

AMERICAN
BANKERS
ASSOCIATION



16TH ANNUAL
REAL ESTATE

LENDING SURVEY REPORT

1-800-BANKERS
www.aba.com



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Acknowledgements

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Overview of the Real Estate Market and Survey

The national housing market remained in turmoil as the decline in residential real estate activities persisted. From June 2006 to the end of 2008, home prices have fallen 27 percent across the nation according to the S&P/Case-Shiller Home Price Index. The drop in new home construction and home sales continued as the overhang of unsold existing homes remained high at 3.7 million units for the year.

Low 30-year fixed mortgage rates did little to move homes as potential buyers remained sidelined by the expectation of lower prices. Along with low demand and tightening underwriting standards, the failures of several large mortgage brokers and originators have left gaping holes in the market – drastically reducing the level of 1-4 family mortgage originations. In 2008, mortgage originations fell 30 percent to 1.6 million units, according to the Mortgage Bankers Association of America. An additional problem is the accelerating mortgage delinquencies and foreclosures, which have risen to levels not seen since 1986.

Overall, 149 mortgage lenders participated in this year's Real Estate Lending Survey, down from last year, but the lower result was not unexpected as many lenders face severe economic pressures. A look at the survey participants indicates that 76 percent of the respondents were savings banks/institutions and 13 percent were commercial banks, while the remainder did not classify. Sixty percent of respondents were mutual/mutual holding companies and 29 percent were stock-owned institutions. Nearly 80 percent of the participating institutions had assets of less than \$1 billion.

The survey reaffirms the anecdotal reports on the decline of mortgage activities, but it also shows that strong community banks are finding opportunities to meet market demand that has been left by their larger counterparts and mortgage brokers. Much to be expected, the loan portfolios of this year's survey participants show an emphasis on low-risk products.

A Summary of Key Survey Findings:

- Conforming (72%) and jumbo loan (12%) originations represented a smaller portion of bank portfolios, while non-conforming (13%) increased compared to last year.
- A growing number of banks are originating reverse mortgage loans (29%).
- Percent of retail originations grew to 86%, while wholesale/correspondent originations fell to roughly 9%.
- Banks retained a larger portion of loans on portfolio (74%) in 2008. Loans sold to FHLB grew to 4%, while the portion sold to conduit/aggregators and other financial institutions shrunk.
- 1-4 family loans required higher FICO scores and lower LTVs.
- There was an increase in demand for work-out and modifications, but 76% of banks answered that they would follow procedures other than the FDIC's foreclosure mitigation program.
- A growing percentage of banks are seeing higher volumes of CRE delinquencies, with the largest concentration in construction and land development loans (which includes 1-4 family).

