



American  
Bankers  
Association®

# 22nd Annual ABA Real Estate Survey Report

May 2015





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## Acknowledgements

The American Bankers Association extends its appreciation to the bankers who contributed essential information to the 22nd 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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**Michael Mazur**, *Senior Manager*, American Bankers Association



# REAL ESTATE LENDING SURVEY



## **A Summary of Key Survey Findings**

The 22nd Real Estate Lending Survey had the participation of 182 banks. The data was collected from March 4, 2015 to April 17, 2015, 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, 68 percent of respondents were commercial banks and 32 percent were savings institutions. About 77 percent of the participating institutions had assets of less than \$1 billion. This survey is especially important as it reflects the impact of the Qualified Mortgage Rule (QM) on banks under the new Dodd-Frank regulations since its effective date of January 2014.

- About 90 percent of loans originated by banks were QM compliant compared to 84 percent last year, which is consistent with the TILA regulations establishing the QM safe harbor effective January 2014
- Similarly, approximately half of those surveyed originated primarily QM loans with non-QM loans restricted to targeted markets or products while one-third restricted lending solely to QM loans
- Approximately 80 percent of respondents expect the new regulations will continue to cause a measurable reduction in credit availability with 19 percent characterizing the impact as severe
- High debt-to-income levels were cited as the most likely reason why a non-QM loan did not meet QM standards, followed by lack of documentation and the interest rate exceeded available spread over the average prime offer rate
- The percentage of single family mortgage loans made to first time home buyers increased from 13 percent in 2013 to 14 percent in 2014 – the highest percentage in the survey’s history
- Approximately 54 percent of respondents state that regulations have a moderate negative impact on business, while 33 percent characterize the impact as extremely negative

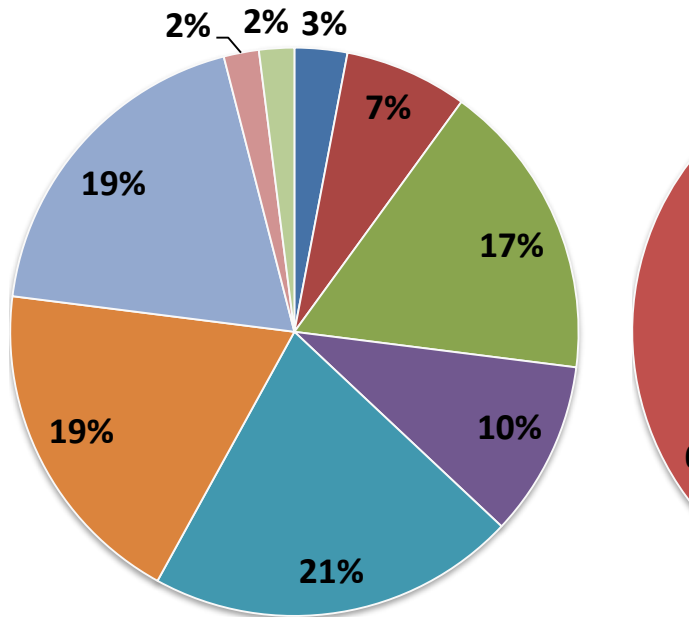
### **Key findings of TILA/RESPA Integrated Disclosure Survey, Pages 45 – 52**

- Only 9 percent of respondents had received TRID software from vendors by May 1 and 58 percent expected delivery in July or later or had been given no date; late delivery jeopardizes bank compliance

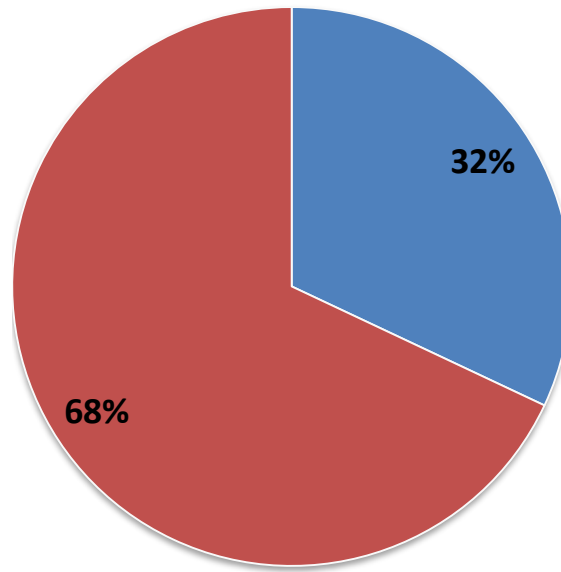
# Real Estate Lending Survey Participant Profile

## Breakdown by Bank Asset Size, Charter Type, Ownership Type

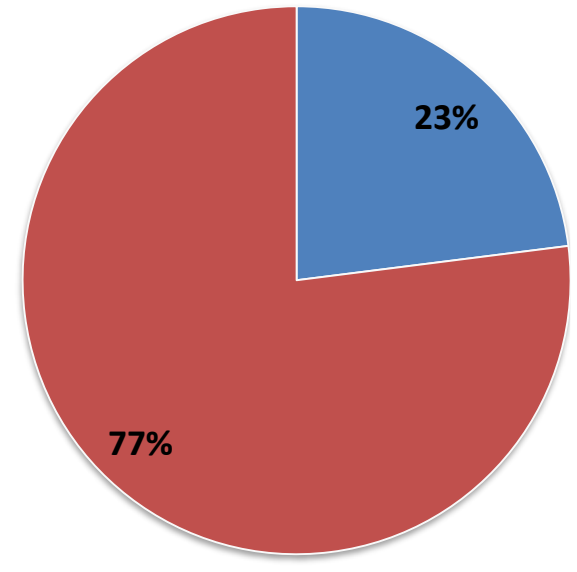
**Bank Asset Sizes**



**Bank Charter Type**



**Bank Ownership Type**



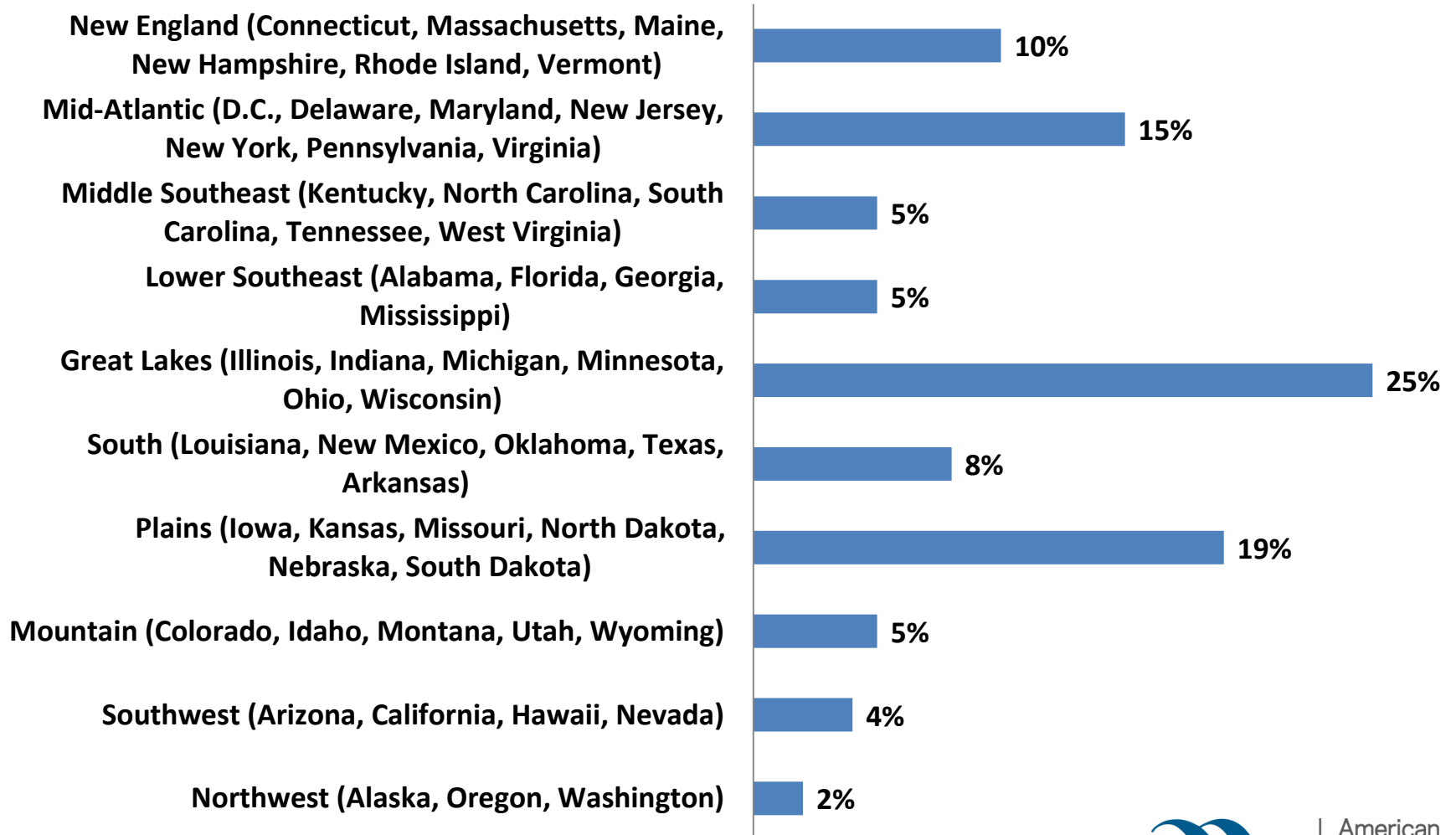
- Up to \$50 million
- \$101-\$200 million
- \$301-\$500 million
- \$1 billion-\$10 billion
- Over \$20 billion
- \$51-\$100 million
- \$201-\$300 million
- \$501 million-\$1 billion
- \$10 billion-\$20 billion

- Savings Bank/Institution
- Commercial Bank

- Mutual/MHC
- Stock

# Real Estate Lending Survey Participant Profile

## Breakdown by Region



# Loan Production

## Top Loan Origination Systems

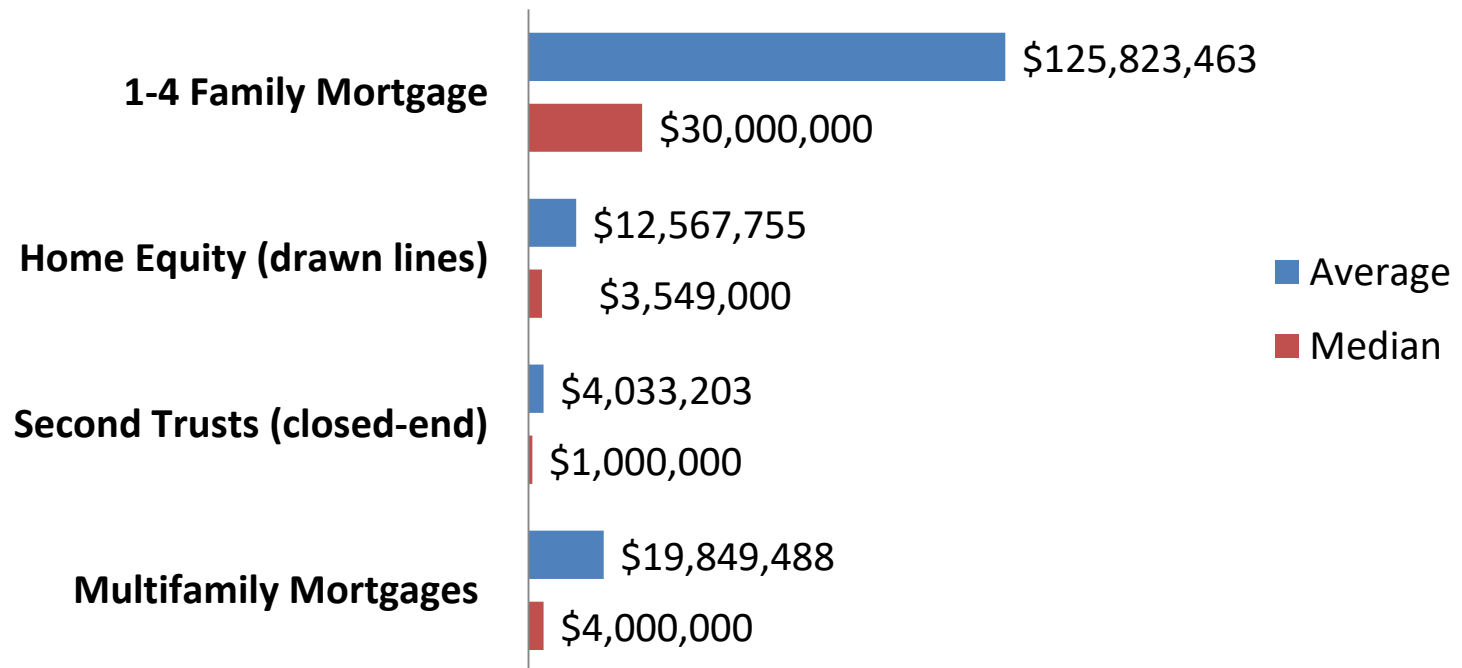
Ranking	Loan Origination System
1	Encompass (Ellie Mae)
2	Laser Pro (Harland)
3	EasyLender (Fiserv)
4	Calyx Point (Calyx Software)
5	Compliance One (Wolters Kluwer)



# Loan Production

## Participant Loan Volume in 2014

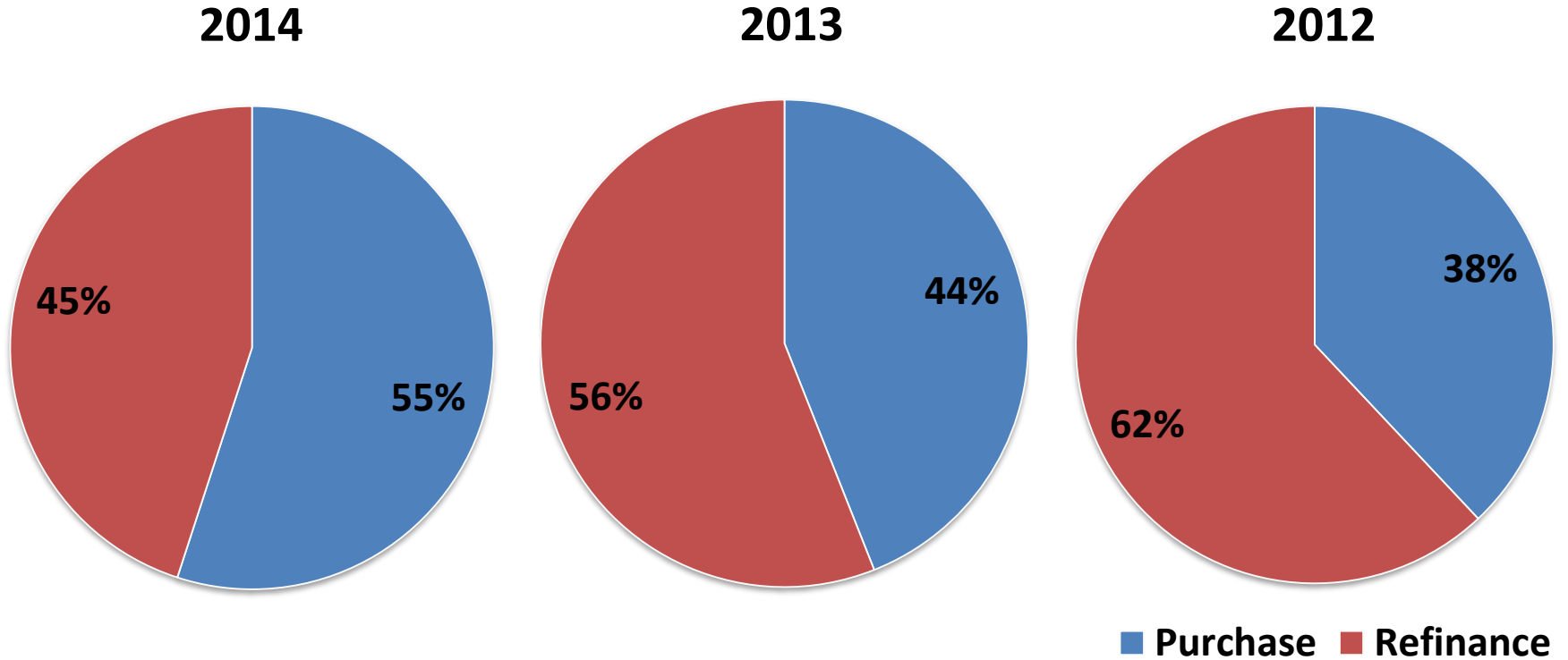
### Total dollar volume originated for 2014 (average and median)





