

# 25th Annual ABA Residential Real Estate Survey Report

May 2018





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# Acknowledgements

The American Bankers Association extends its appreciation to the bankers who contributed essential information to the 25th edition of the Residential 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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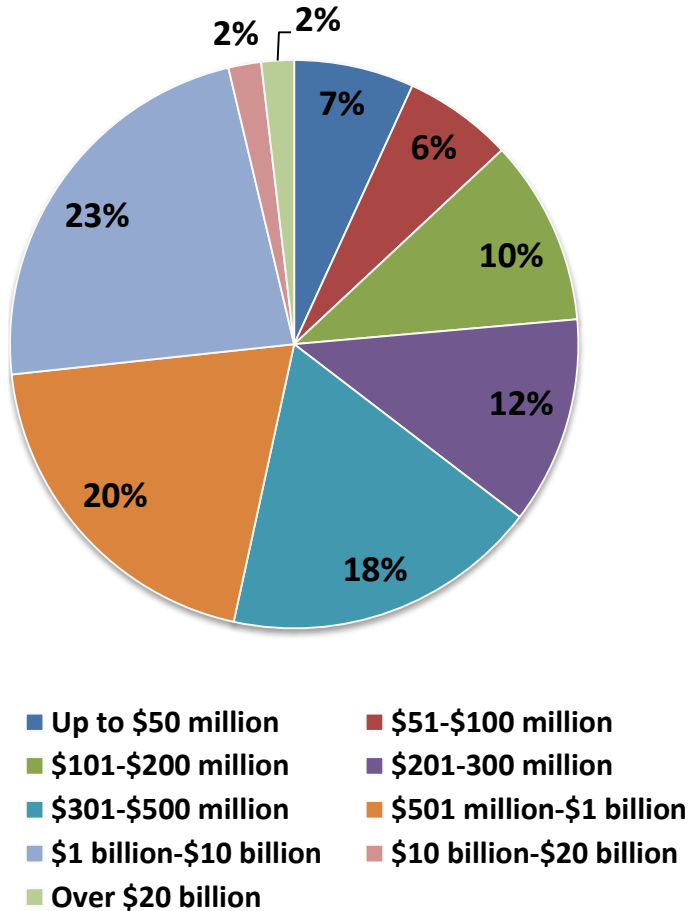
# A Summary of Key Survey Findings

The 25th Residential Real Estate Lending Survey had the participation of 161 banks. The data was collected from February 14, 2018 to March 30, 2018, and in most cases reports calendar year or year-end results. In other cases, data reflect current activities and expectations at the time of data collection. Of the survey participants, 65 percent of respondents were commercial banks and 35 percent were savings institutions. About 73 percent of the participating institutions had assets of less than \$1 billion.

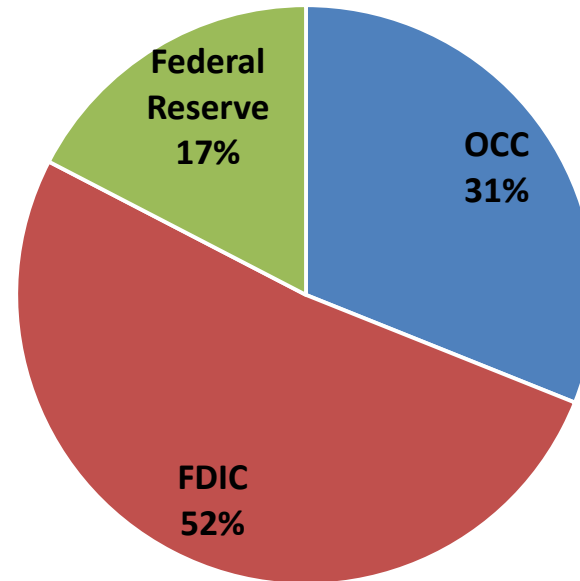
- 74 percent reported that Ability-to-Repay (ATR) / Qualified Mortgage (QM) rules reduced credit availability, with 70 percent reporting a moderate decline (p. 33)
- Non-QM loans as a proportion of all mortgages originated has declined substantially since ATR/QM rules became effective in 2014 (p. 30)
- On average, only 10 percent of participants' 2017 production were non-QM mortgages, compared to 16 percent in 2013 (p. 30)
- Nevertheless, the percentage of single family mortgage loans made to first time homebuyers continued a multi-year climb from a historical average of about 10 percent to a record high of 17 percent in 2017 (p. 24)
- 77 percent of respondents state that overall mortgage regulations are having a moderate (53 percent) or severe (24 percent) negative impact on their business and customer services (p. 36)
- The most frequent concerns cited for mortgage markets in 2018 are (1) rising interest rates; (2) regulatory burdens; (3) lack of housing inventory; and (4) increasing cost of doing business and providing consumer services (p. 42)

# Survey Participant Profile

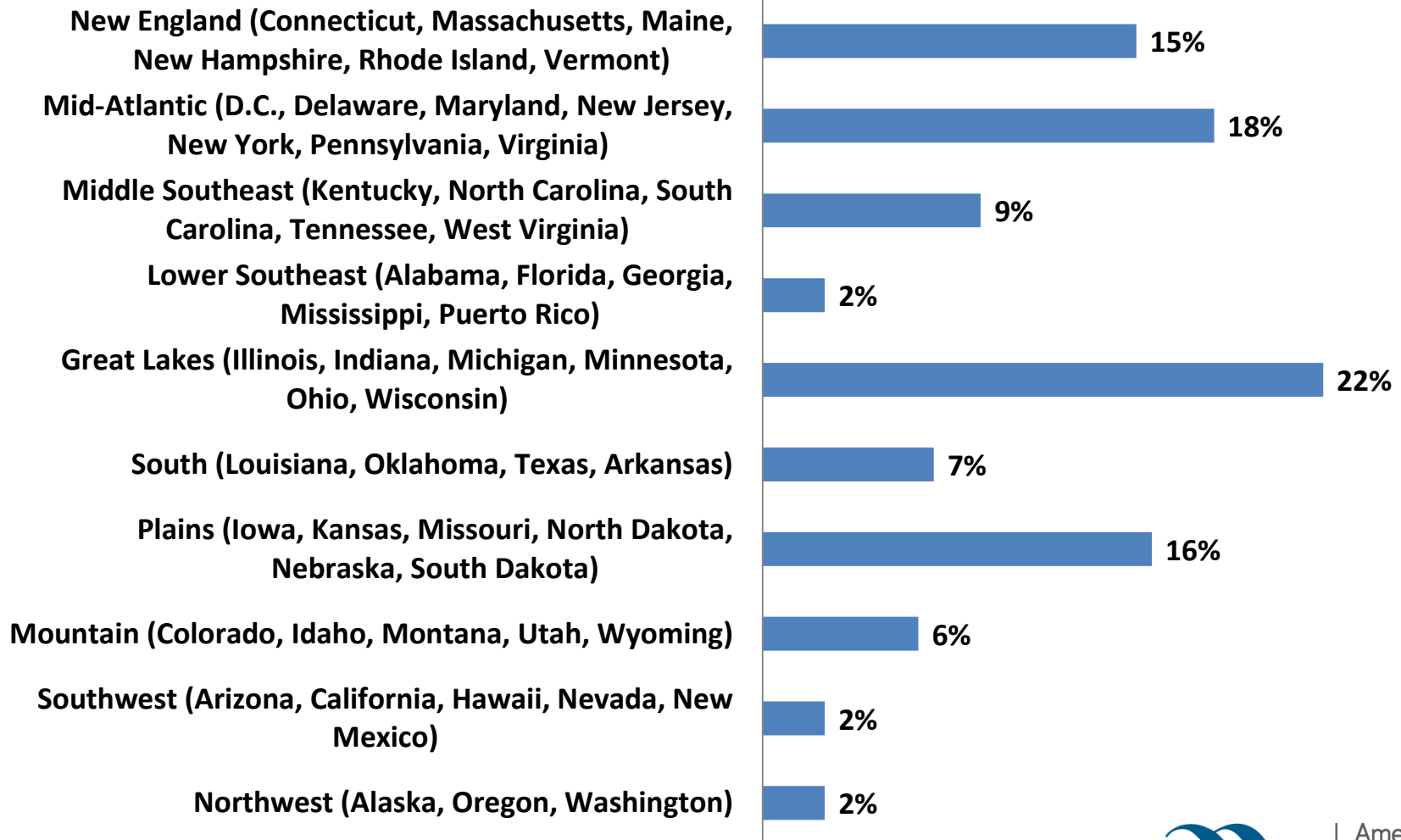
## Bank Asset Sizes



## Primary Federal Regulator



# Participant Profile Breakdown by Region





# Loan Production

## Top Loan Origination Systems

Ranking	Loan Origination System
1	Mortgagebot (Finastra)
2	Encompass (Ellie Mae)
3	Point (Calyx)
4	LaserPro (Finastra)
5	Compliance One (Wolters Kluwer)



# Loan Production

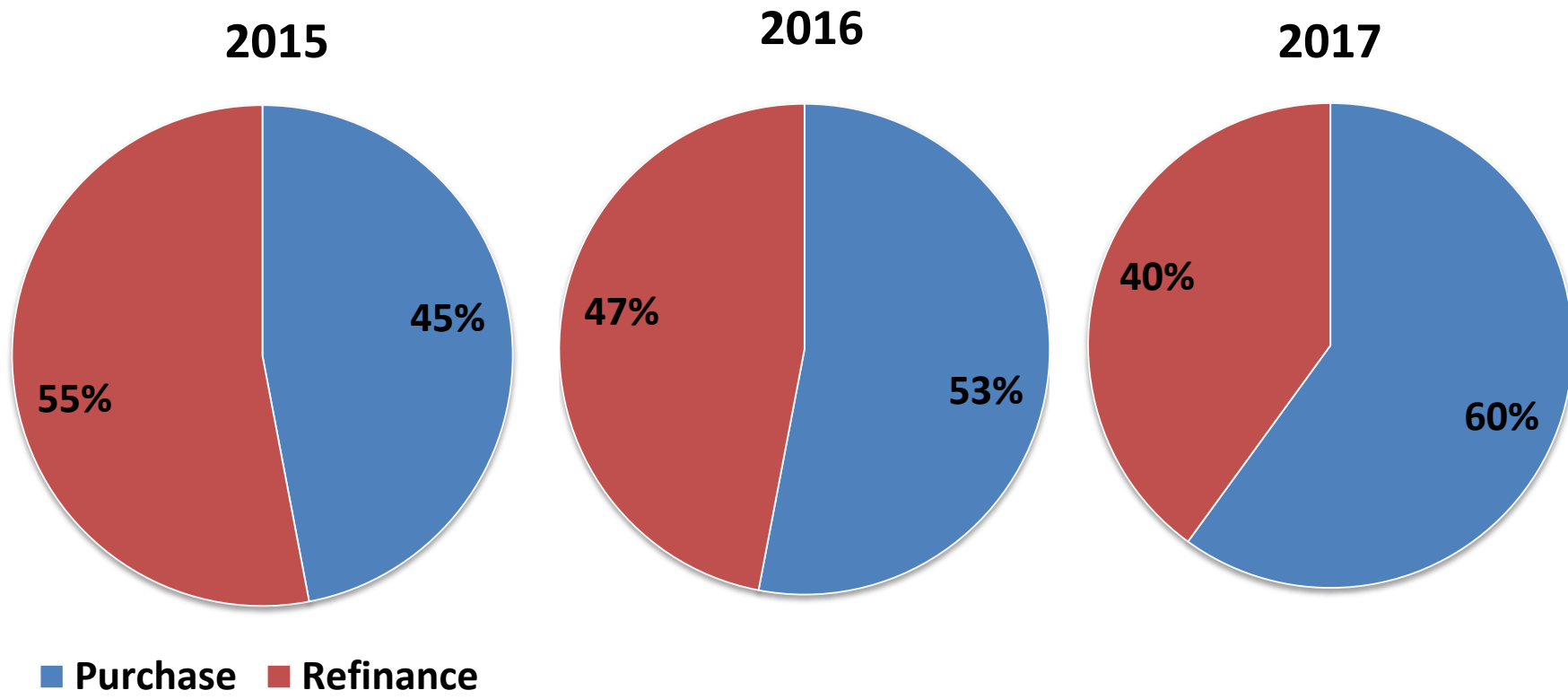
## Participant Loan Volume for 2017

	1-4 Family Mortgage Loans (\$)	Home Equity Loans (drawn lines-of-credit) (\$)	Second Trust Loans (closed-end) (\$)	Multifamily Mortgage Loans (\$)
Average	\$80,196,966	\$6,307,139	\$2,130,490	\$4,004,998