Intro Chart: 2008 Survey Participant Profile

Asset breakdown of survey respondents

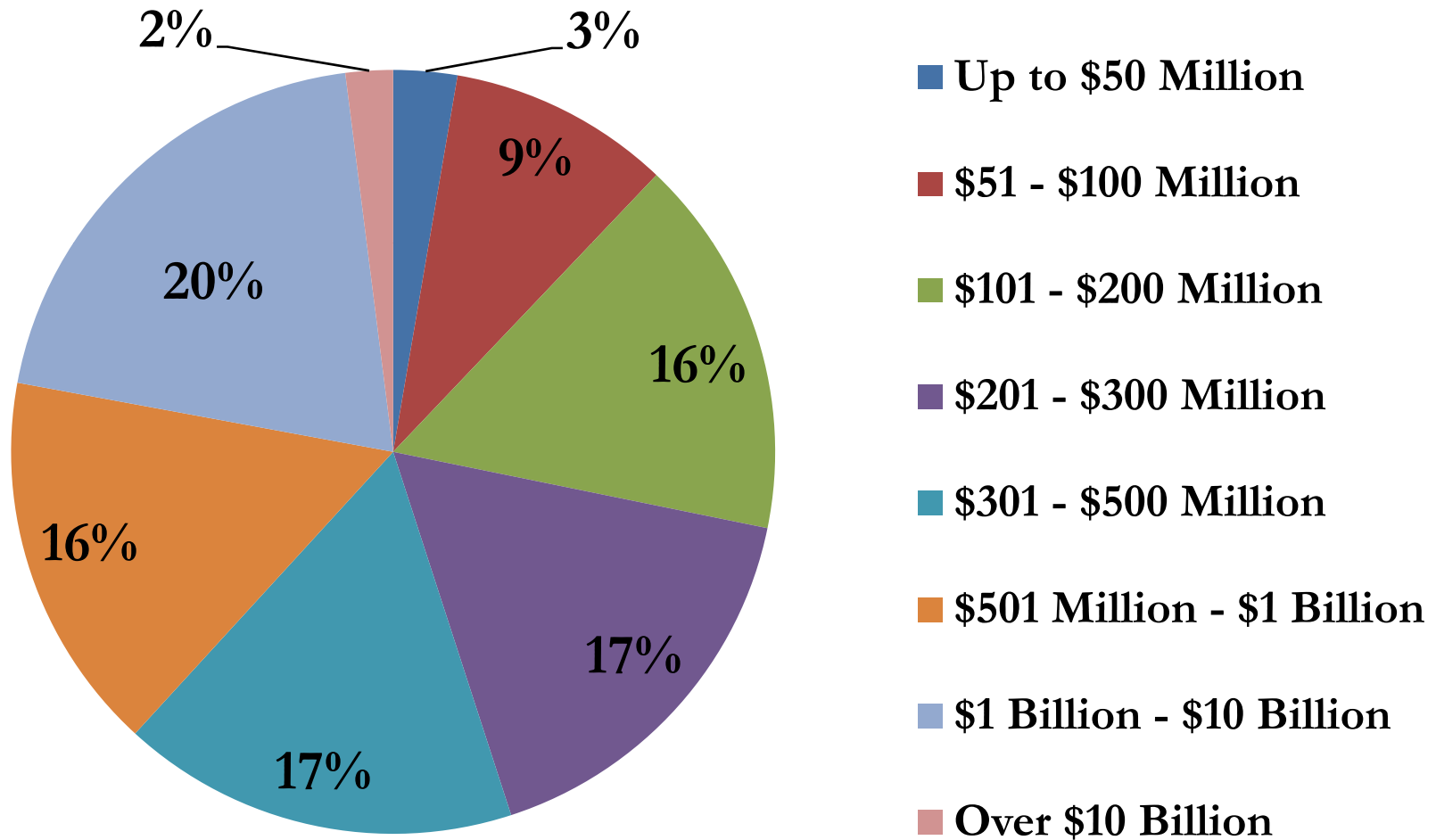


Chart 1: Year-to-Year Origination Comparison

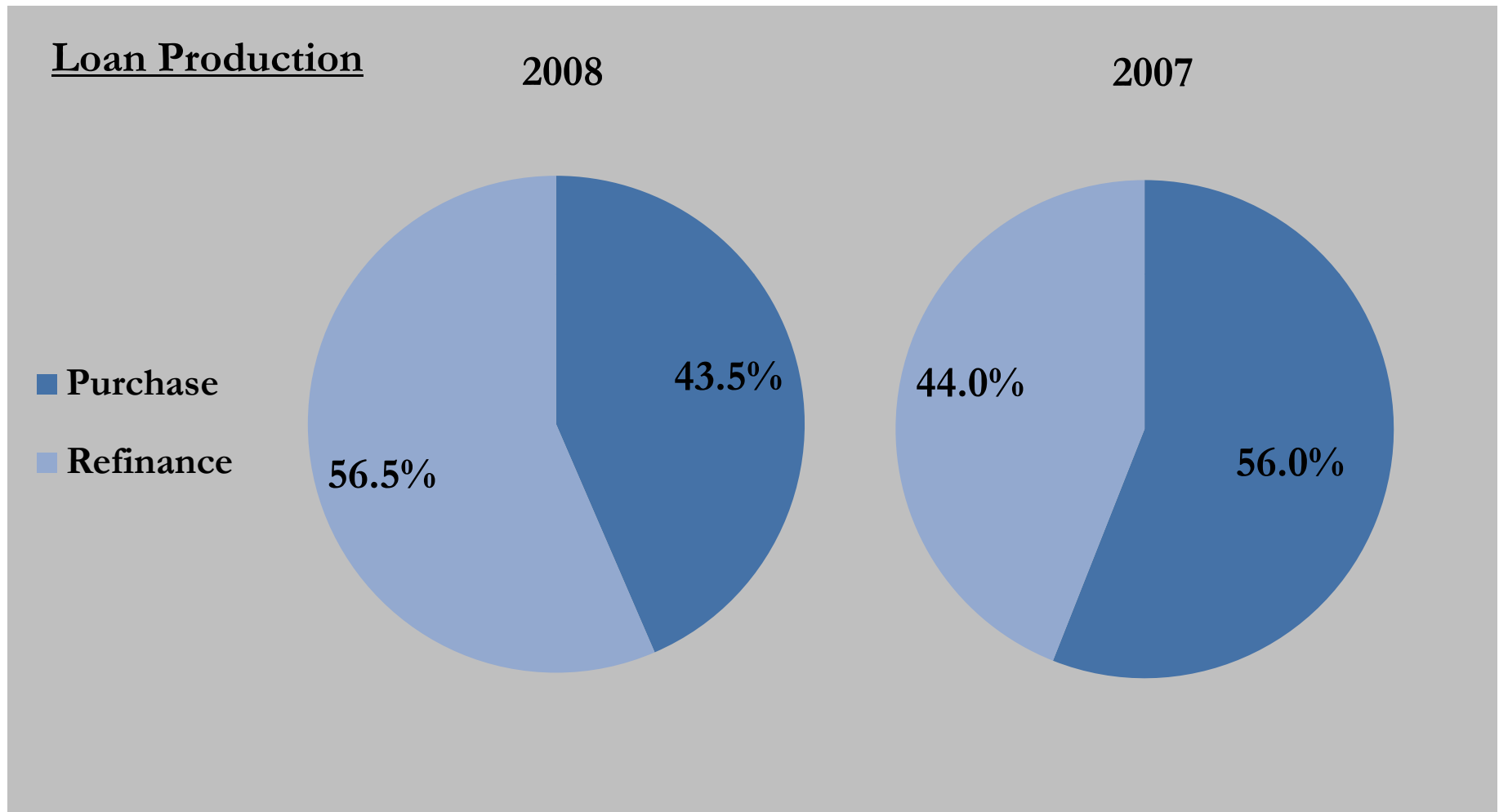
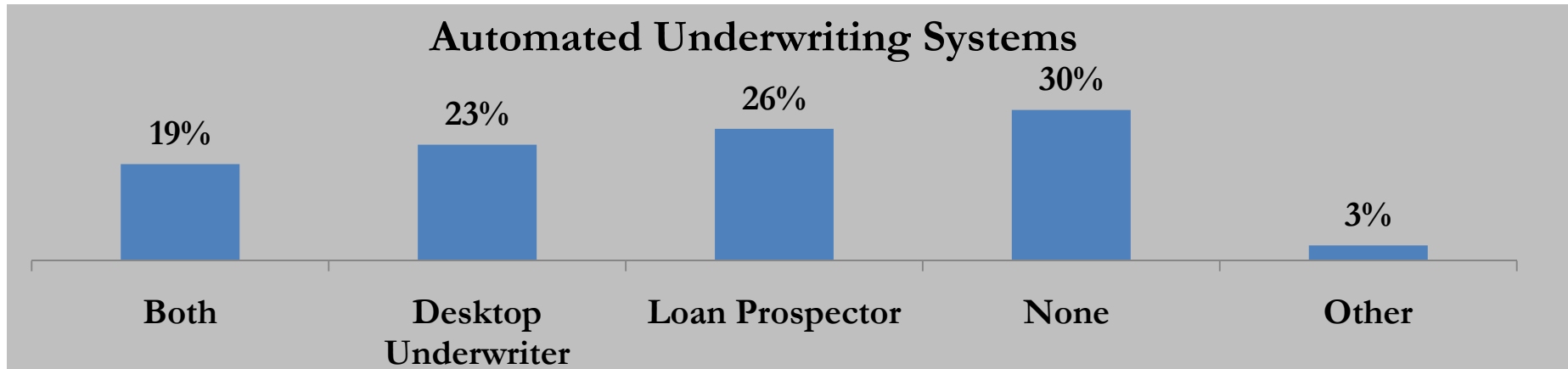