# Loan Production

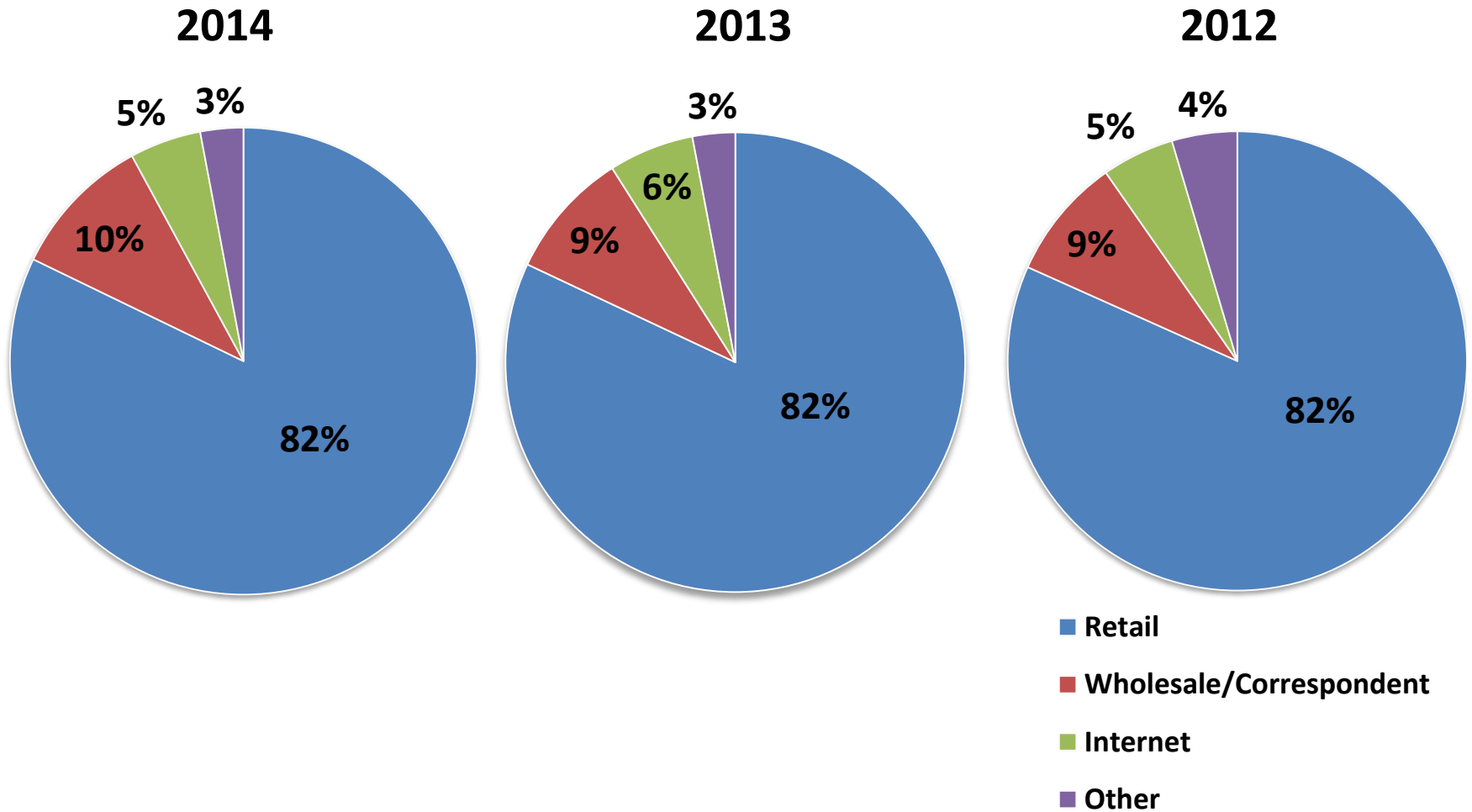
## 1-4 Family Mortgage Loan Production, Year-to-Year Origination Comparison





# Loan Production

## Origination Sources at a Glance



# Loan Production

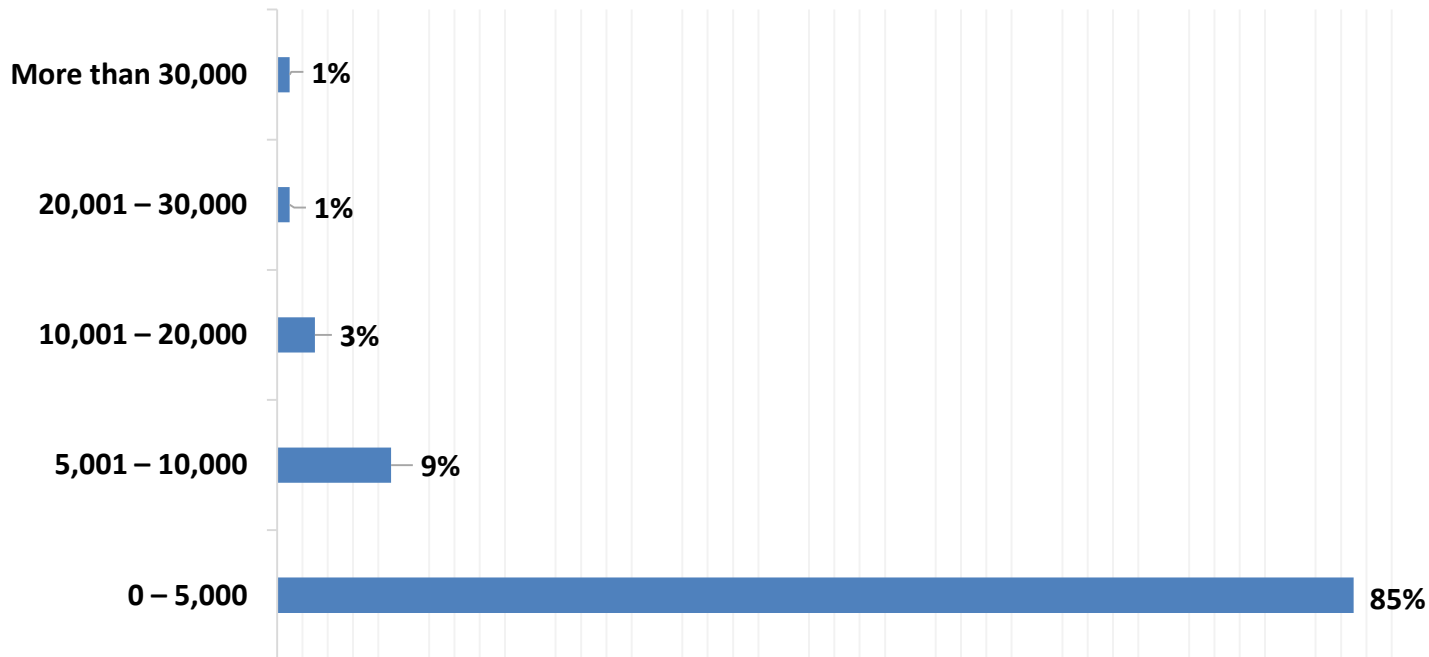
## Servicing Portfolios (Data as of year-end 2014)

By Asset Size	Serviced for Bank (averages in millions, unless otherwise noted)	Serviced for Others (averages in millions, unless otherwise noted)
Over \$20 Billion	—	—
\$10 - \$20 Billion	—	—
\$1 - \$10 Billion	\$433.1	\$382.4
\$501 Million - \$1 Billion	\$127.1	\$117.2
\$301 - \$500 Million	\$118.7	\$113.0
\$201 - \$300 Million	\$75.1	—
\$101 - \$200 Million	\$35.8	\$10.8
\$51 - \$100 Million	\$16.3	—
Up to \$50 Million	\$7.9	—

# Loan Production

## 1-4 Family Loans Serviced

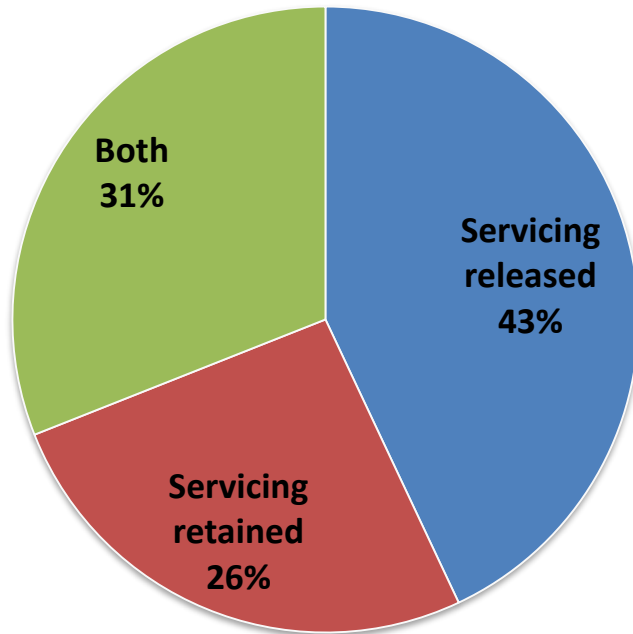
Please estimate the number of 1-4 family loans your bank serviced as of December 31, 2014



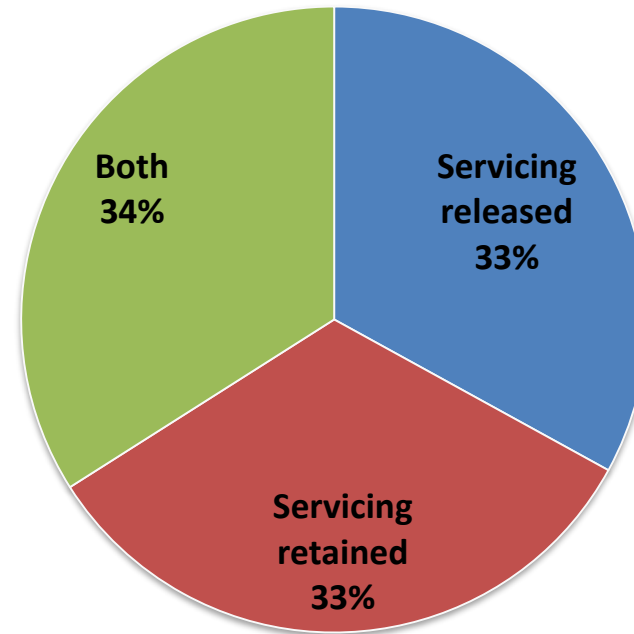
# Loan Destination

## Servicing Released and Servicing Retained, 2014 and 2013

**2014**

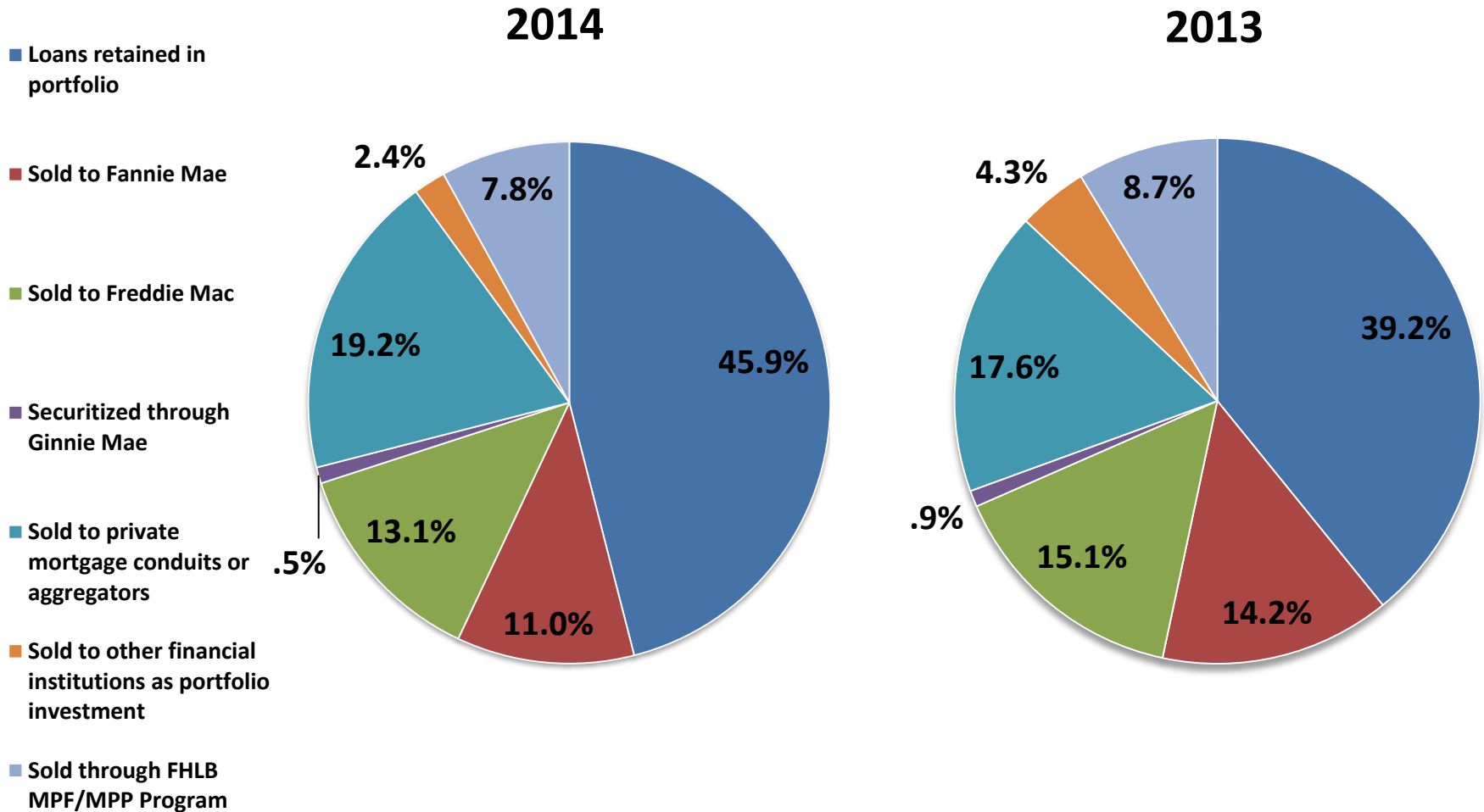


**2013**



# Loan Destination

1-4 Family Mortgage Originations (dollar volume) Retained and/or Sold to Buyers, 2014 and 2013



# Loan Destination

## Where is the Volume Going? A Historical Perspective

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Conduits/Wholesalers</b>	19%	18%	18%	17%	22%	19%	10%	15%	10%
<b>Fannie Mae</b>	11%	14%	12%	15%	13%	12%	5%	4%	3%
<b>Freddie Mac</b>	13%	15%	15%	13%	15%	17%	5%	8%	6%
<b>FHLB MPF/MPP</b>	8%	9%	9%	7%	5%	5%	4%	2%	2%
<b>Other</b>	2%	4%	6%	7%	8%	4%	2%	3%	2%



# Loan Destination

## Ranking of Most Used Aggregators - Top Outlets

2014 →

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

2013 →

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

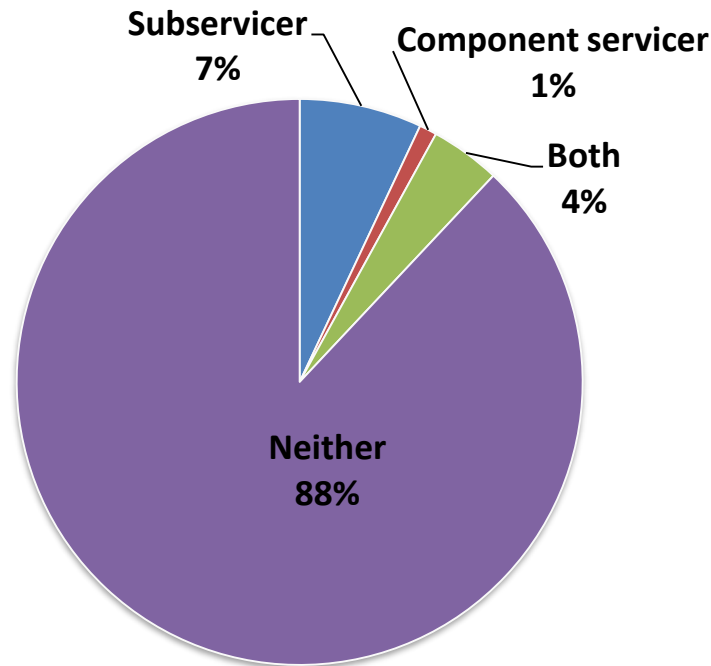
← 2012

Ranking	Aggregator
1	Wells Fargo
2	U.S. Bank
3	Franklin American
4	Banker's Bank, PHH Mortgage
	BB&T, FHLB, and SunTrust

