



American
Bankers
Association®

26th Annual ABA Real Estate Lending Survey Report (2019)





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Acknowledgements

The American Bankers Association extends its appreciation to the bankers who contributed essential information to the 26th 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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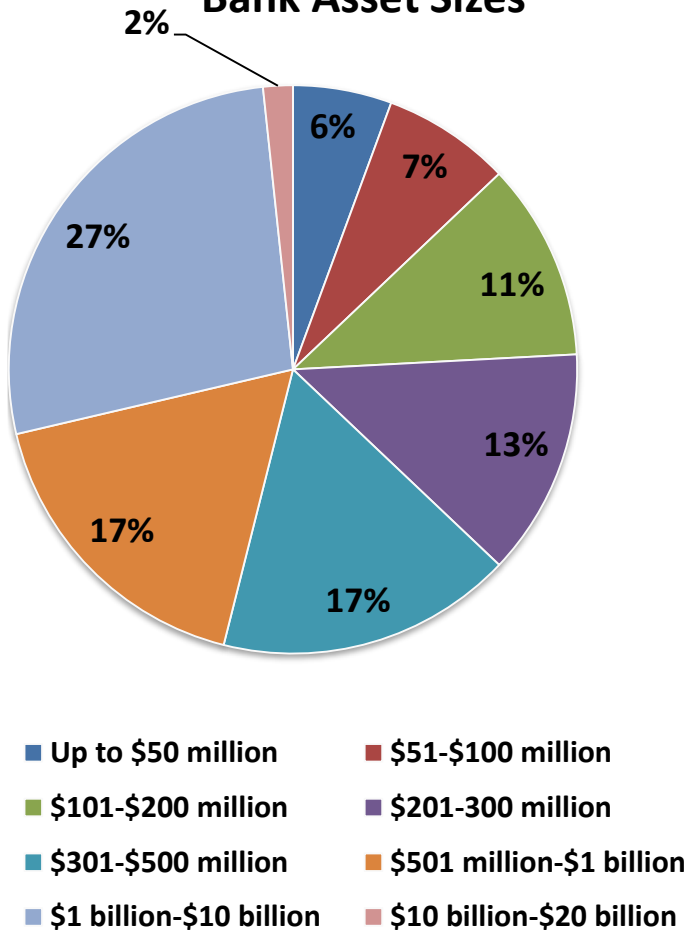
A Summary of Key Survey Findings

The 26th Real Estate Lending Survey had the participation of 180 banks. The data was collected from March 6, 2019 to May 6, 2019, 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, the main regulator for 60 percent of respondents is the FDIC. About 70 percent of the participating institutions had assets of less than \$1 billion.

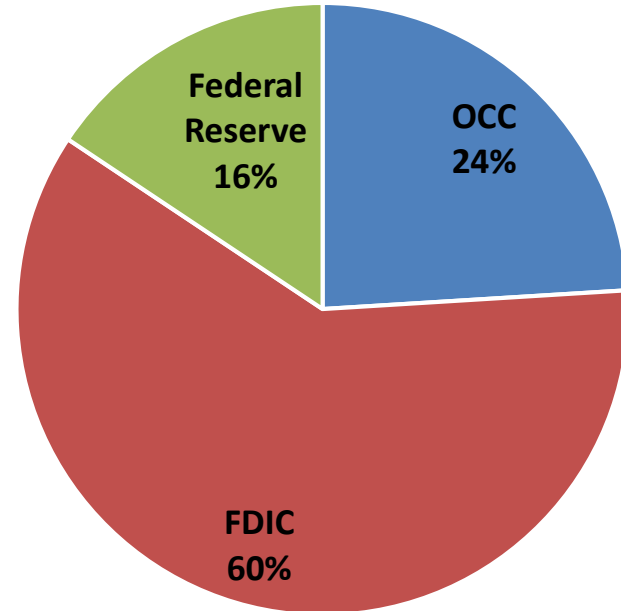
- About 75 percent of banks reported restrictions on making non-Qualified Mortgage loans to reduce regulatory risks.
- Despite these restrictions, banks reported making historically high proportions of their mortgage loans to first-time home buyers, averaging 16 to 17 percent of loans for the past 3 years.
- About 60 percent of banks reported that mortgage regulations had a moderate to severe impact on credit availability in 2018, down from about 75 percent of banks reporting in 2017.
- Higher debt-to-income ratios were the primary factor resulting in a loans failing to achieve QM status, followed by documentation requirements and interest rates exceeding allowable spreads.
- Mortgage-specific compliance costs increased for 63 percent of banks, and fell at only 2 percent of banks.
- Compliance cost increases included hiring more staff, and higher consulting and technology expenses.
- About half of banks planned to invest more in mortgage finance technology during the next 2 years, with the biggest obstacles being cost and integration with core vendor platforms.

26th Real Estate Lending Survey Participant Profile

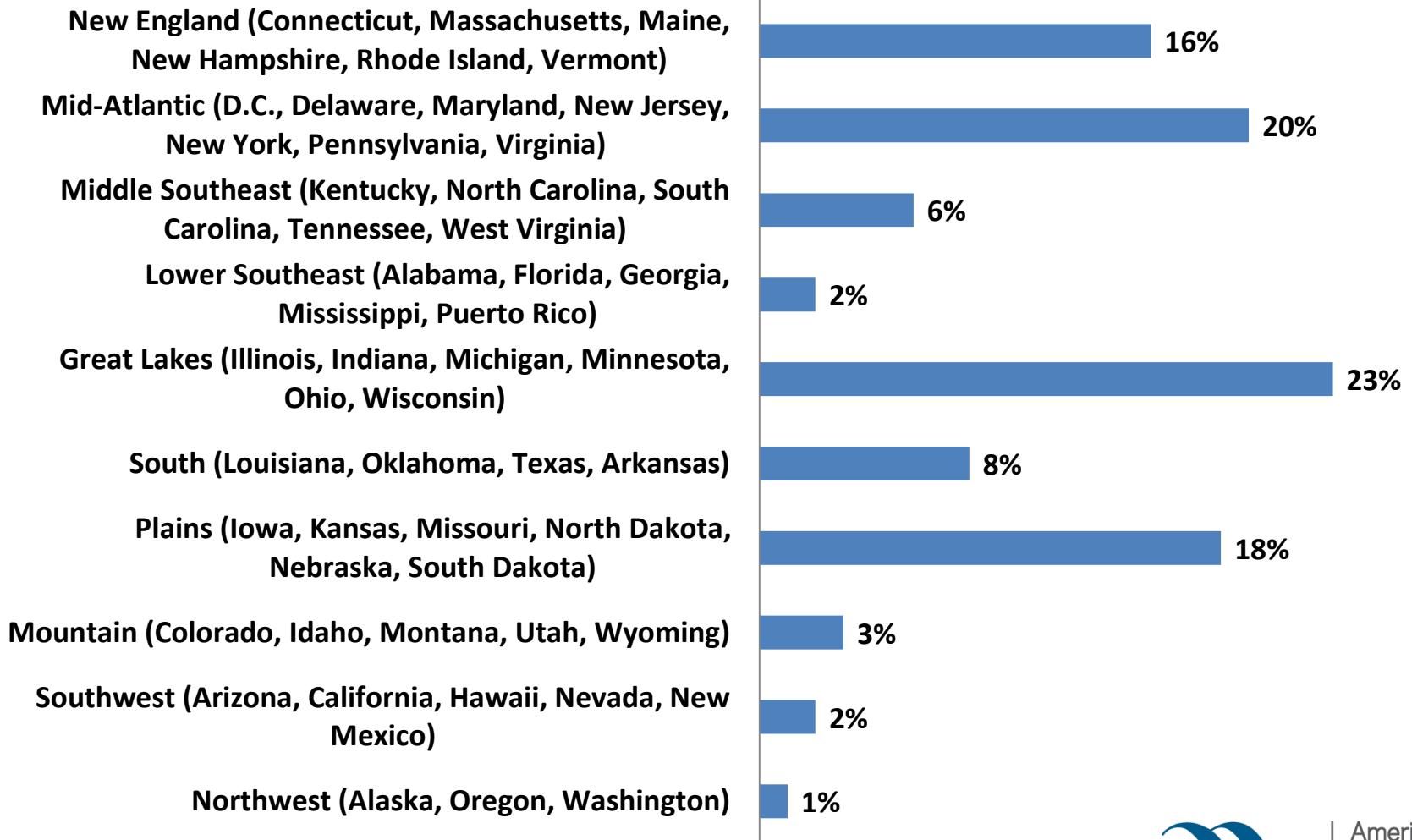
Bank Asset Sizes



Chief 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	Compliance One(Wolters Kluwer)
5	LaserPro (Finastra)



Loan Production Participant Loan Volume for 2018 (median)

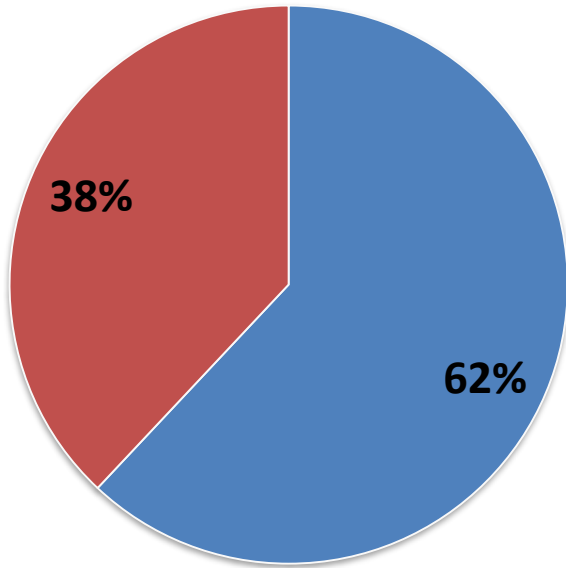
	1-4 Family Mortgage Loans (\$)	Home Equity Loans (drawn lines-of-credit) (\$)	Second Trust Loans (closed-end) (\$)	Multifamily Mortgage Loans (\$)
Average	83,864,995	13,106,798	4,143,523	7,934,313