Chart 2: Automated Underwriting and Origination (Data for 2008)



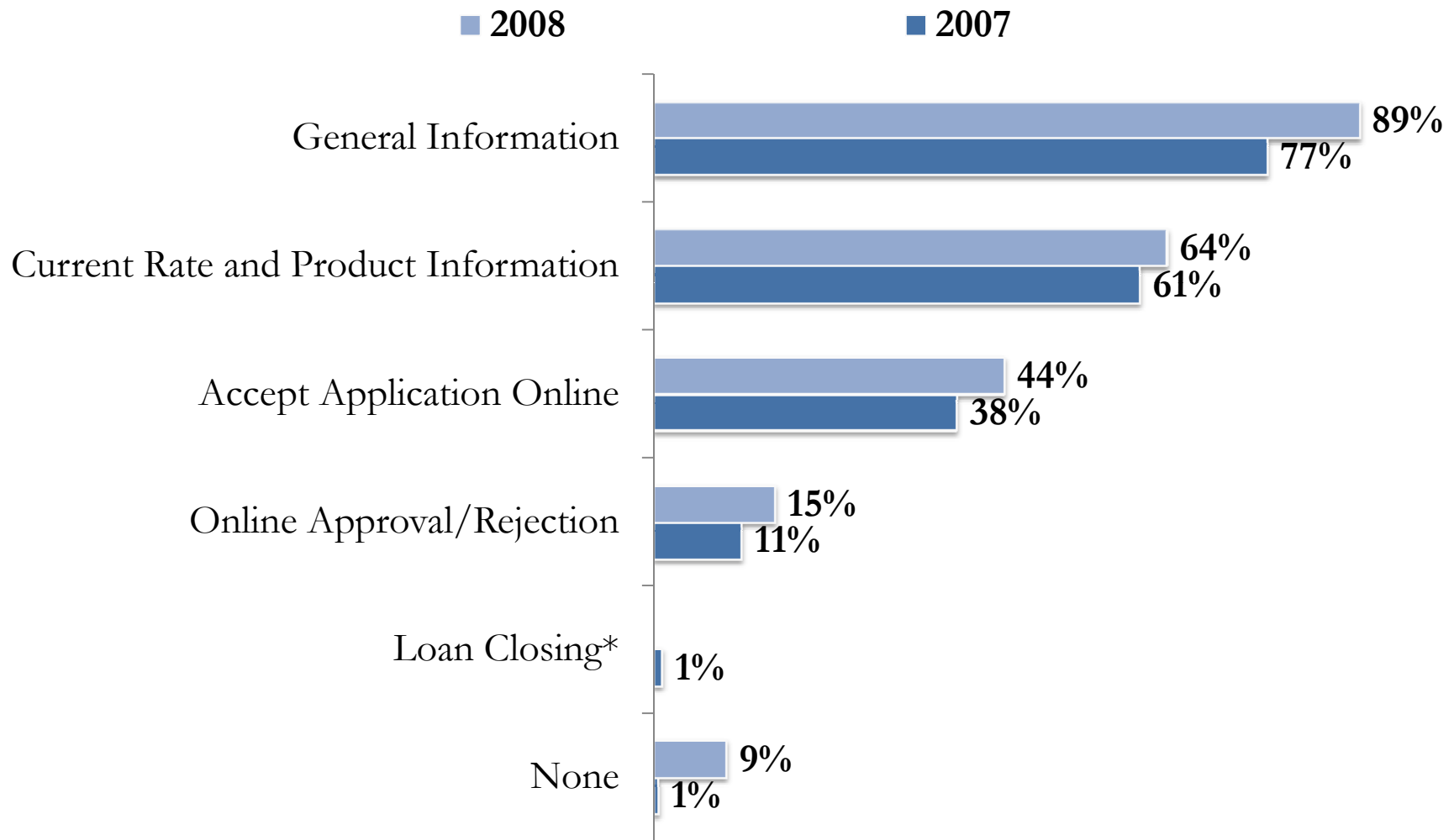
Does your bank use an automated loan-origination system for 1-4 family loans?

