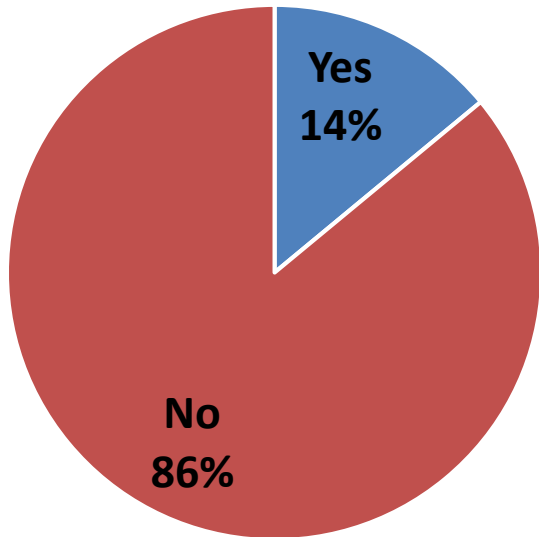


Loan Destination

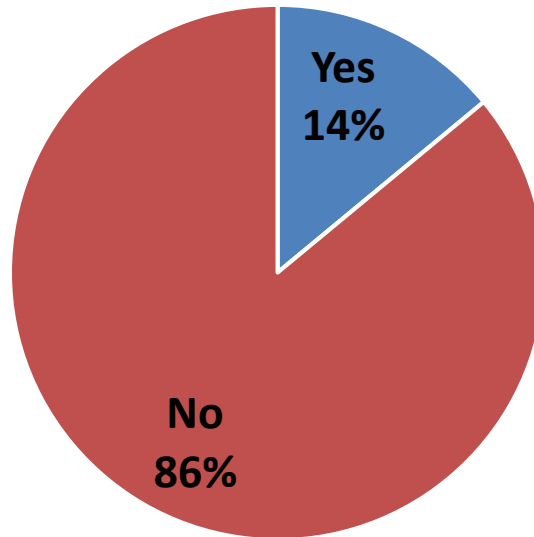
Selling Servicing Rights

Are you contemplating selling servicing rights due to new regulatory requirements or capital treatment of mortgage servicing rights?