# Loan Destination

## Servicing Operations: Subservicer vs. Component Servicer

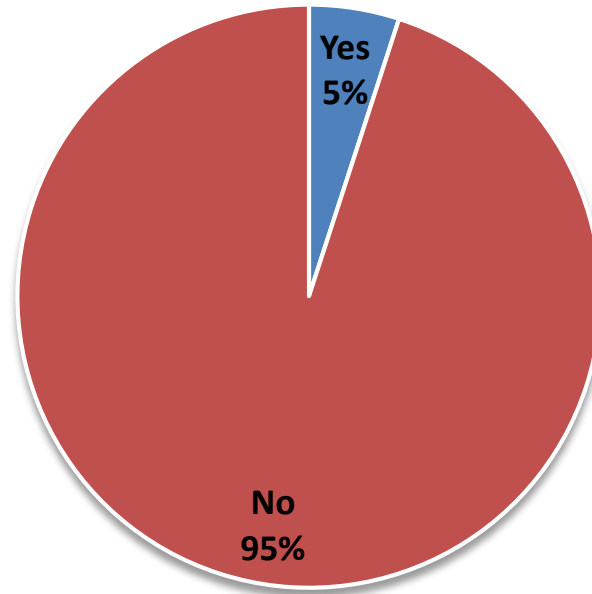
**For your servicing operations, do you use a subservicer or component servicer?**



# Loan Destination

## Mortgage Servicing Rights

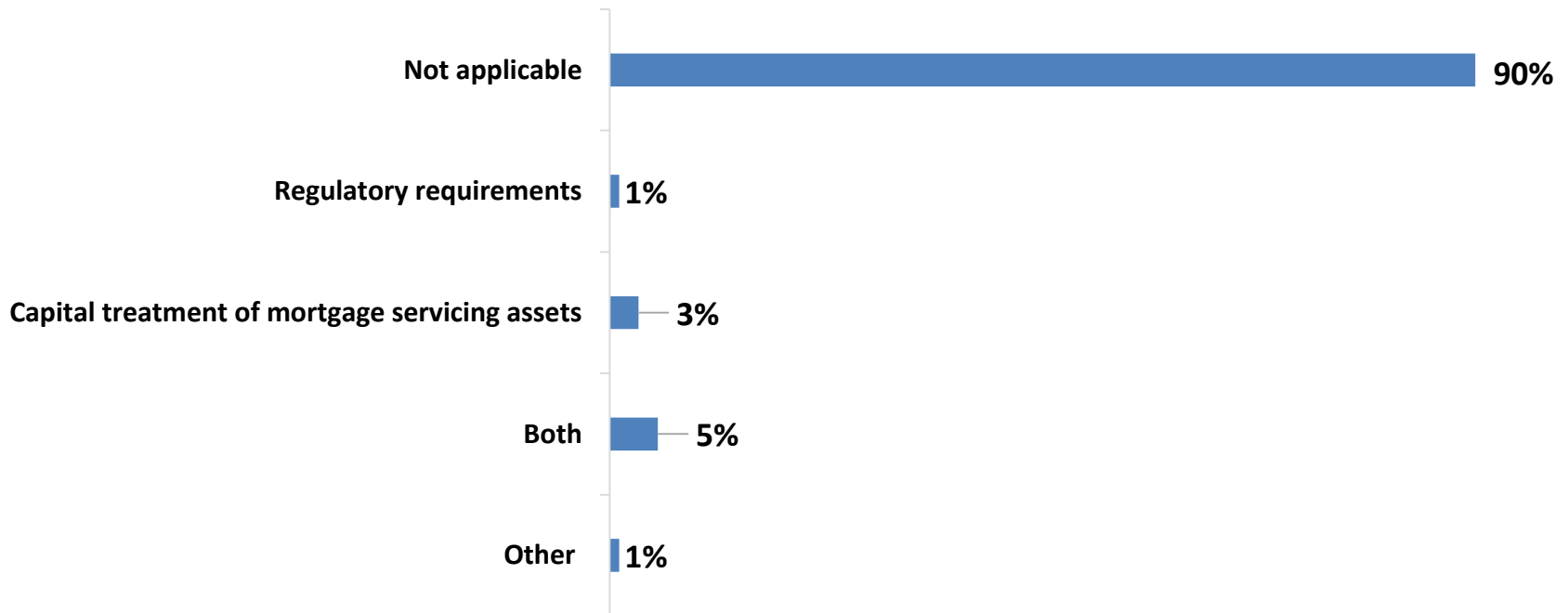
**Have you sold mortgage servicing rights in the past year due to regulatory requirements or capital treatment of mortgage servicing assets?**



# Loan Destination

## Mortgage Servicing Rights

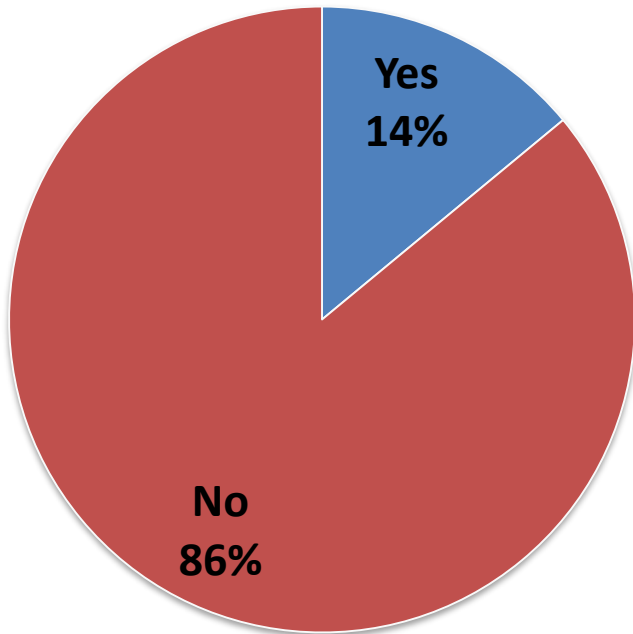
### What were the key factors in your decision to sell servicing rights?



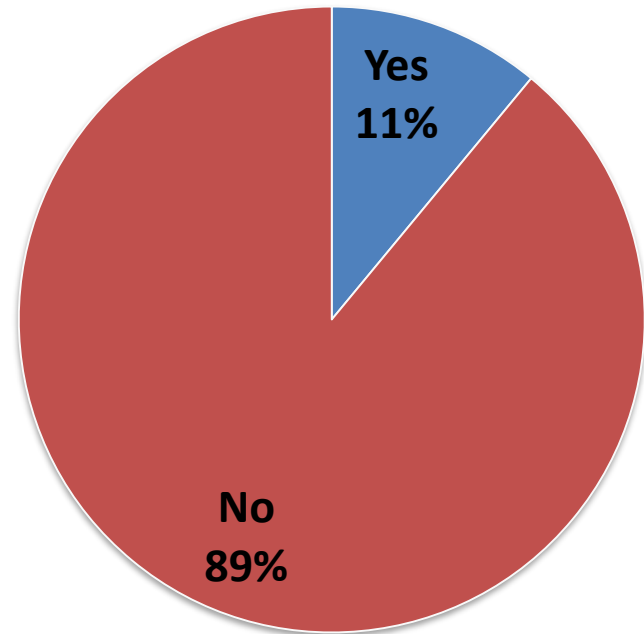
## Loan Destination

Contemplating selling servicing rights due to new regulatory requirements or capital treatment of mortgage servicing rights, 2014 and 2013

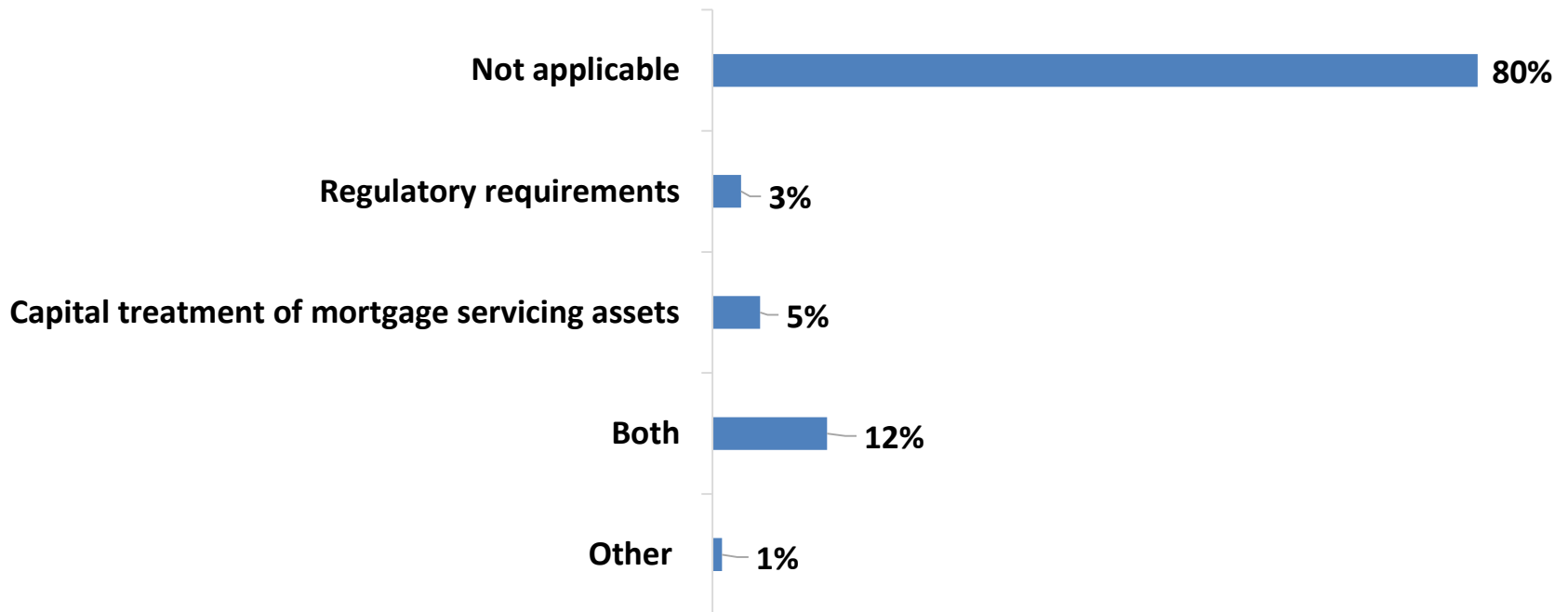
**2014**



**2013**



## What will likely be the key factors in your decision to sell servicing rights in the future?

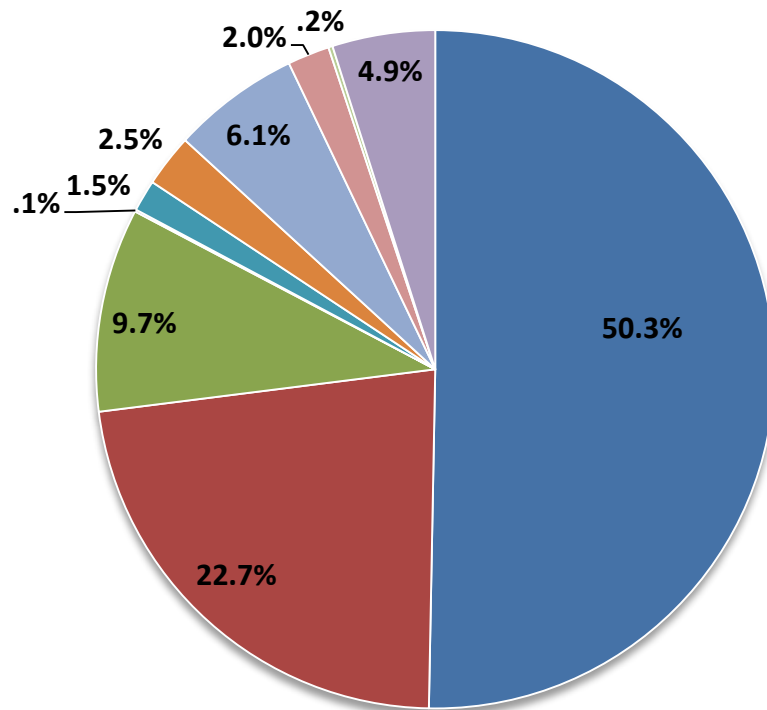
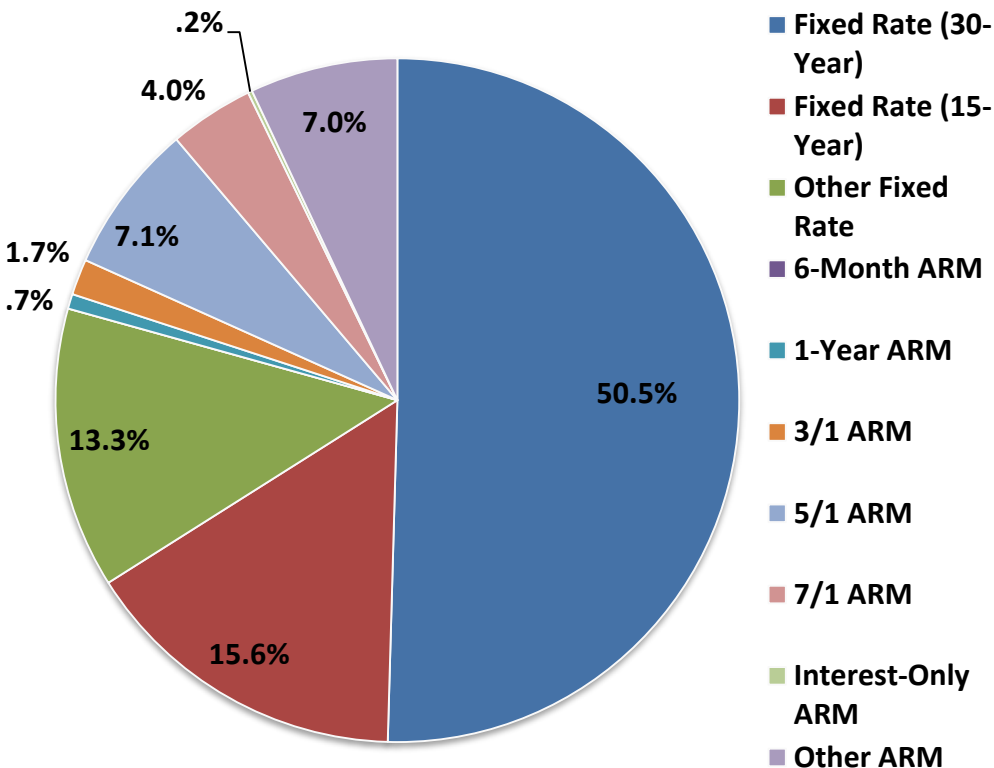


# Mortgage Products/Features

Breakdown of fixed-rate and adjustable-rate mortgage production, by dollar volume