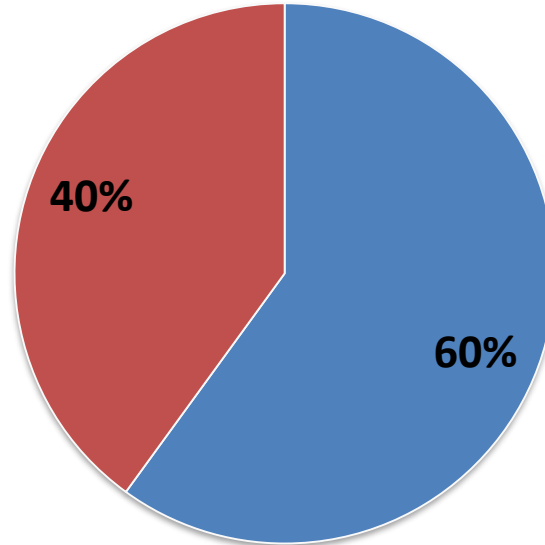
Loan Production

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

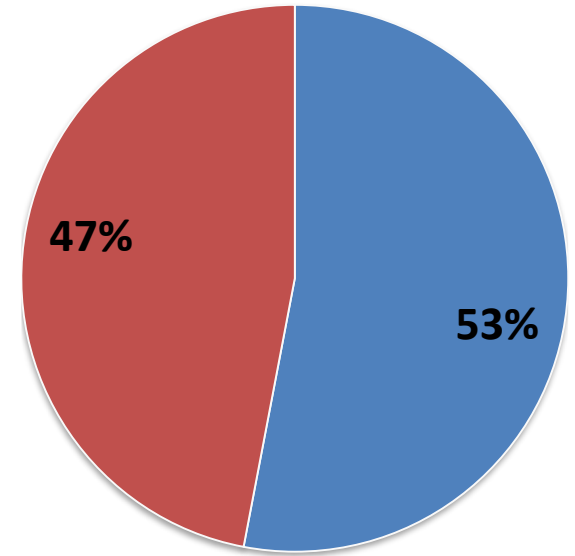
2018



2017



2016

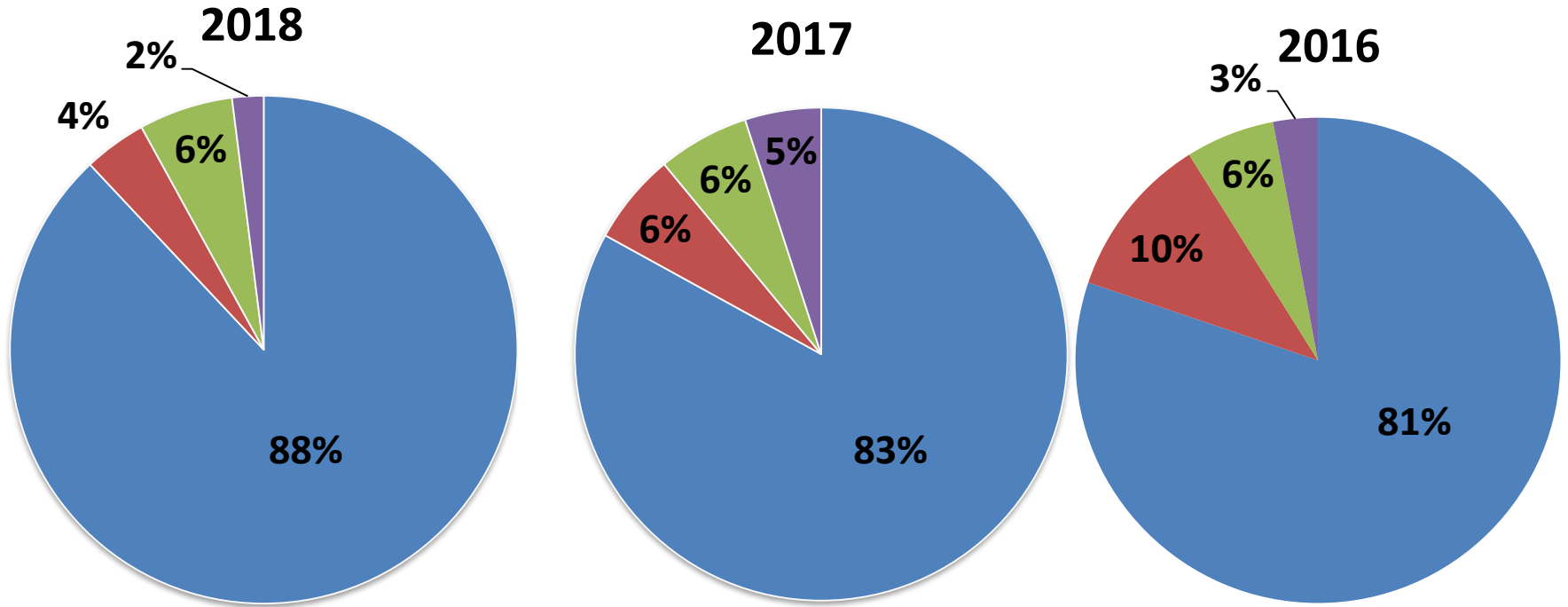


■ Purchase ■ Refinance





Loan Production Origination Sources at a Glance



- Retail
- Wholesale/Correspondent
- Internet
- Other

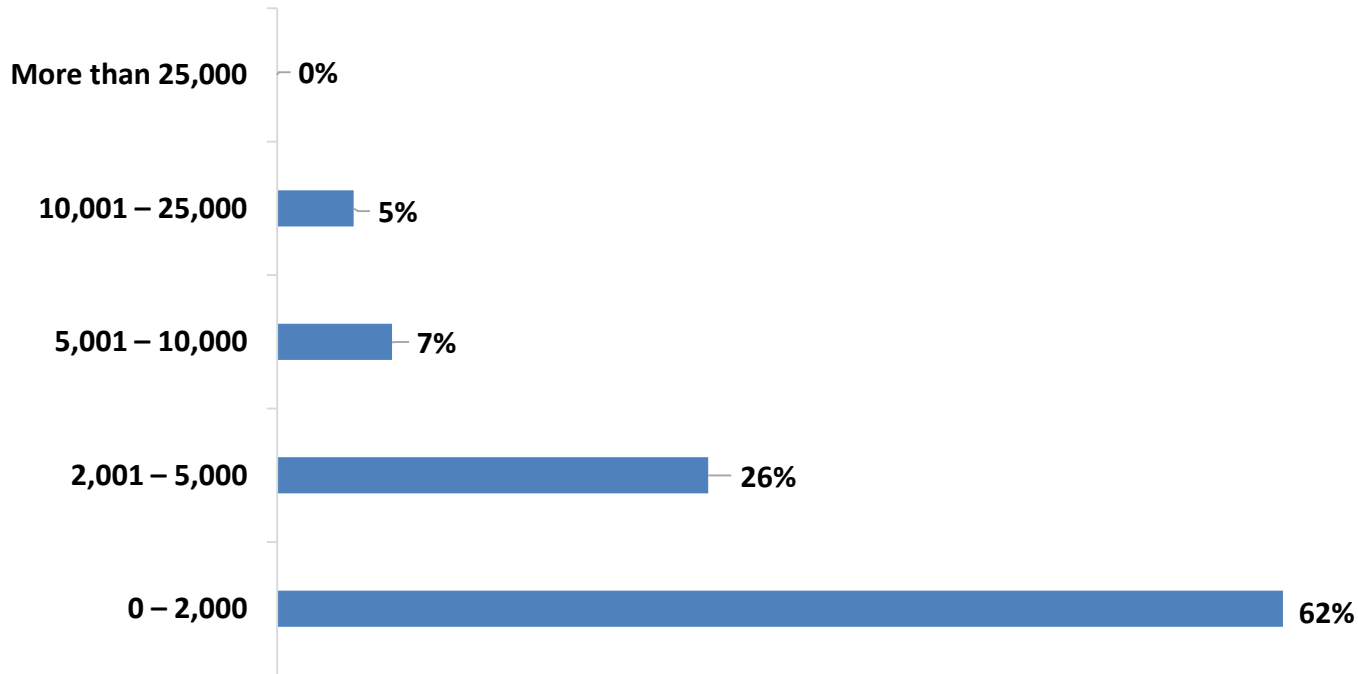
Loan Production

Chart 10: Servicing Portfolios (Data as of year-end 2018)

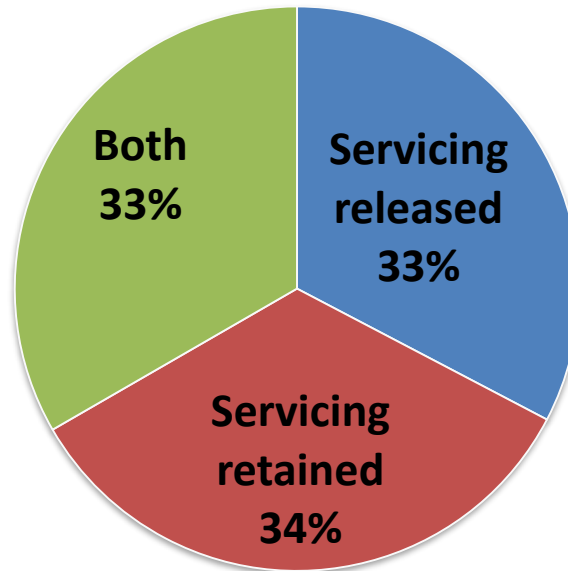
By Asset Size	Serviced for Bank (averages in millions, unless otherwise noted)	Serviced for Others (averages in millions, unless otherwise noted)
\$1 - \$10 Billion	\$501.3	\$473.3
\$501 Million - \$1 Billion	\$177.5	\$177.8
\$301 - \$500 Million	\$120.4	\$69.2
\$201 - \$300 Million	\$79.7	—
\$101 - \$200 Million	\$48.1	\$57.7
\$51 - \$100 Million	\$39.9	—
Up to \$50 Million	—	—

Loans Production 1-4 Family Loans Serviced

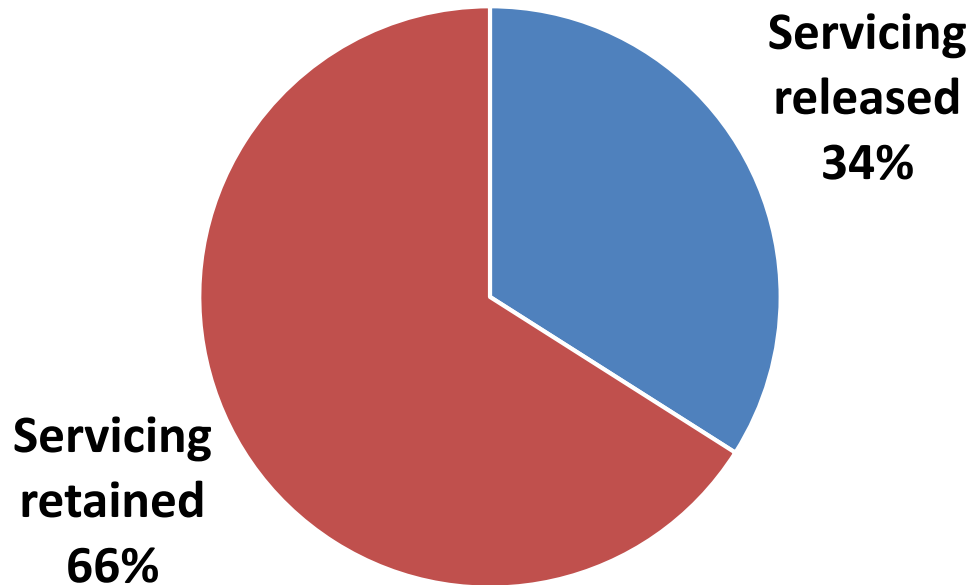
Please estimate the number of 1-4 family loans your bank serviced as of December 31, 2018.



**Selling Mortgage Loans with Servicing Released vs.
Servicing Retained, 2018**



**If Selling Both Servicing Released and Servicing Retained
(Percentage Breakdown)**

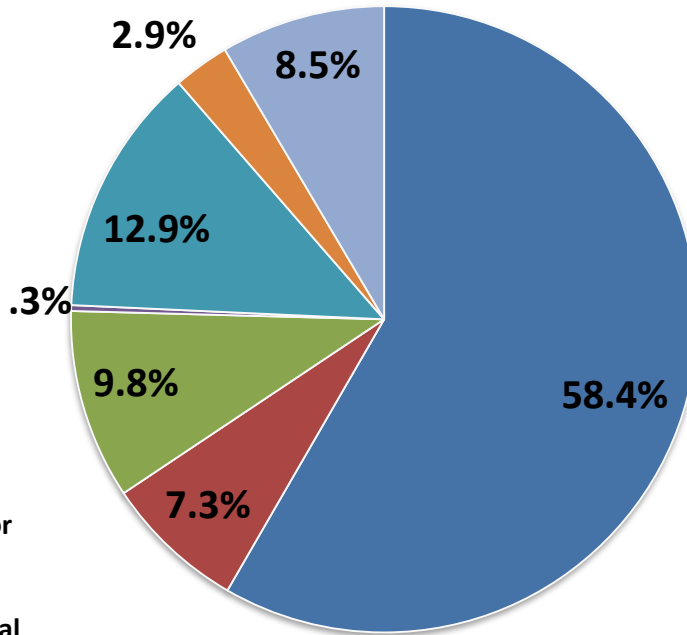


Loan Destination

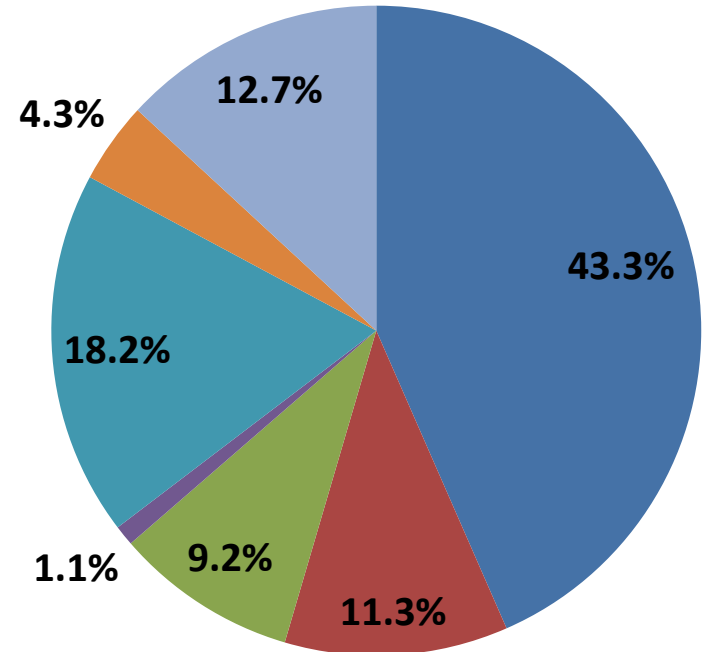
1-4 Family Mortgage Originations (dollar volume) Retained and/or Sold to Buyers, 2018 and 2017

- 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

2018



2017



Loan Destination

Where is the Volume Going?

A Historical Perspective

Percentage of originations sold to each of the following buyers

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Conduits/Wholesalers	22%	17%	18%	18%	19%	12%	14%	18%	13%
Fannie Mae	13%	15%	12%	14%	11%	10%	12%	11%	7%
Freddie Mac	15%	13%	15%	15%	13%	14%	15%	9%	10%
FHLB MPF/MPP	5%	7%	9%	9%	8%	8%	11%	13%	9%
Other	8%	7%	6%	4%	2%	3%	5%	4%	3%

Loan Destination

Ranking of Most Used Aggregators

Top Outlets

2018 →

Ranking	Aggregator
1	US Bank
2	Wells Fargo
	Franklin American
3	BB&T, SunTrust
	HomePoint

2017 →

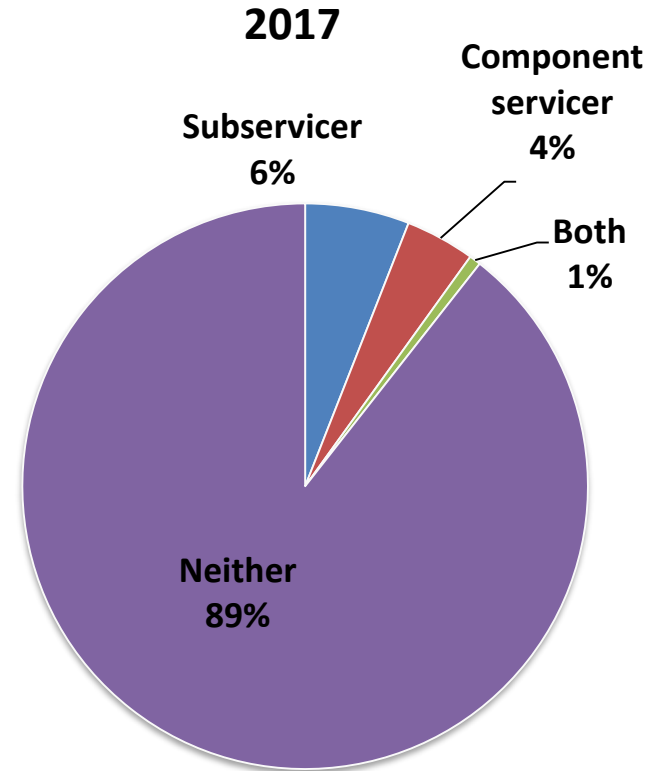
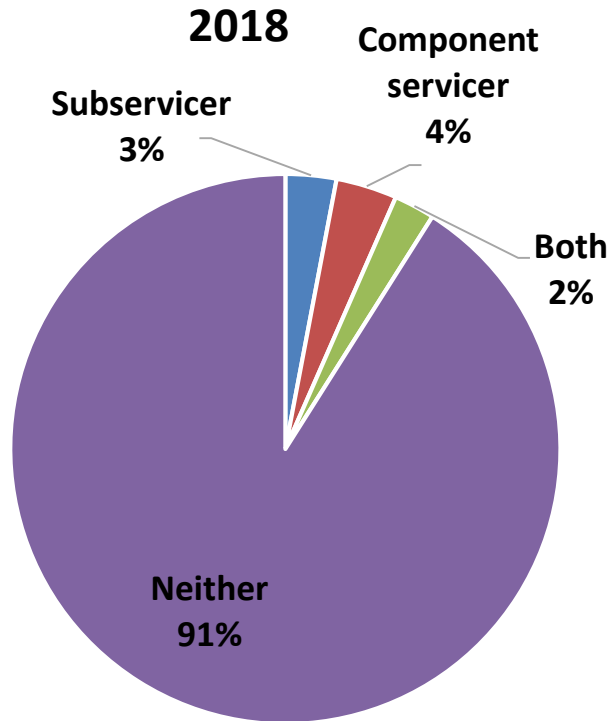
Ranking	Aggregator
1	Wells Fargo, FHLB
2	Franklin American
3	US Bank, SunTrust
4	Iowa Bankers Mortgage Corp
5	Crescent Mortgage