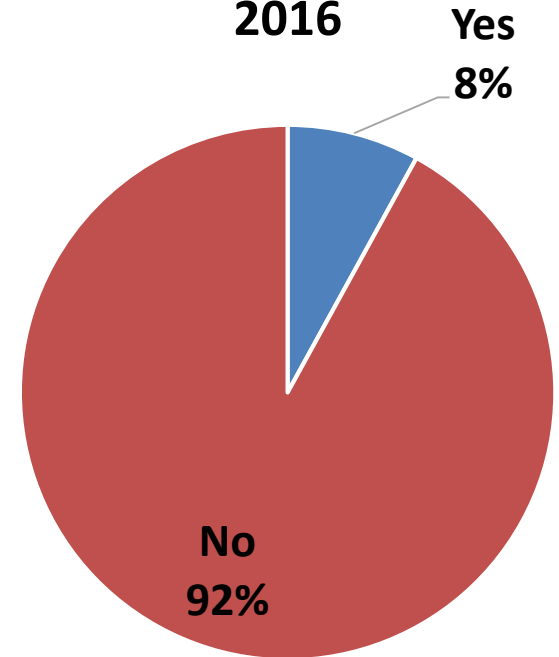
2014



2015

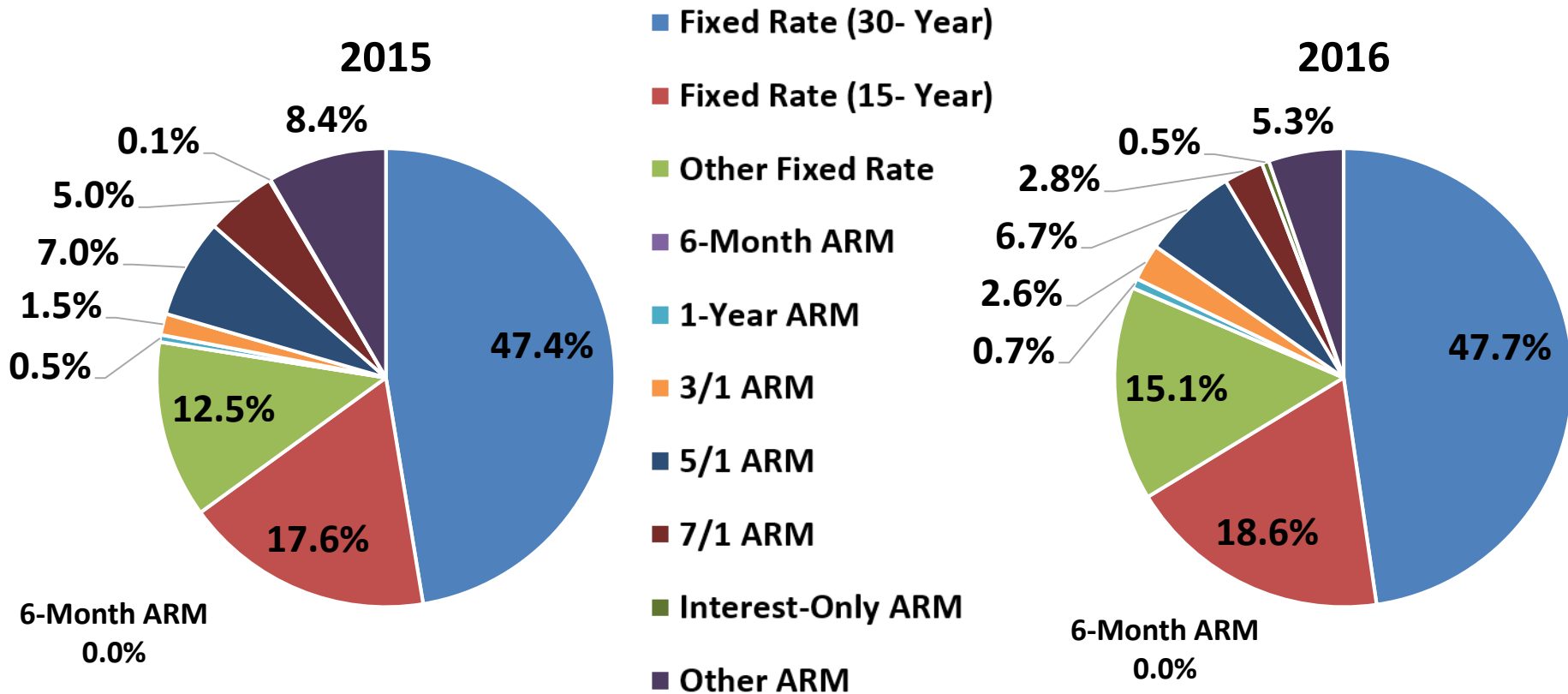


2016



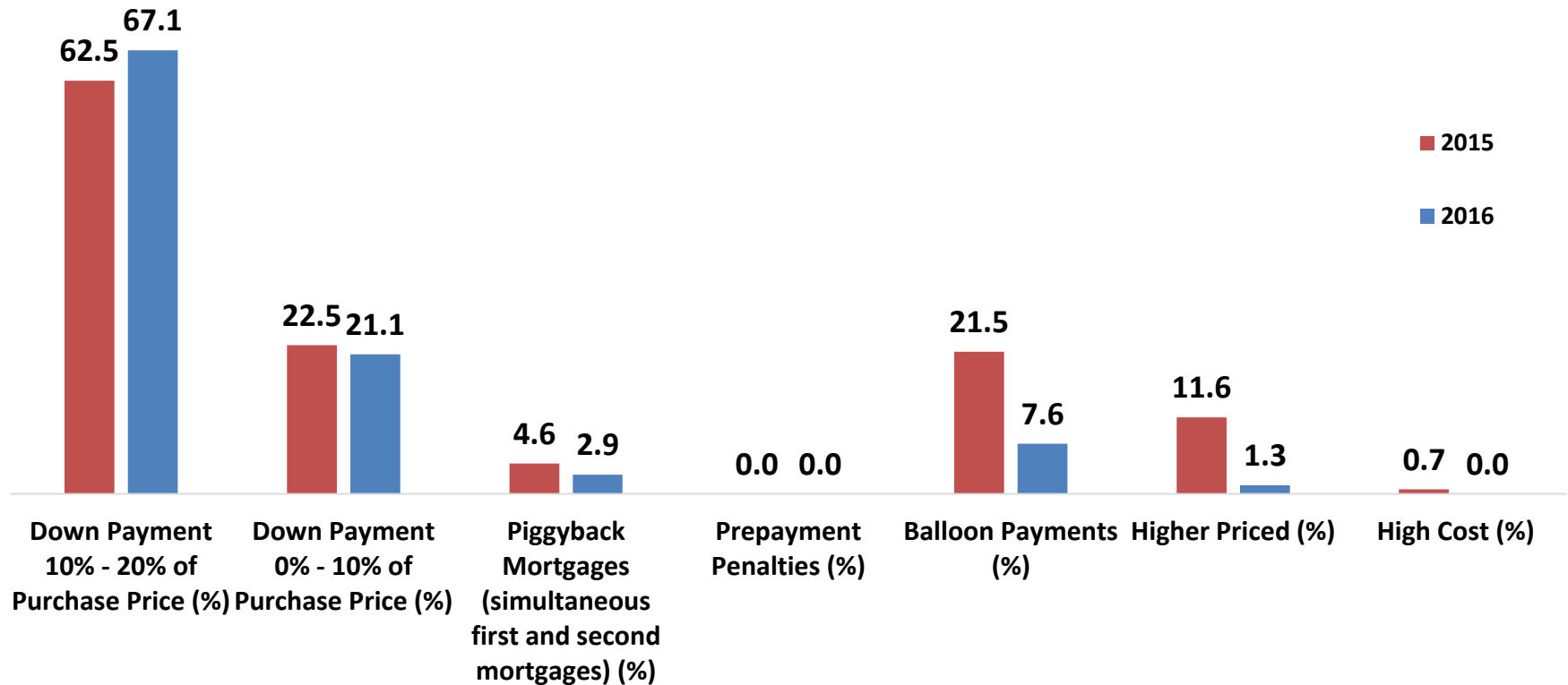
Mortgage Products and Features

Breakdown of Offered Mortgage Products



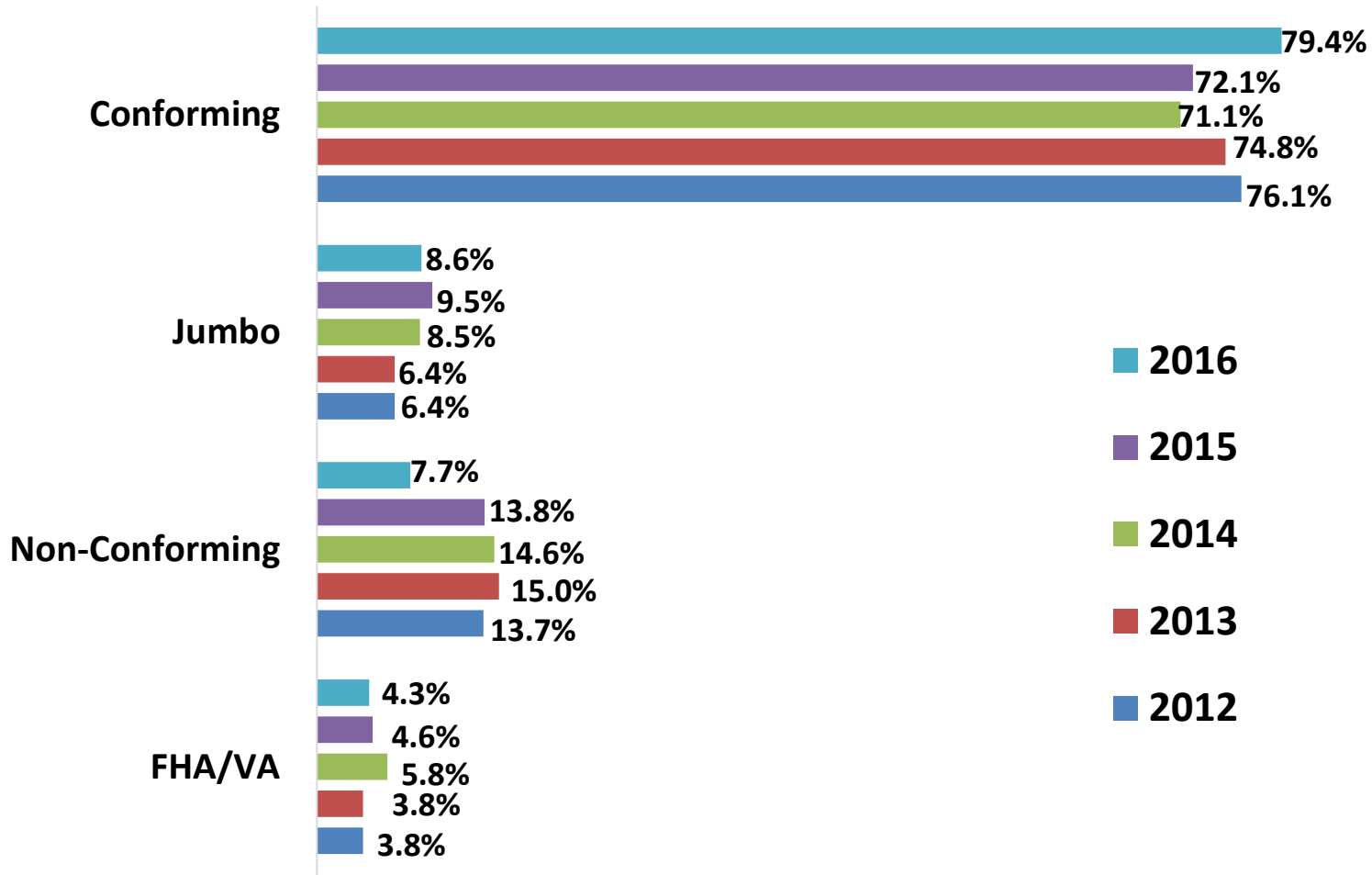
Mortgage Products and Features

Percentage of Loans Originated by Features



Mortgage Products and Features

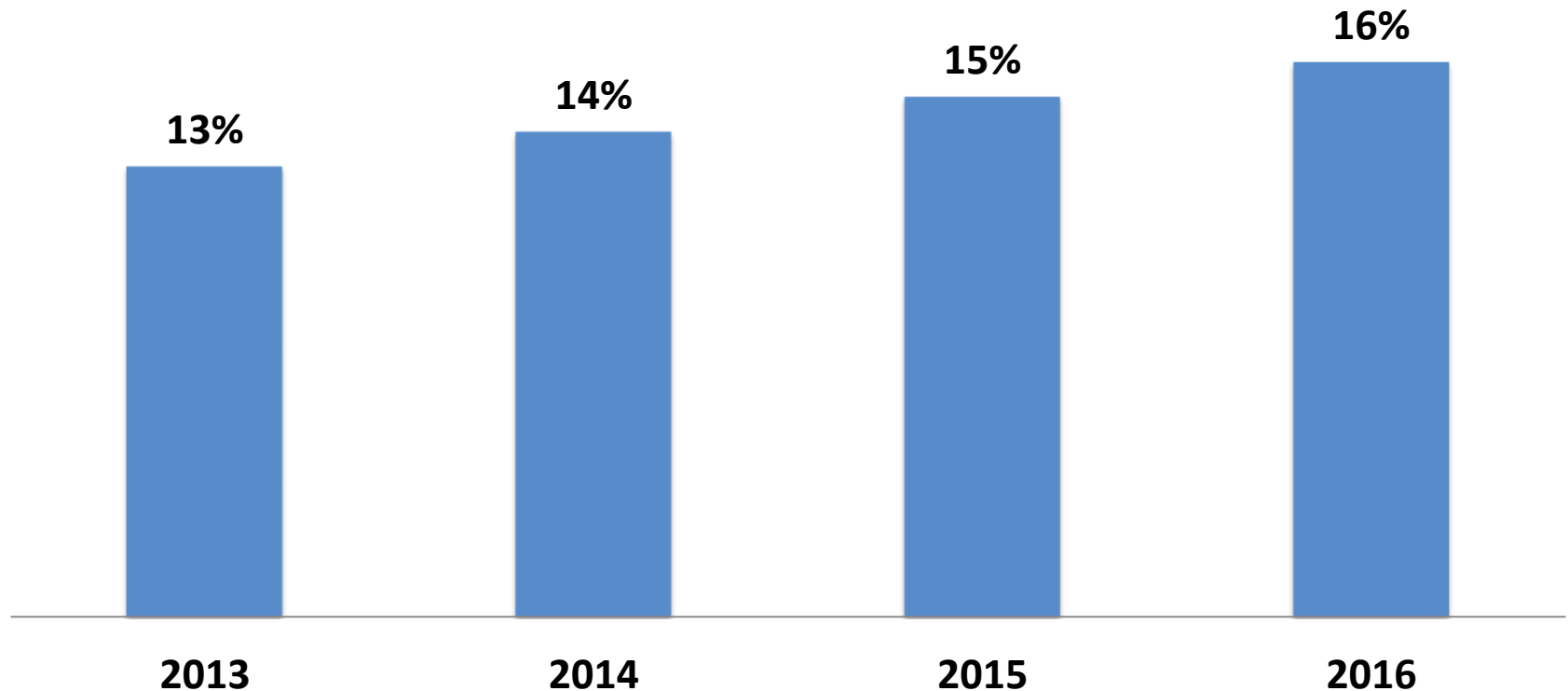
Loan Production by Type of Loan





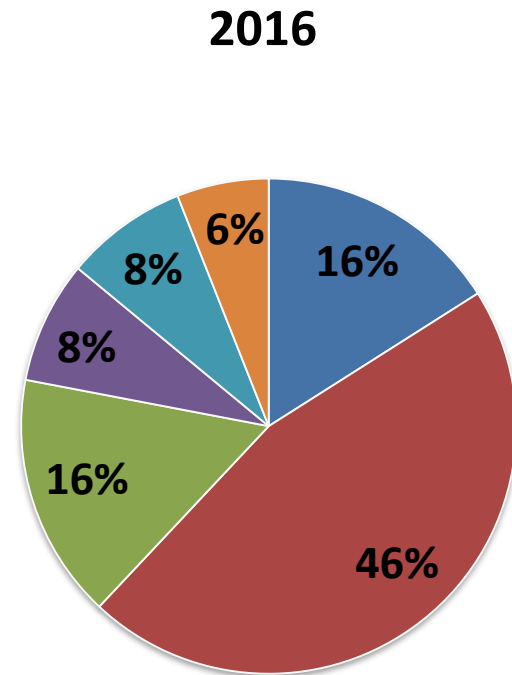
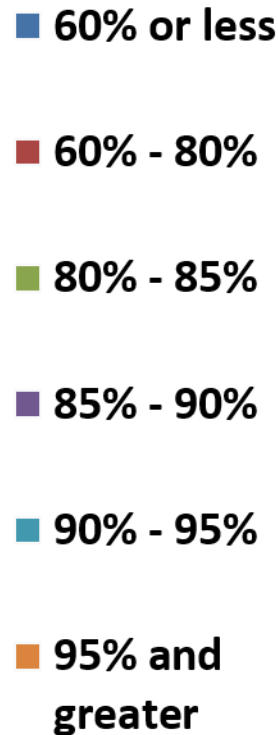
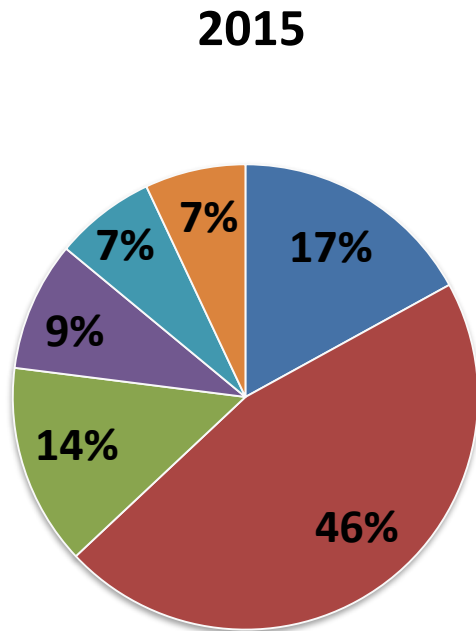
Mortgage Products and Features First Time Home Buyers