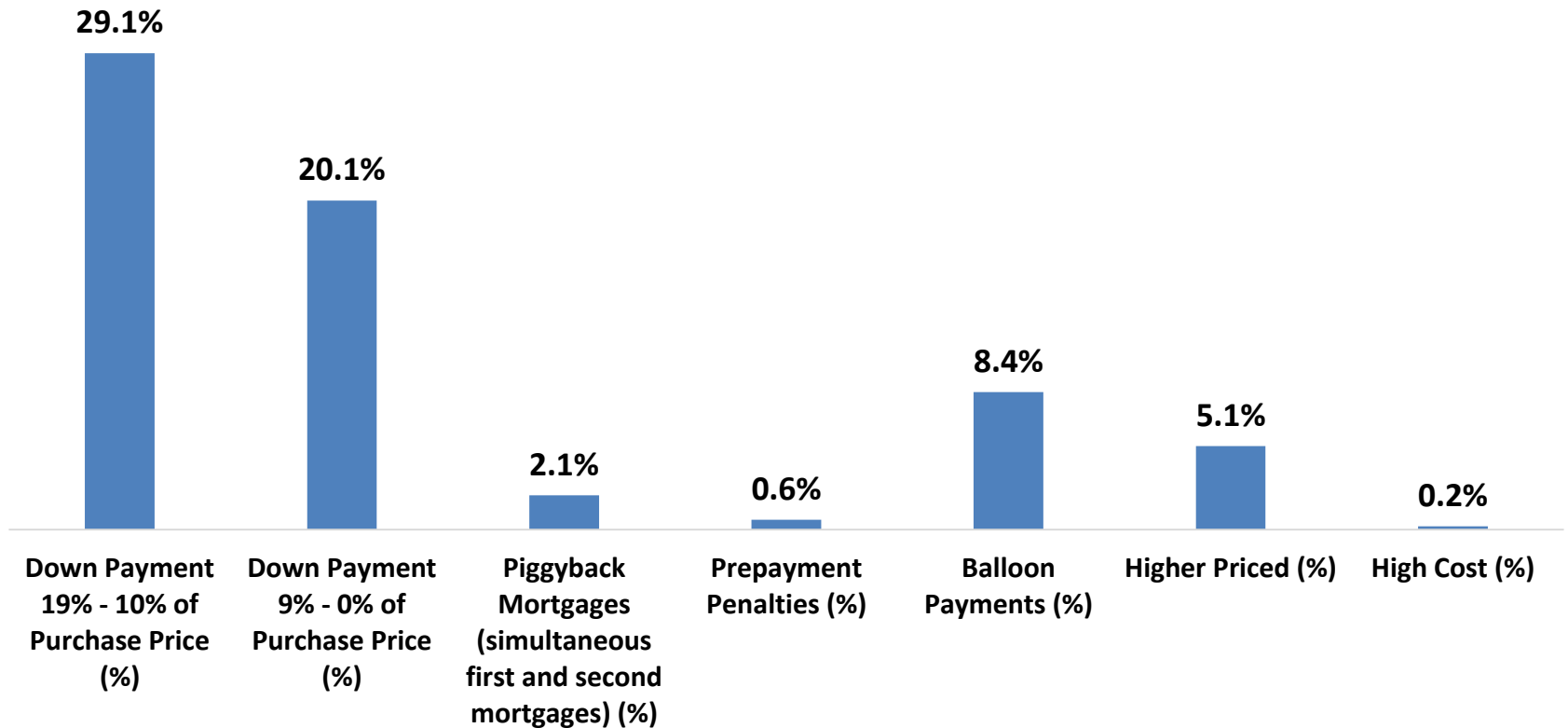
2014

2013



# Mortgage Products/Features

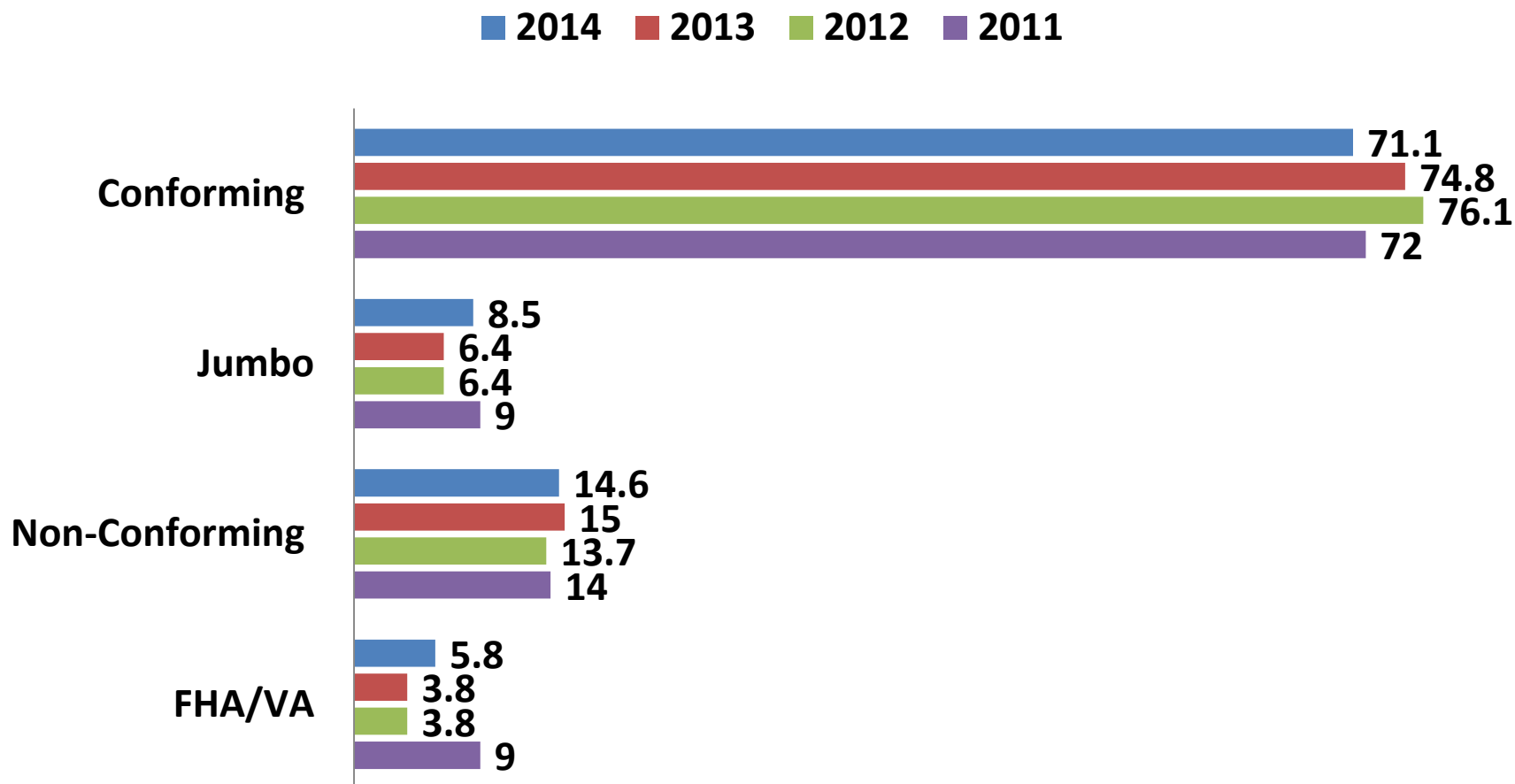
Average percentage of loans originated (dollar volumes) by features





# Mortgage Products/Features

1-4 Family Mortgage Loan Production by Type of Loan (percentage of dollar volume)

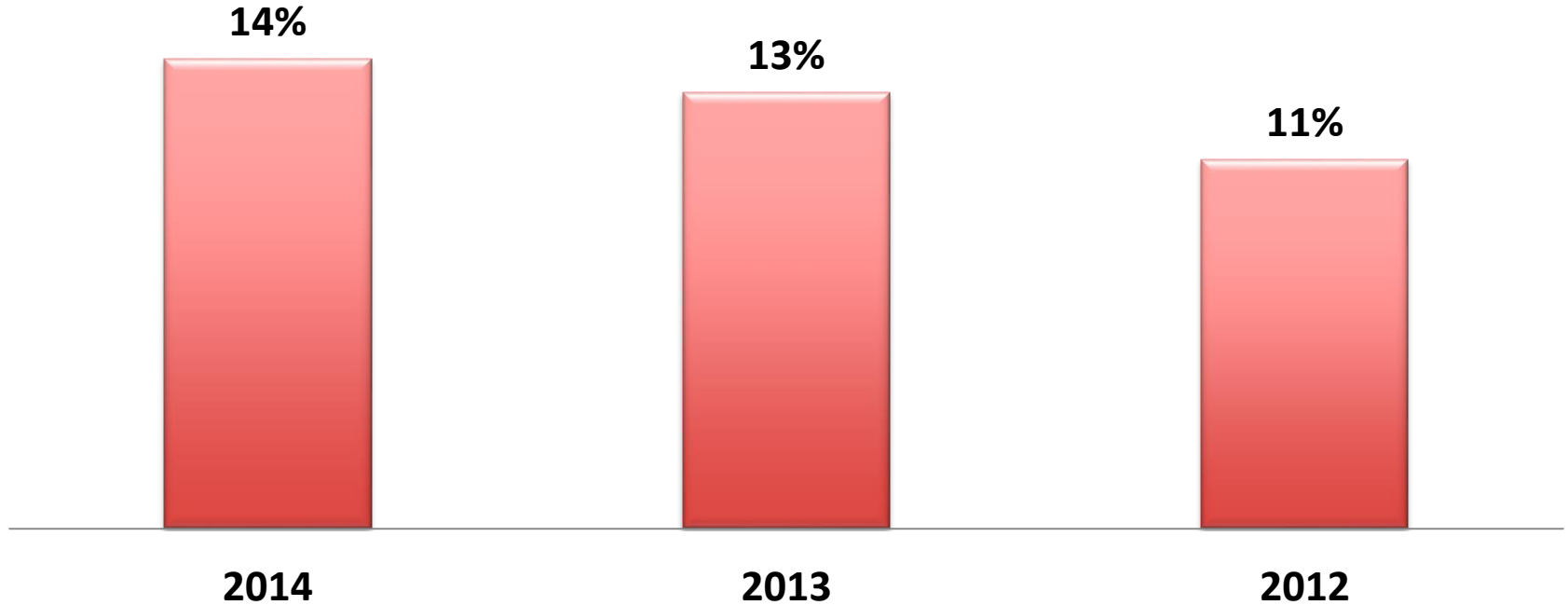




# Mortgage Products/Features

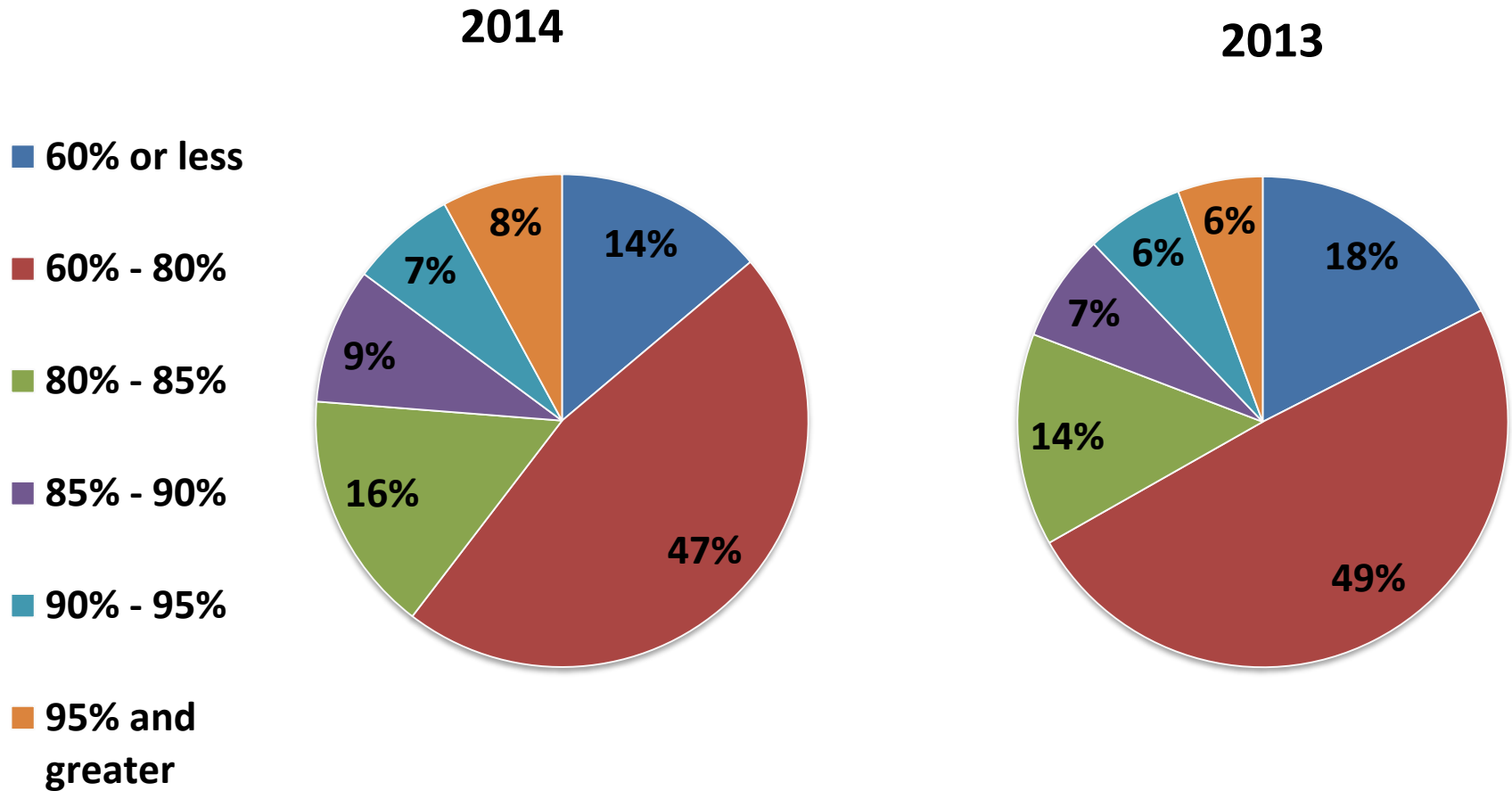
## First-Time Home Buyers

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



# Mortgage Products/Features

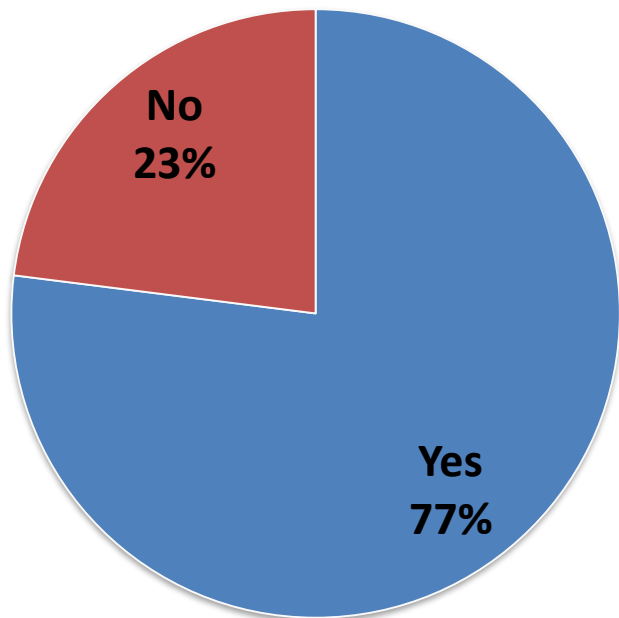
## Loan-to-Value Ratios for 1-4 Family Mortgage Loans Originated



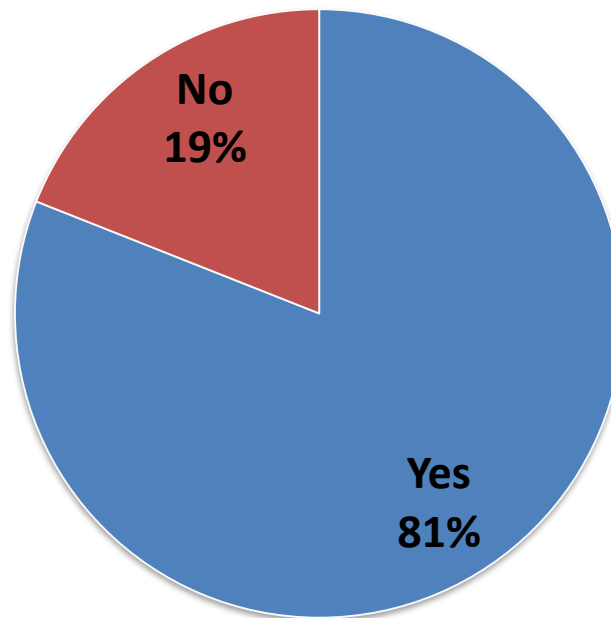
# Mortgage Products/Features

For 1-4 Family Mortgage Loans with an LTV About 80%: Do Your Require Private Mortgage Insurance? 2014 and 2013