Asset Size	Yes, we do
> \$10B	100%
\$1B - \$10B	86%
\$501M - \$1B	85%
\$301M - \$500M	91%
\$201M - \$300M	64%
\$101M - \$200M	60%
\$51M - \$100M	39%
< \$50M	75%
All Categories	74%

Top Five Most Frequently Used Automated Loan-origination Systems

System	% of Respondents
Open Solution	25.8%
Fiserv (Easy Lender)	16.1%
Ellie Mae (Encompass)	11.8%
Calyx Software (Point)	7.5%
Mortgagebot	6.5%

Chart 3: Percentage of Banks that Offer Online Mortgage-related Information and Service Features



**Data not collected in 2008 RE Lending Survey*

Chart 4: What's in Your Servicing Portfolio?

(Data as of year-end 2008)

By Asset Size (averages in millions)	Serviced for Bank	Serviced for Others
Over \$10 Billion	\$3,987.5	\$4,641.0
\$1 - \$10 Billion	\$703.0	\$367.5
\$501 Million - \$1 Billion	\$266.5	\$180.1
\$301 - \$500 Million	\$163.6	\$40.4
\$201 - \$300 Million	\$99.8	\$24.2
\$101 - \$200 Million	\$56.1	\$20.7
\$51 - \$100 Million	\$34.7	\$10.5
Up to \$50 Million	\$39.8	-