Average Percentage of 1-4 Family Loans Made to First Time Home Buyers



Mortgage Products and Features

LTV Ratios for Mortgage Loans Originated

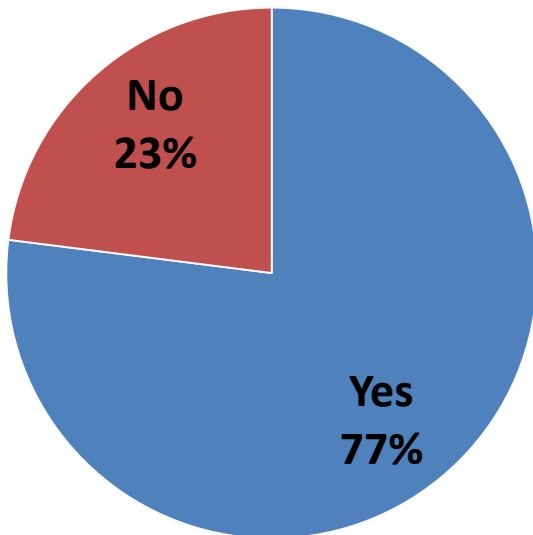


Mortgage Product and Features

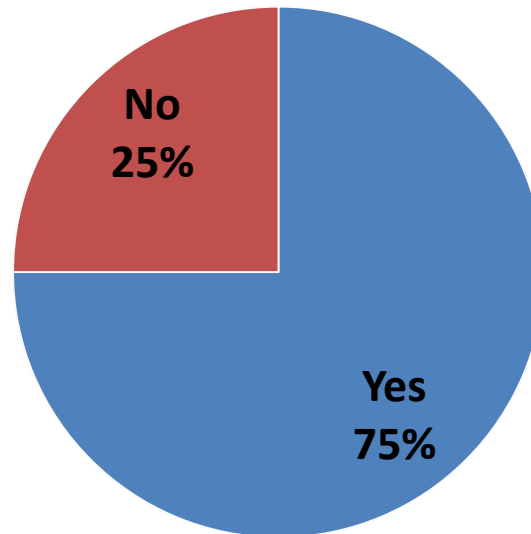
Private Mortgage Insurance

For 1-4 family mortgage loans with an LTV above 80%, do you require private mortgage insurance?

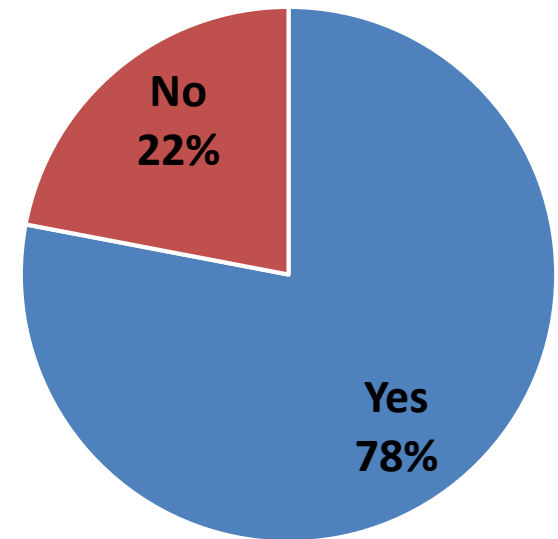
2014



2015



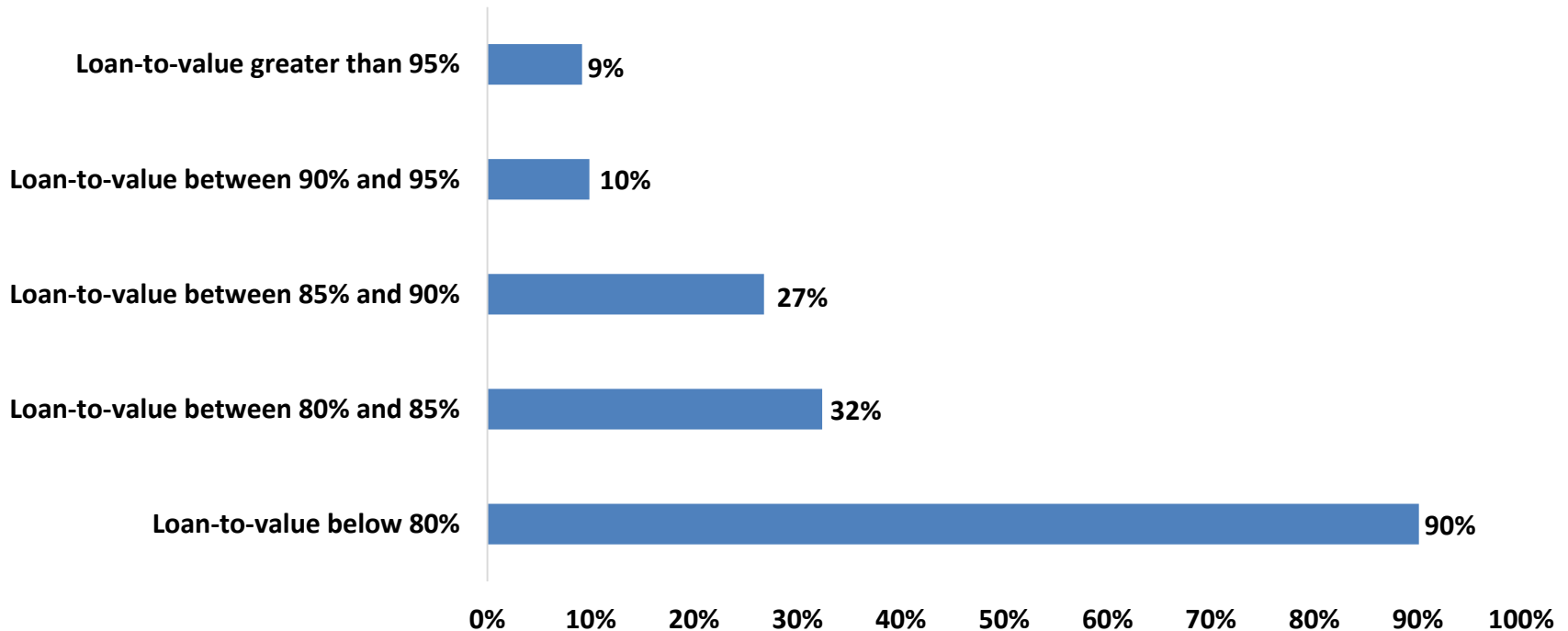
2016



Mortgage Product and Features

Private Mortgage Insurance

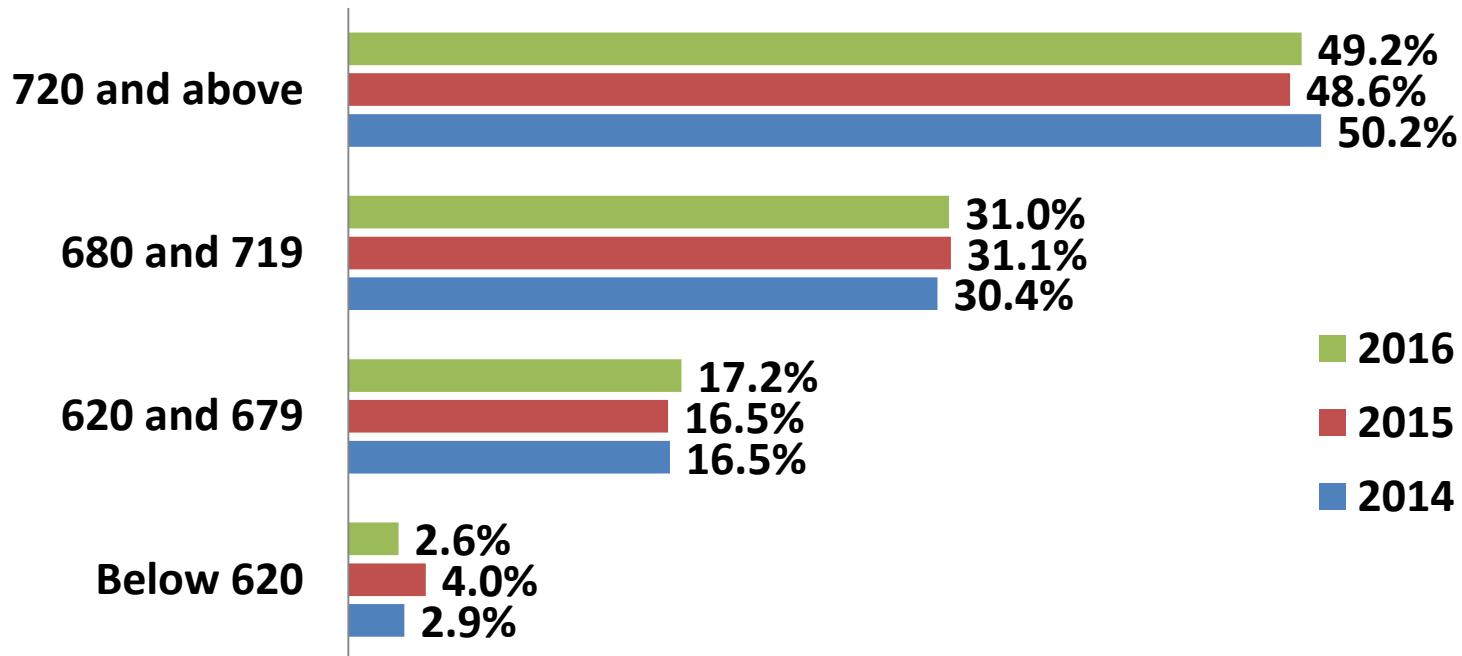
For 2016, what LTV percentage did your bank underwrite that did NOT have private mortgage insurance?