# Loan Production

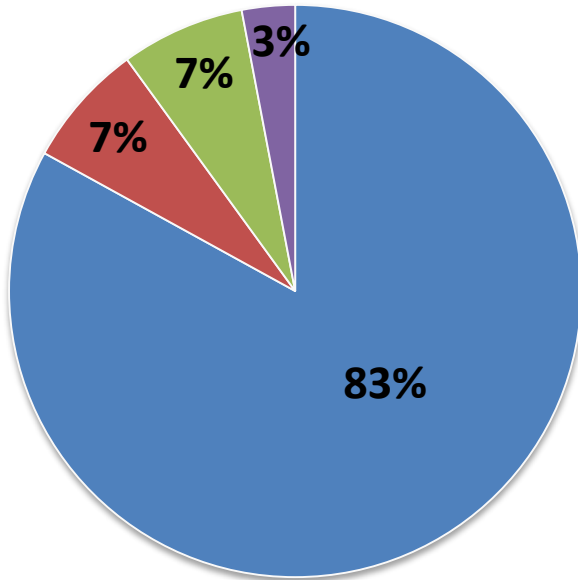
## 1-4 Family Mortgage Loan Production, Year-to-Year Origination Comparison



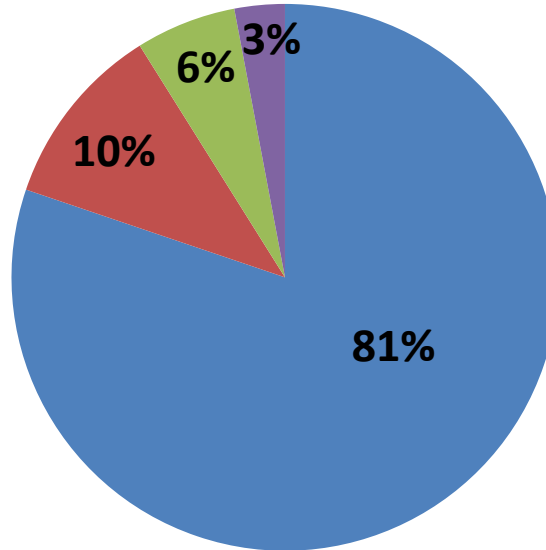


# Loan Production Origination Sources at a Glance

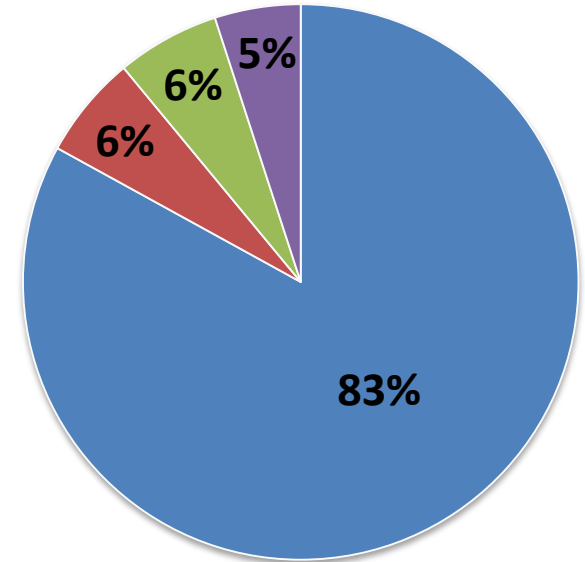
2015



2016



2017



- Retail
- Wholesale/Correspondent
- Internet
- Other

## Loan Production

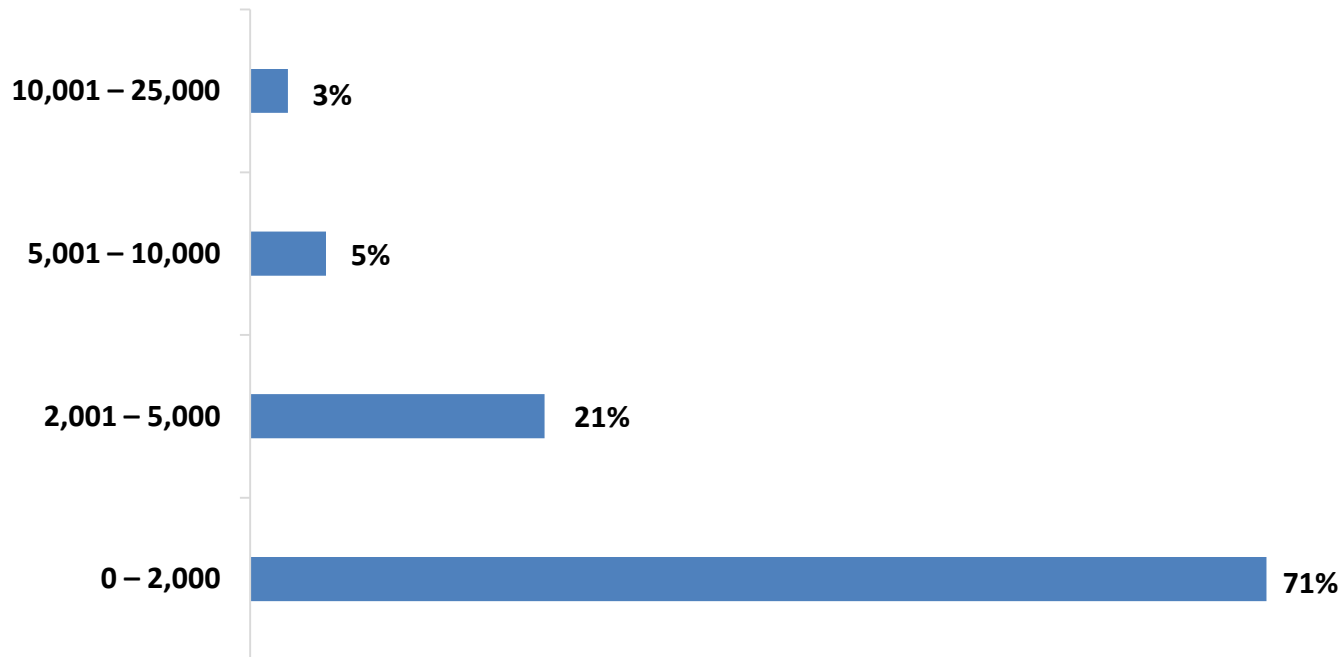
### Chart 10: Servicing Portfolios (Data as of year-end 2017)

By Asset Size	Serviced for Bank (averages in millions, unless otherwise noted)	Serviced for Others (averages in millions, unless otherwise noted)
\$1 - \$10 Billion	\$362.5	\$471.6
\$501 Million - \$1 Billion	\$230.5	\$182.0
\$301 - \$500 Million	\$119.9	\$87.8
\$201 - \$300 Million	\$72.3	\$138.7
\$101 - \$200 Million	\$49.4	—
\$51 - \$100 Million	\$15.4	—
Up to \$50 Million	\$7.8	—

# Loans Production

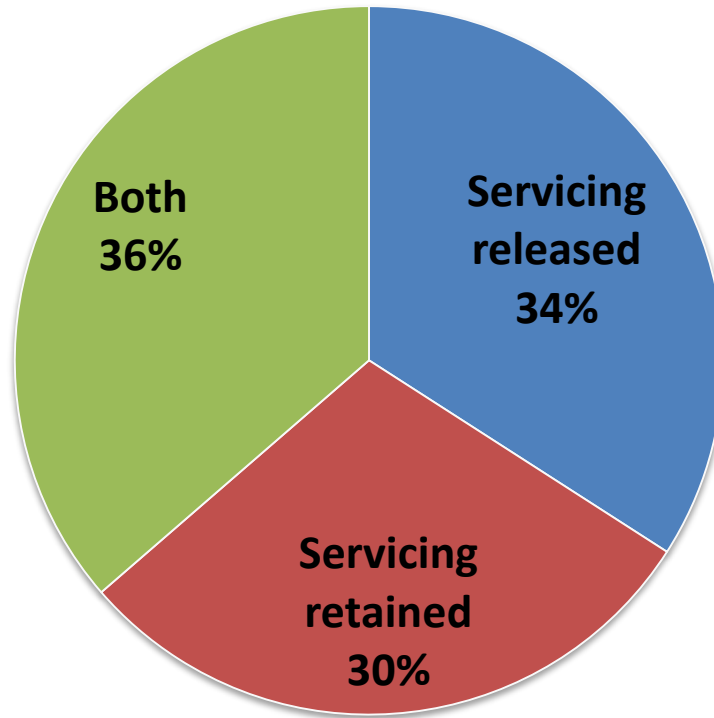
## 1-4 Family Loans Serviced

Please estimate the number of 1-4 family loans your bank serviced as of December 31, 2017.