Chart 5: Loan Portfolio Mix at a Glance for 2008

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

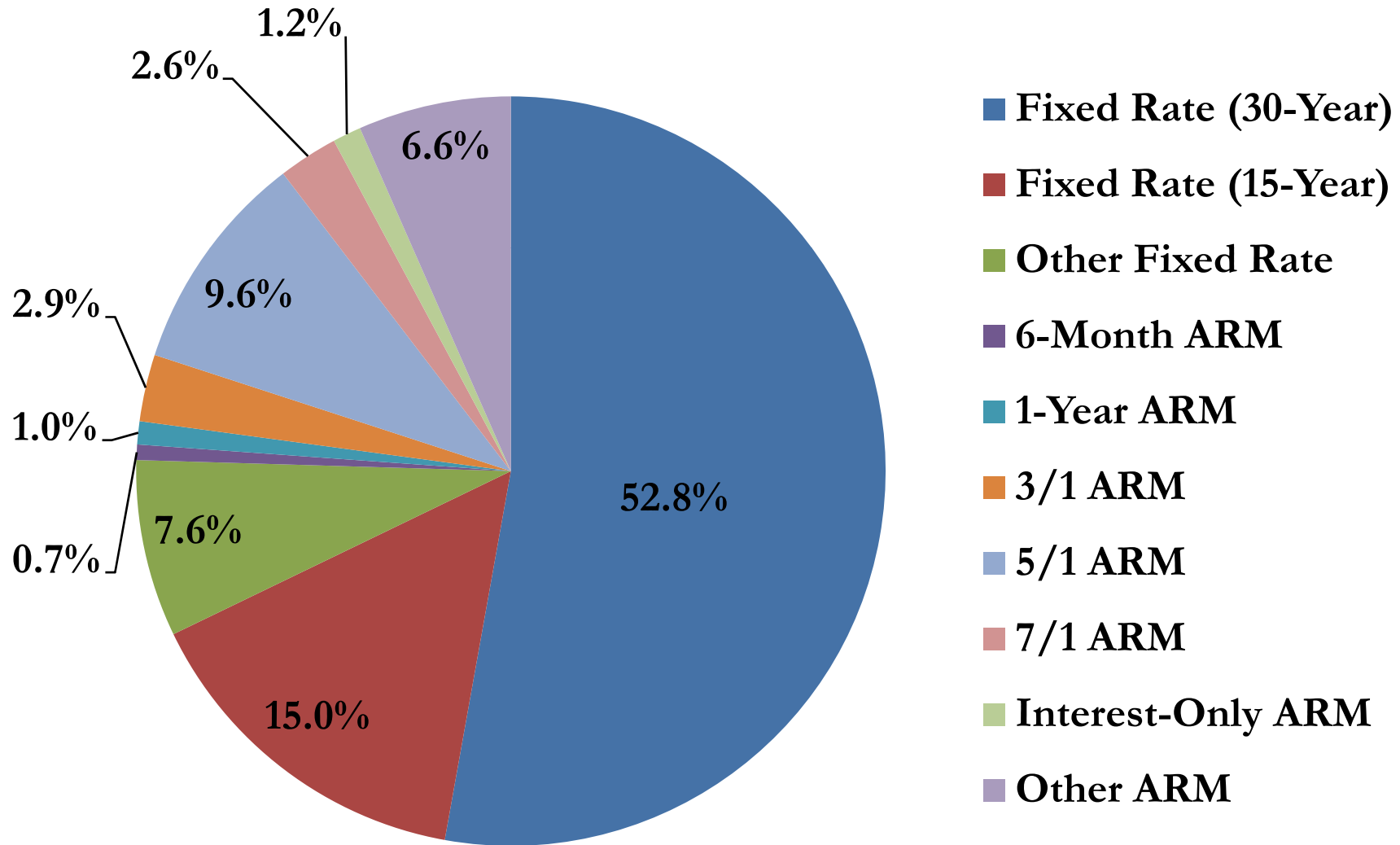


Chart 6: Loan Portfolio Mix at a Glance for 2007