← 2016

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

Loan Destination

Servicing Operations: Subservicer vs. Component Servicer

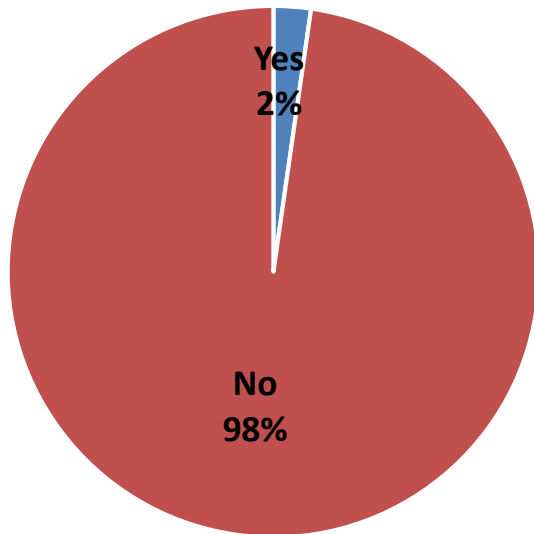




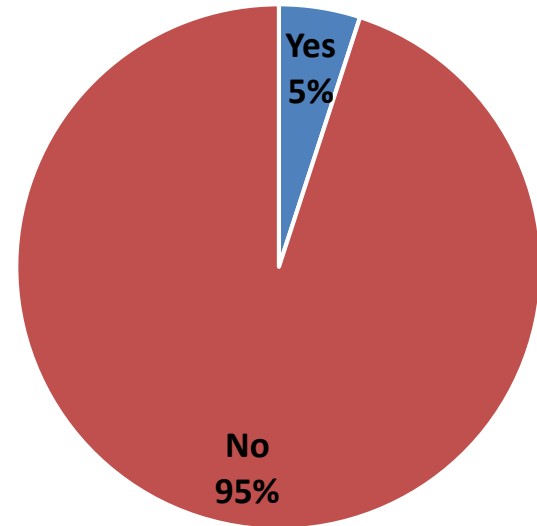
Loan Destination Mortgage Servicing Rights

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

2018

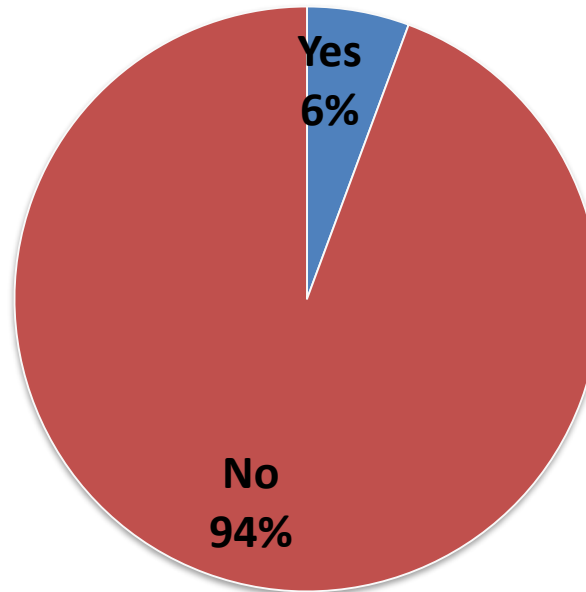


2017



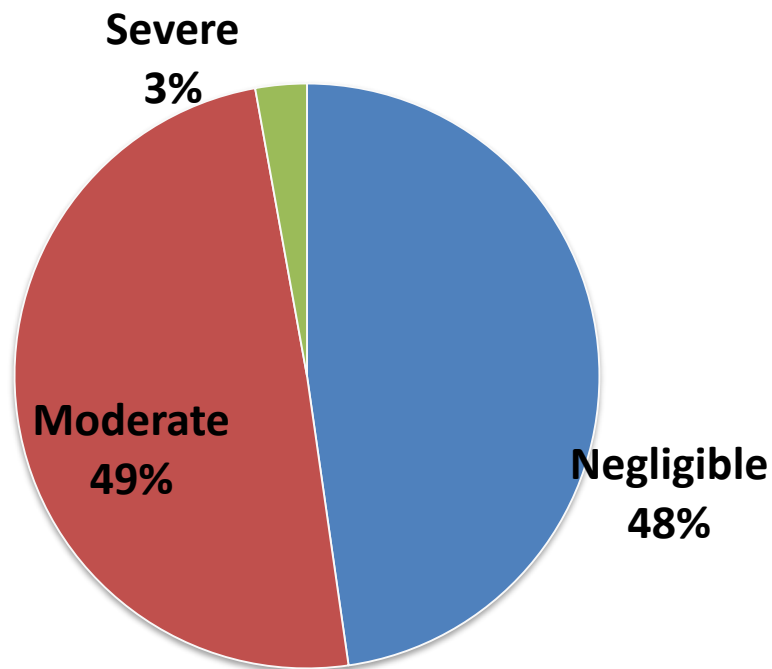
Loan Destination Selling Servicing Rights

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



Impact of the CFPB's Mortgage Servicing Rules

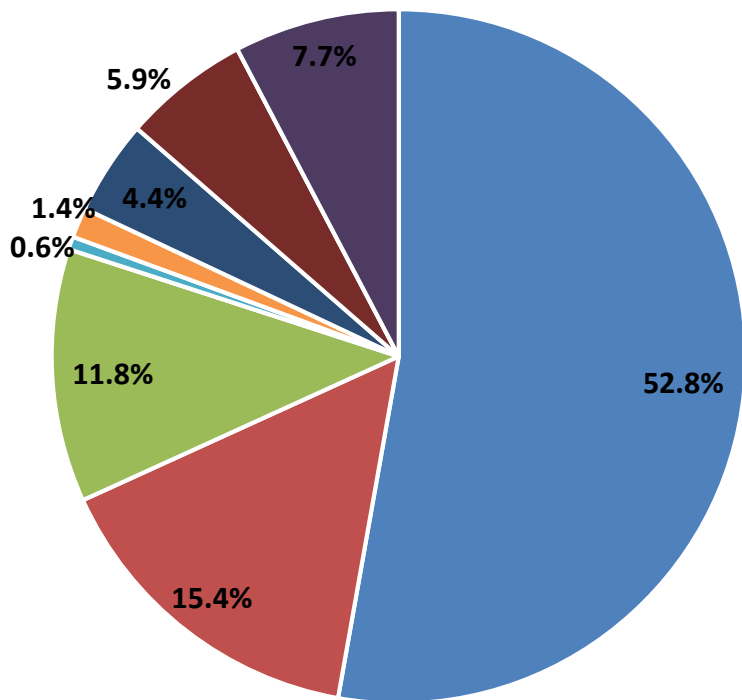
What do you expect will be the ongoing impact of the CFPB's Mortgage Servicing Rules on mortgage credit availability?