# Loan Destination

## Servicing Released and Servicing Retained, 2017

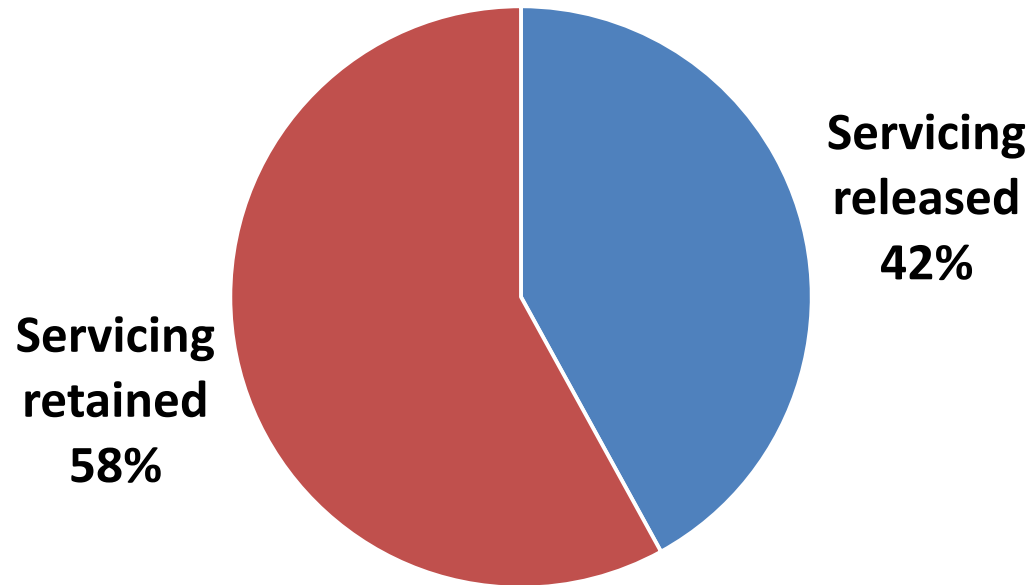




# Loan Destination

## Servicing Released and Servicing Retained, 2017

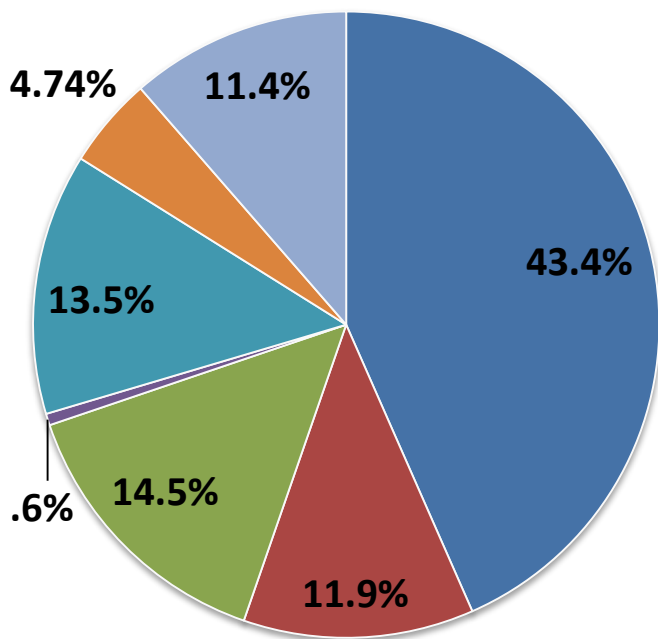
If Both Servicing Released and Servicing Retained, Percentage Breakdown



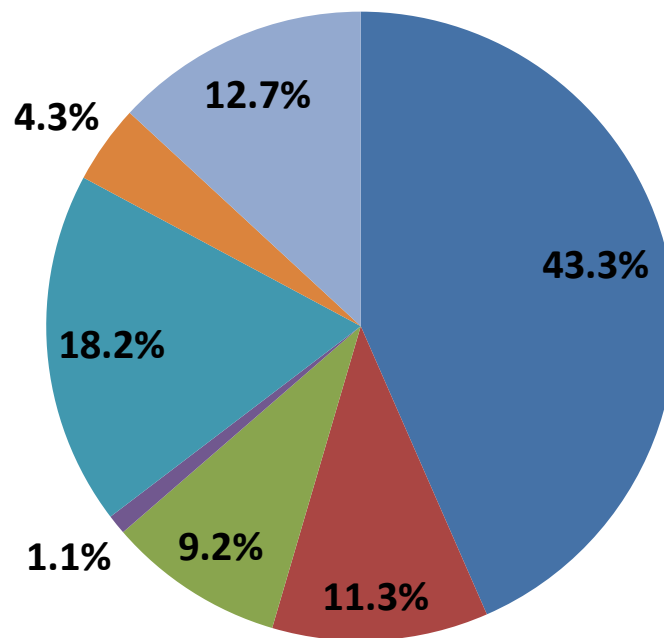
# Loan Destination

## 1-4 Family Mortgage Originations (Dollar volume) Retained and/or Sold to Buyers, 2016 and 2017

2016



2017



- Loans retained in portfolio
- Sold to Fannie Mae
- Sold to Freddie Mac
- Securitized through Ginnie Mae
- Sold to private mortgage conduits or aggregators
- Sold to other financial institutions as portfolio investment
- Sold through FHLB MPF/MPP Program

## Loan Destination

# Where is the Volume Going? A Historical Perspective

*Percentage of originations sold to each of the following buyers*

	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Conduits/Wholesalers</b>	19%	22%	17%	18%	18%	19%	12%	14%	18%
<b>Fannie Mae</b>	12%	13%	15%	12%	14%	11%	10%	12%	11%
<b>Freddie Mac</b>	17%	15%	13%	15%	15%	13%	14%	15%	9%
<b>FHLB MPF/MPP</b>	5%	5%	7%	9%	9%	8%	8%	11%	13%
<b>Other</b>	4%	8%	7%	6%	4%	2%	3%	5%	4%



# Loan Destination

## Ranking of Most Used Aggregators

### Top Outlets

**2017** →

Ranking	Aggregator
1	Wells Fargo, FHLB
2	Franklin American
3	US Bank, SunTrust
	Iowa Bankers Mortgage Corp
4	Crescent Mortgage

**2016** →

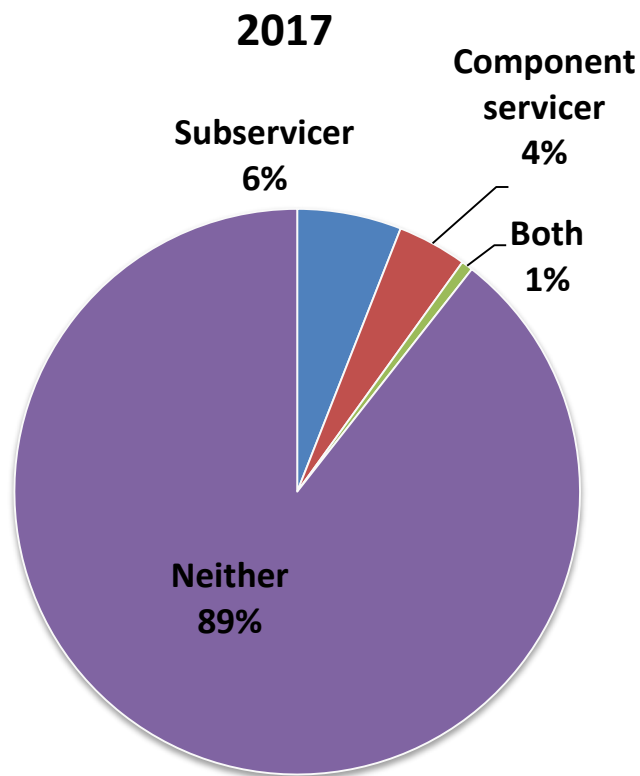
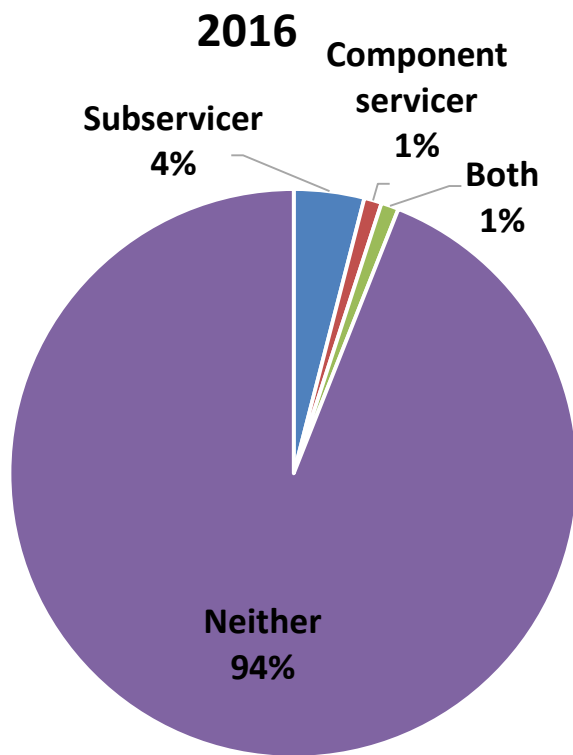
Ranking	Aggregator
1	FHLB
2	Wells Fargo
3	U.S. Bank
4	PennyMac
5	Franklin American