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

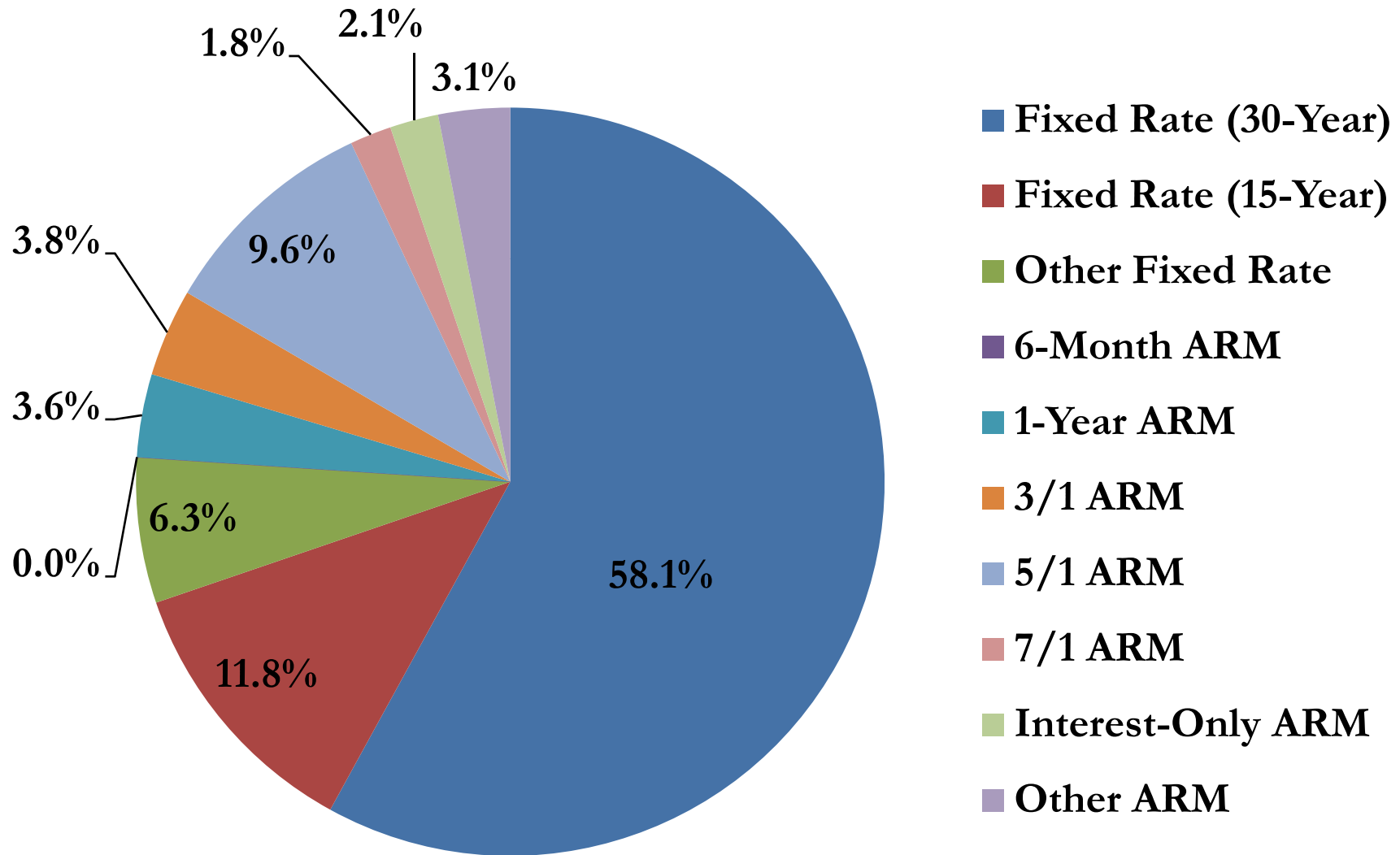
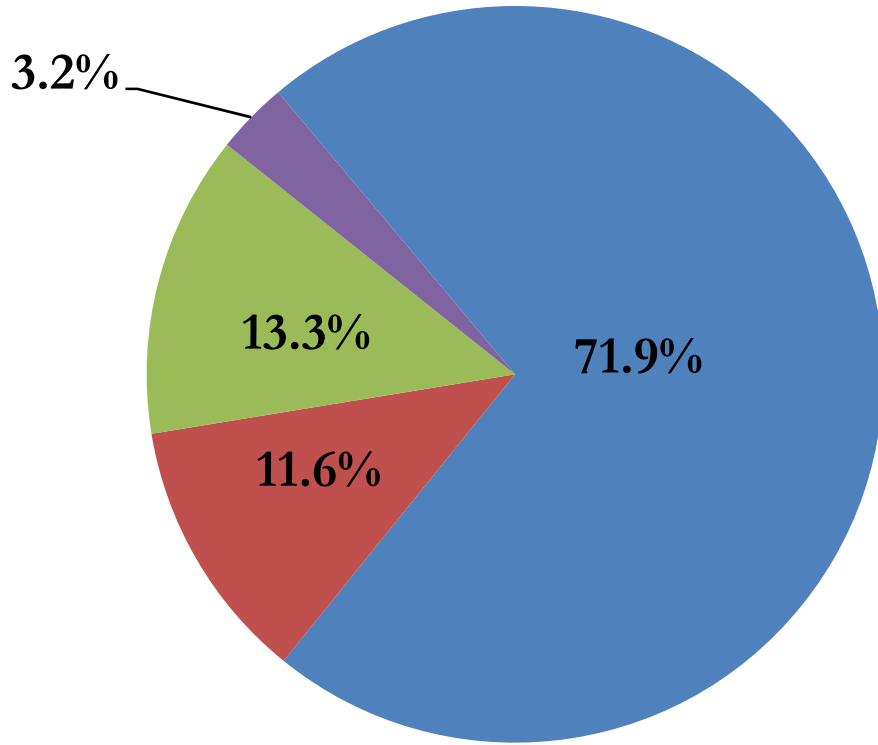
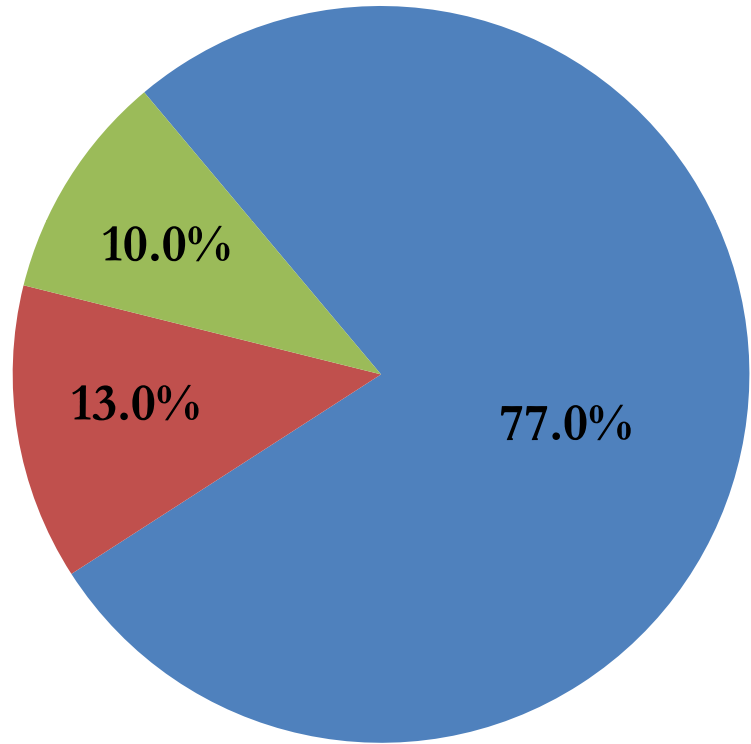