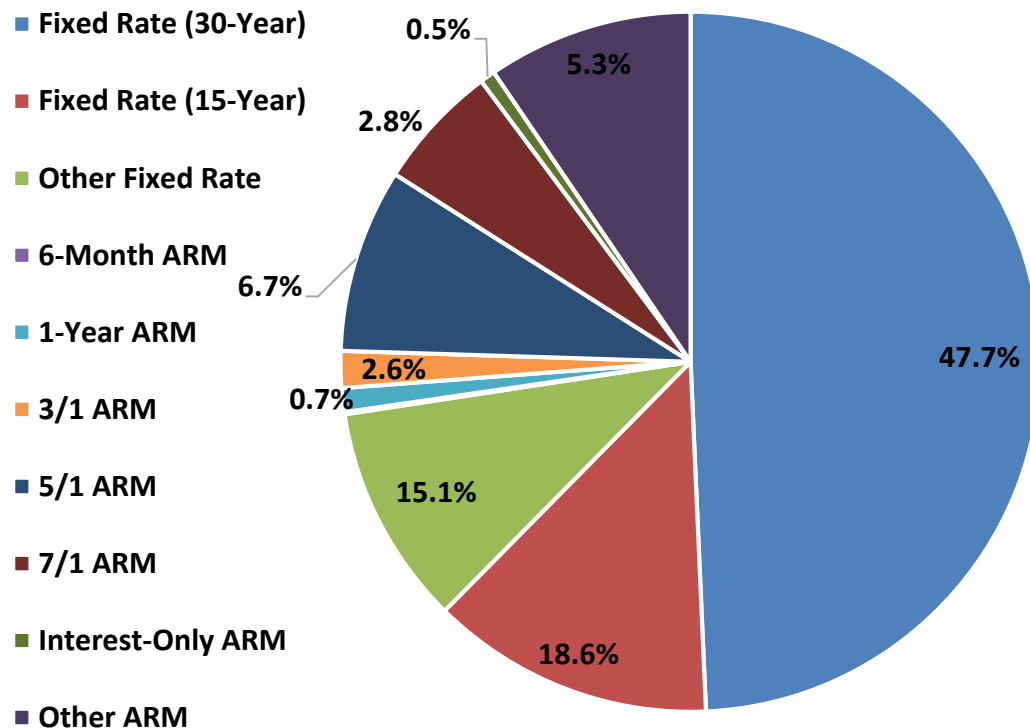
Mortgage Products and Features

Breakdown of Offered Mortgage Products

2017

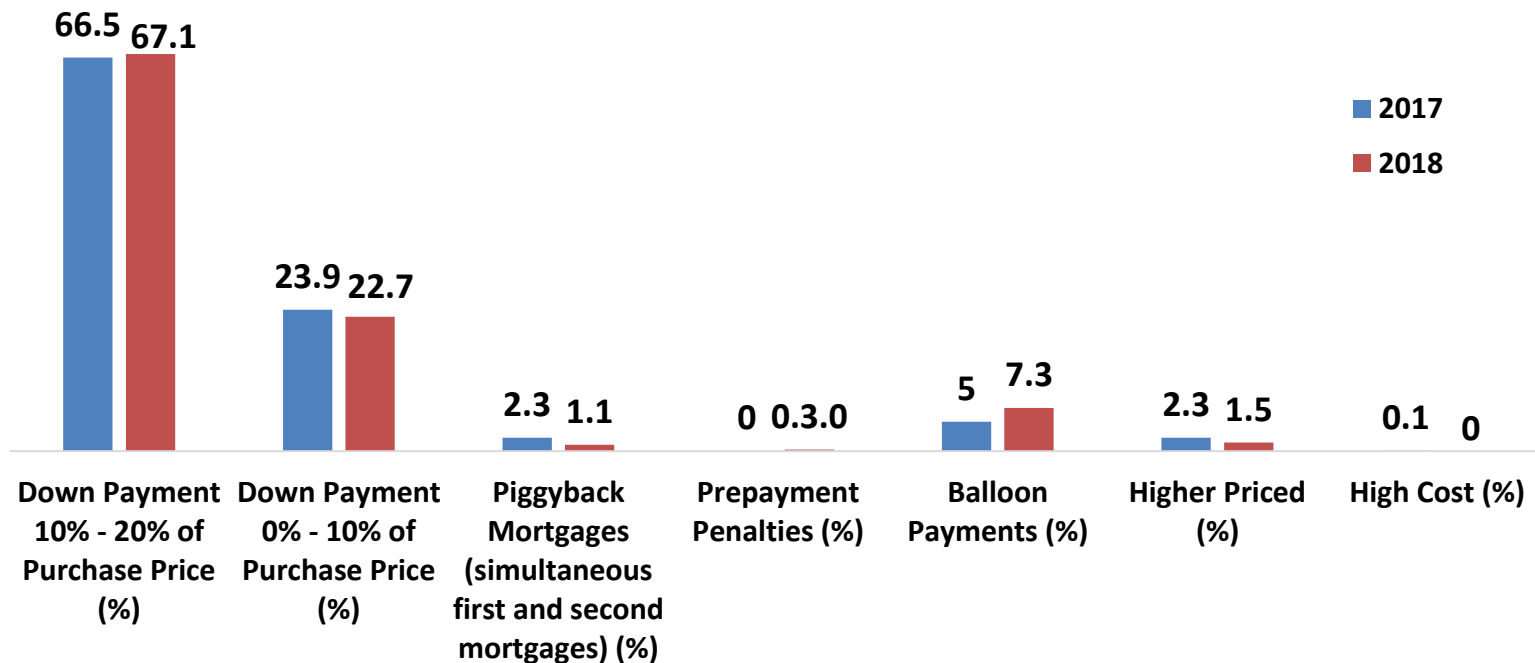


2018



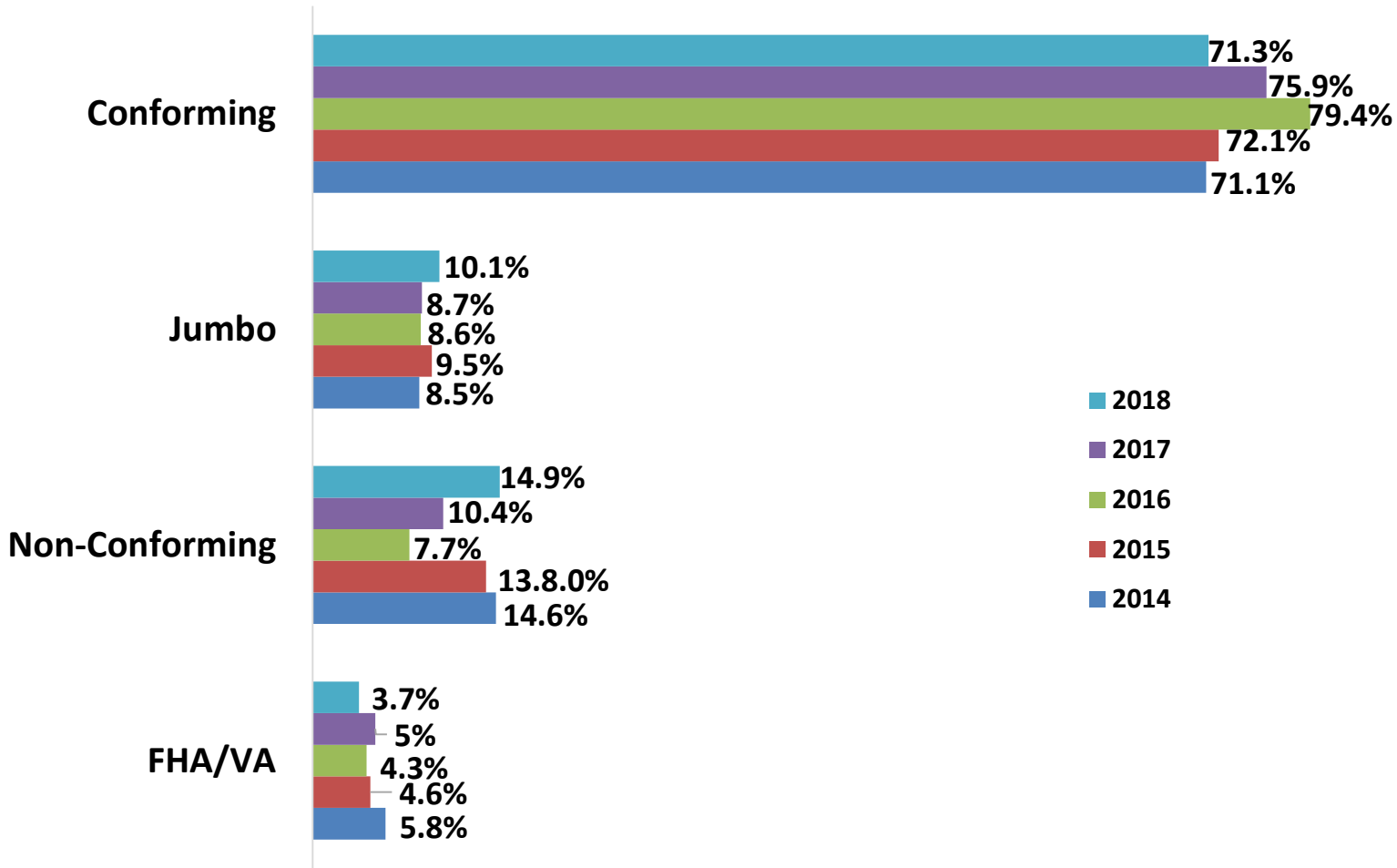
Mortgage Products/Features

Average percentage of loans originated (dollar volumes) by features (2018 and 2017)



Mortgage Products/Features

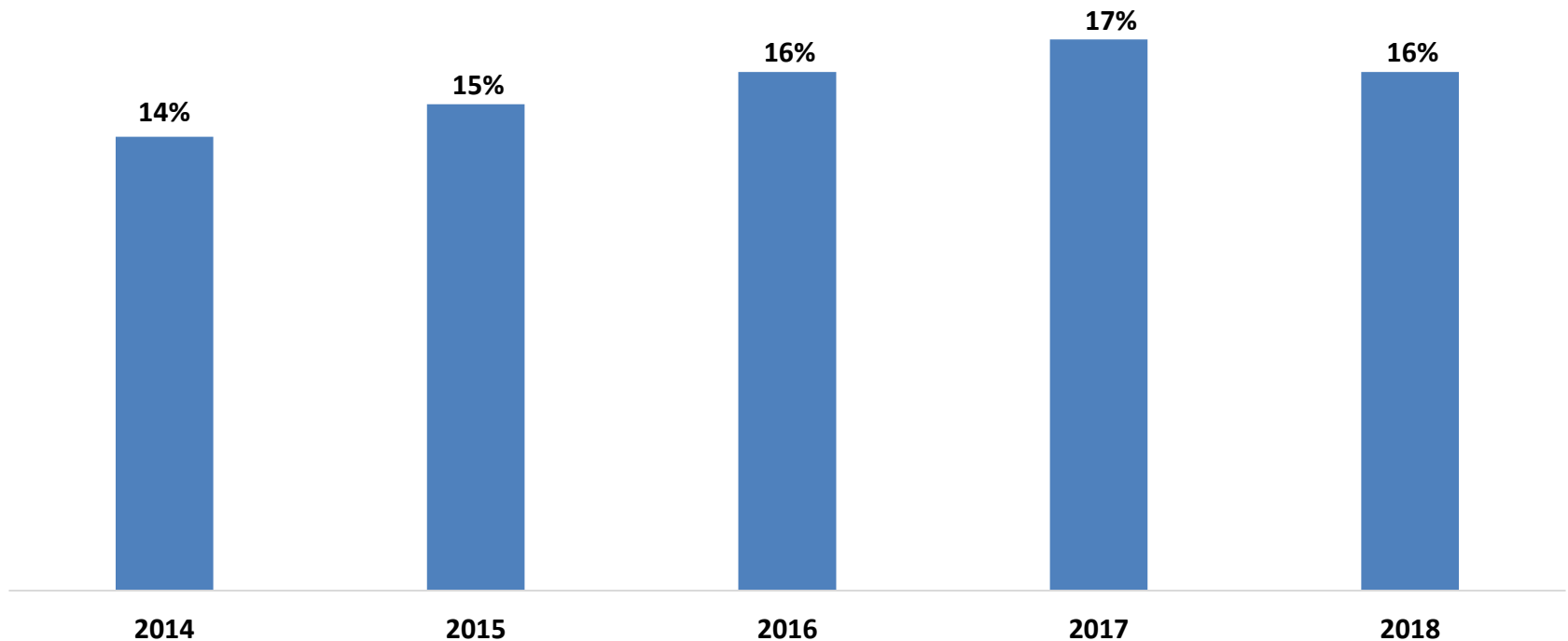
1-4 Family Mortgage Loan Production by Type of Loan





Mortgage Products and Features First Time Home Buyers

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



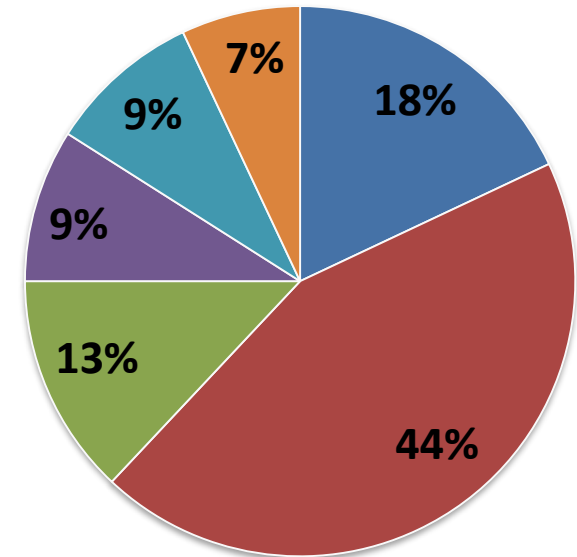
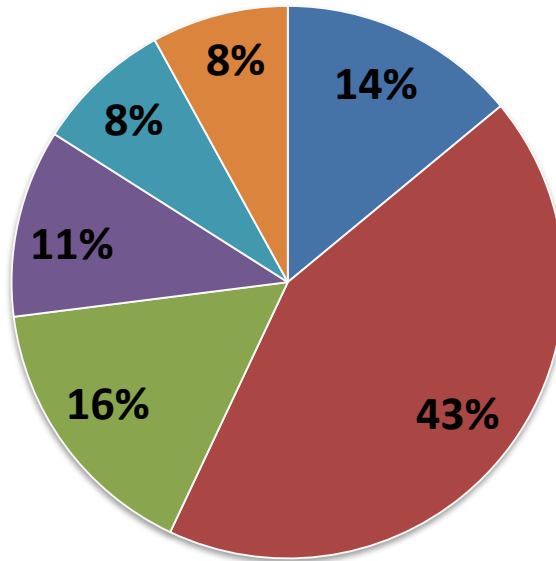
Mortgage Products/Features

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

2017

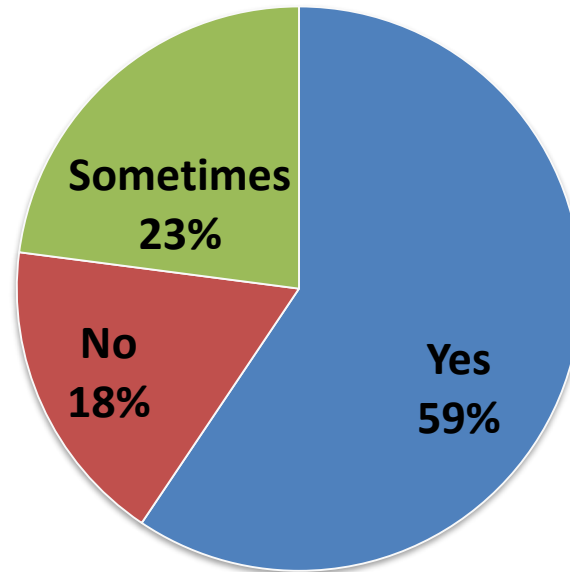
2018

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



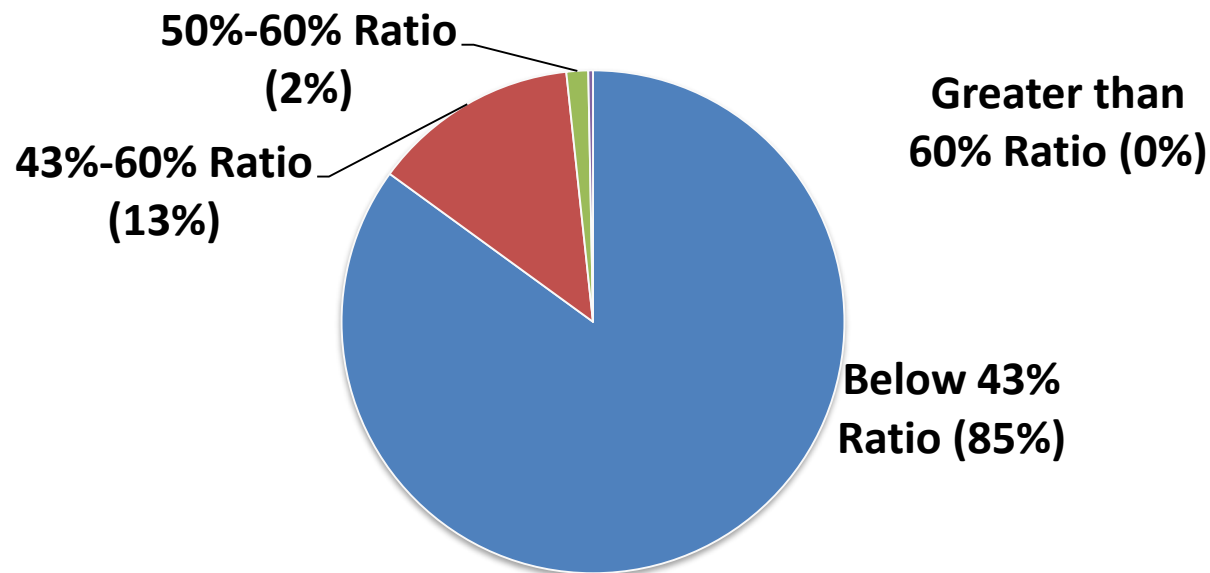
Mortgage Products/Features Private Mortgage Insurance