← **2015**

Ranking	Aggregator
1	Wells Fargo
2	U.S. Bank
3	BB&T
4	Franklin American
5	FHLB

# Loan Destination

## Servicing Operations: Subservicer vs. Component Servicer

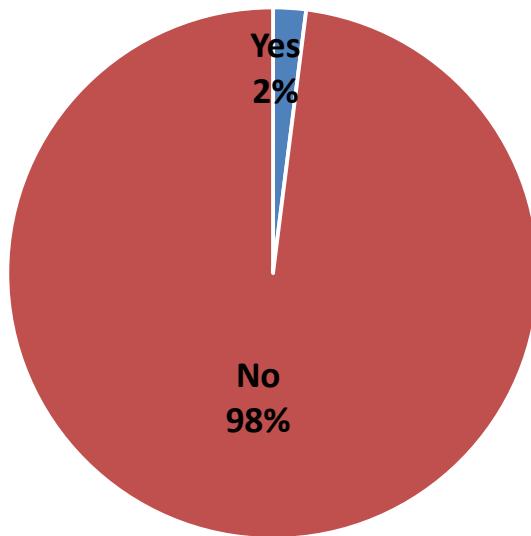


# Loan Destination

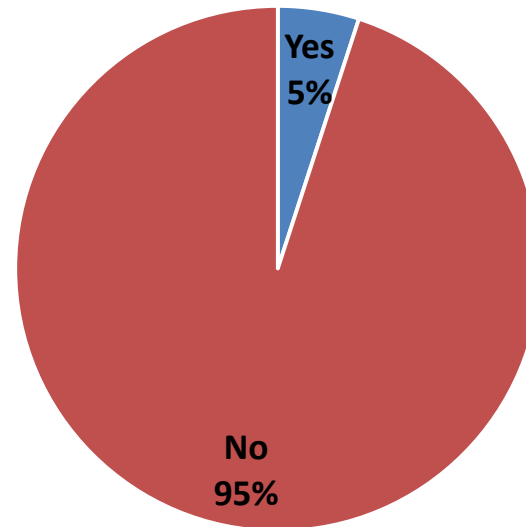
## Mortgage Servicing Rights

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

2016

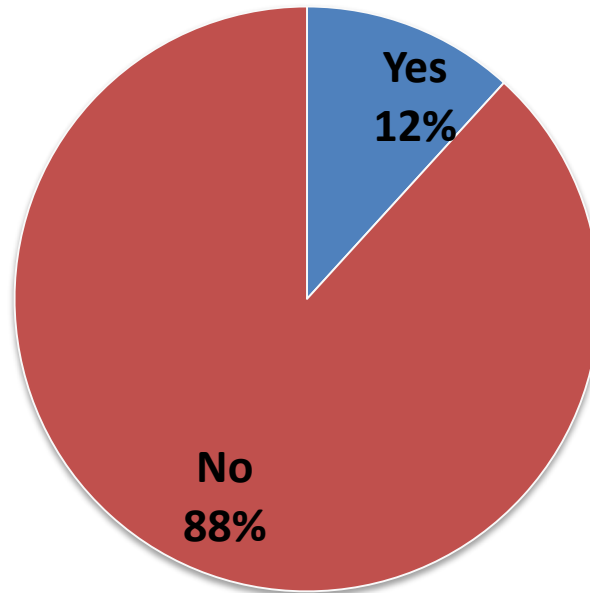


2017



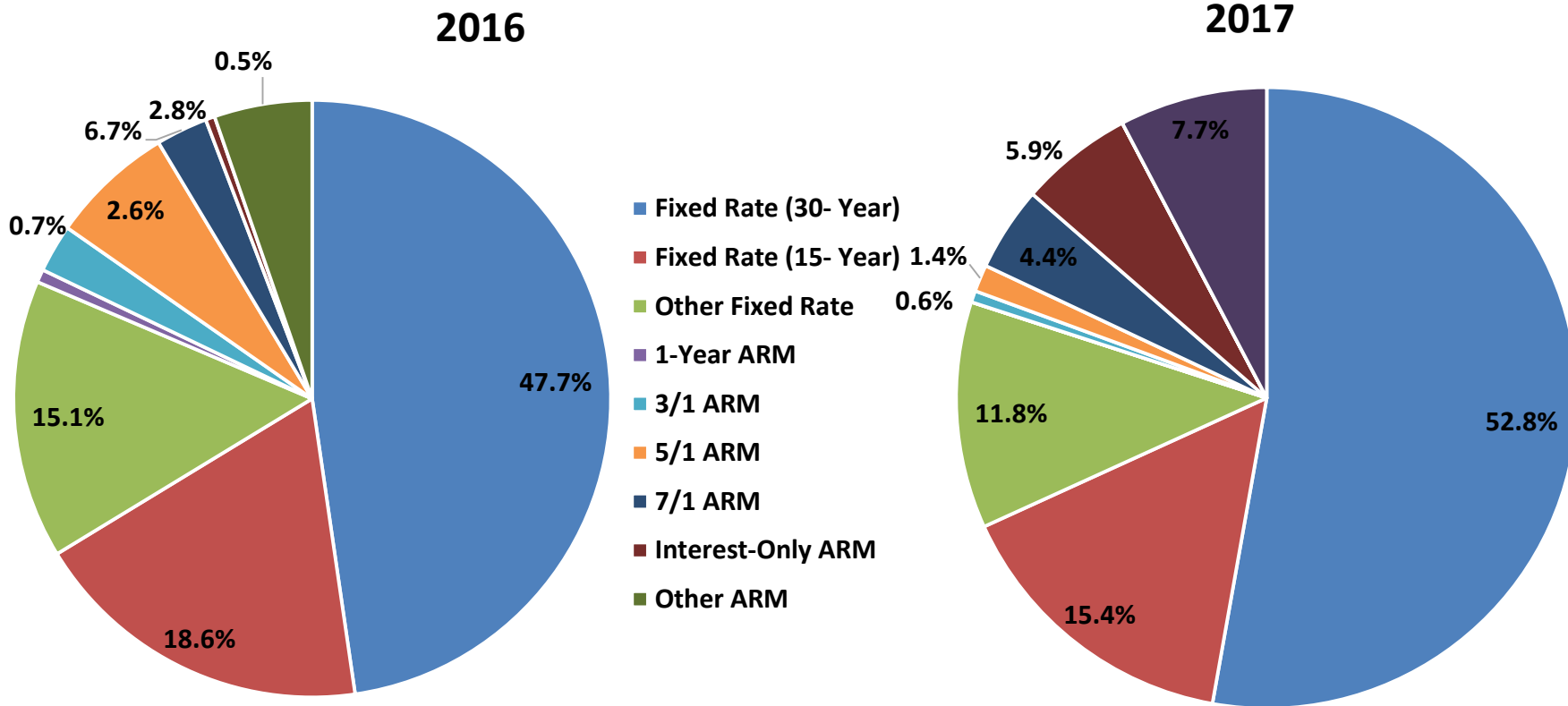
# Loan Destination Selling Servicing Rights