Chart 7: The Product Mix

Types of 1-4 Family Mortgage Origination

2007



2008

■ Conforming ■ Jumbo ■ Non-Conforming ■ FHA*

* FHA Data was not collected in the 2007 Real Estate Lending Survey

Chart 8: A Closer Look at Mortgage Features

Average percentage of loans originated with this feature in 2008

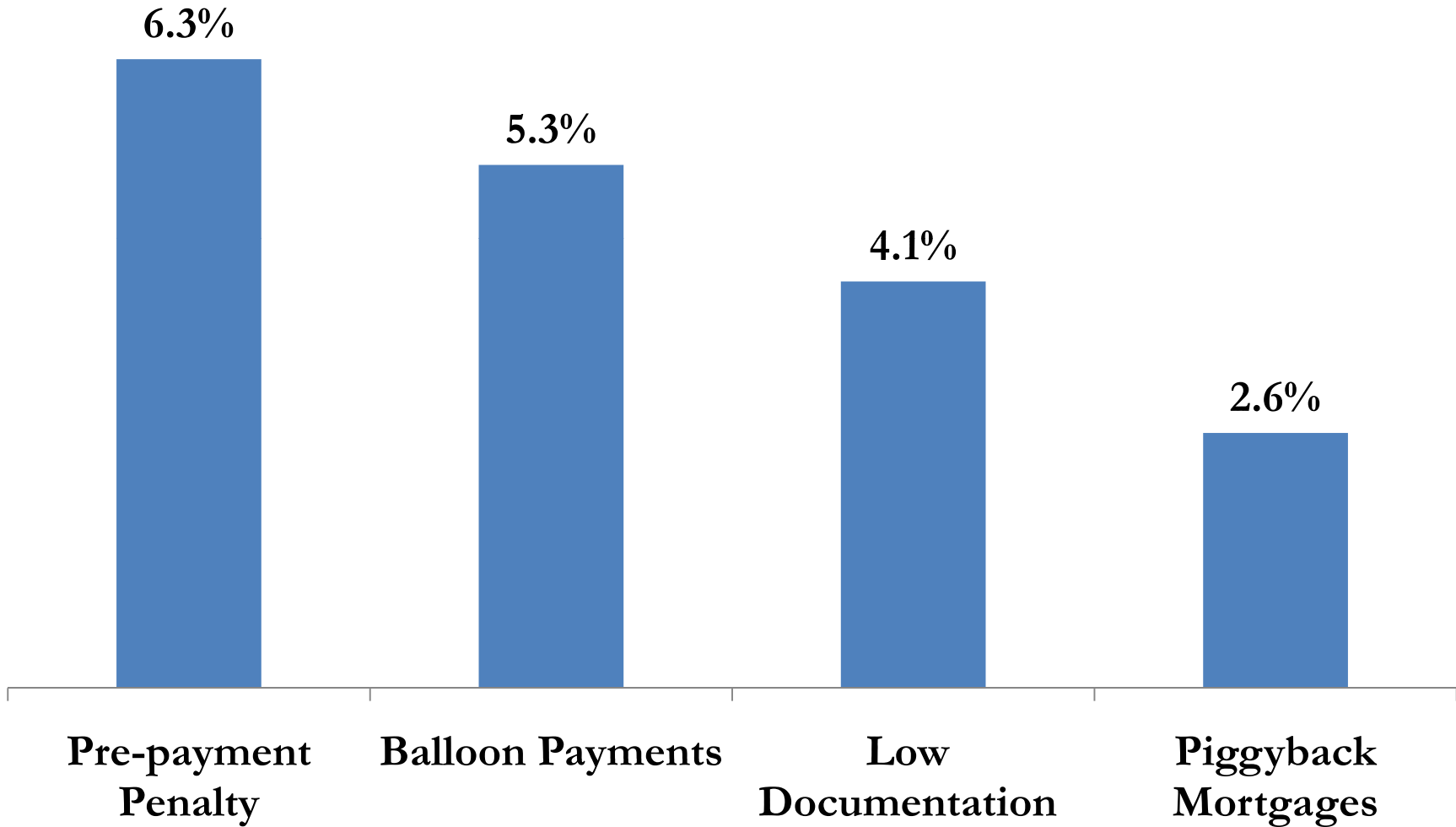
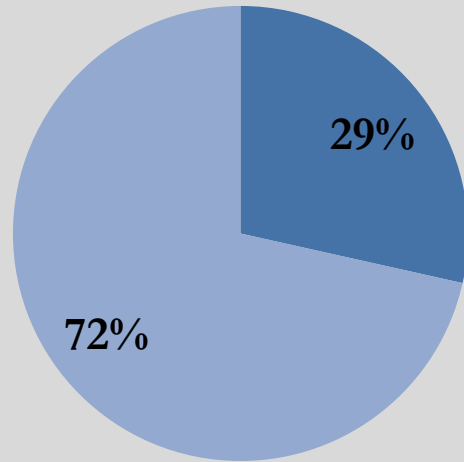