**2014**



**2013**

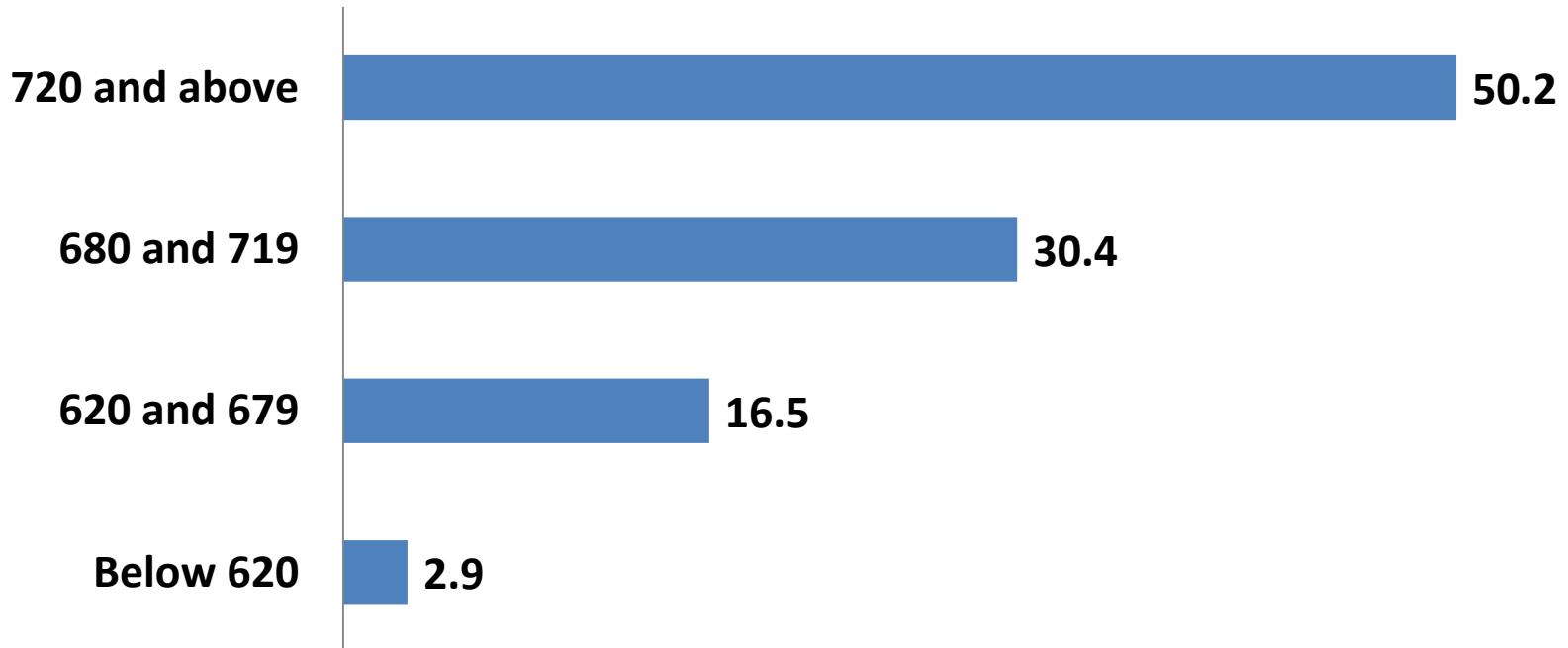




# Mortgage Products/Features

## FICO Categories

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

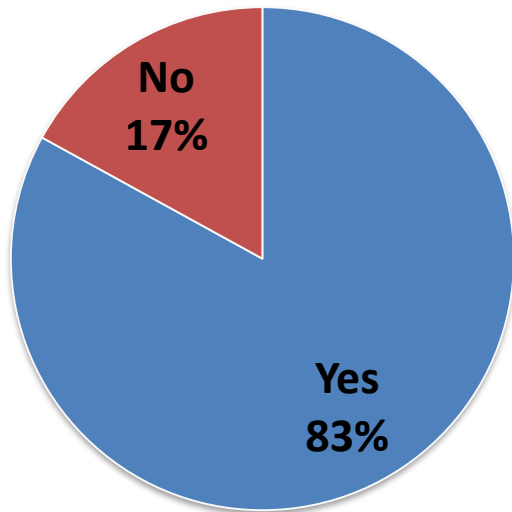




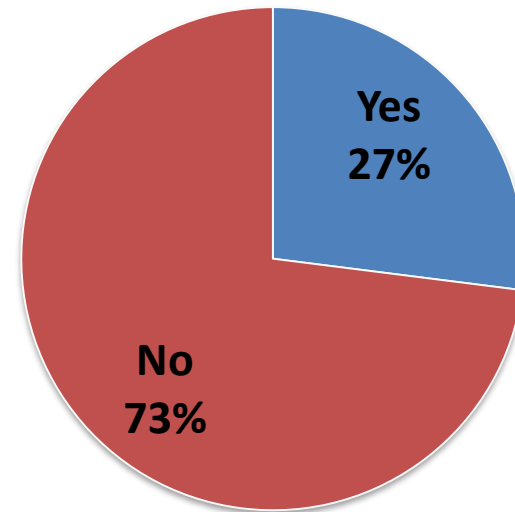
# Mortgage Products/Features

## Escrow Services

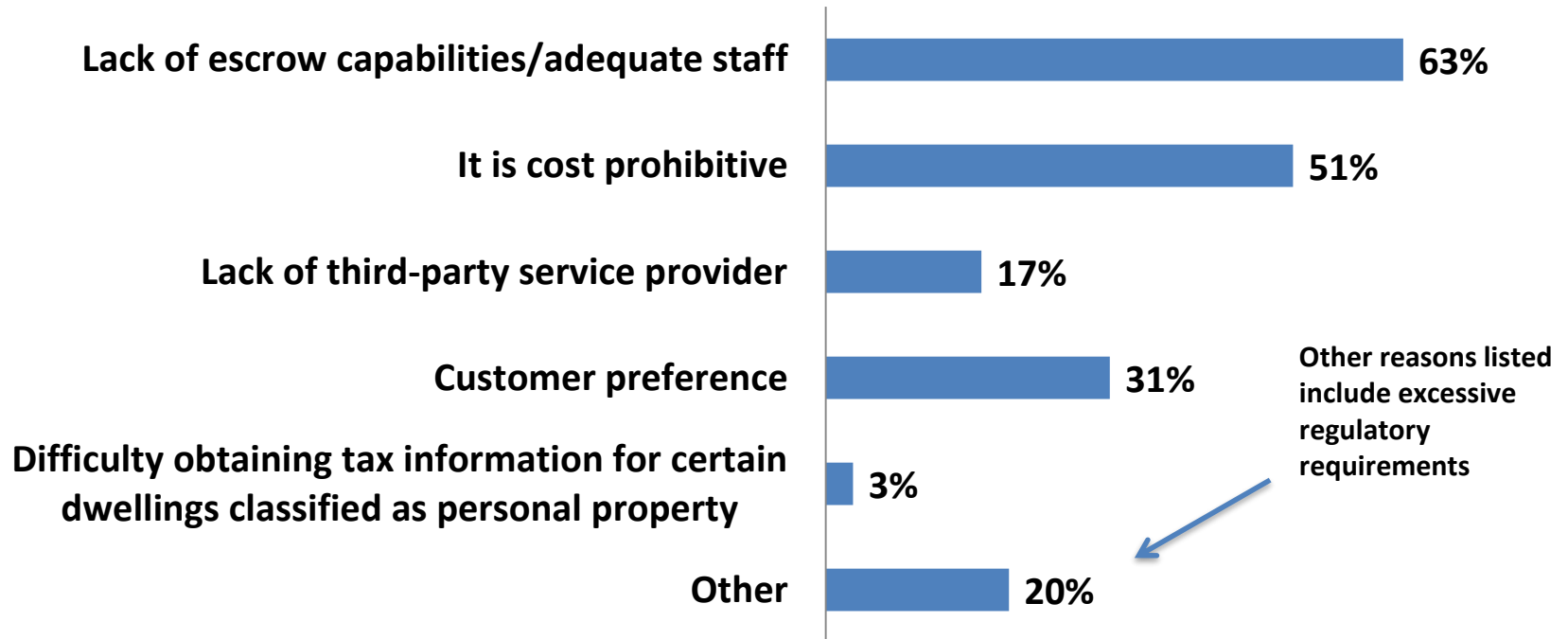
**Does your bank provide escrow services for its mortgage customers?**



**Are escrow accounts mandatory for mortgage customers?**



### Reasons for Not Providing Escrow Services



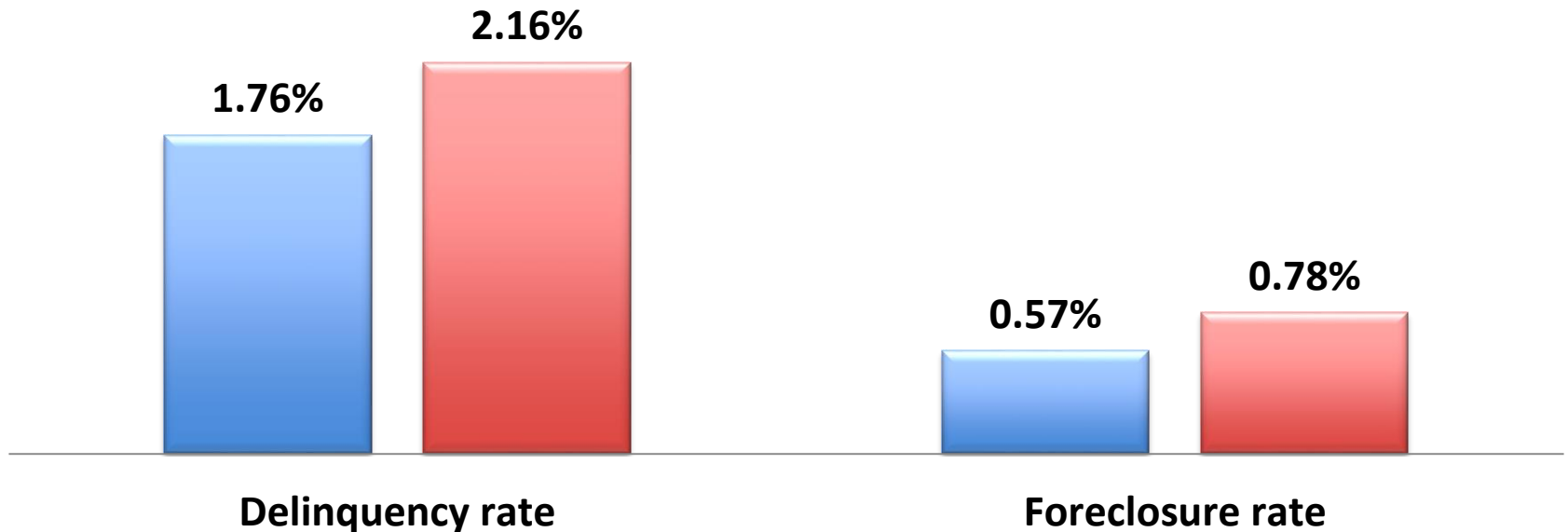
# Mortgage Products/Features

Delinquency Rates and Foreclosure Rates

1-4 Family Mortgage Loans

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

■ 2014 ■ 2013

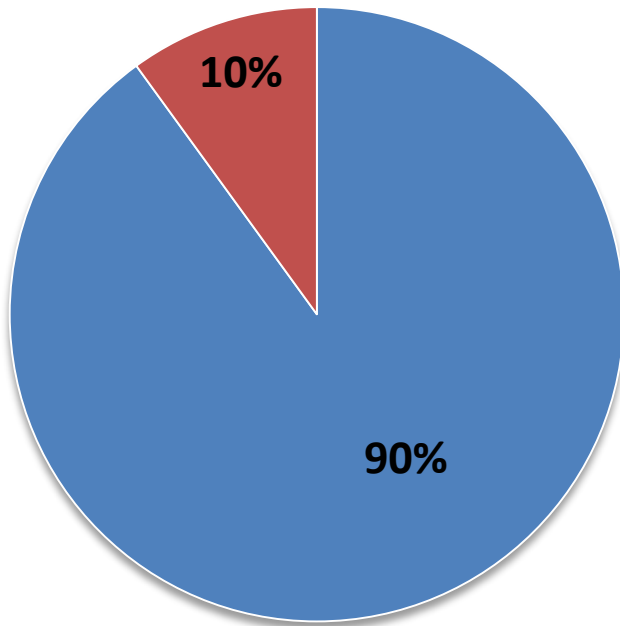




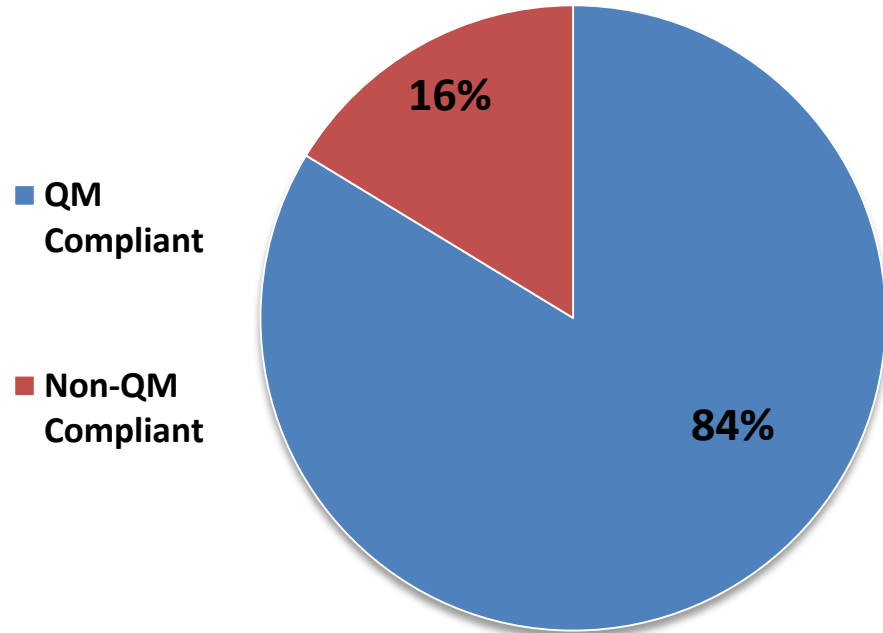
## Regulatory Impact

Qualified Mortgage (QM) Compliance: Percentage of Production QM Compliant and Non QM Compliant (average), 2014 and 2013