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



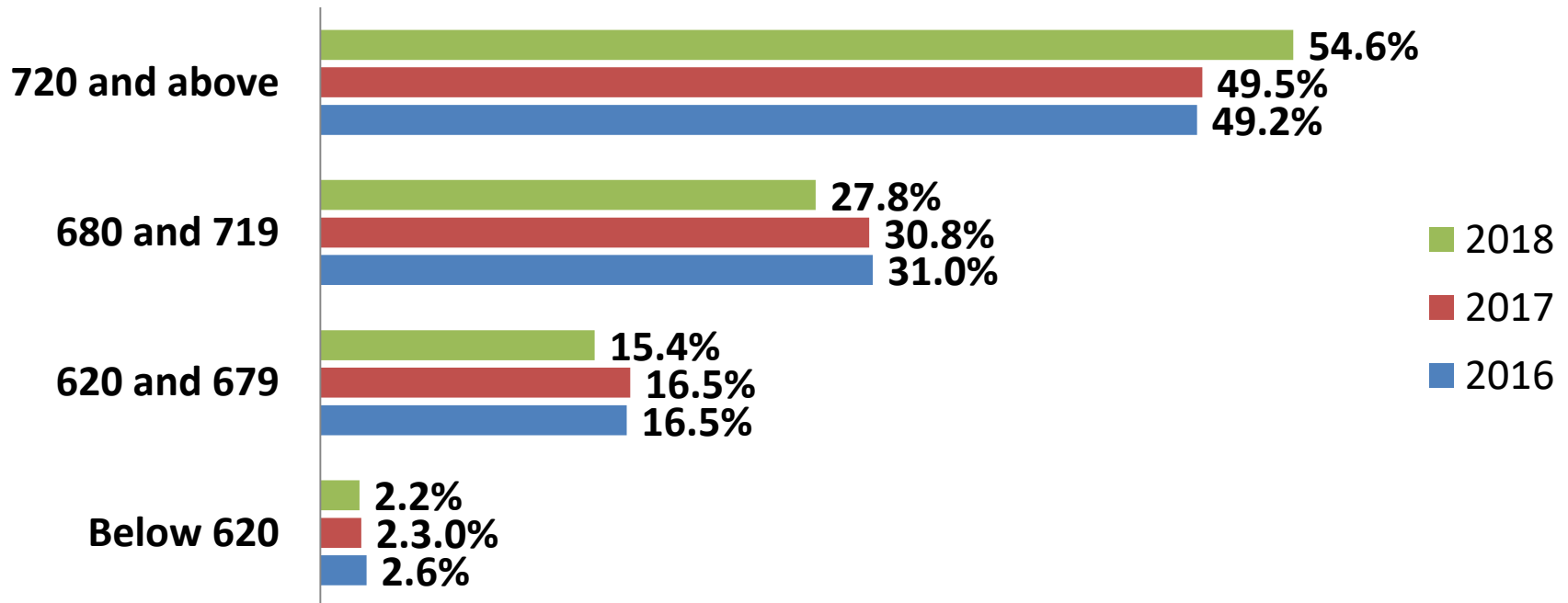
Mortgage Products/Features Debt-to-Income (DTI) Ratios

For your 2018 production, please estimate the Debt-to-Income (DTI) ratios for 1-4 family mortgage loans originated



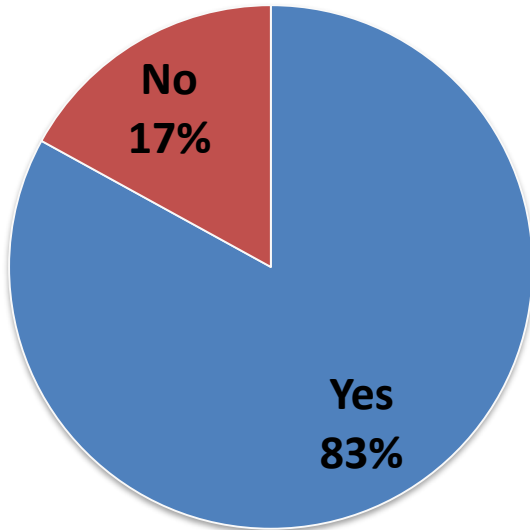
Mortgage Products/Features FICO Categories

Percentage of 1-4 Family Mortgage Loans by FICO Categories

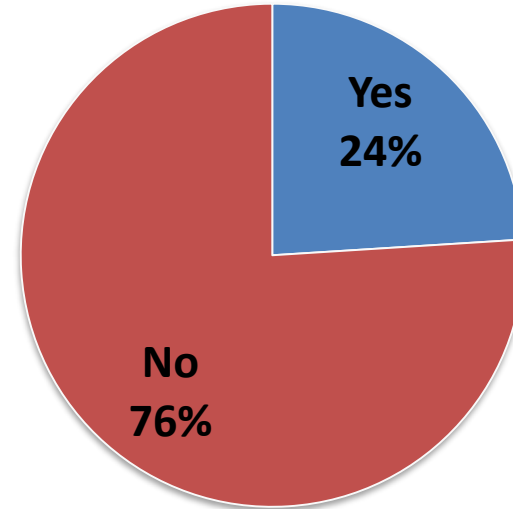


Mortgage Products/Features Escrow Services

Does your bank provide escrow services for its mortgage customers?



Are escrow accounts mandatory for mortgage customers?