Mortgage Product and Features

FICO Categories

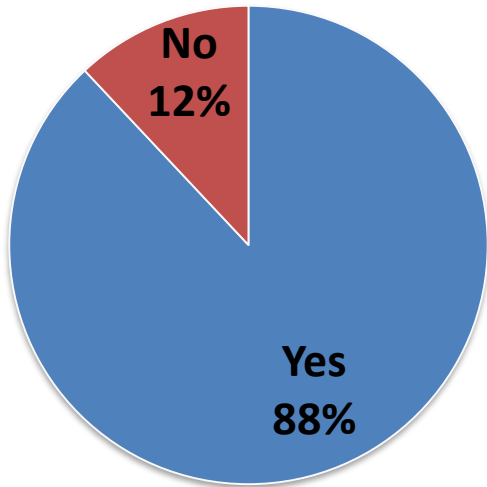
Percentage of 1-4 Family Mortgage Loans by FICO Categories



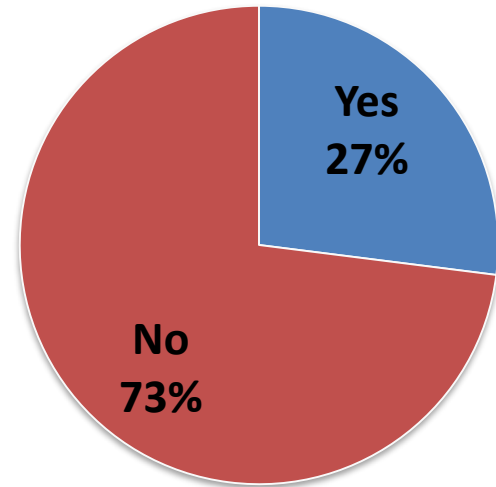
Mortgage Product and Features

Escrow Services

Does your bank provide escrow services for its mortgage customers?

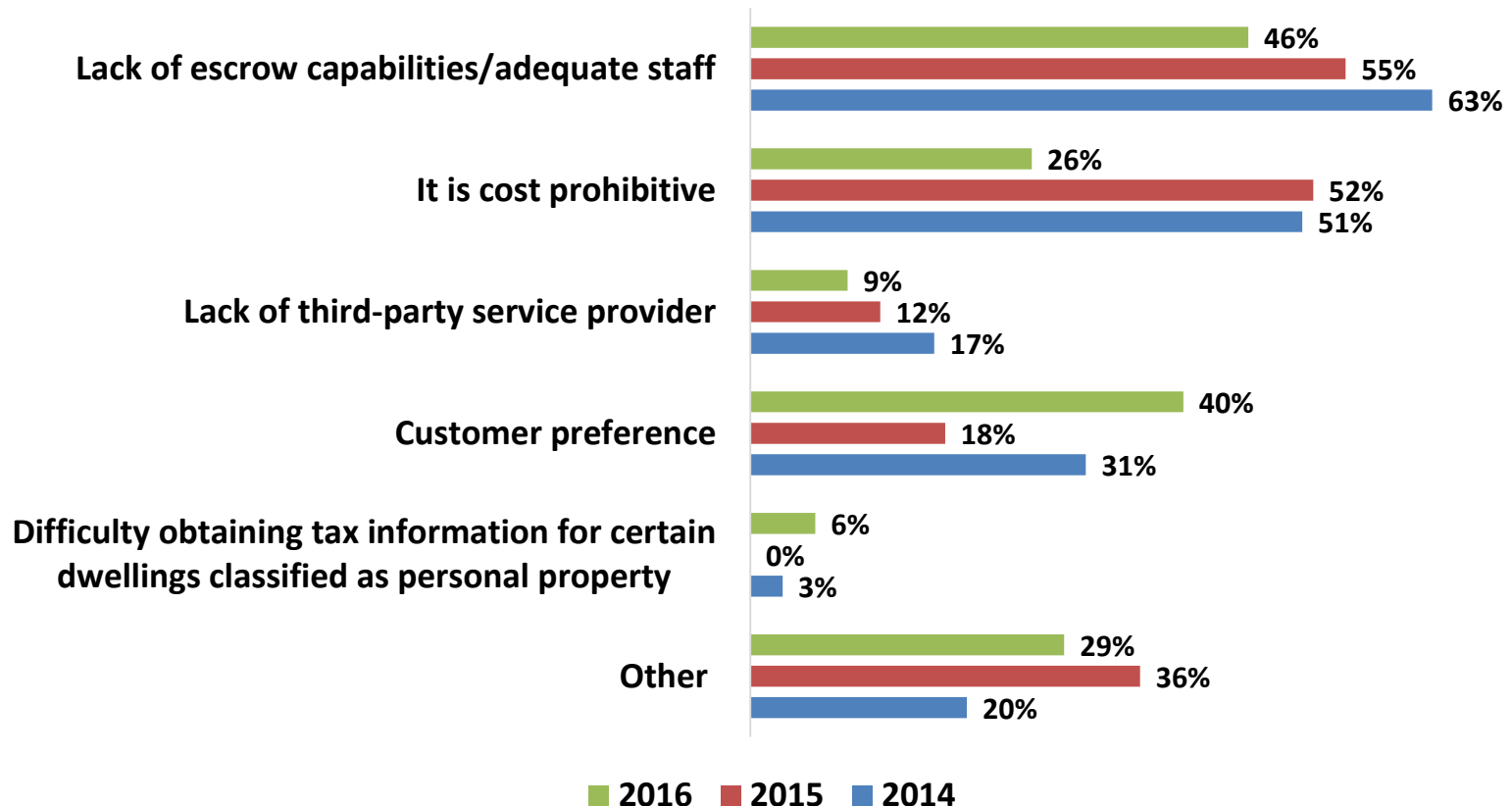


Are escrow accounts mandatory for mortgage customers?