2014



2013

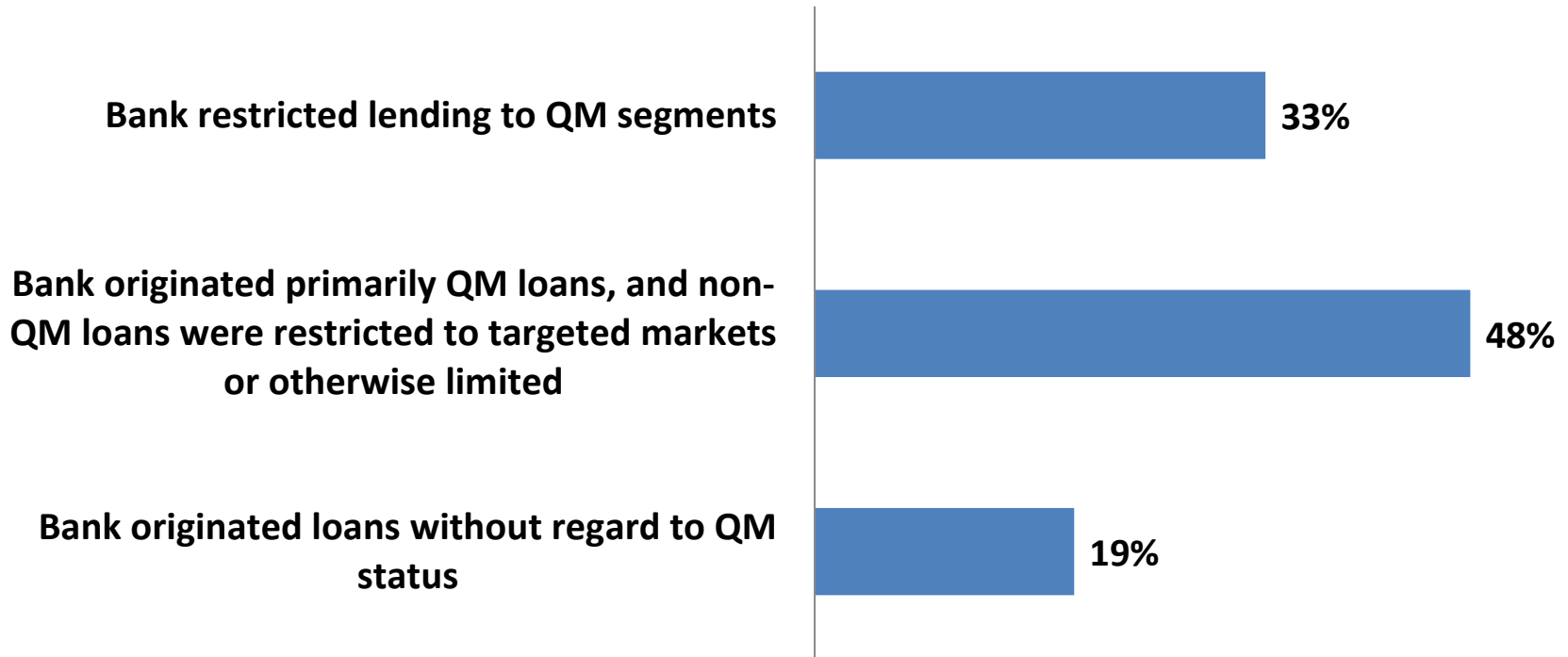


- QM Compliant
- Non-QM Compliant

# Regulatory Impact

## Impact of New Regulations on Mortgage Lending

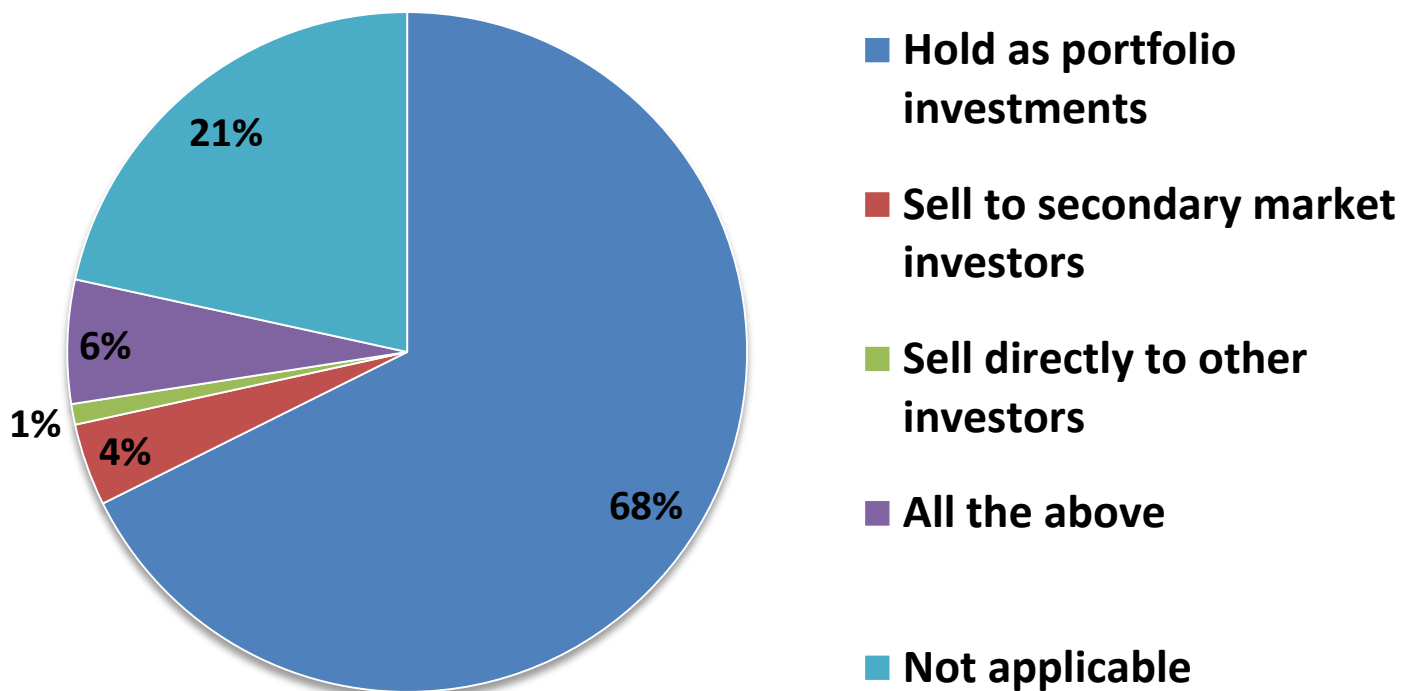
### What was the overall impact of the Ability-to-Repay/QM rules on your lending in 2014?



# Regulatory Impact

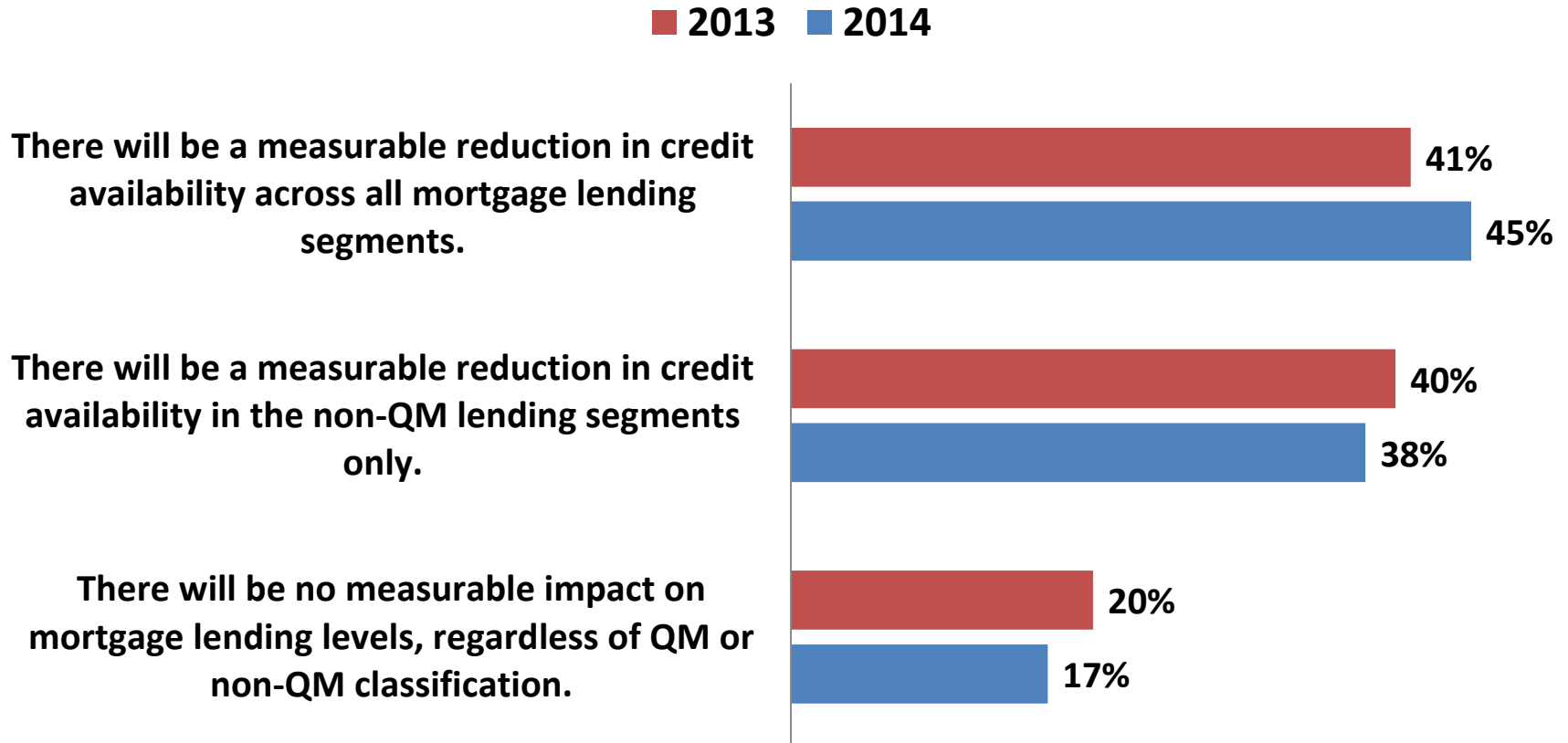
## Non-QM Loan Originations

If you plan to originate non-QM loans, will you:



# Regulatory Impact

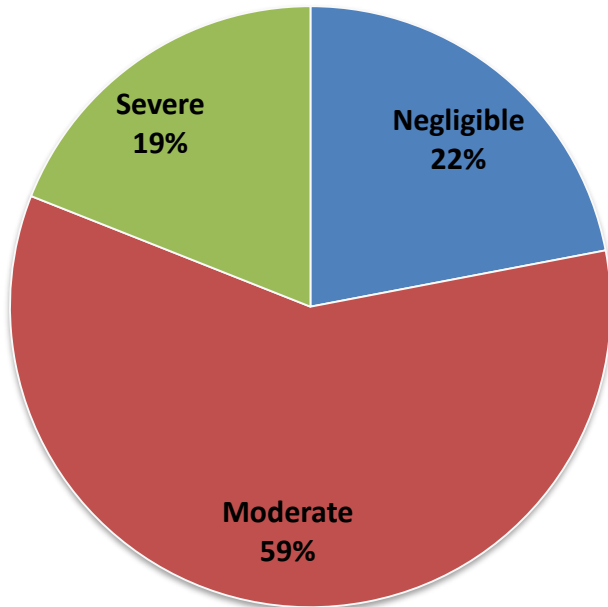
What do you expect will be the impact of the Ability-to-Repay/QM rules on credit availability in the market generally? 2014 and 2013



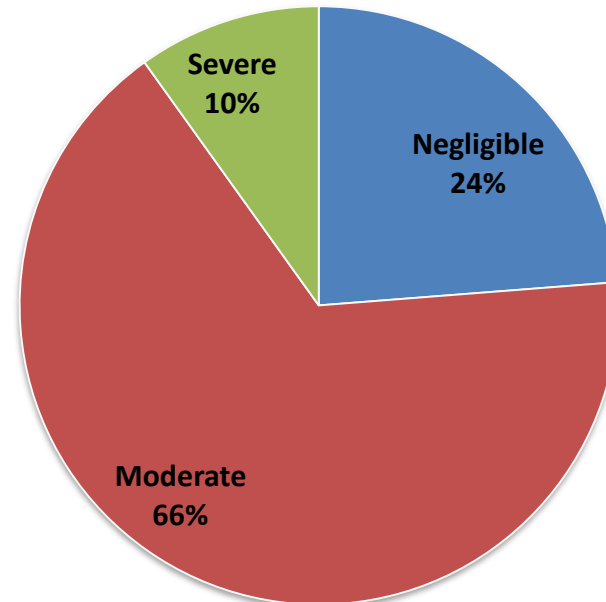
# Regulatory Impact

What do you expect will be the overall impact of the Ability-to-Repay/QM rules on credit availability? 2014 and 2013

2014



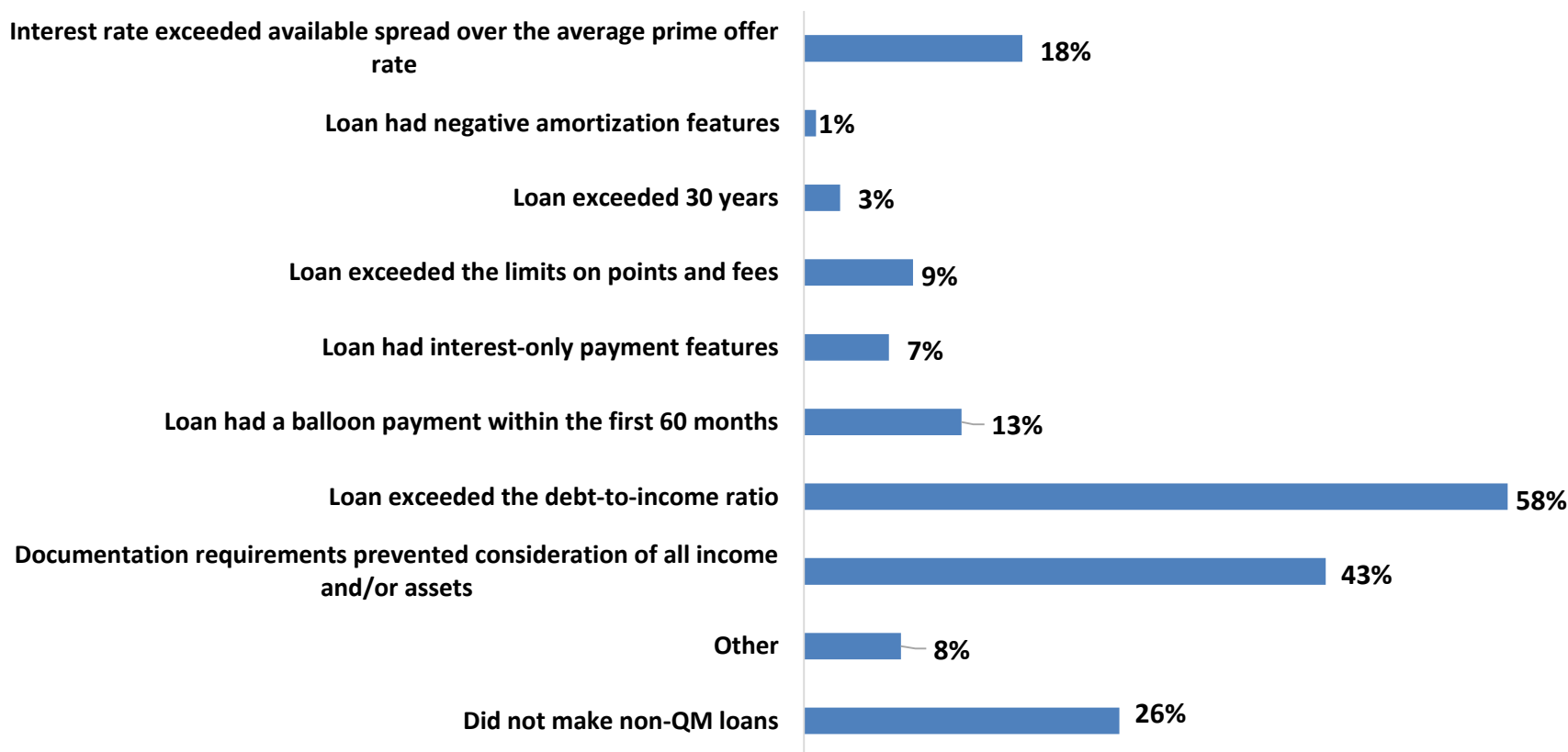
2013



# Regulatory Impact

## Reasons for Non-QM Loans Not Meeting QM Standards

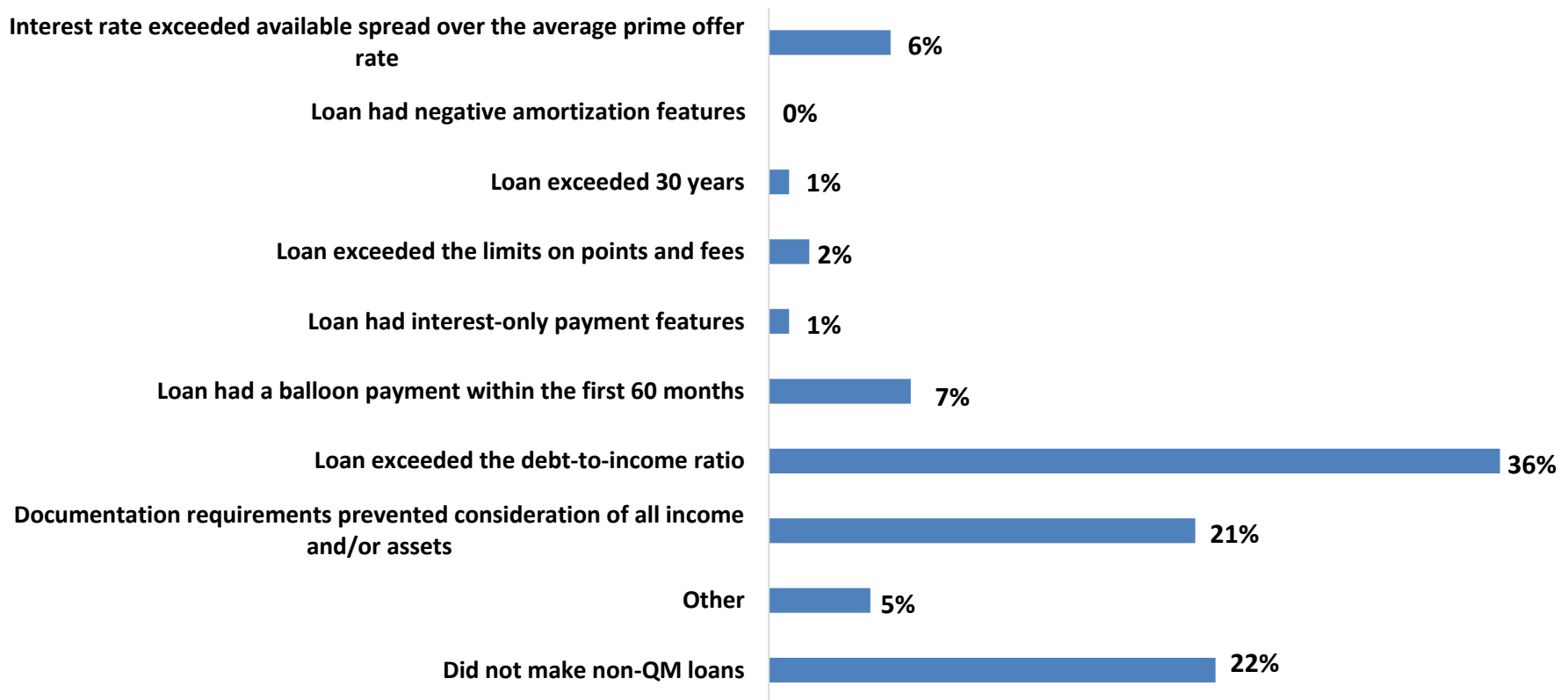
**For 2014 production, what are the reasons why a non-QM loan does not meet QM standards? (check all that apply)**