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



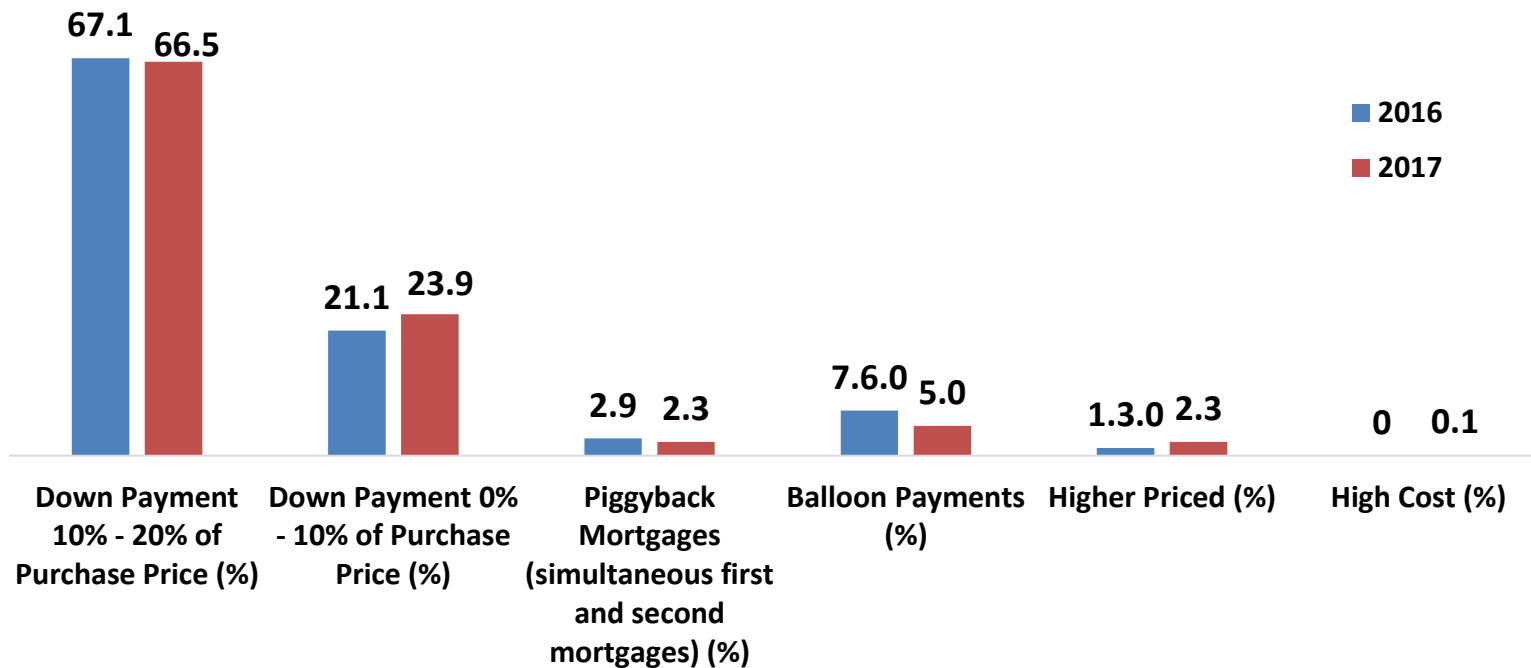
# Mortgage Products and Features

## Breakdown of Offered Mortgage Products



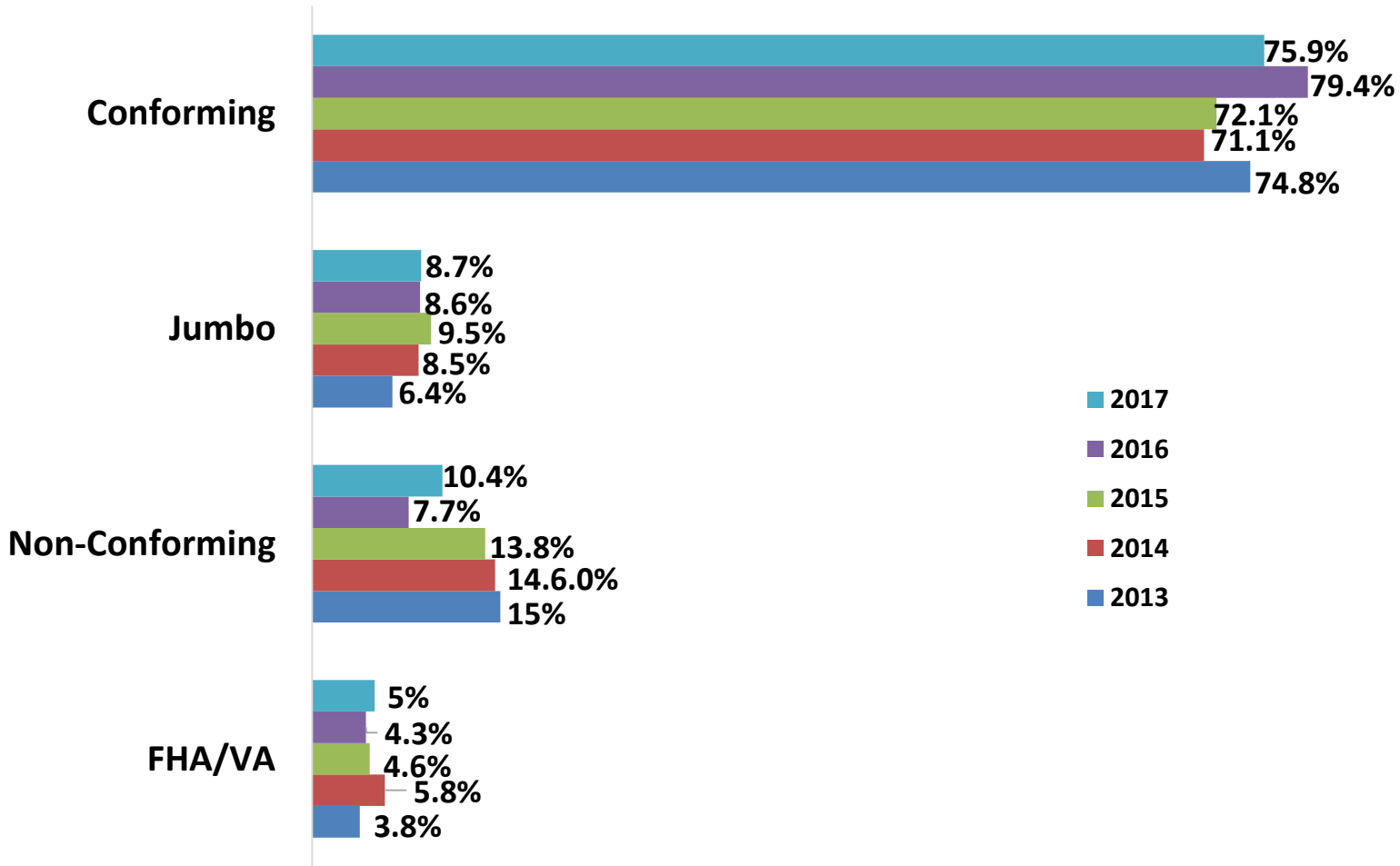
# Mortgage Products/Features

## Average percentage of loans originated (dollar volumes) by features (2016 and 2017)



# Mortgage Products/Features

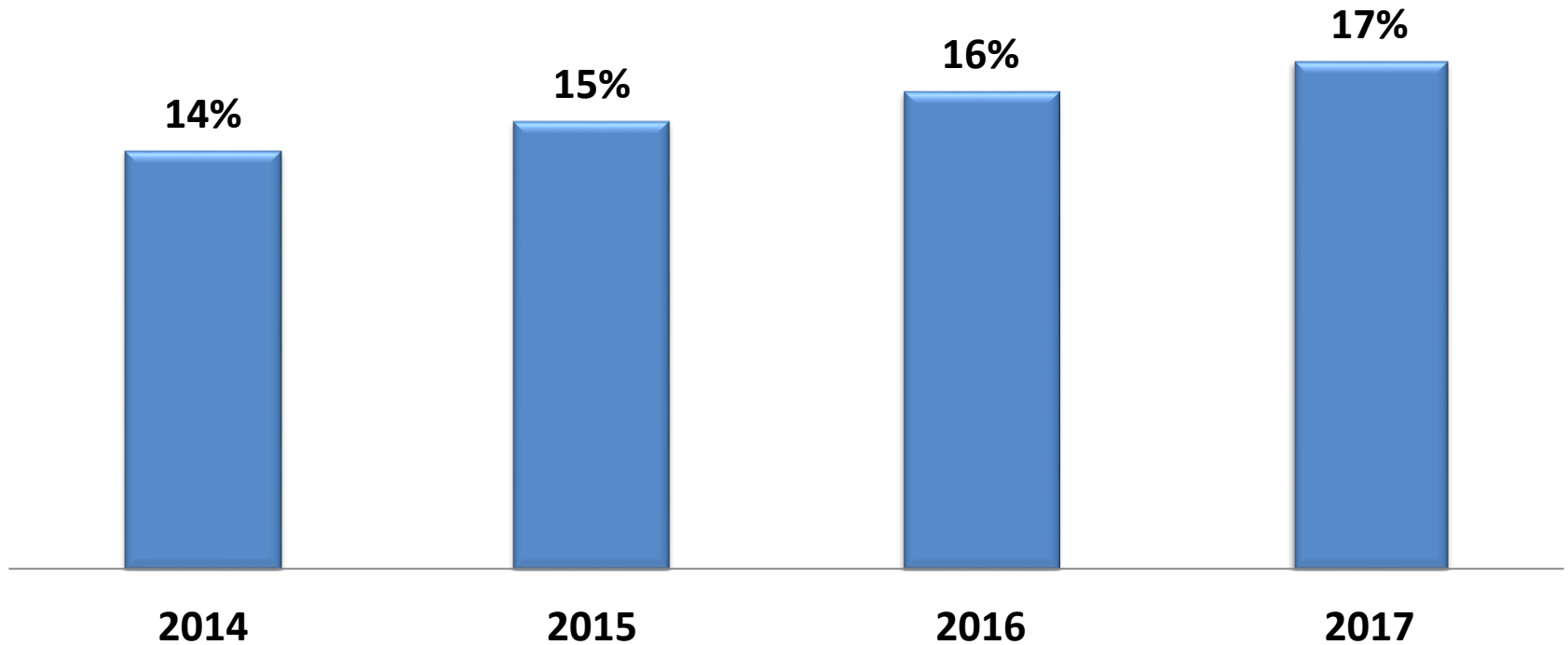
## 1-4 Family Mortgage Loan Production by Type of Loan





# Mortgage Products/Features First Time Home Buyers

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

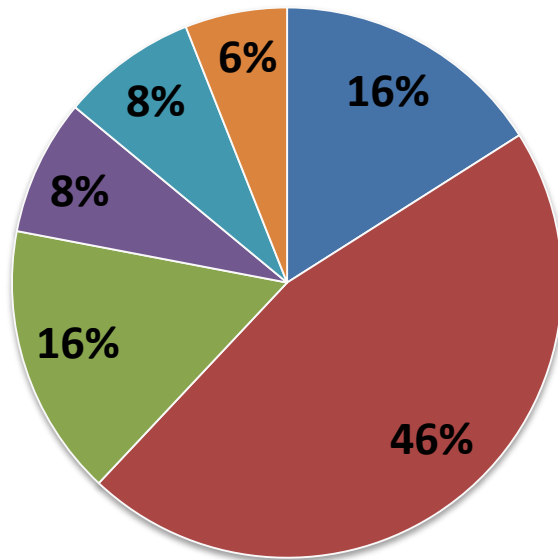




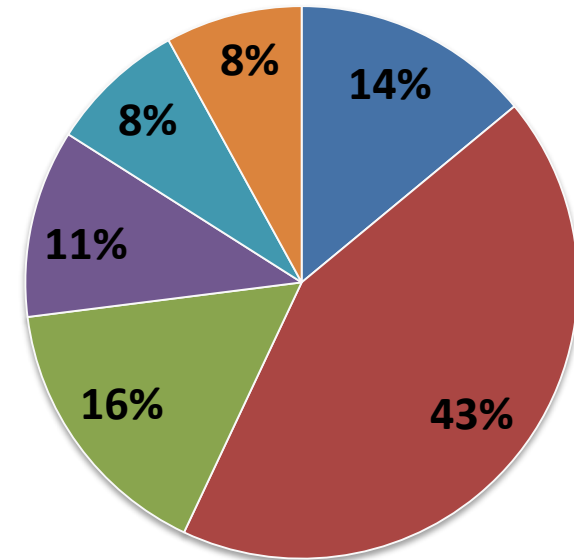
# Mortgage Products/Features

## Loan-to-Value Ratios for 1-4 Family Mortgage Loans Originated

2016



2017

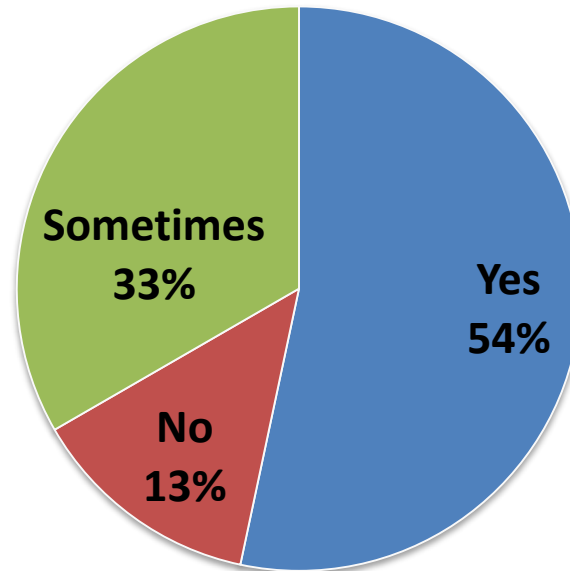


- 60% or less
- 60% - 80%
- 80% - 85%
- 85% - 90%
- 90% - 95%
- 95% and greater

# Mortgage Products/Features

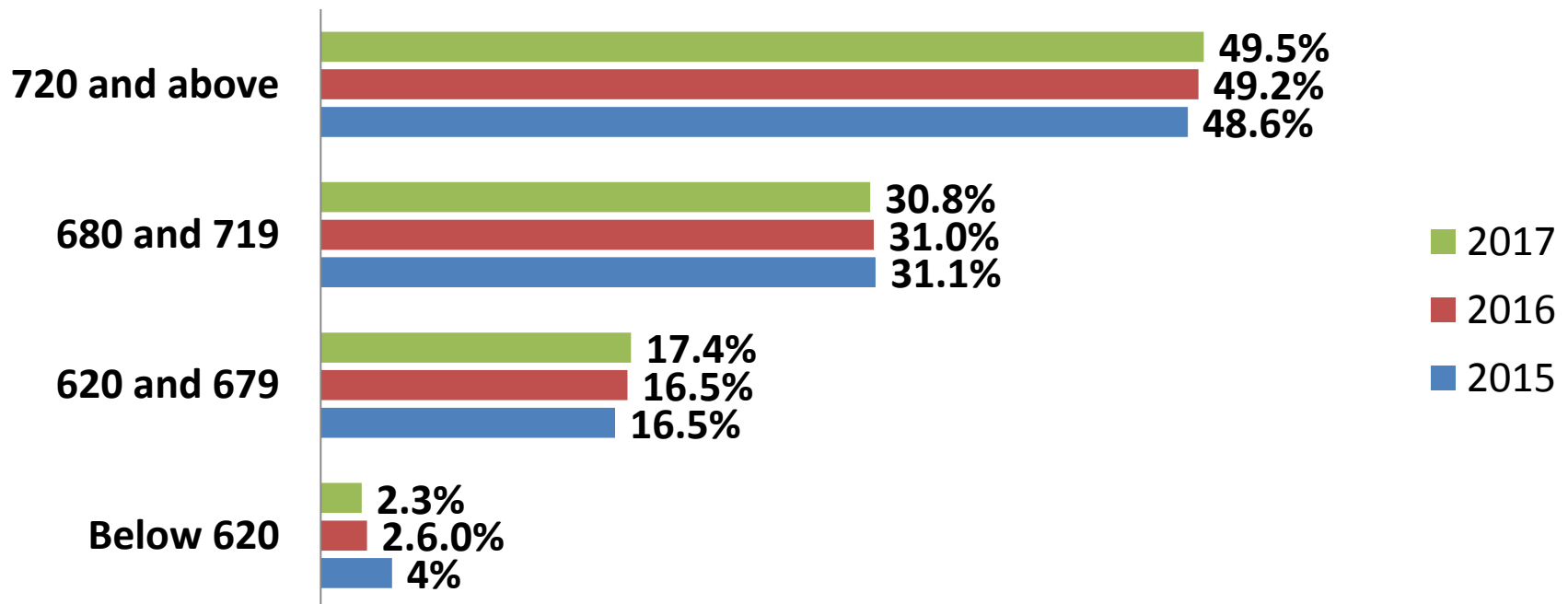
## Private Mortgage Insurance

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



# Mortgage Products/Features FICO Categories

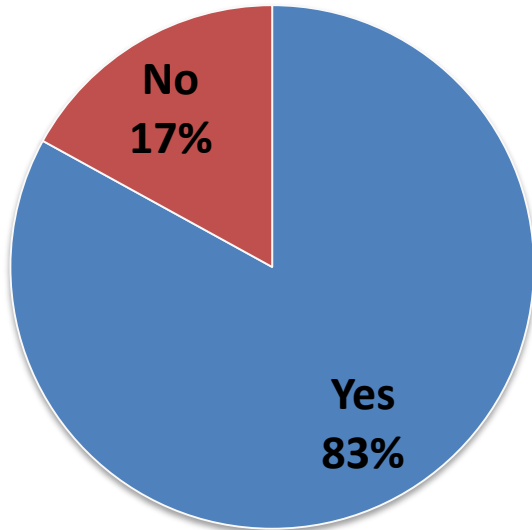
## Percentage of 1-4 Family Mortgage Loans by FICO Categories



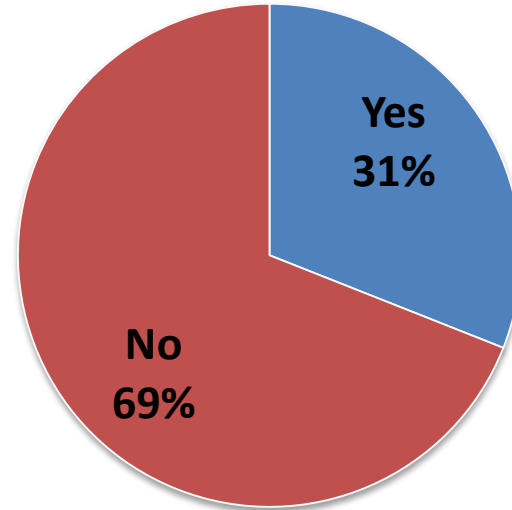
# Mortgage Products/Features

## Escrow Services

Does your bank provide escrow services for its mortgage customers?



Are escrow accounts mandatory for mortgage customers?