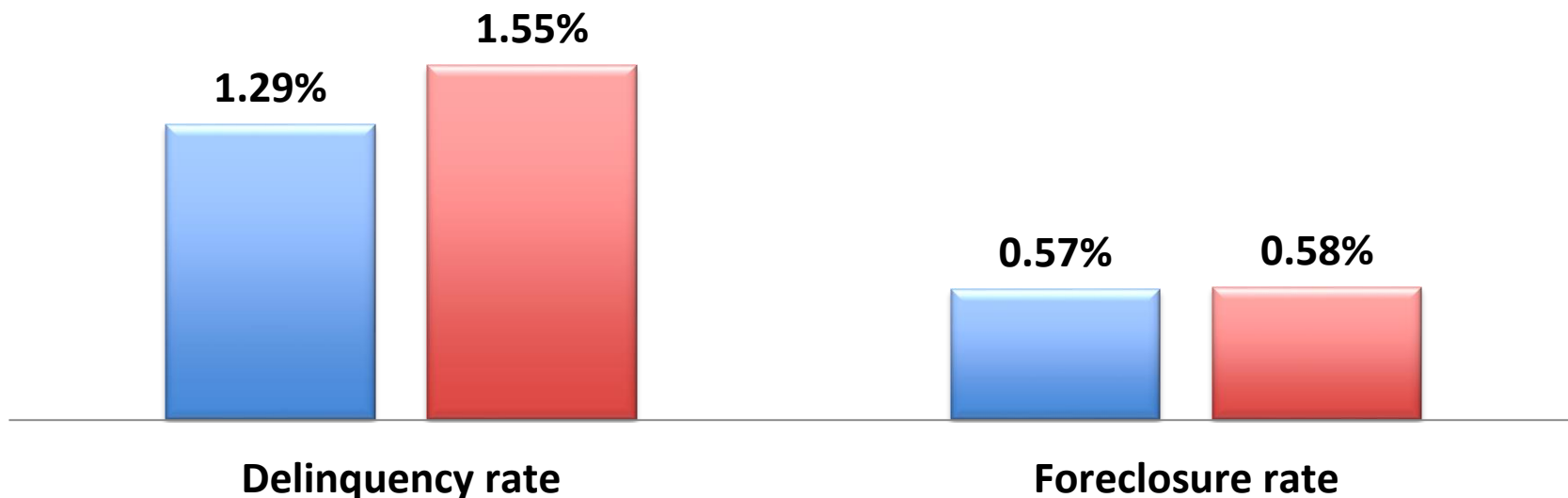
Mortgage Products/Features

Delinquency Rates and Foreclosure Rates

1-4 Family Mortgage Loans

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

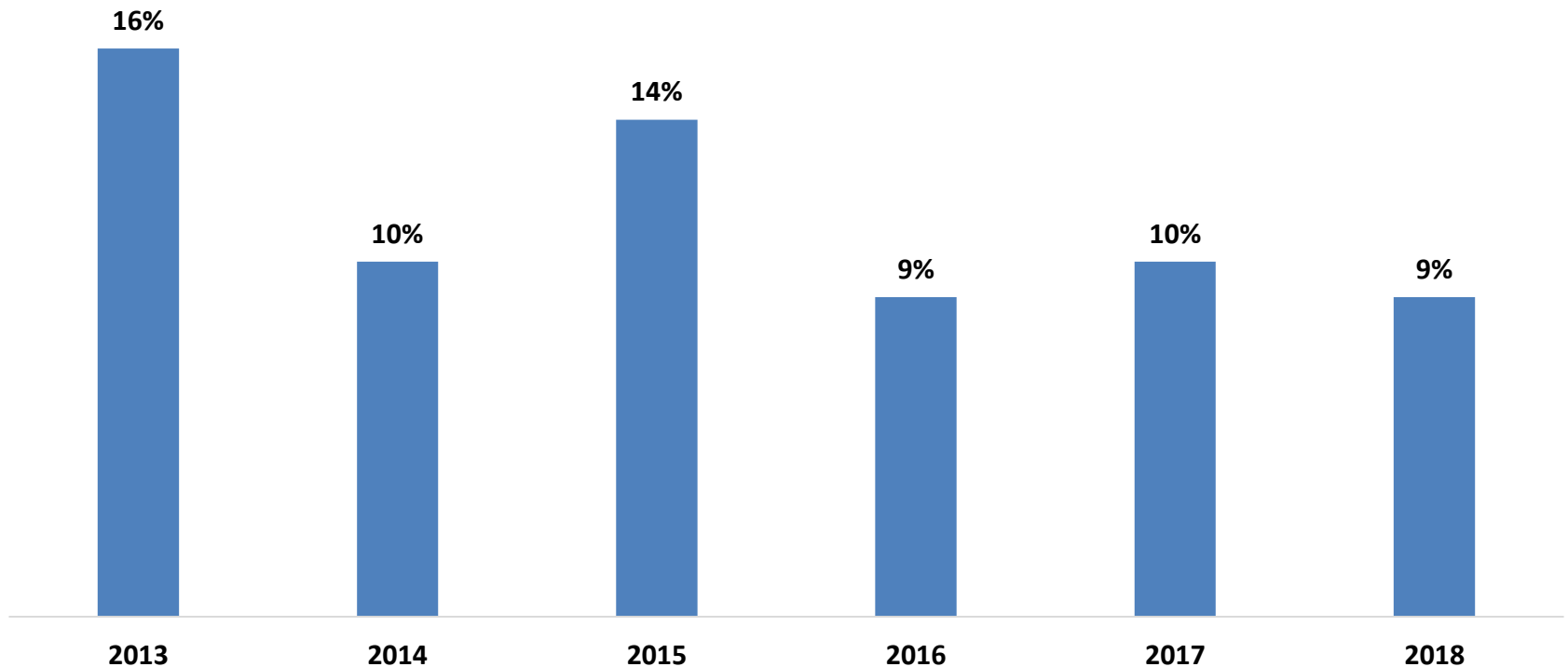
■ 2017 ■ 2018





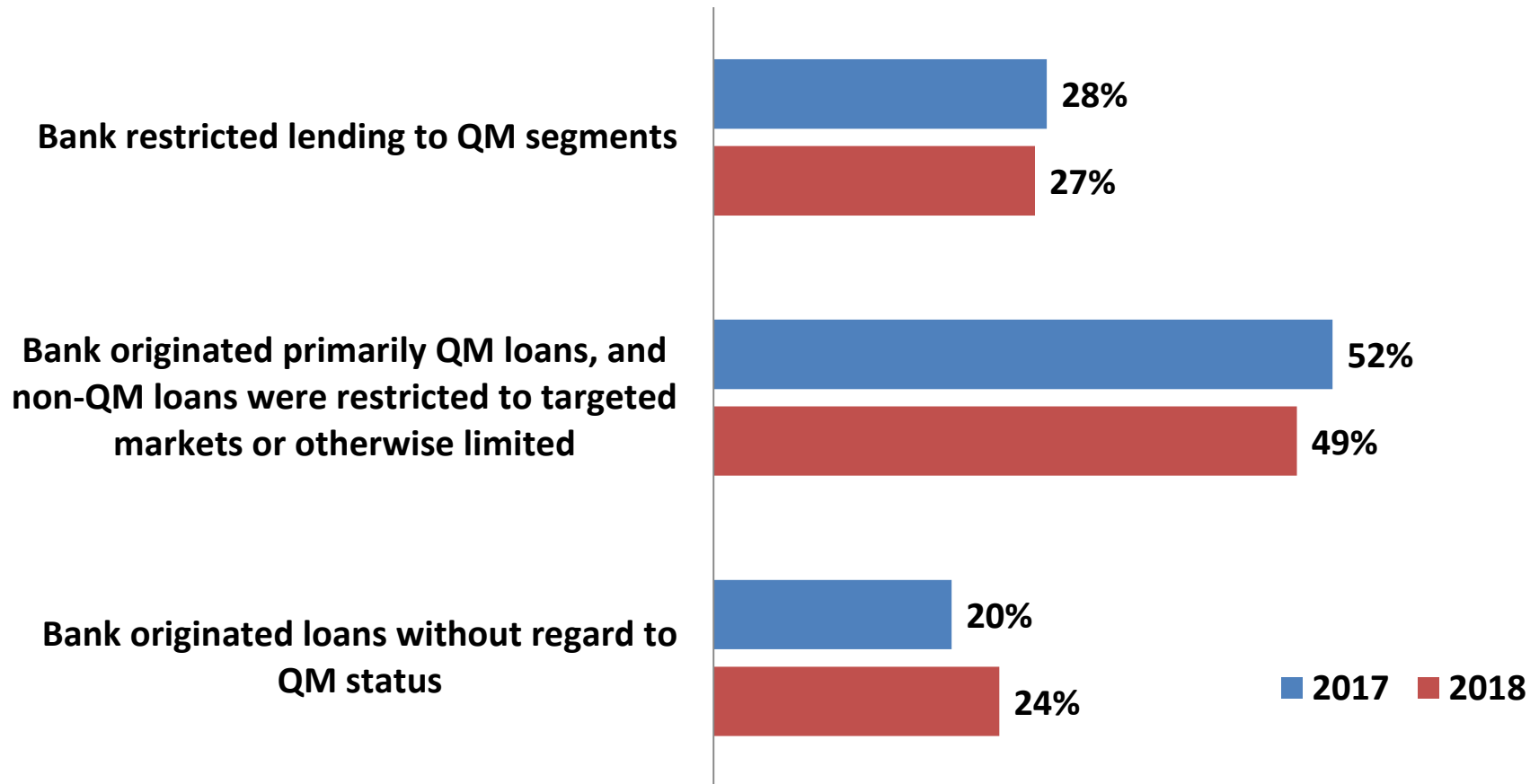
Regulatory Impact Non-QM Loans

Average Percentage of Non-QM Loans



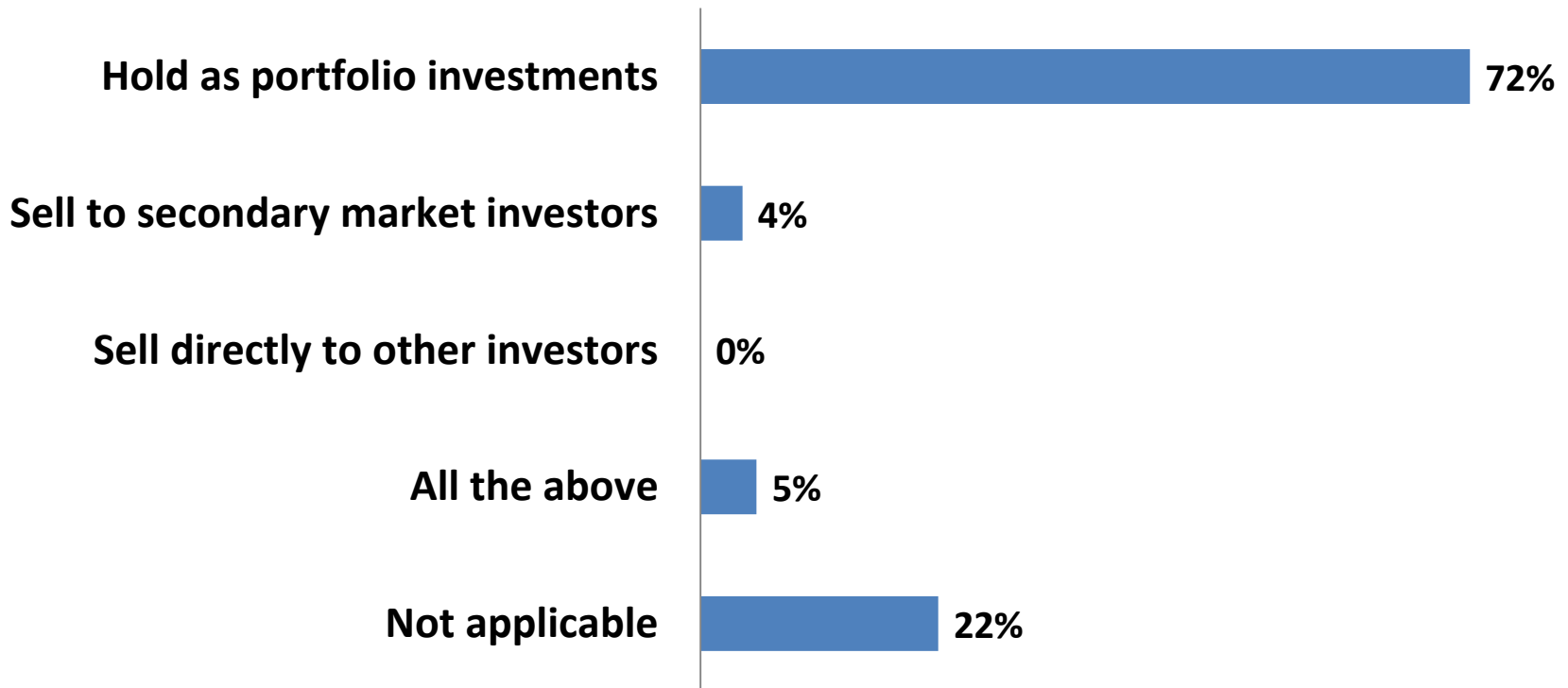
Regulatory Impact

Impact of ATR/QM Rules on Lending



Impact of New Regulations on Mortgage Lending Non-QM Loan Originations

If you originate non-QM loans, do you:

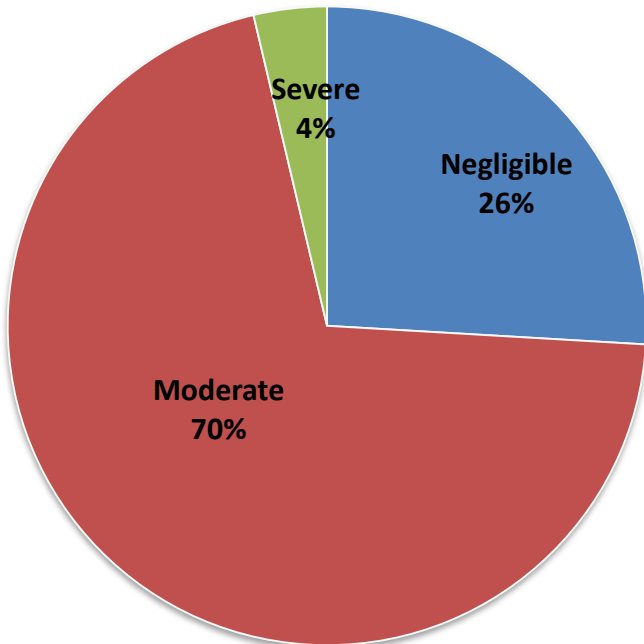


Regulatory Impact

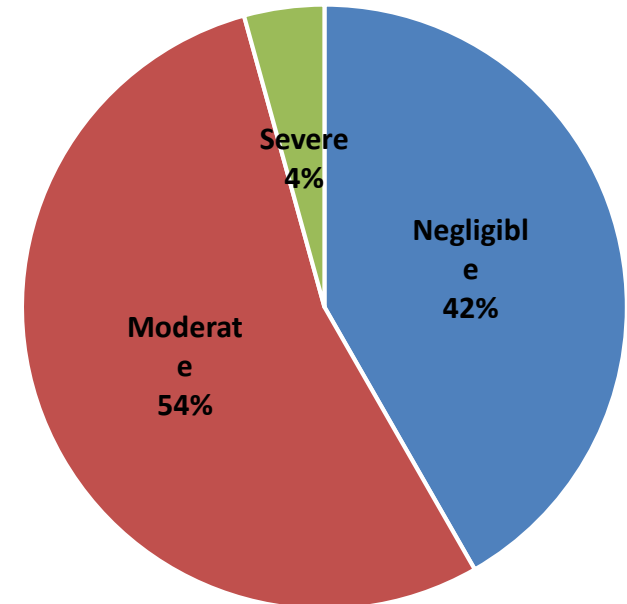
Ongoing Impact of ATR/QM

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

2017

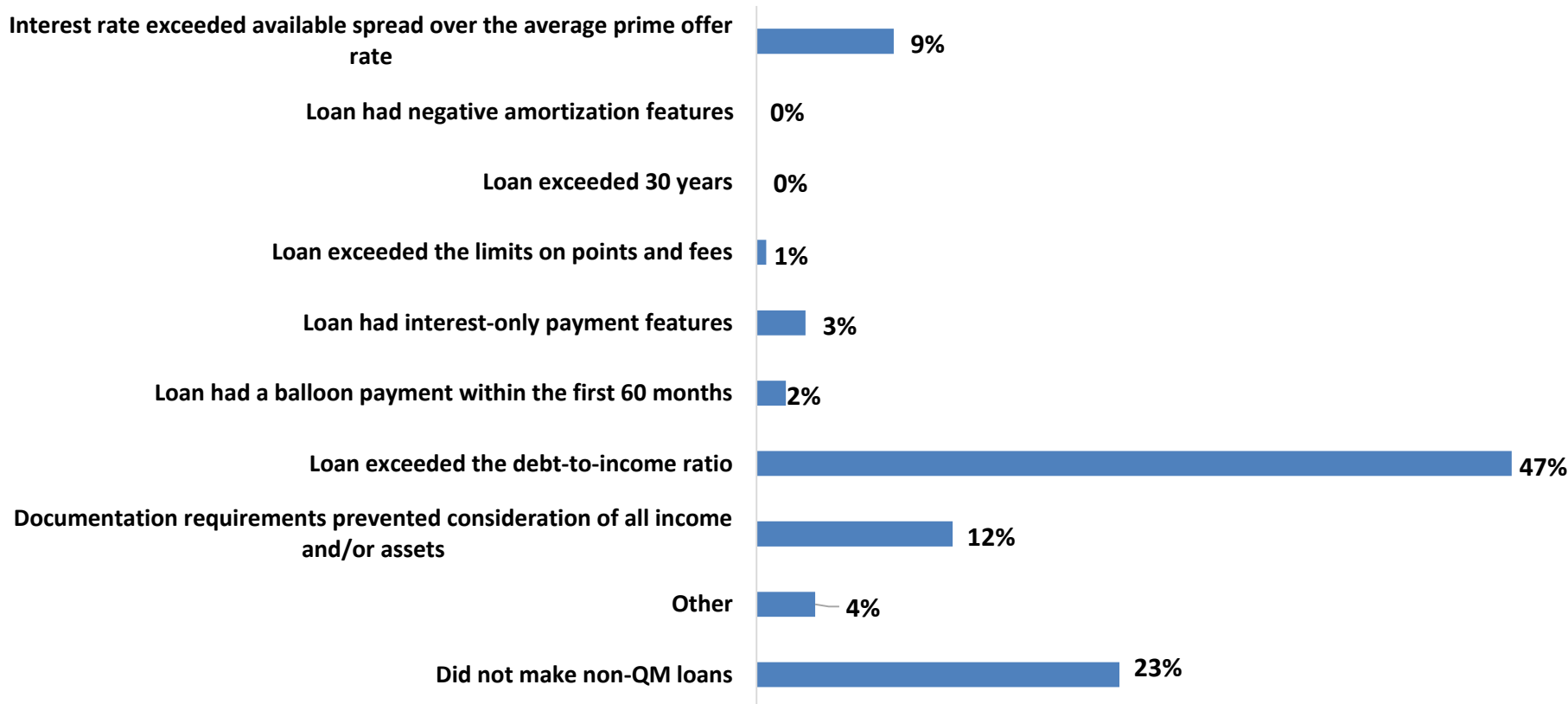


2018



Regulatory Impact Non QM Loans

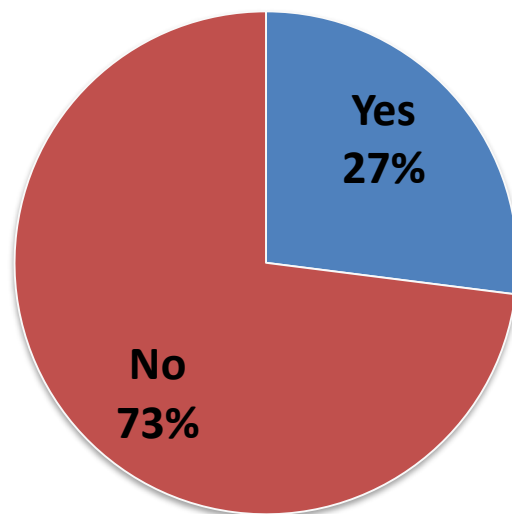
Of your 2018 production, what is the most important reason why a non-QM loan did not meet QM standards?



Impact of New Regulations on Mortgage Lending

Impact of FEMA Remapping/National Flood Insurance Program

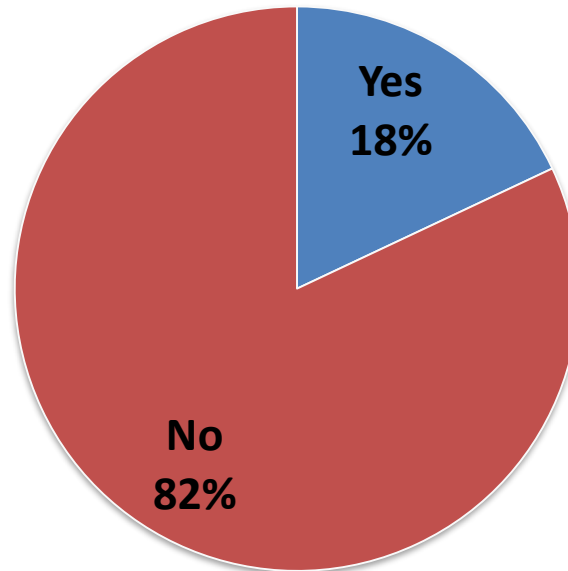
Has FEMA remapping or any other issue related to National Flood Insurance Program pricing affected affordability for loans in your market?



Impact of New Regulations on Mortgage Lending

Impact of FEMA Remapping/National Flood Insurance Program

Has instability in the authorization of the NFIP impacted your ability to make loans in flood hazard areas?