# Regulatory Impact

## Reason For a Non-QM Loan Not Meeting QM Standards

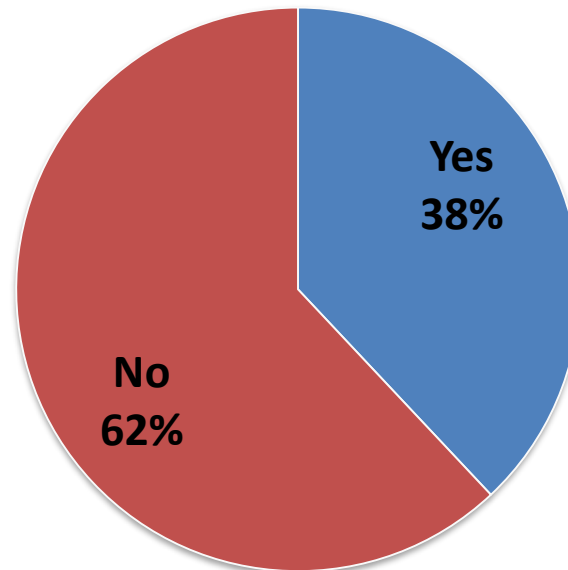
**For 2014 production, which was the most important reason why a non-QM loan does not meet QM standards?**



## Regulatory Impact

### 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?**

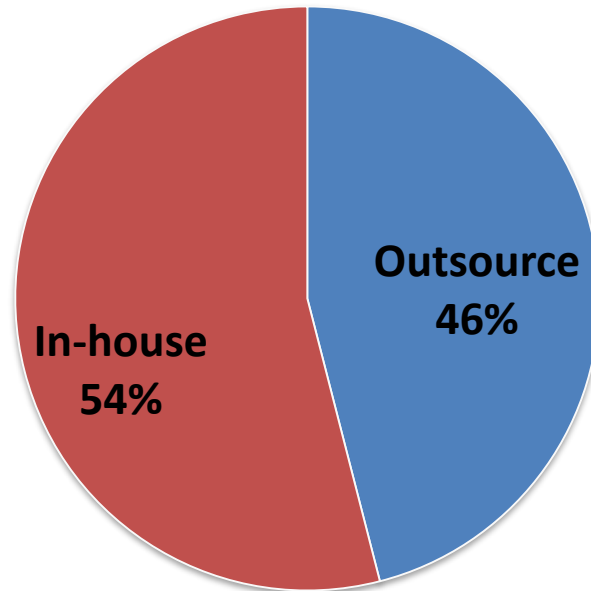




# Vendor Information and Compliance Concerns

## Outsourcing of Quality Control Function

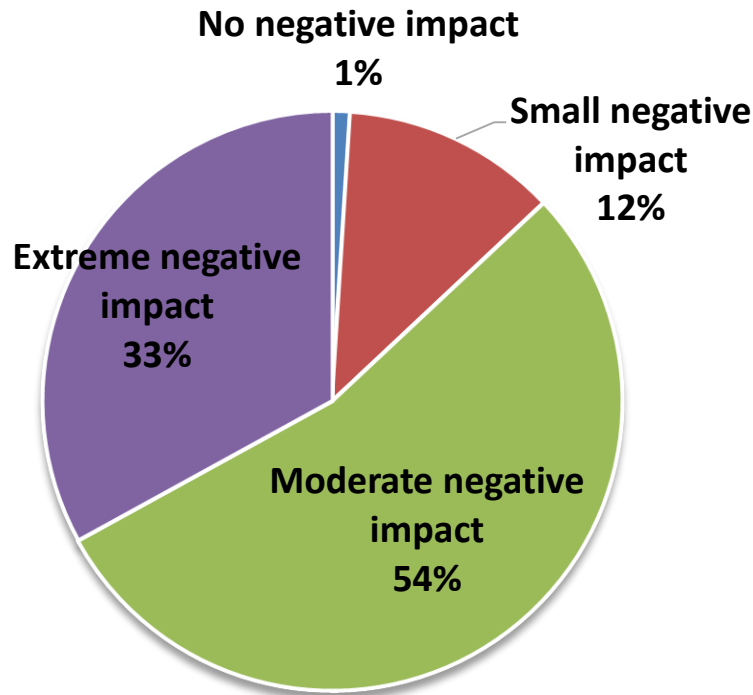
Do you outsource your quality control function or perform it in-house?



# Vendor Information and Compliance Concerns

## Negative Impact of Regulation on Business

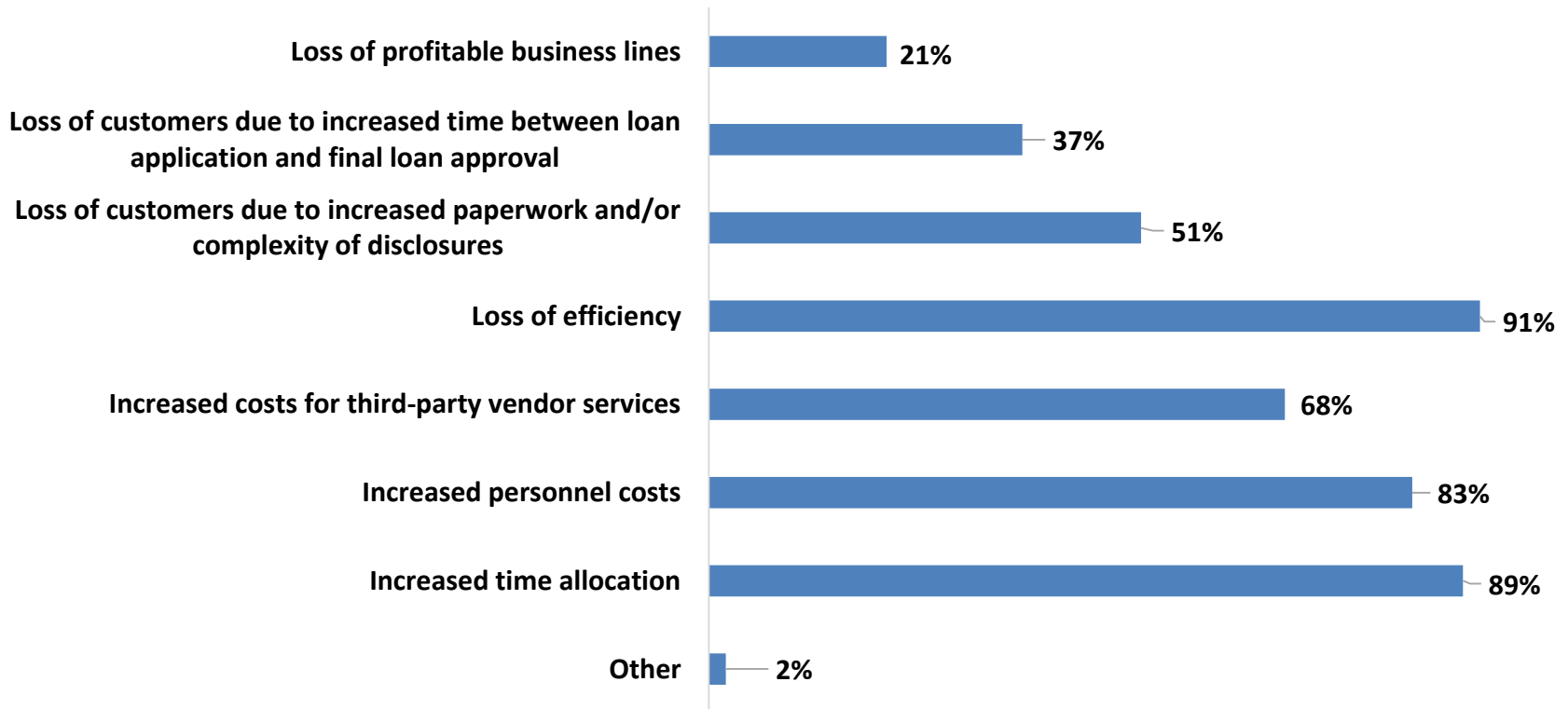
How much of a negative impact is regulation having your business?



# Vendor Information and Compliance Concerns

## Compliance Costs

### What are the primary drivers of increased compliance costs? (check all that apply)



# MORTGAGE MARKET OUTLOOK FOR 2015

## Looking Forward — Primary Concerns Regarding the Residential Mortgage Market in 2015

### Five Most Frequent Concerns

Compliance.

Increased regulatory burden.

Economic uncertainty.

Interest rate environment.

Community bank challenges.



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# TILA/RESPA INTEGRATED DISCLOSURE SURVEY



# Survey Methodology

In April 2015, the American Bankers Association (“ABA”) surveyed member bankers to learn more about the progress that their vendors have made in delivering systems related to the TILA/RESPA Integrated Disclosure (“TRID”) implementation. By the response cutoff, approximately 800 bankers had participated in the survey. About two-thirds of the respondents had assets less than \$1 billion.

## **Staff Contributors:**

**Bob Davis**, *Executive Vice President*, American Bankers Association

**Rod Alba**, *SVP, Sr. Regulatory Counsel*, American Bankers Association

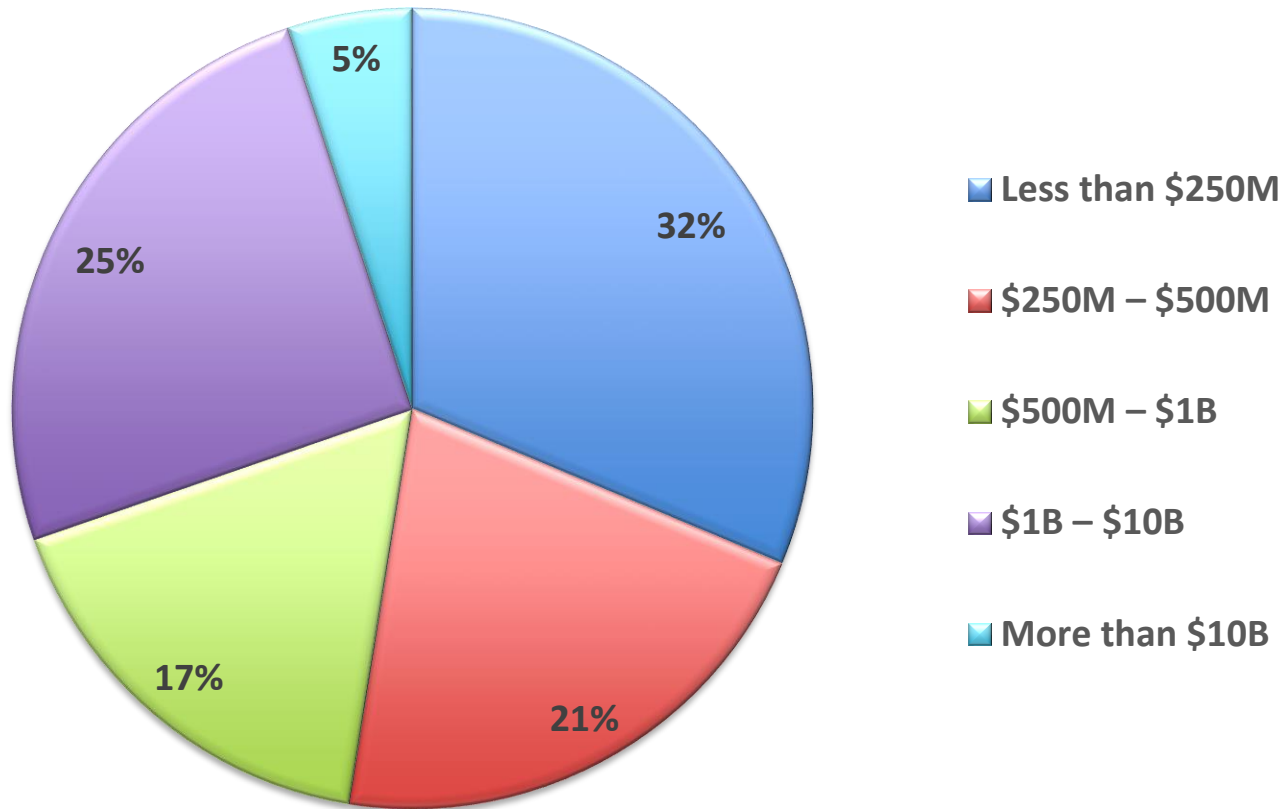
**Joe Pigg**, *SVP, Sr. Counsel II*, American Bankers Association

**Ashley Gunn**, *Senior Banking Analyst*, American Bankers Association

## **Data Processing and Analysis provided by:**

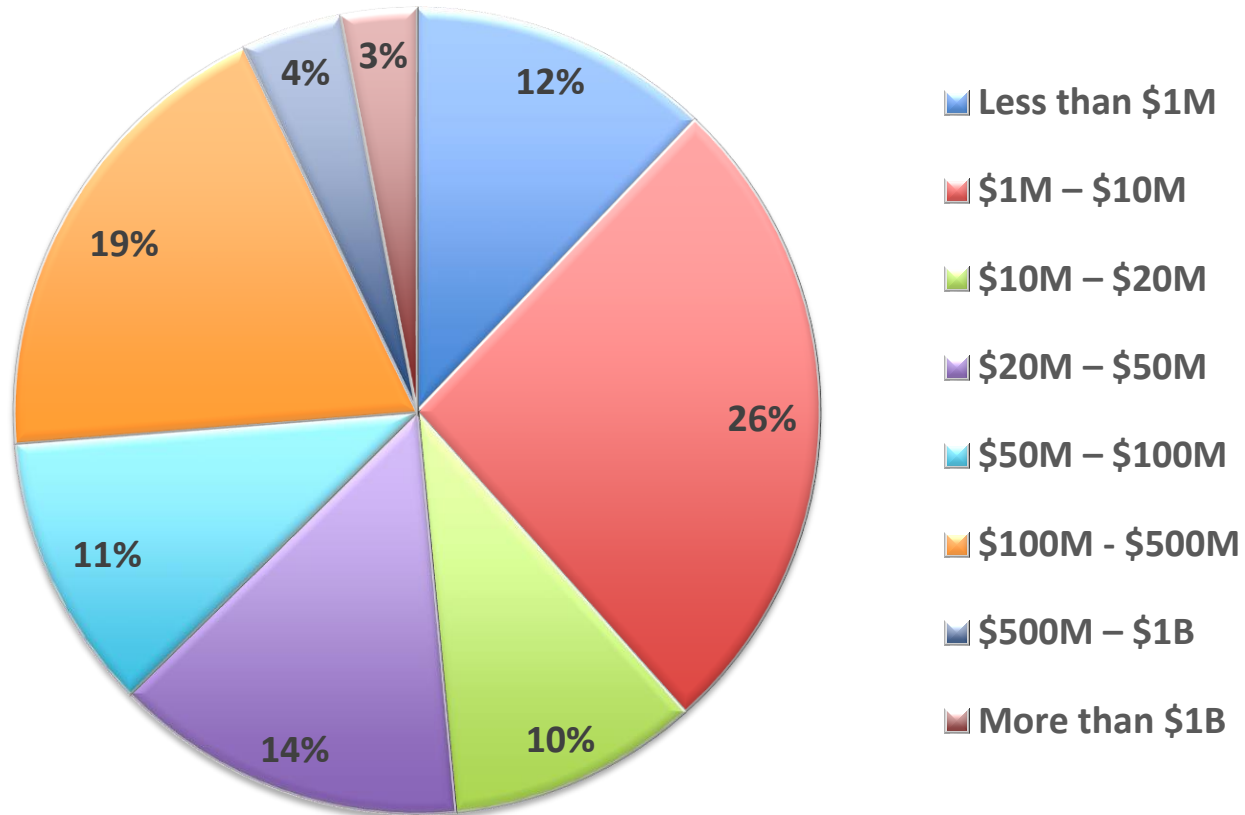
**Michael Mazur**, *Senior Manager*, American Bankers Association