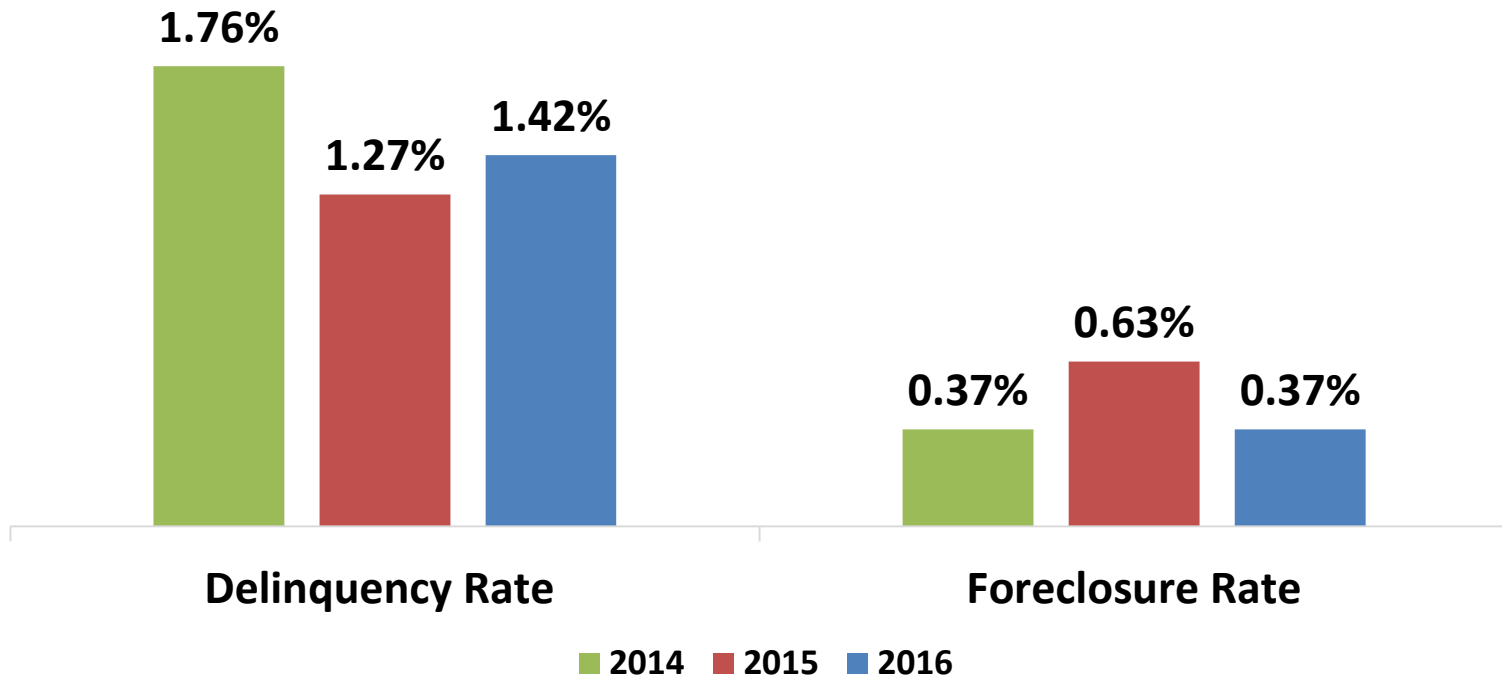
Mortgage Product and Features

Reasons for Not Providing Escrow Services



Mortgage Product and Features Delinquency and Foreclosure Rates

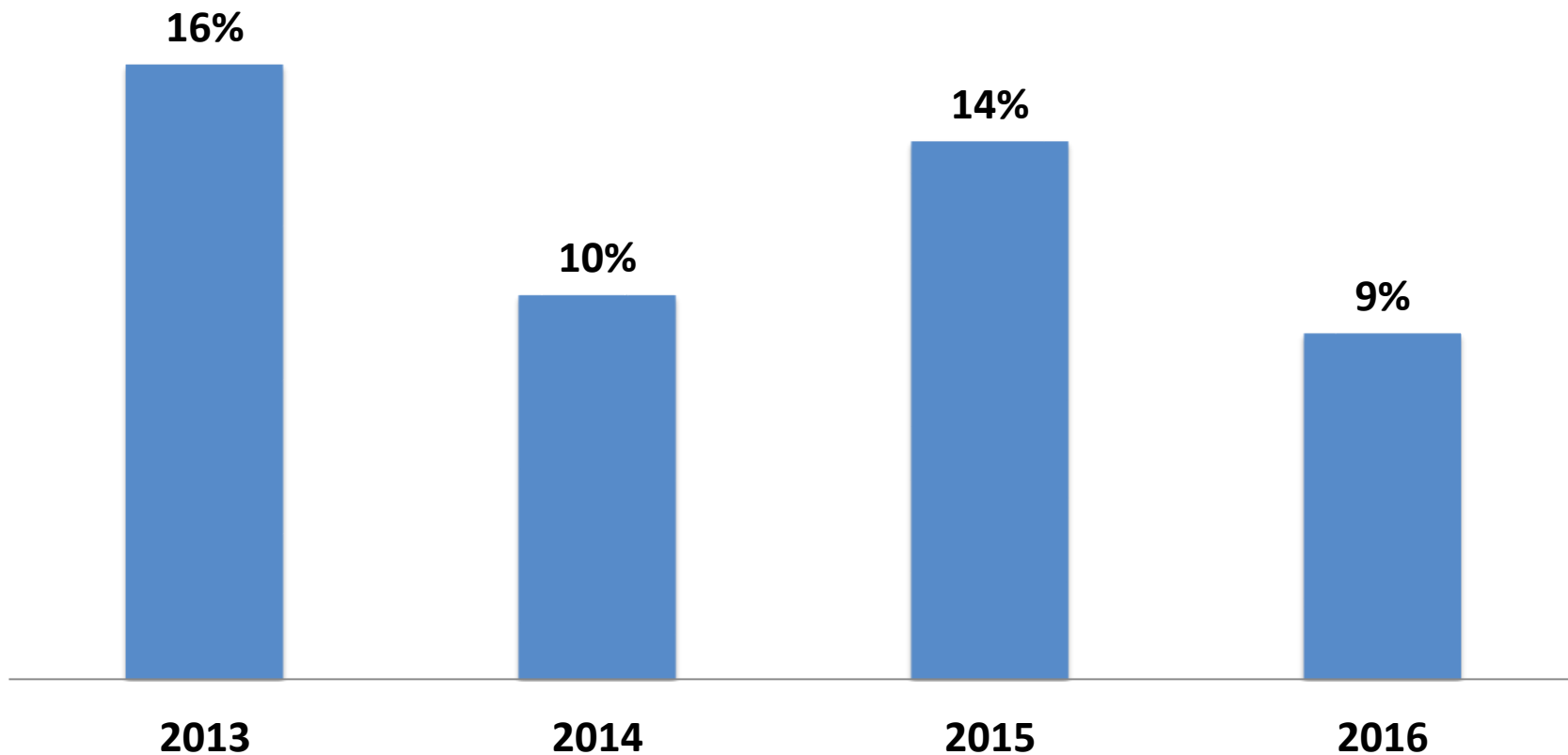
Average Delinquency Rates (60-Days or More Past Due) and Foreclosure Rates