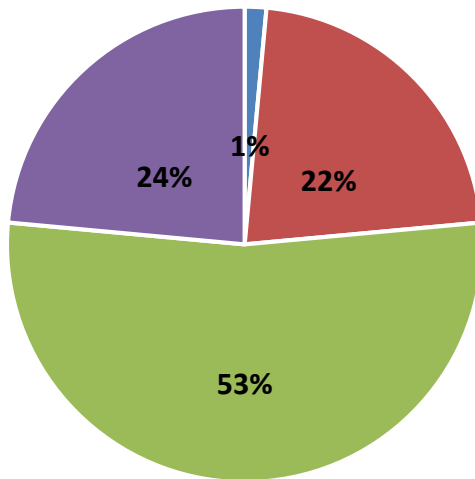




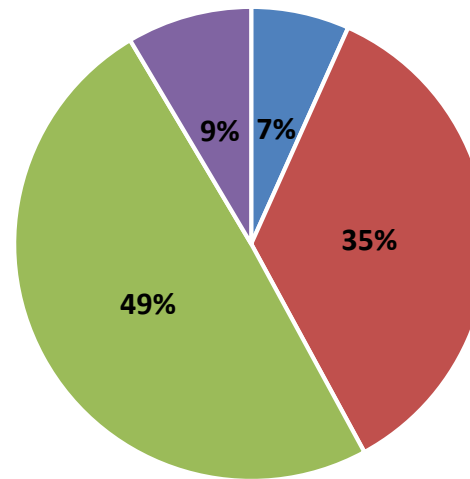
Regulatory Impact Impacts on Business

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

2017



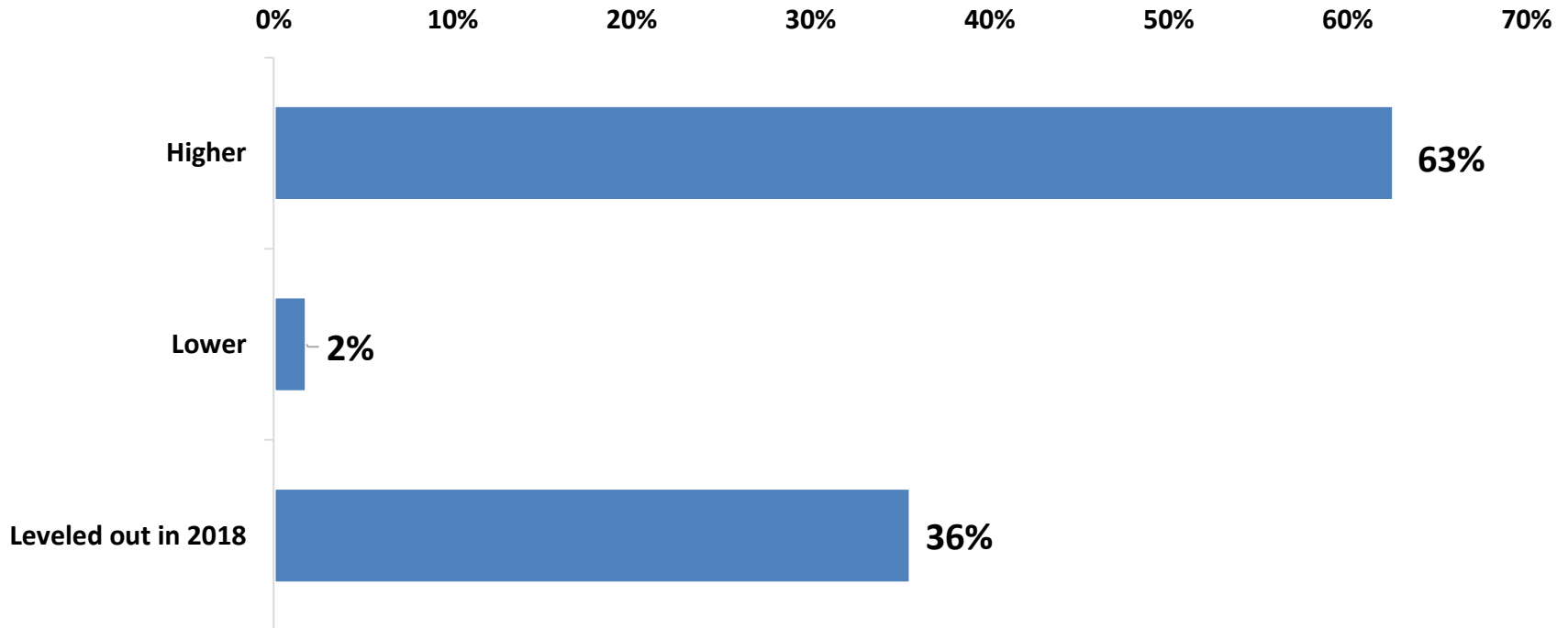
2018



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

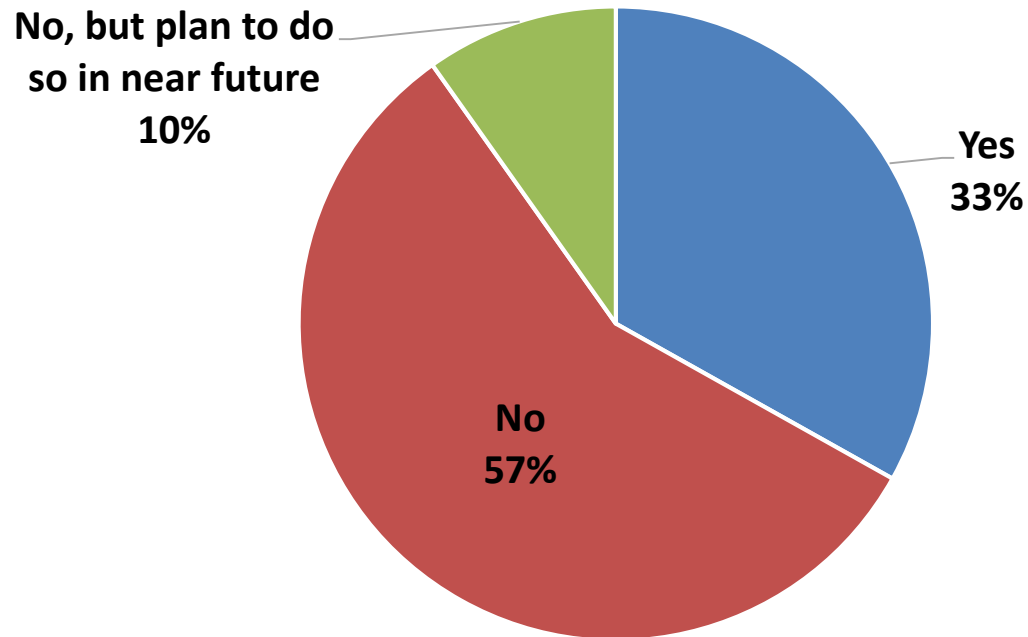
Regulatory Impact Impacts on Business

How has your institution's mortgage-specific compliance costs changed in 2018 in light of the recent regulatory reforms?



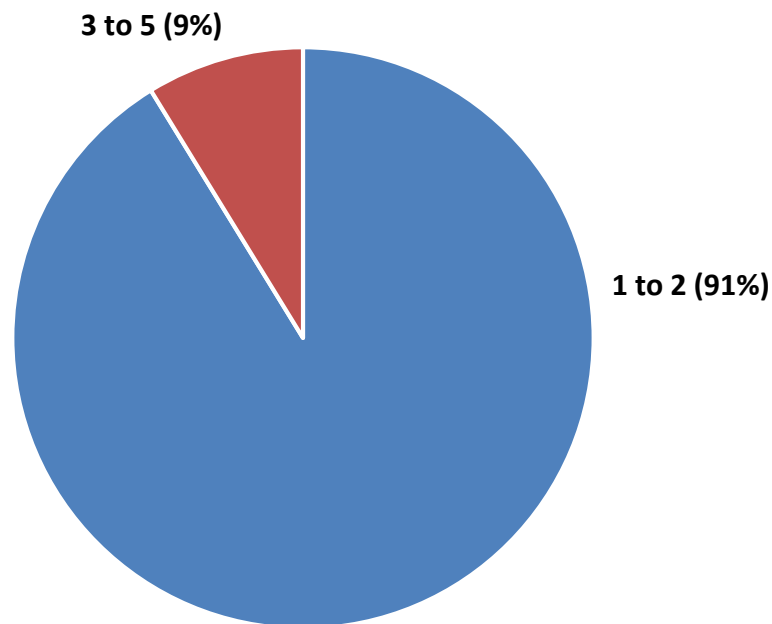
Regulatory Impact Impacts on Business

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



Regulatory Impact Impacts on Business

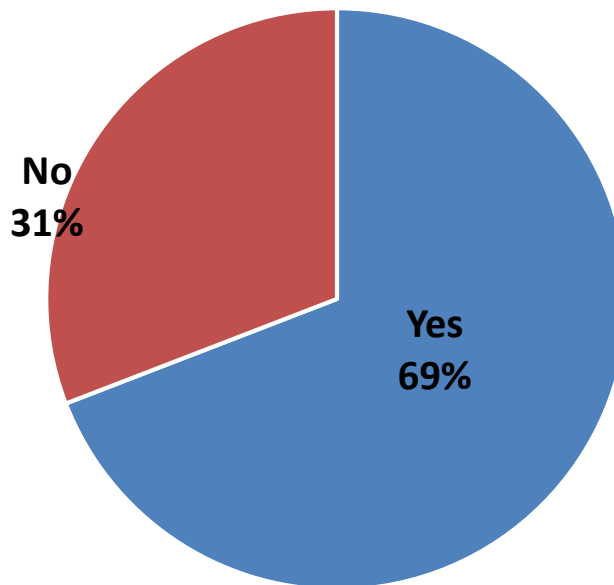
If you have had to hire more staff due to new regulations, how many staff did you add to support additional regulatory burdens?





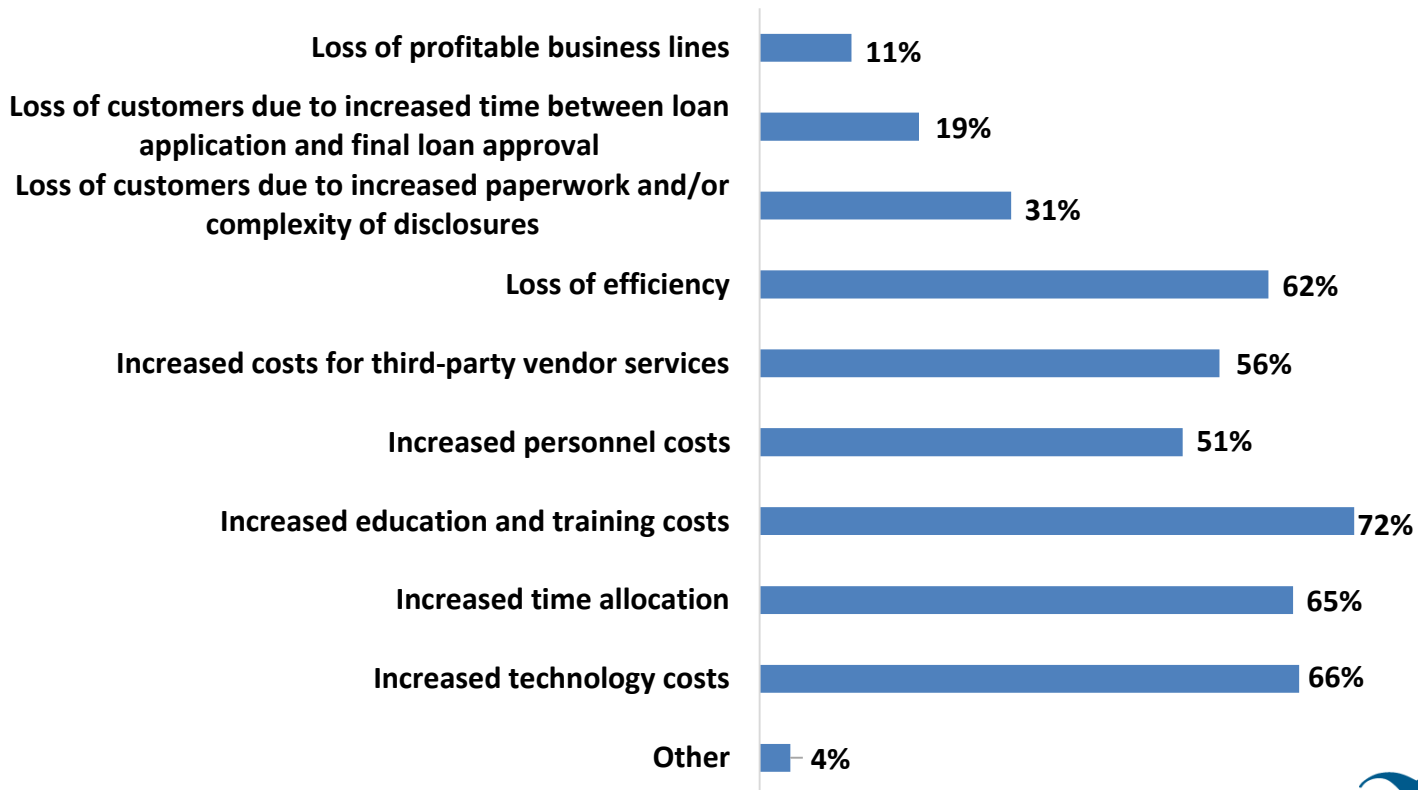
Regulatory Impact Impacts on Business

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



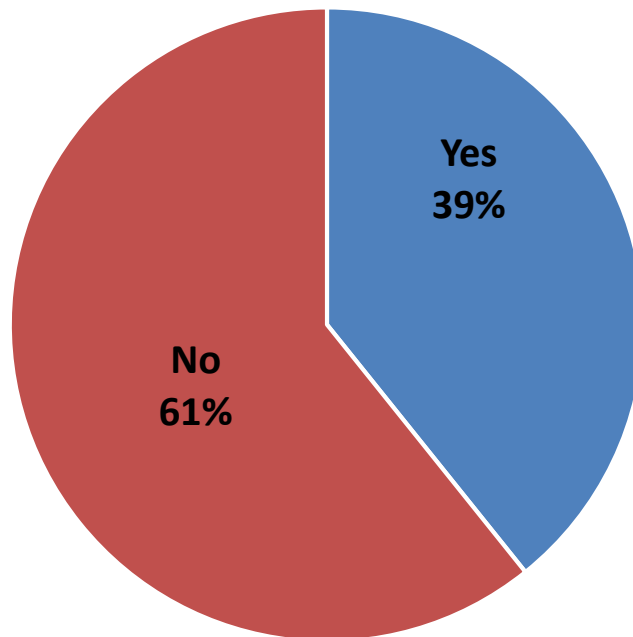
Regulatory Impact Compliance Costs

What are the primary drivers of increased compliance costs?