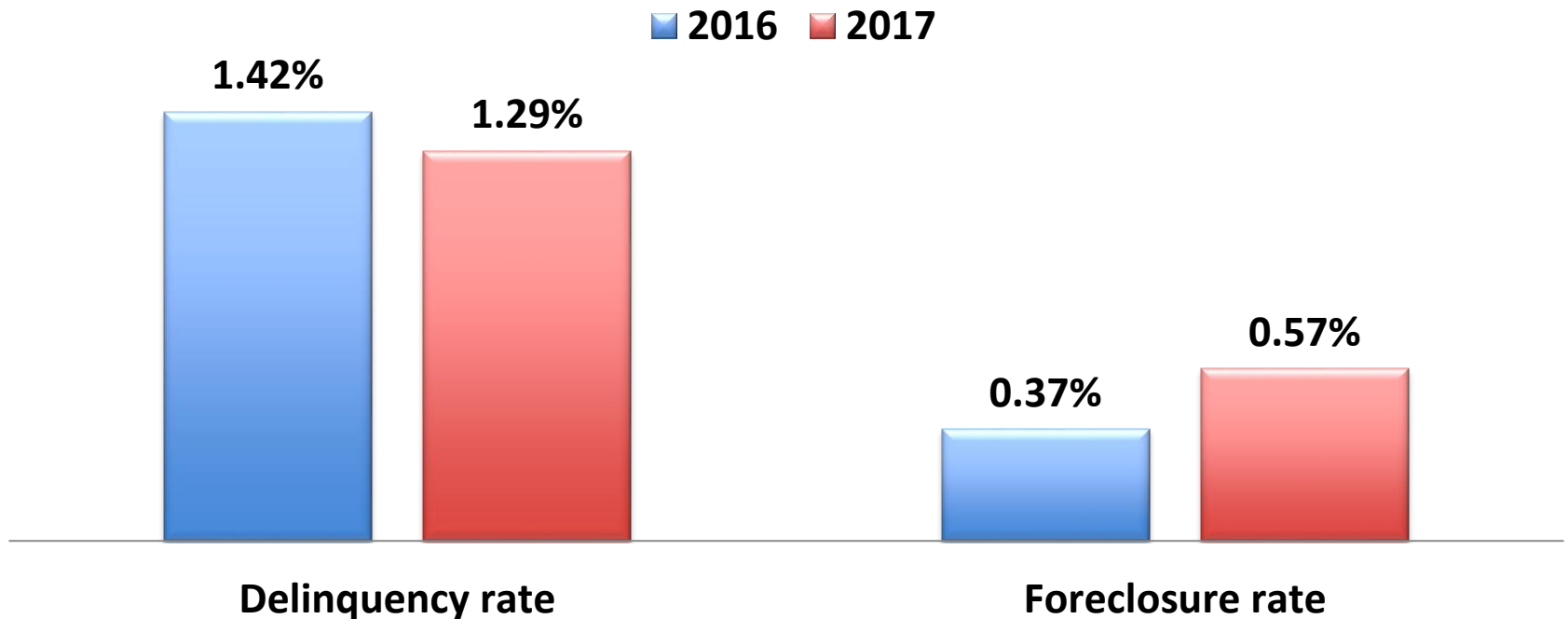


# Mortgage Products/Features

## Delinquency Rates and Foreclosure Rates

### 1-4 Family Mortgage Loans

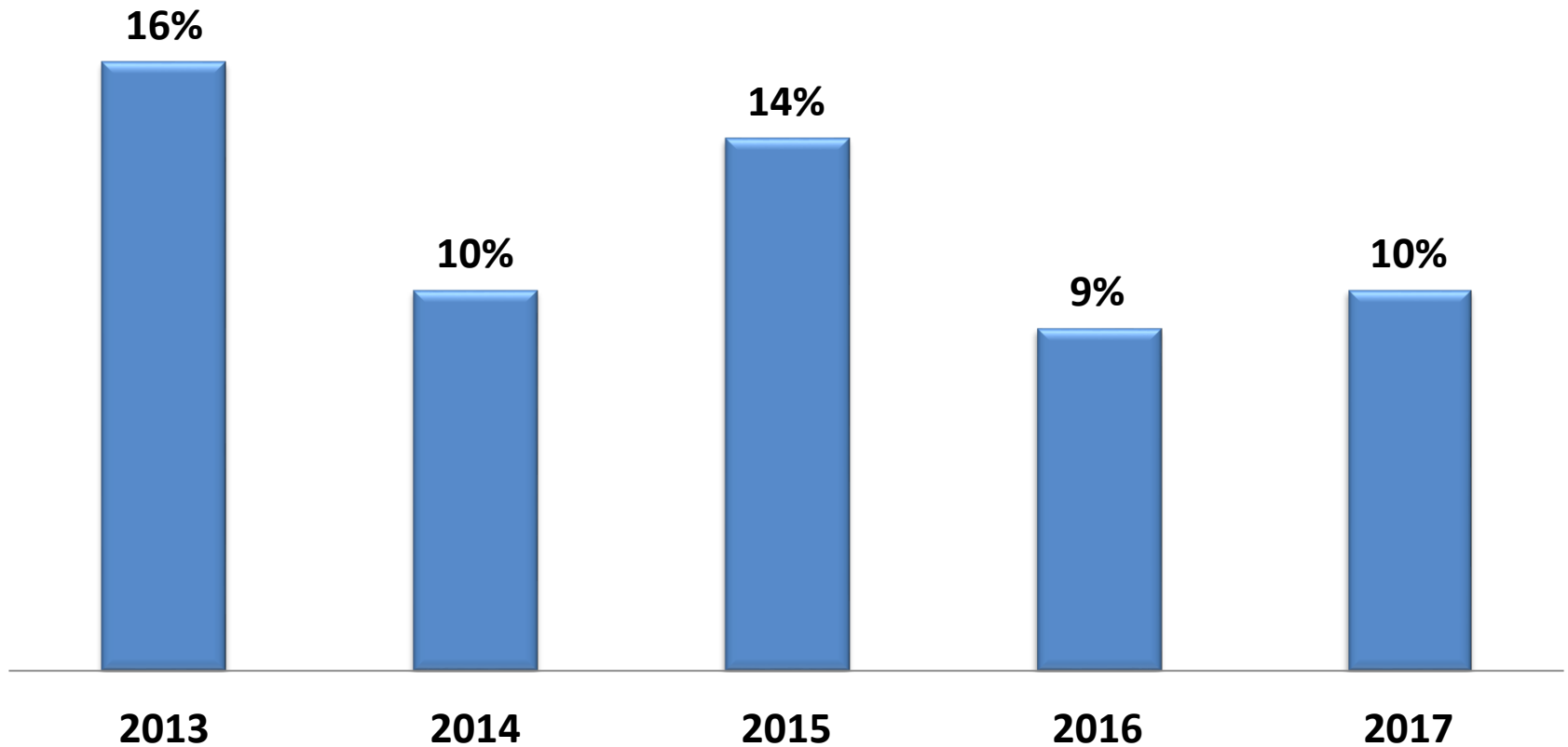
#### Average Delinquency Rates (60-Days or More Past Due) and Foreclosure Rates