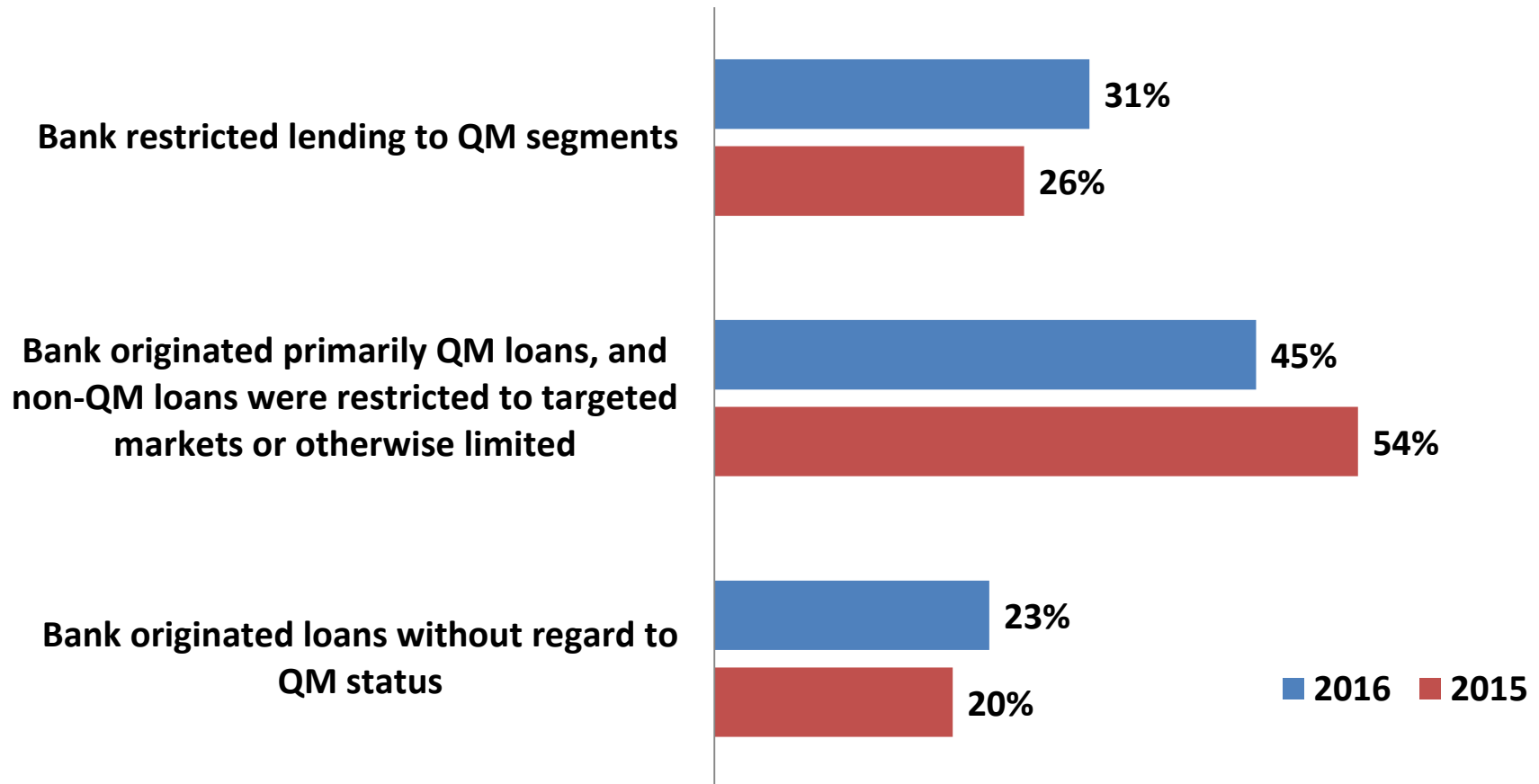
Regulatory Impact Non-QM Loans

Average Percentage of Non-QM Loans



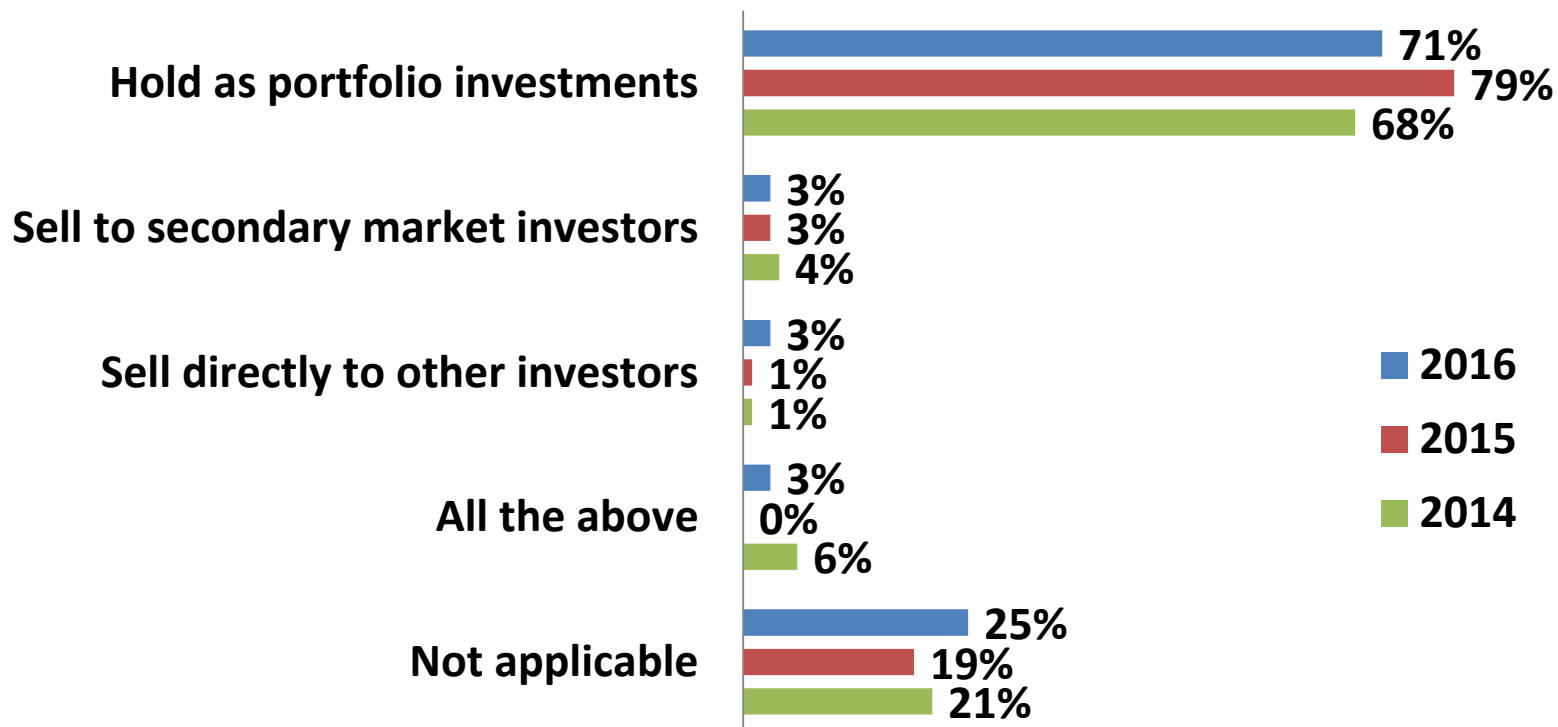
Regulatory Impact

Impact of ATR/QM Rules on Lending



Regulatory Impact Non-QM Loan Originations

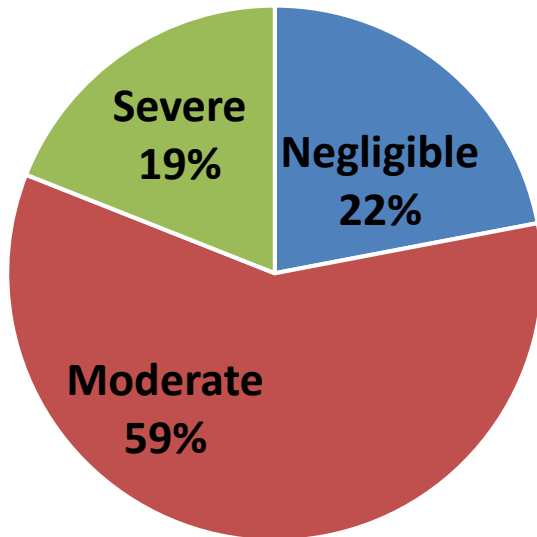
If you originate non-QM loans, do you:



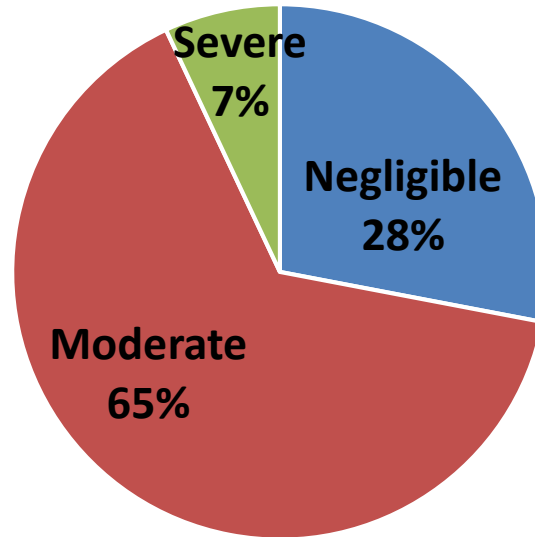
Regulatory Impact Ongoing Impact of ATR/QM

What do you expect will be the ongoing impact of the Ability-to-Repay/QM rules on credit availability?