# What is the asset size of your bank?



Number of valid responses = 816

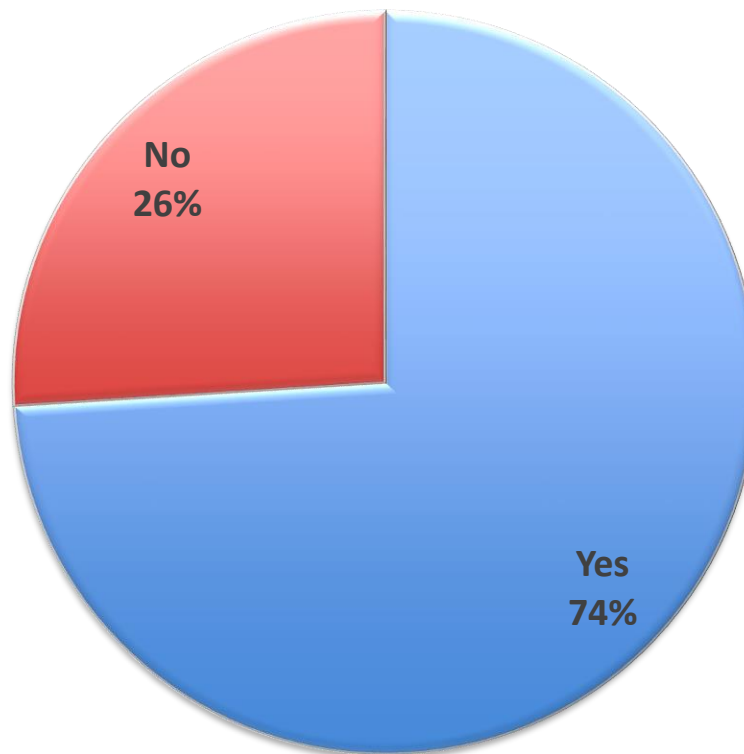
# What is bank's annual mortgage origination volume?



Number of valid responses = 784

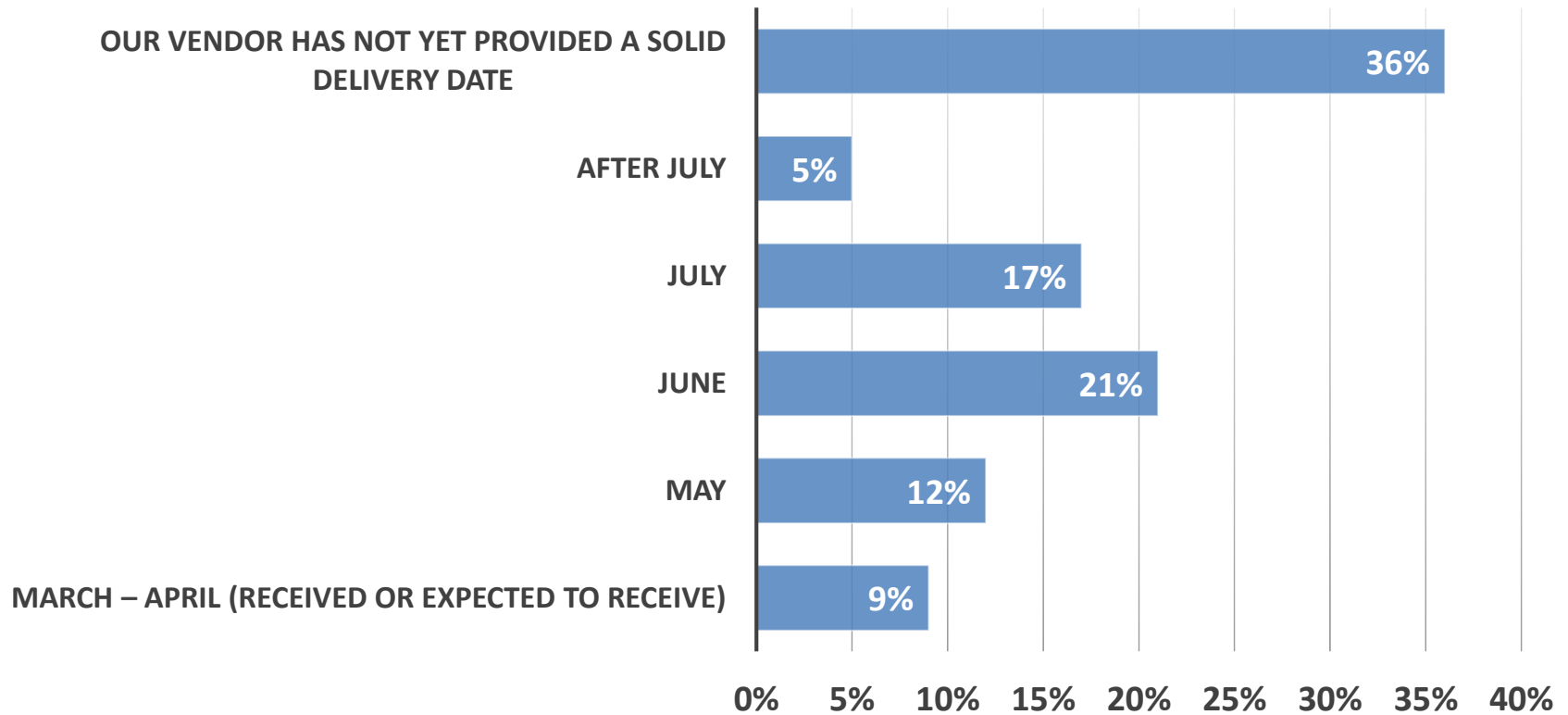


# Are you using a vendor or consultant to assist with implementation of the new mortgage disclosure (TRID) rules?



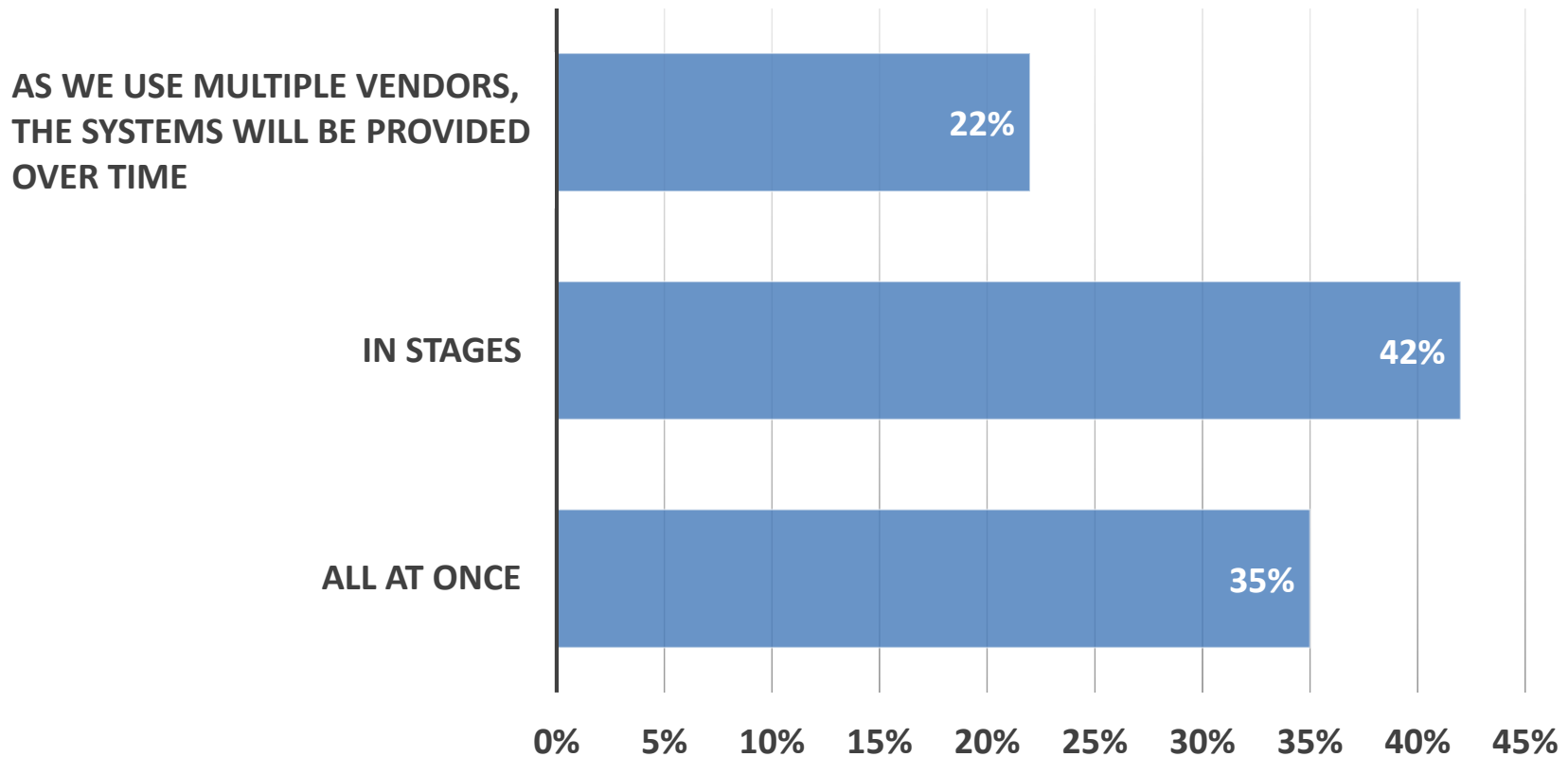
Number of valid responses = 806

# When do you expect to receive the final and completed production software system? (as of the end of April)



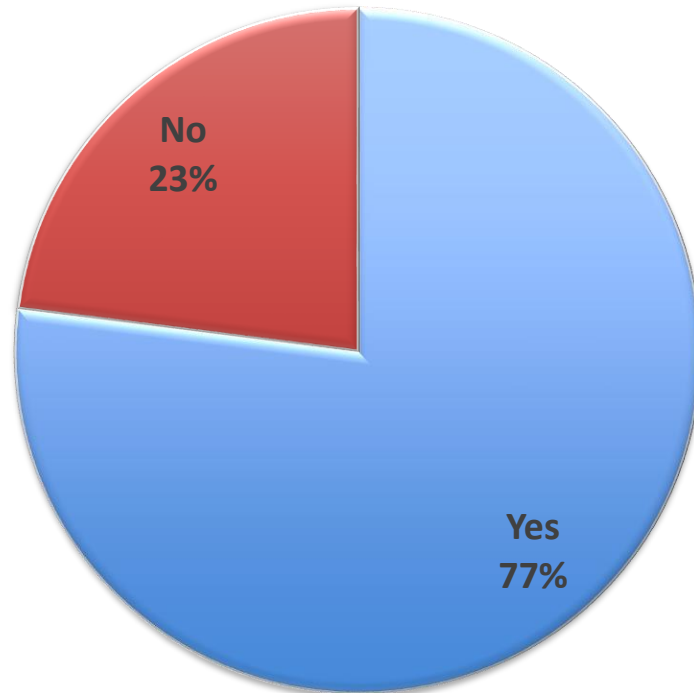
Number of valid responses = 773

# Will the software and programming be provided to your institution all at once or over time?



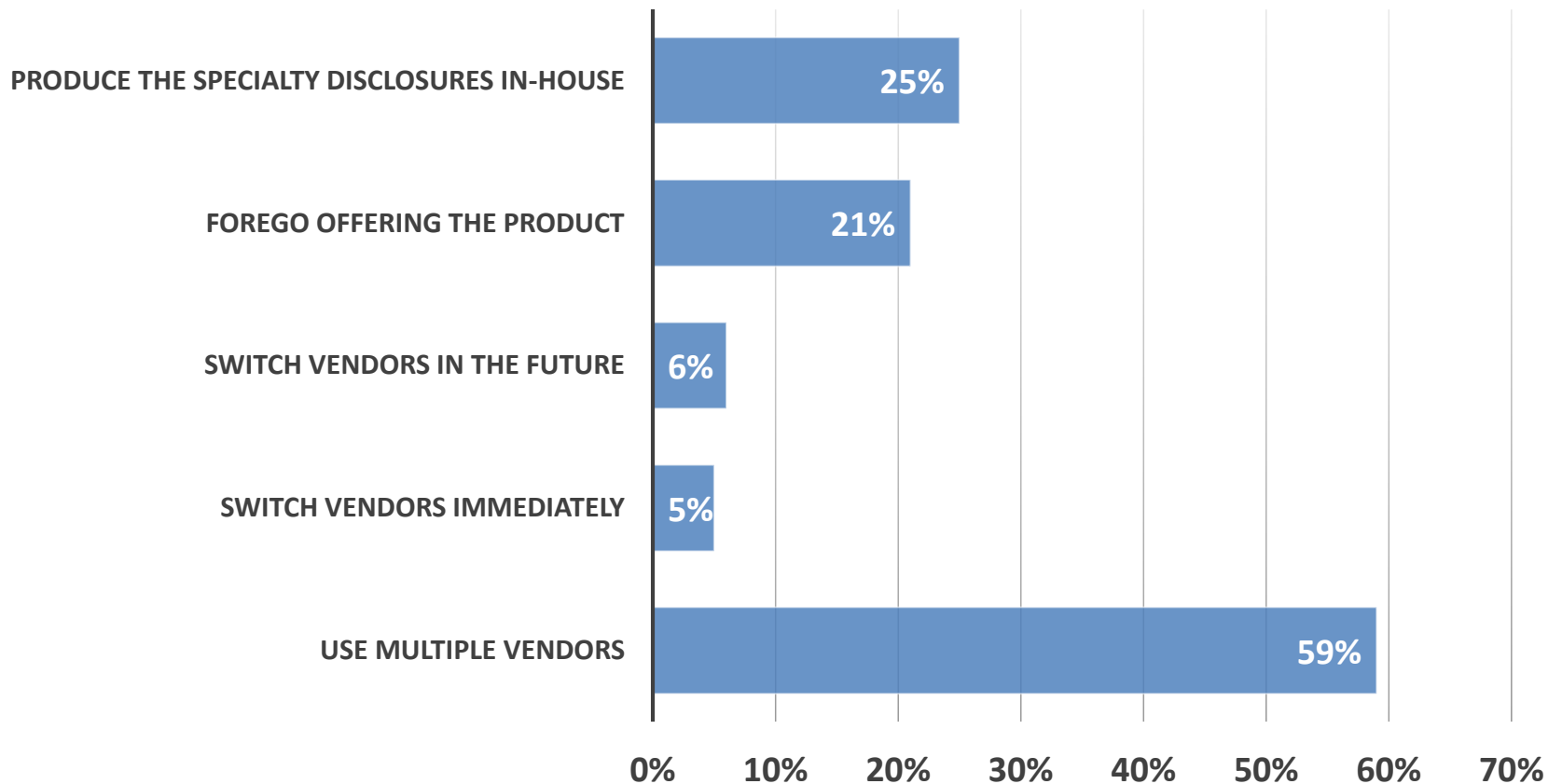
Number of valid responses = 702

# If a vendor is providing your loan officer compliance system, will the final software system include all types of loans that your institution plans to offer?



Number of valid responses = 702

# If no, what course of action will you bank pursue?



Could check multiple answers.