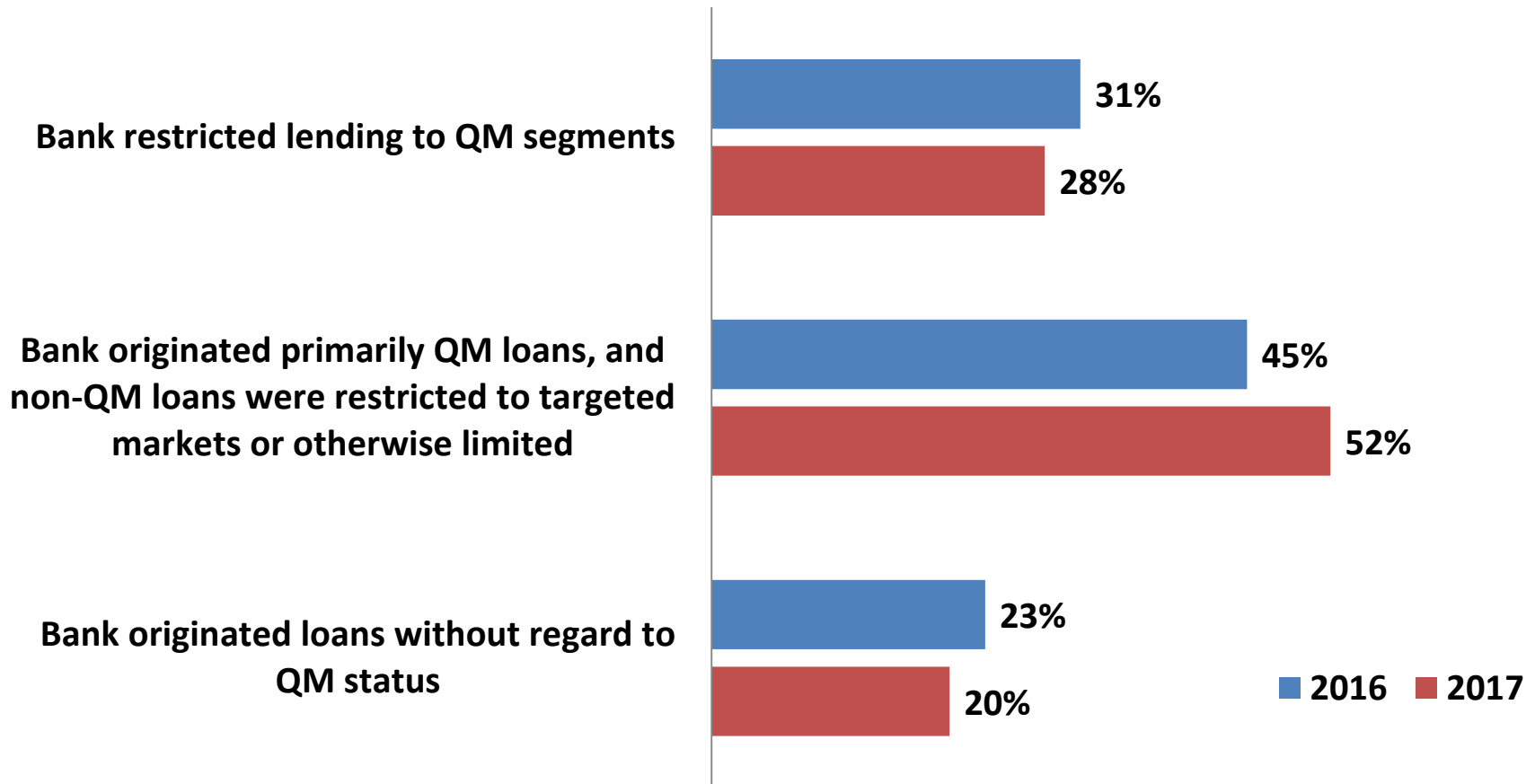
# Regulatory Impact Non-QM Loans

Average Percentage of Non-QM Loans



# Regulatory Impact

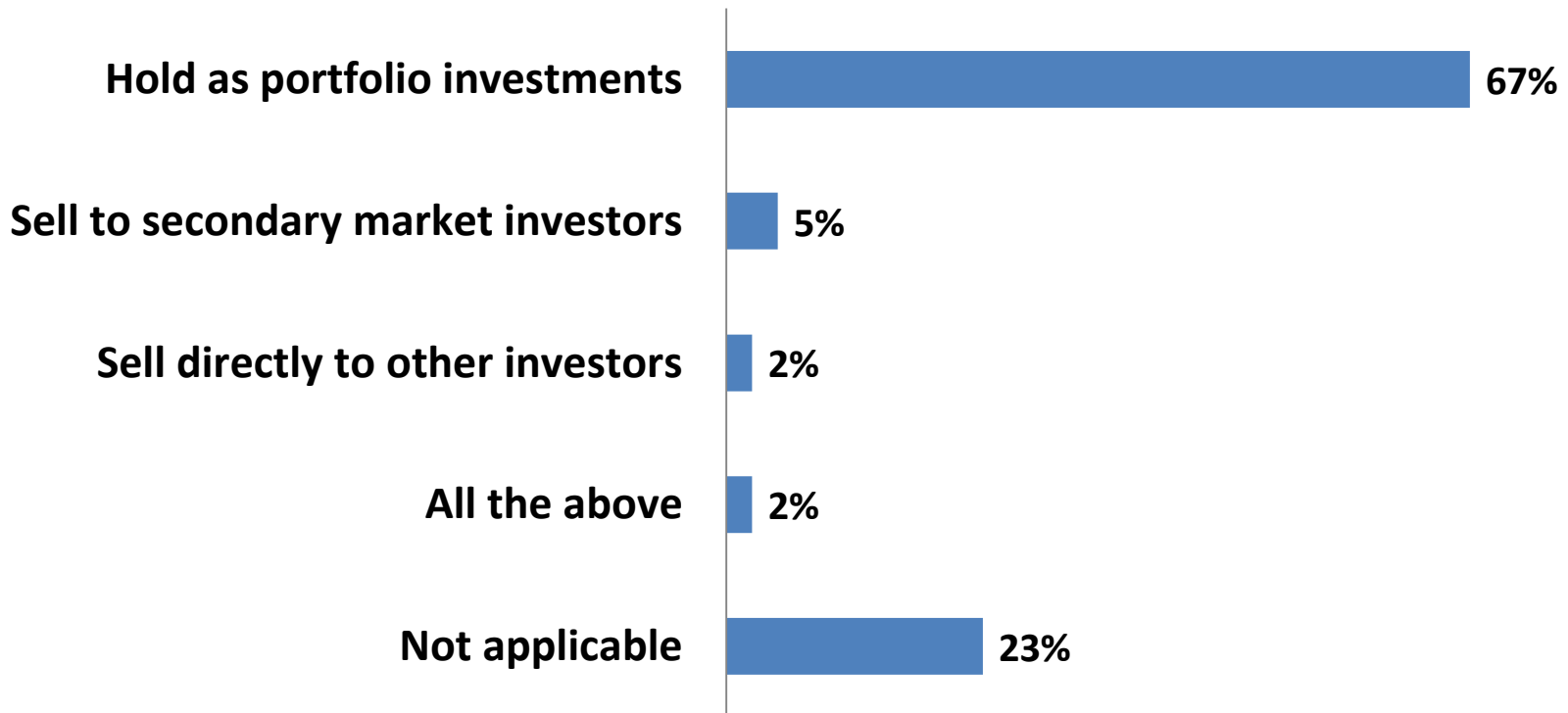
## Impact of ATR/QM Rules on Lending



# Regulatory Impact

## Non-QM Loan Originations

If you originate non-QM loans, do you:



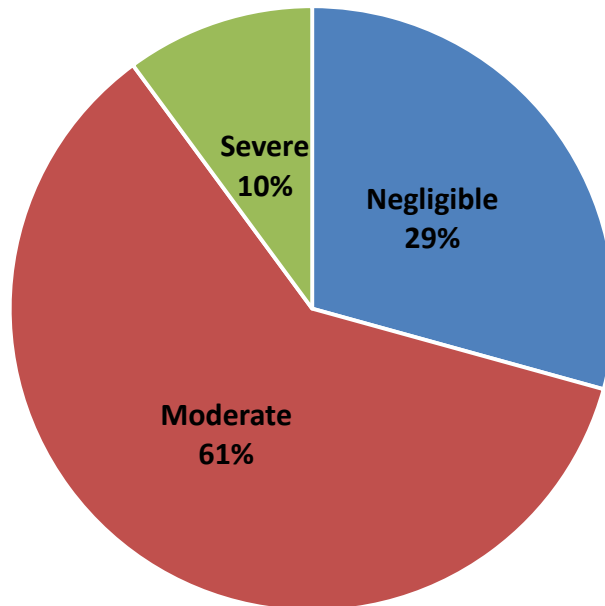


# Regulatory Impact

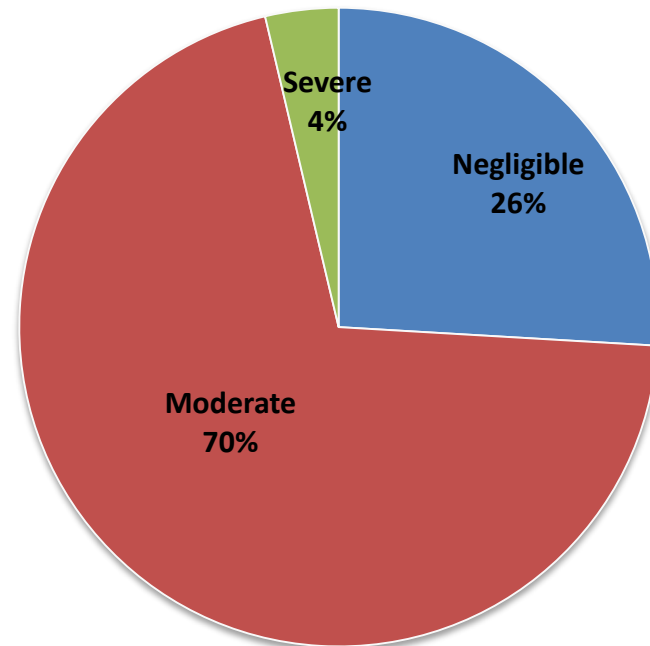
## Ongoing Impact of ATR/QM

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

2016



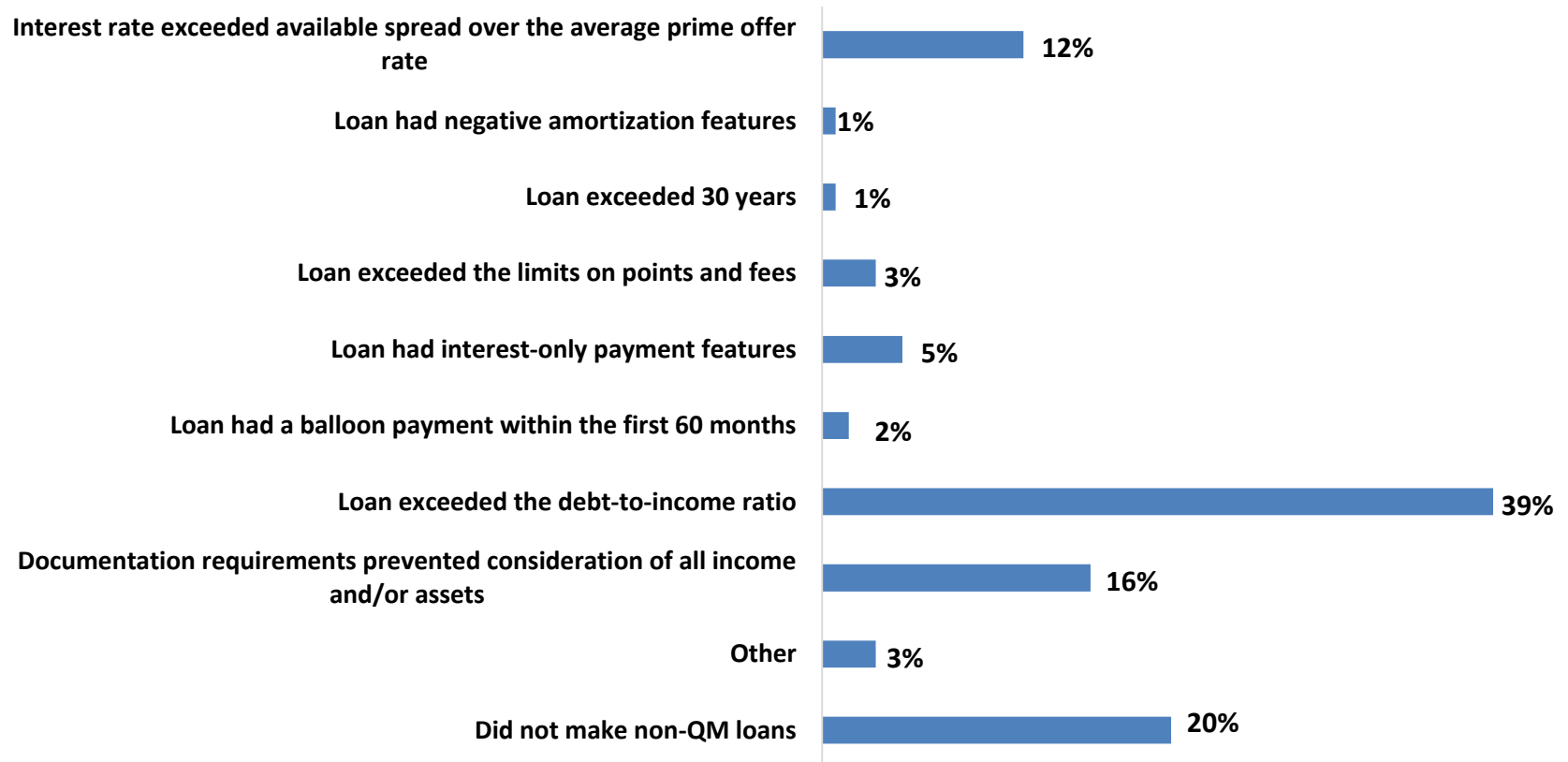
2017



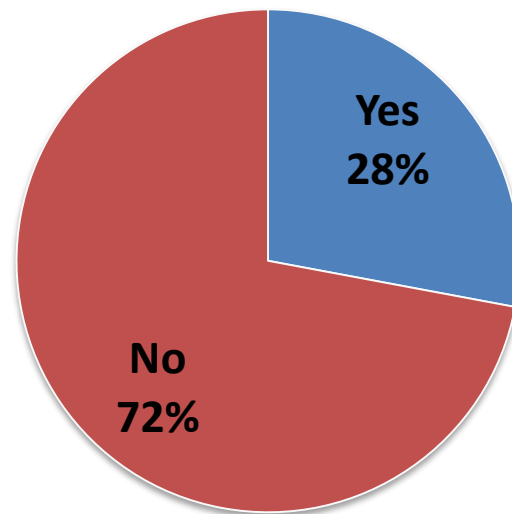
# Regulatory Impact

## Non-QM Loans

Of your 2017 production, which was the most important reason why a non-QM loan does not meet QM standards?