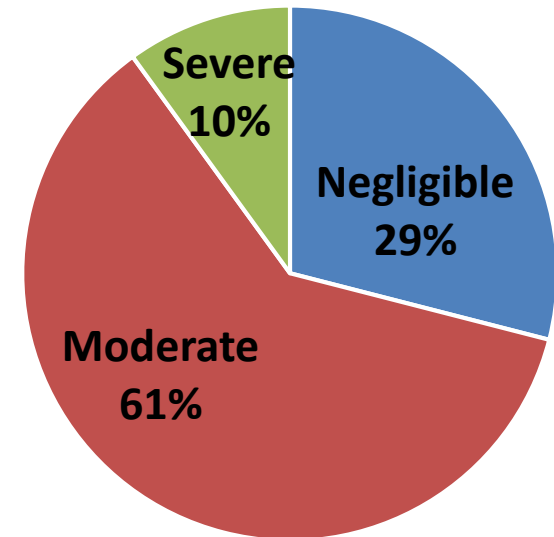
2014



2015

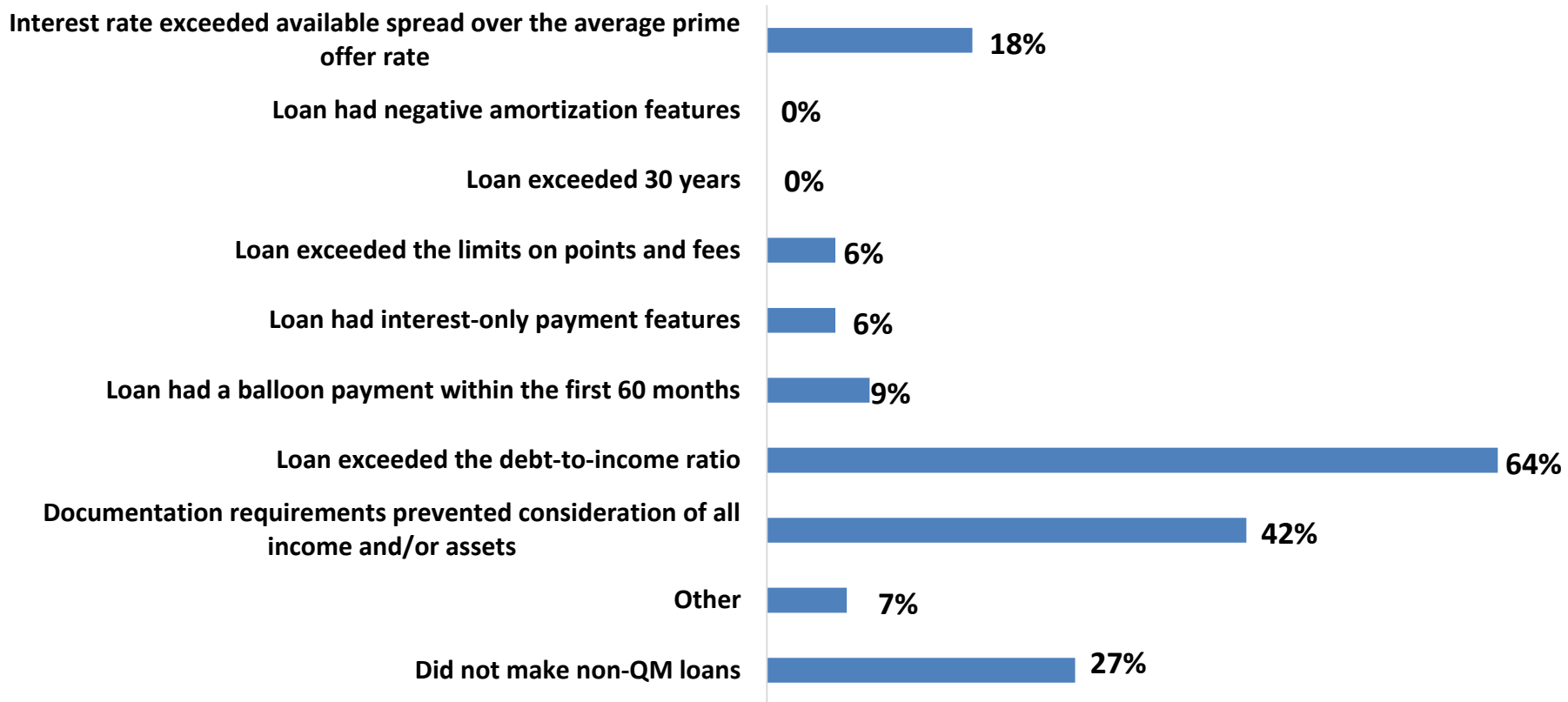


2016



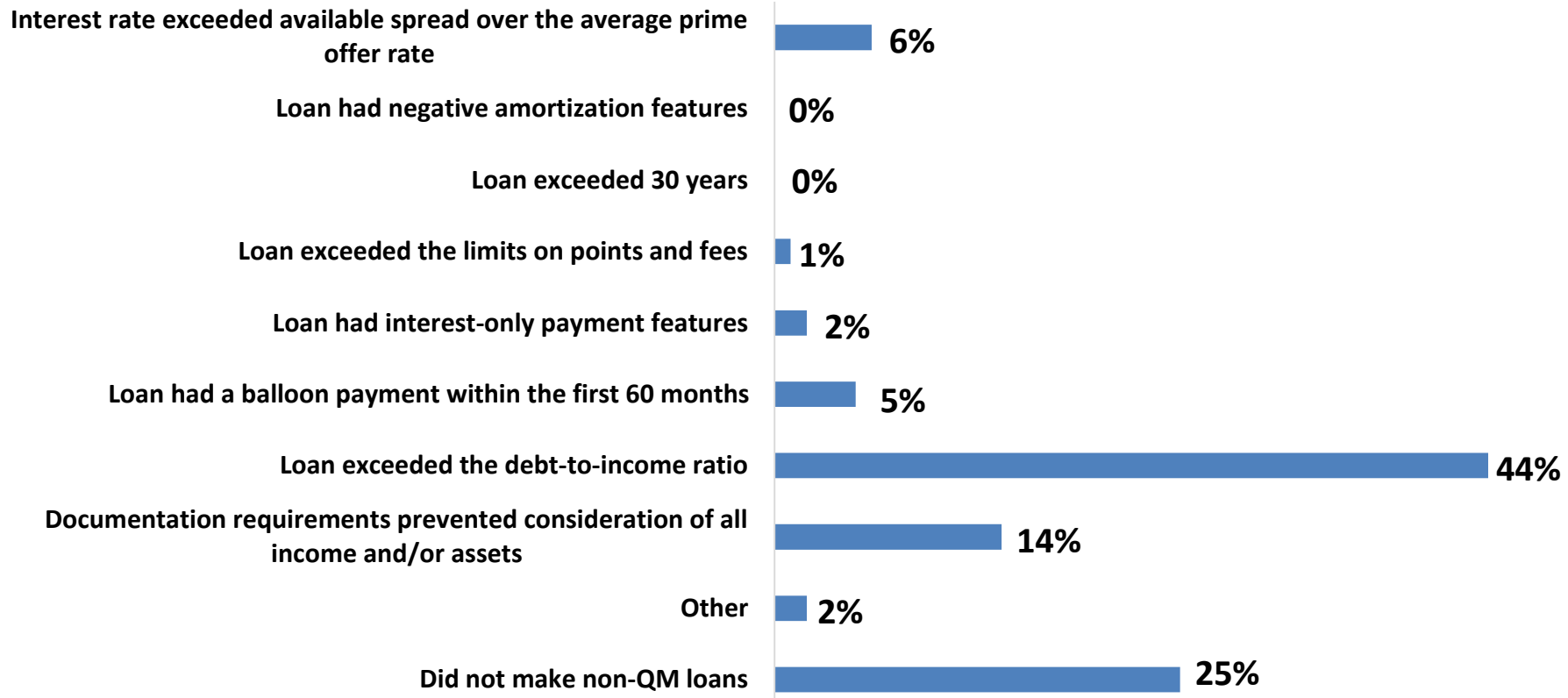
Regulatory Impact Non QM Loans

Of your 2016 production, what are the reasons why a non-QM loan does not meet QM standards?



Regulatory Impact Non QM Loans

Of your 2016 production, which was the most important reason why a non-QM loan does not meet QM standards?

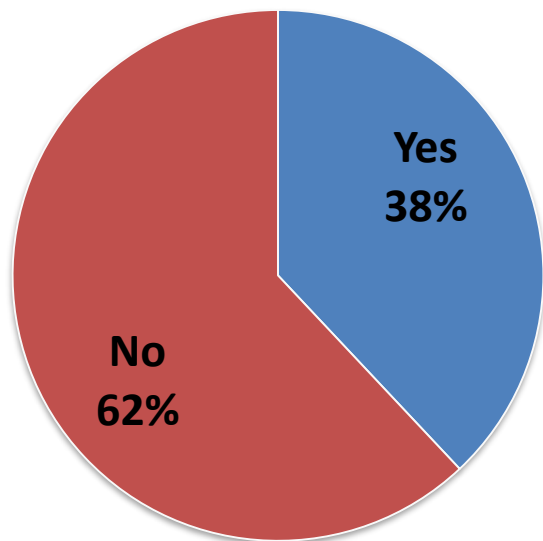


Regulatory Impact

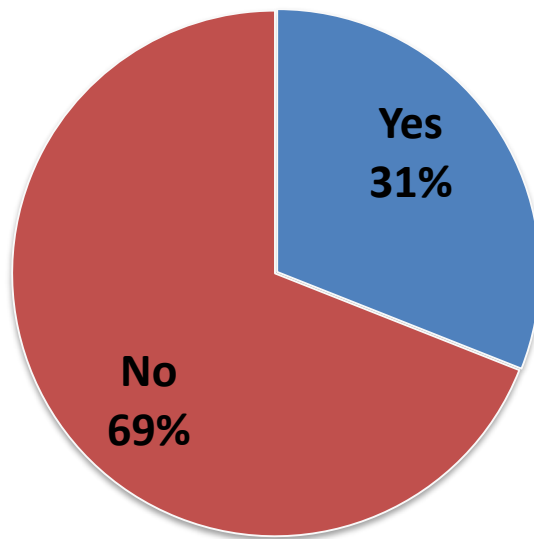
FEMA Remapping/National Flood Insurance

Has FEMA remapping or any other issue related to National Flood Insurance Program pricing affected affordability for loans in your market?

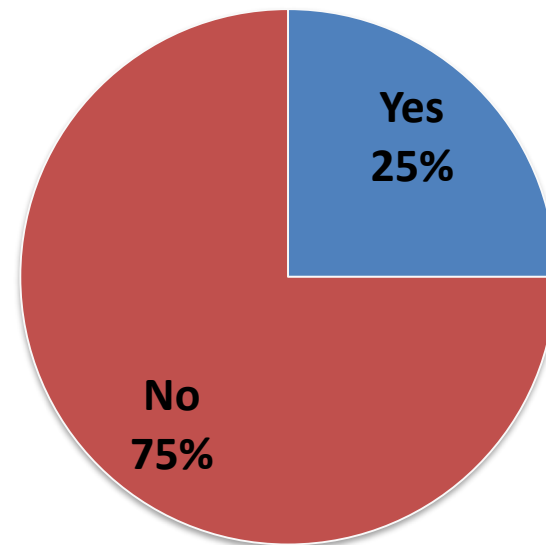
2014



2015

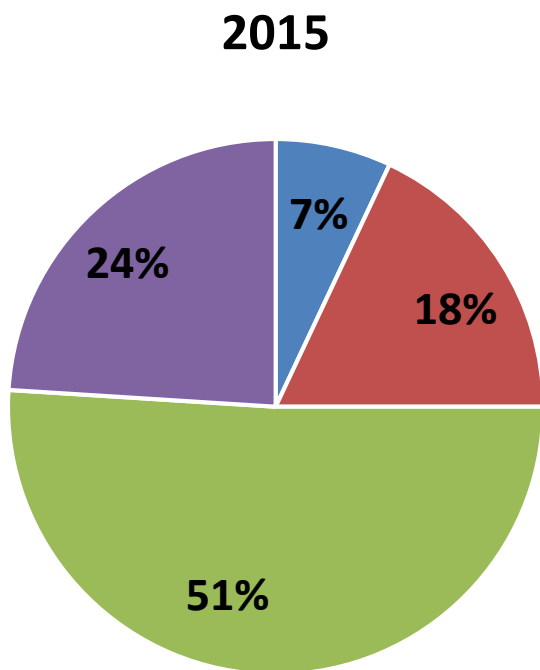


2016

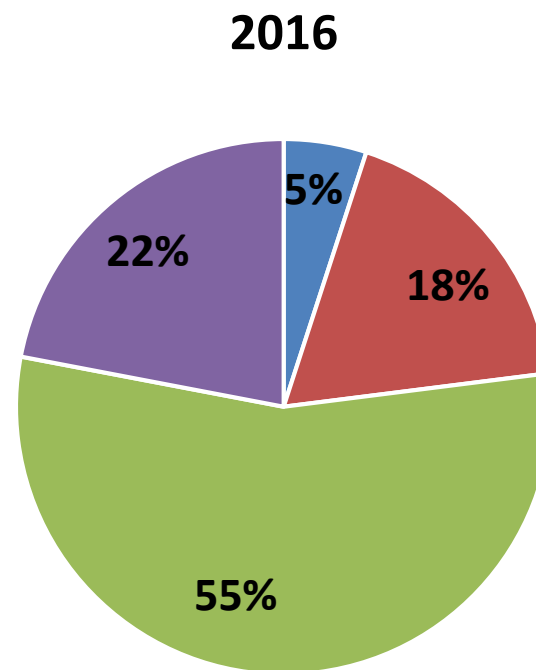


Regulatory Impact Impacts on Business

How much of a negative impact is regulation having on your business?

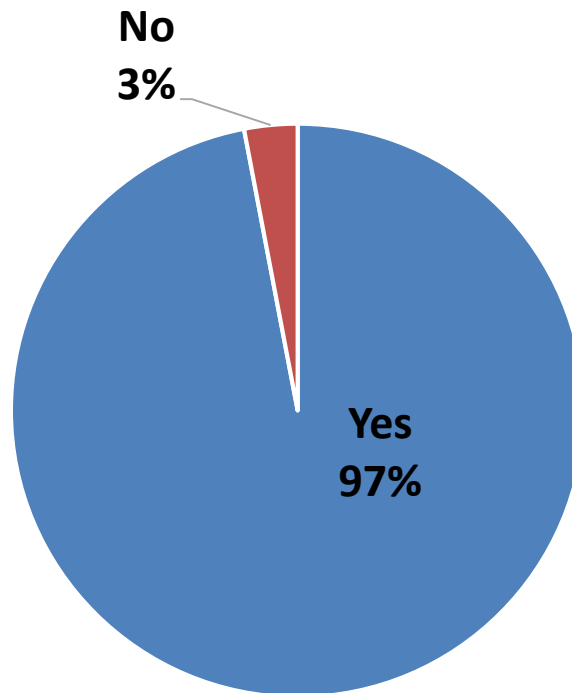


- No negative impact
- Small negative impact
- Moderate negative impact
- Extreme negative impact