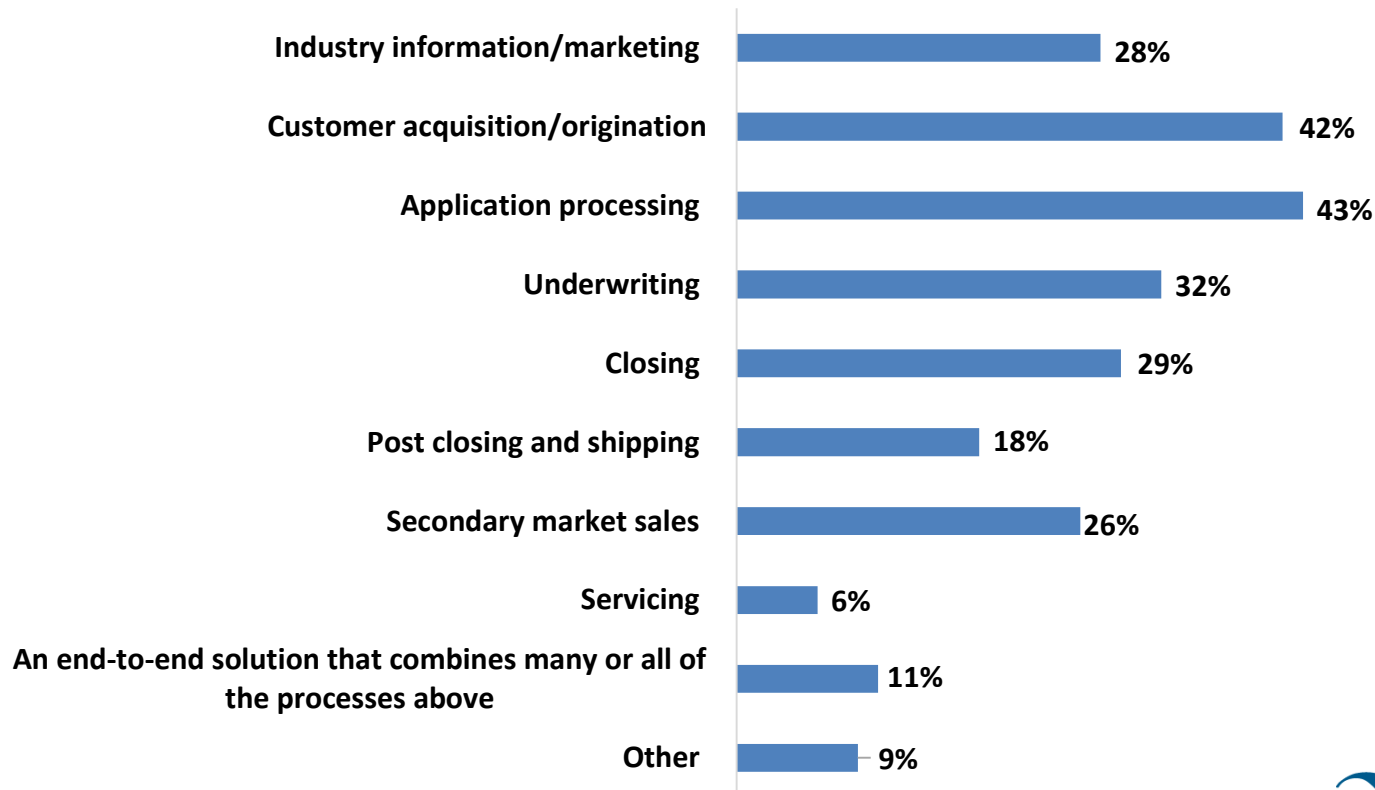
Mortgage-Related Fintech Bank Investment

Did your bank invest in mortgage-related fintech in 2018?



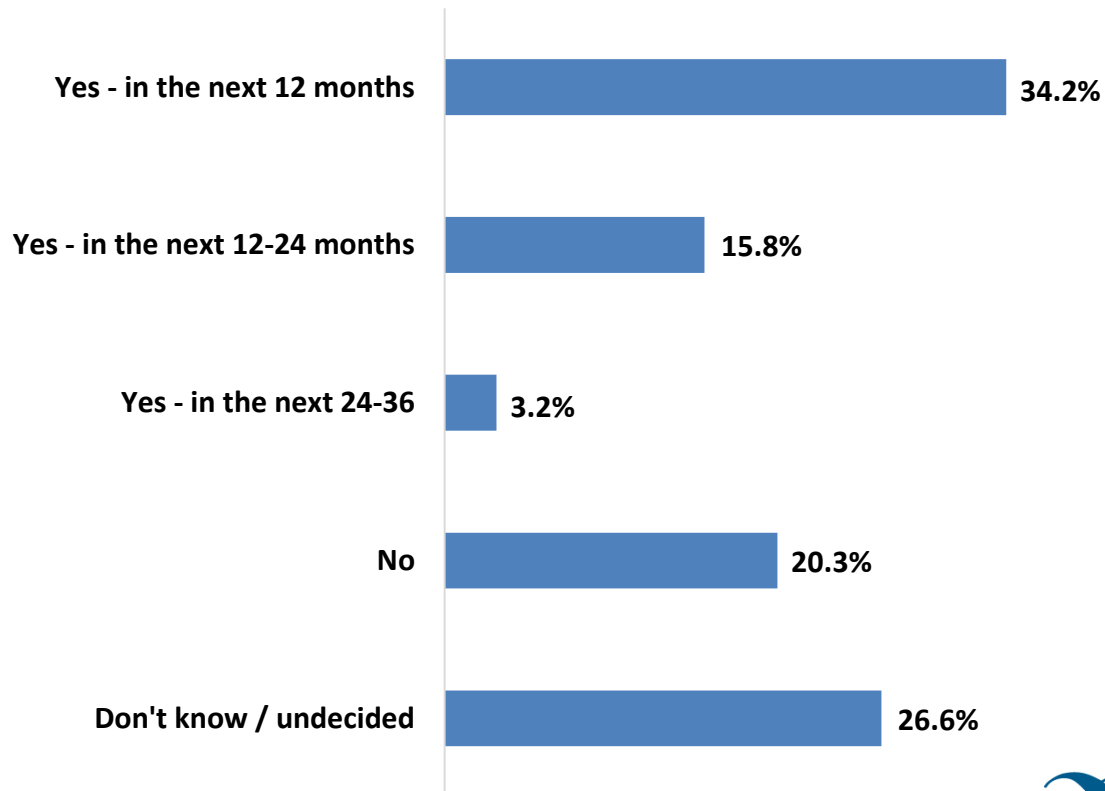
Mortgage-Related Fintech Bank Investment

If you invested in Fintech, in which areas did your bank invest in 2018?



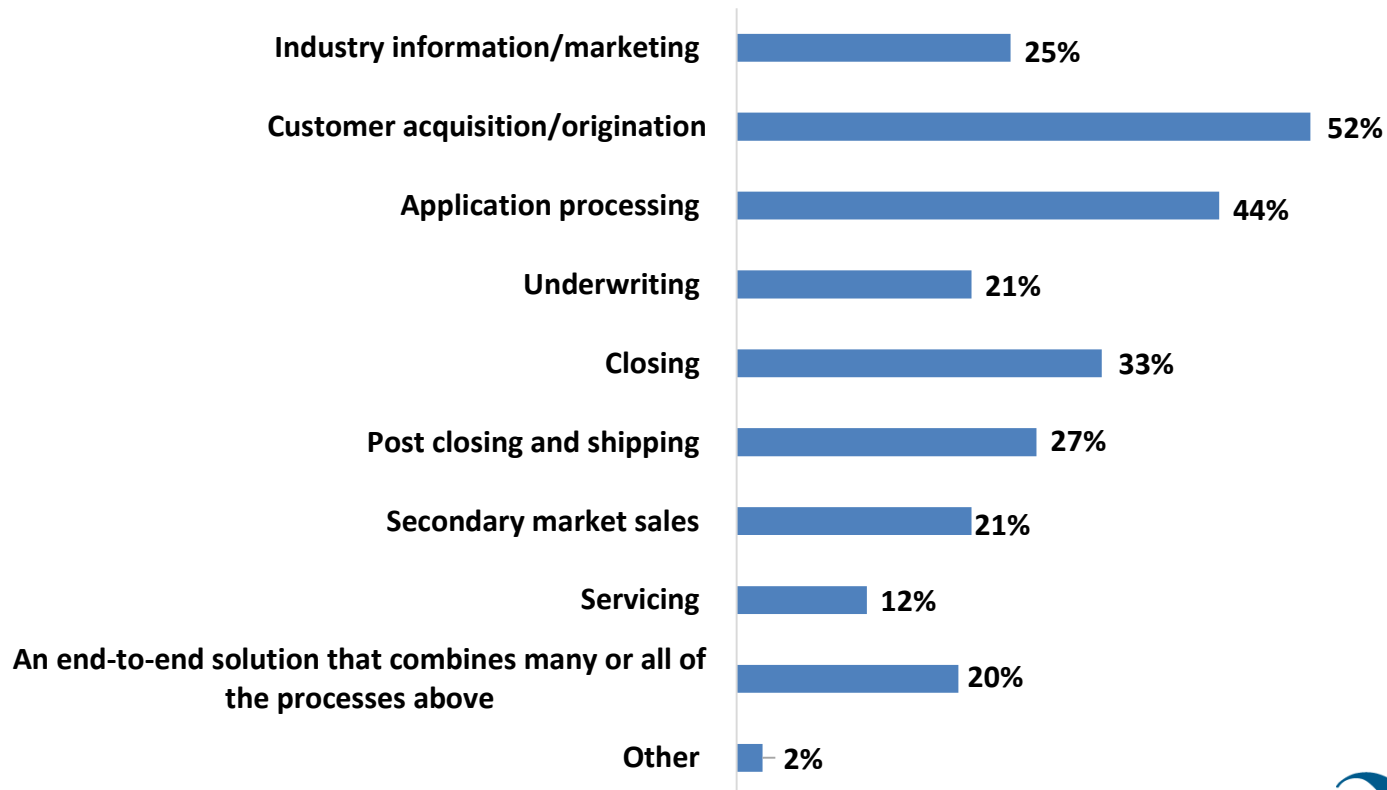
Mortgage-Related Fintech Bank Investment

Do you expect to invest in mortgage-related fintech in the near future?



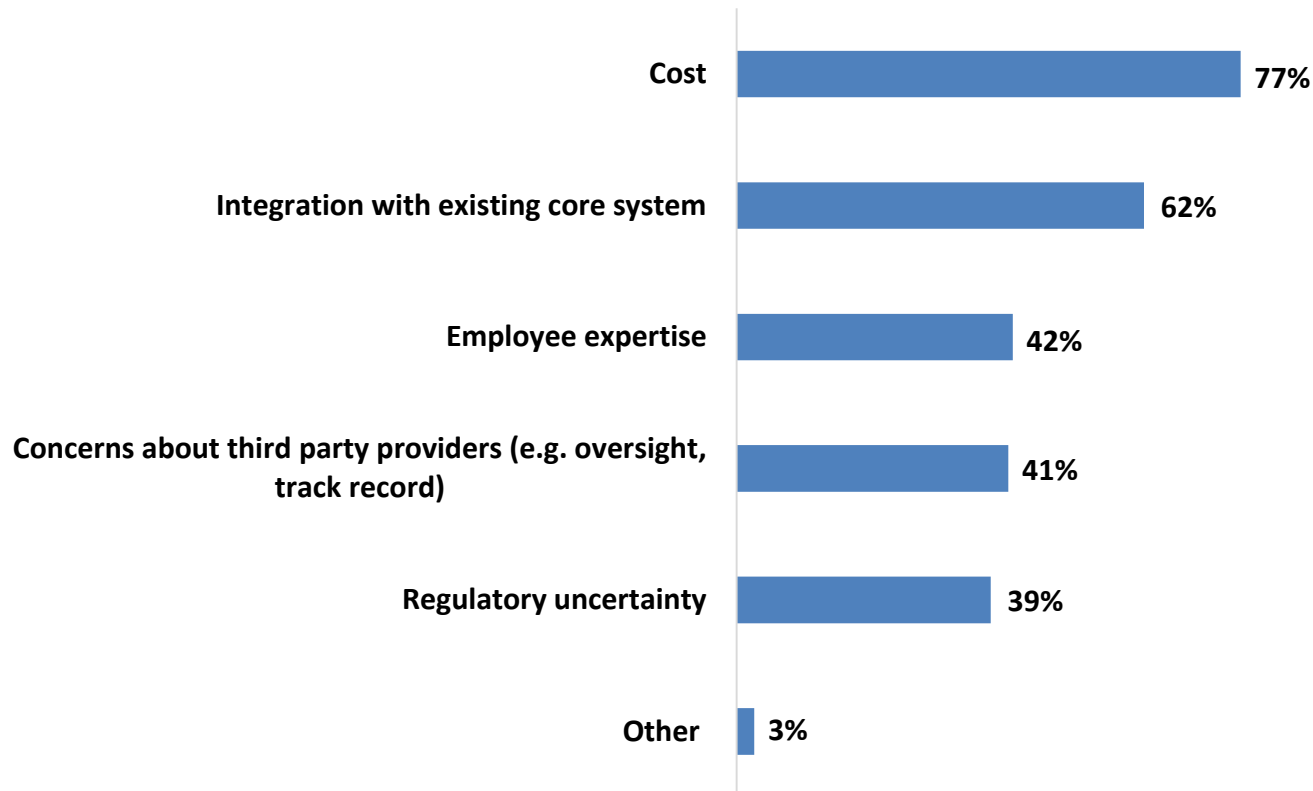
Mortgage-Related Fintech Bank Investment

In which areas do you plan to invest in the near future?



Mortgage-Related Fintech Bank Investments

What do you consider the biggest obstacles to your bank adopting mortgage-related fintech capabilities?



MORTGAGE MARKET OUTLOOK FOR 2019

Looking Forward — Primary Concerns Regarding the Residential Mortgage Market in 2019

Five Most Frequent Concerns

Rising interest rates.

Compliance burdens

Affordability

Low inventory

Increased cost of doing business.