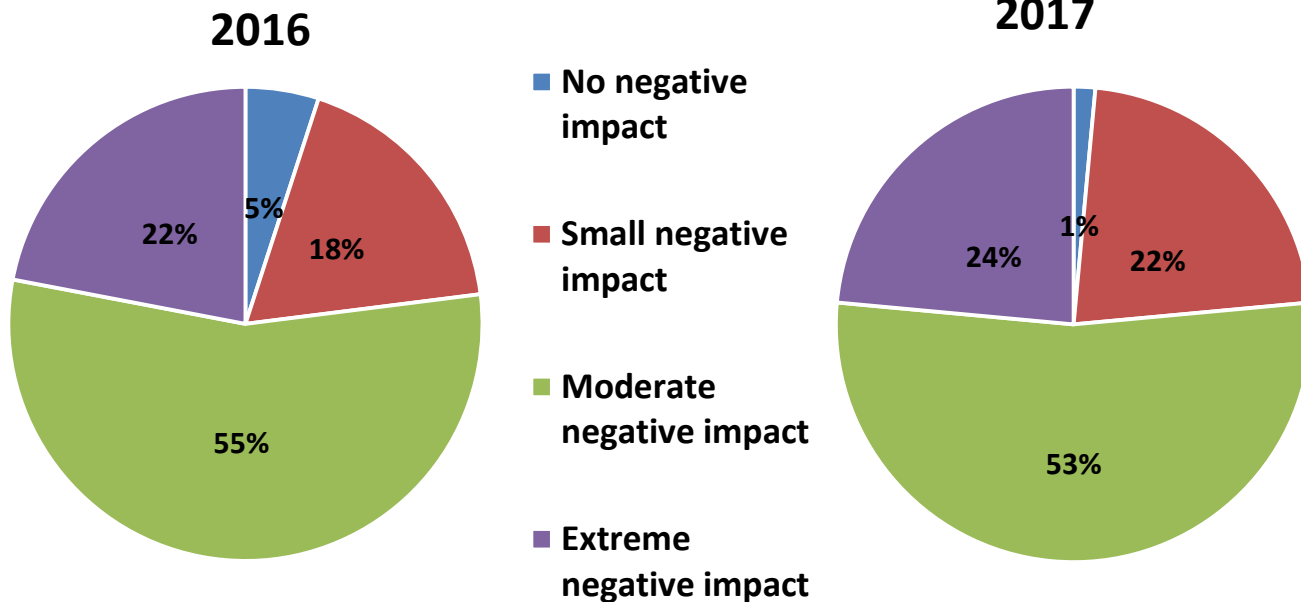


**Has FEMA remapping or any other issue related to National Flood Insurance Program pricing affected affordability for loans in your market?**



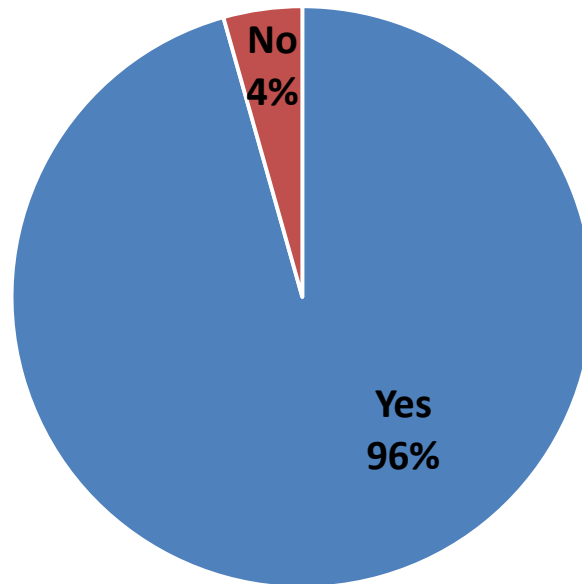
# Regulatory Impact Impacts on Business

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



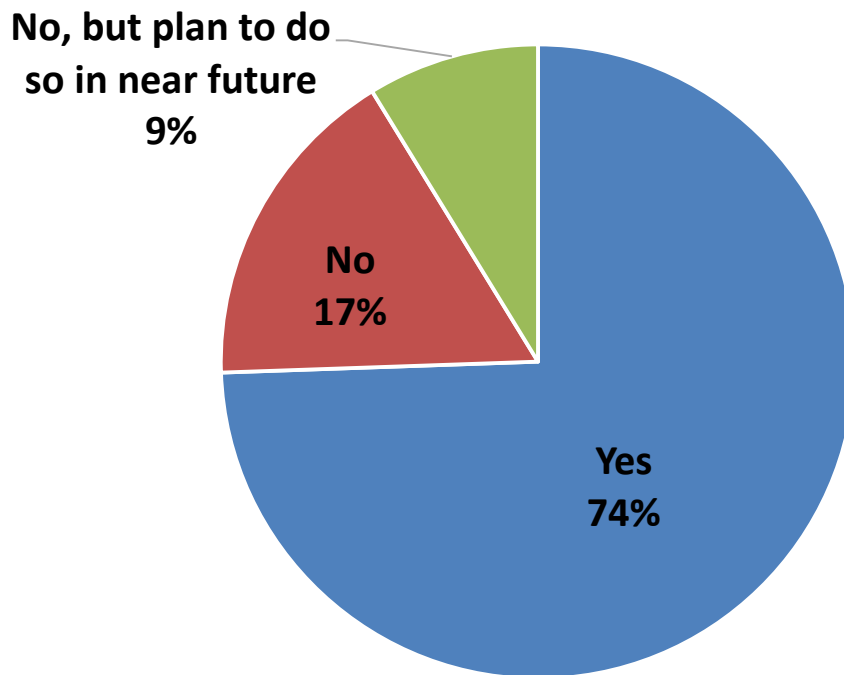
# Regulatory Impact Impacts on Business

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



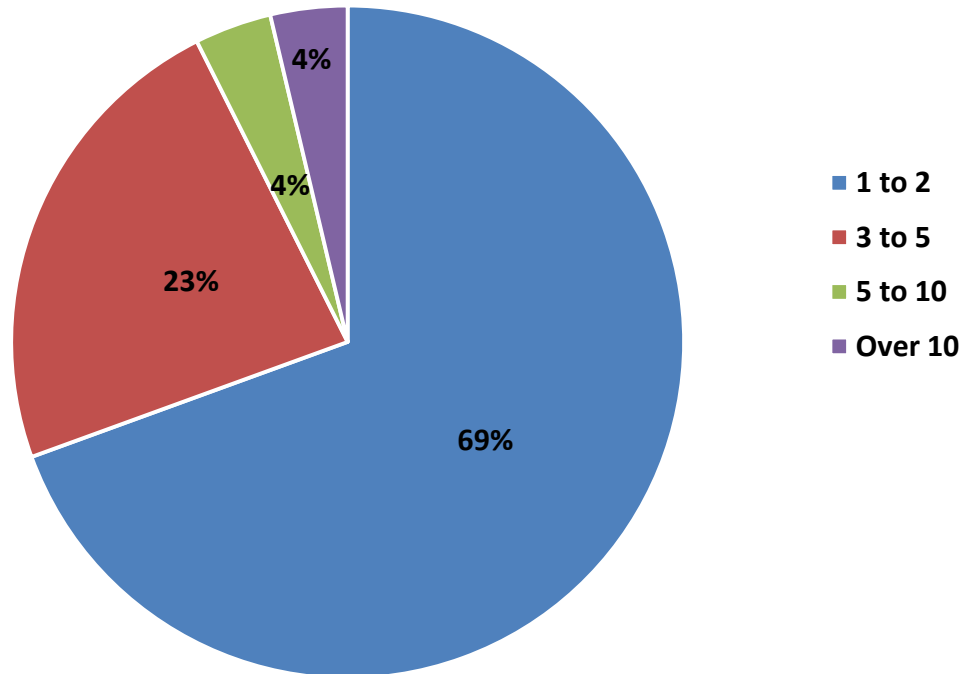
# Regulatory Impact Impacts on Business

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



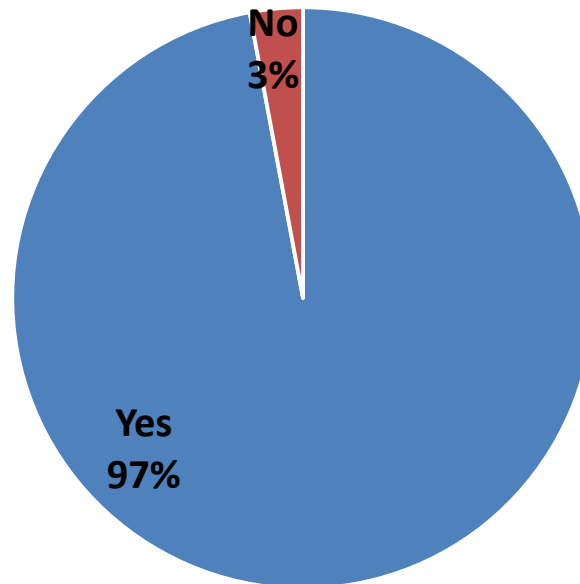
# Regulatory Impact Impacts on Business

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

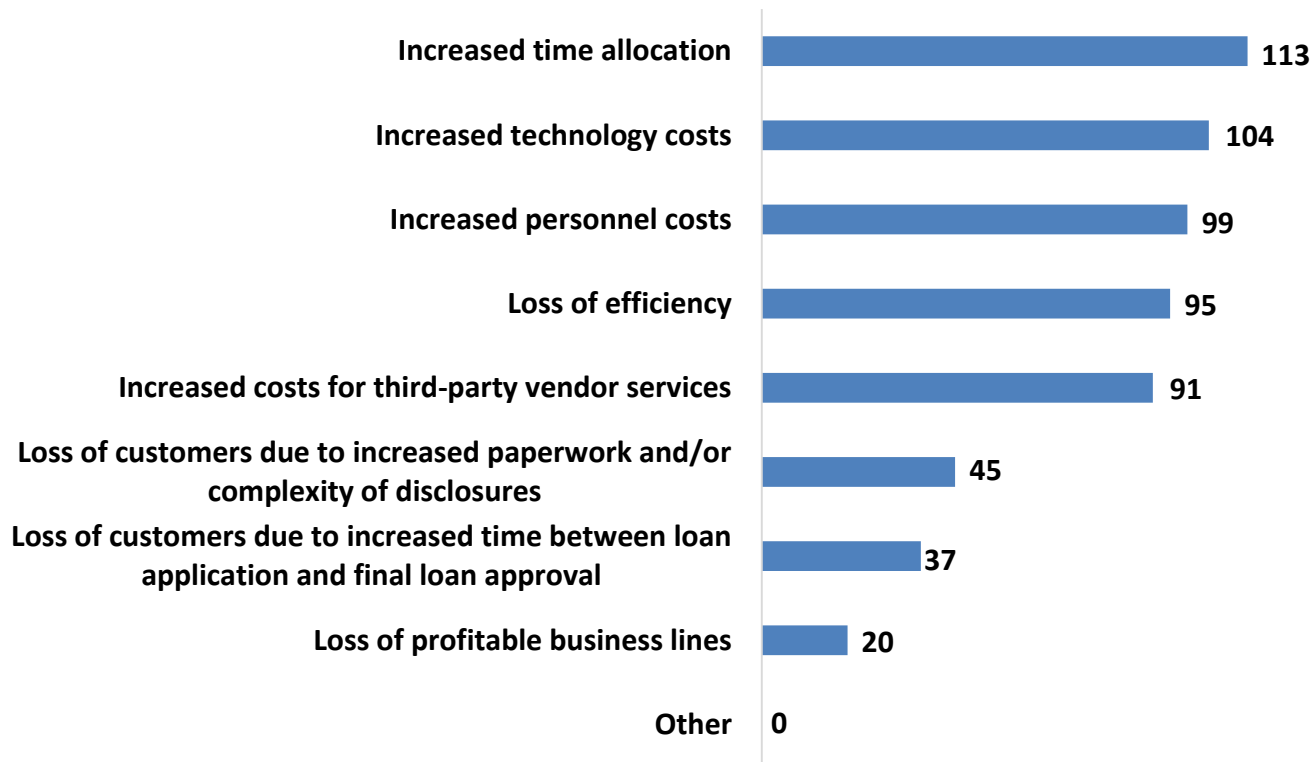
Have your legal/regulatory consulting costs increased because of new regulations?





# Regulatory Impact Compliance Costs

What are the primary drivers of increased compliance costs?  
(Total number of responses)





# Mortgage Market Outlook for 2018

## Most Frequent Concerns

Rising interest rates

Regulatory burdens

Lack of housing inventory

Increased cost of doing business and providing consumer services