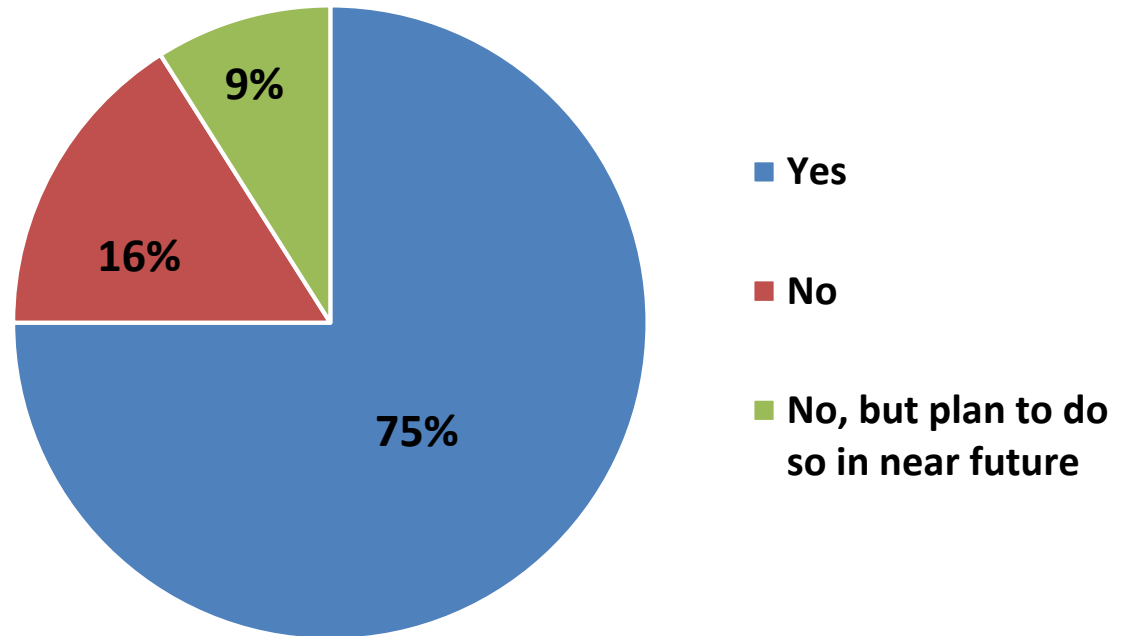
Regulatory Impact Impacts on Business

Has your institution experienced higher mortgage-specific compliance costs in light of the recent regulatory reforms?



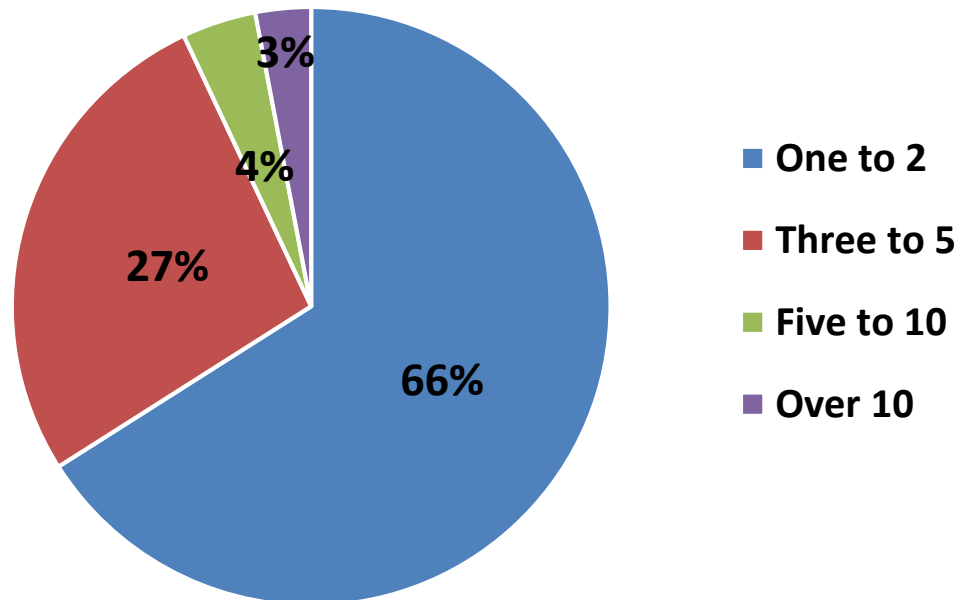
Regulatory Impact Impacts on Business

Have you had to hire more staff because of new regulations?



Regulatory Impact Impacts on Business

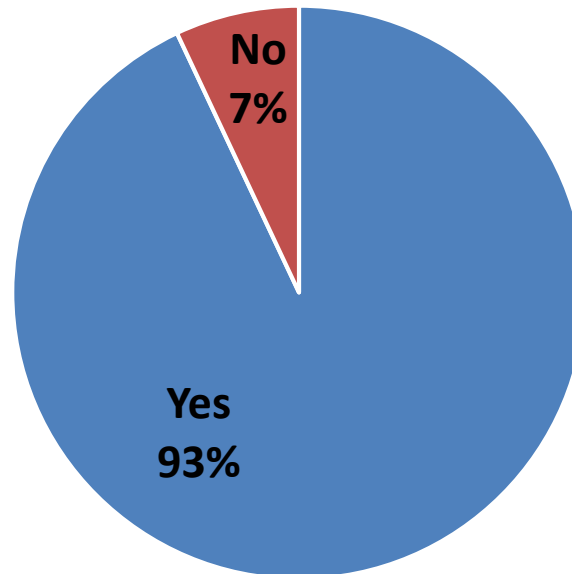
If you have had to hire more staff due to new regulations, how many staff did you add to support additional regulatory burdens?





Regulatory Impact Impacts on Business

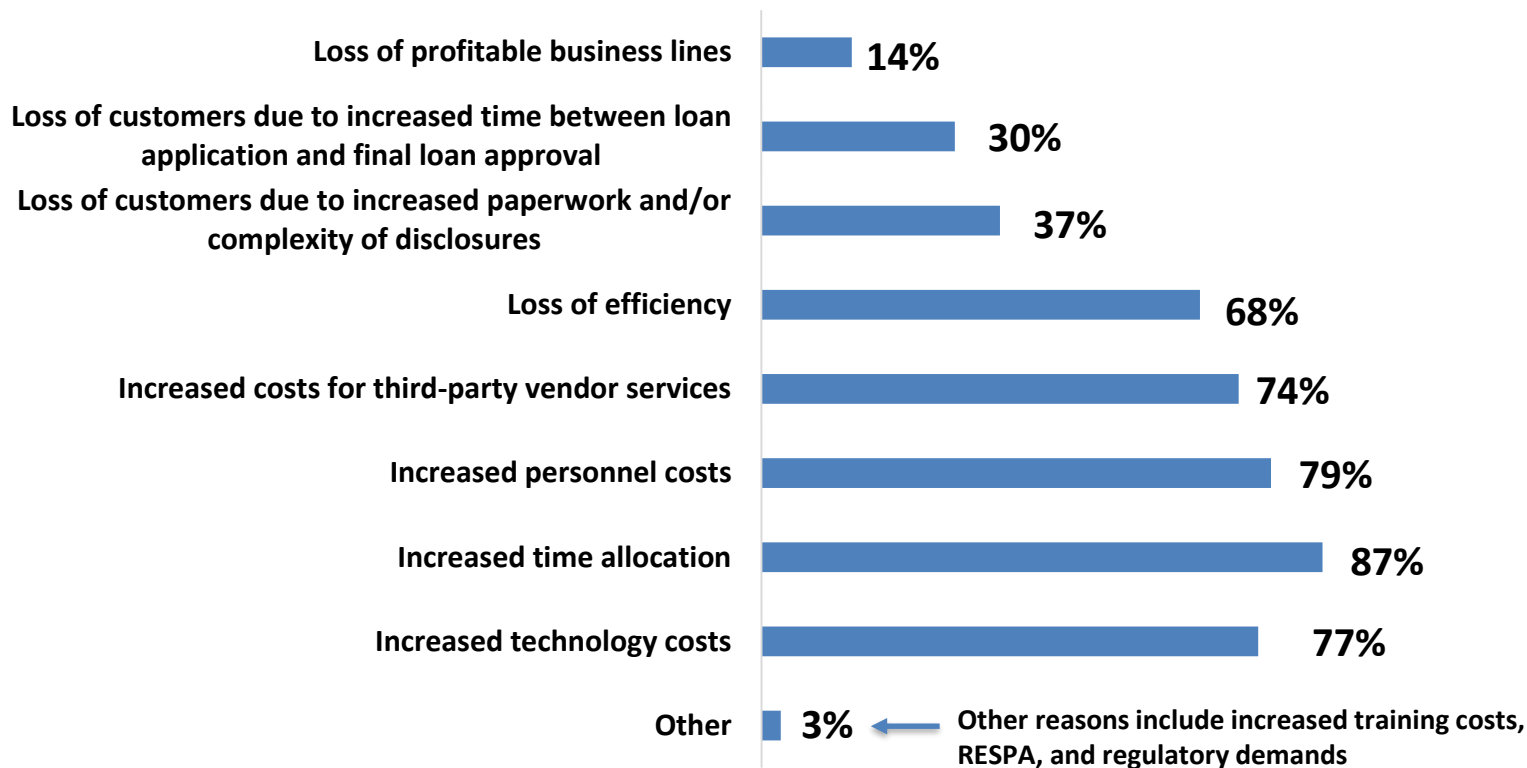
Have your legal/regulatory consulting costs increased because of new regulations?



Vendor Information & Compliance Concerns

Compliance Costs

What are the primary drivers of increased compliance costs?





Mortgage Market Concerns Looking Forward for 2017

Five Most Frequent Concerns

Increased regulations/regulatory burden

Rising interest rates

TRID compliance

Insufficient inventory in the housing market

Increased cost of doing business