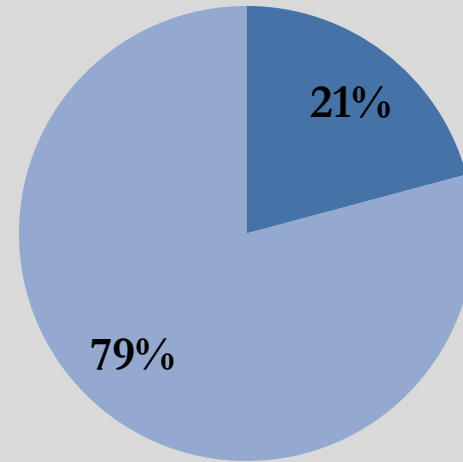
Chart 9: Reverse Mortgages Originations

Do you offer reverse mortgages?

- Yes
- No



2008



2007

Average Dollar Volume of Reverse Mortgages Originated

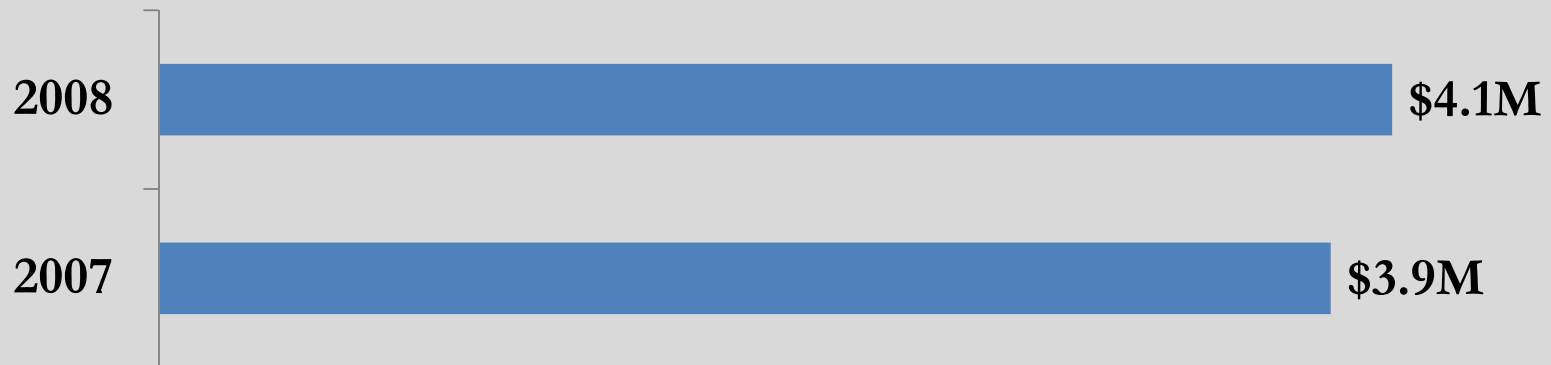
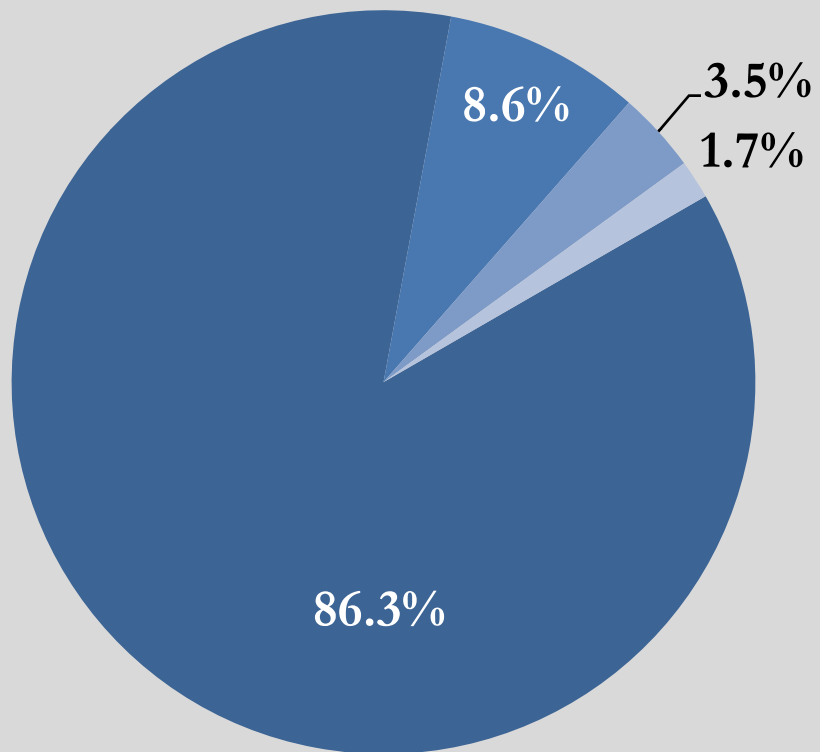
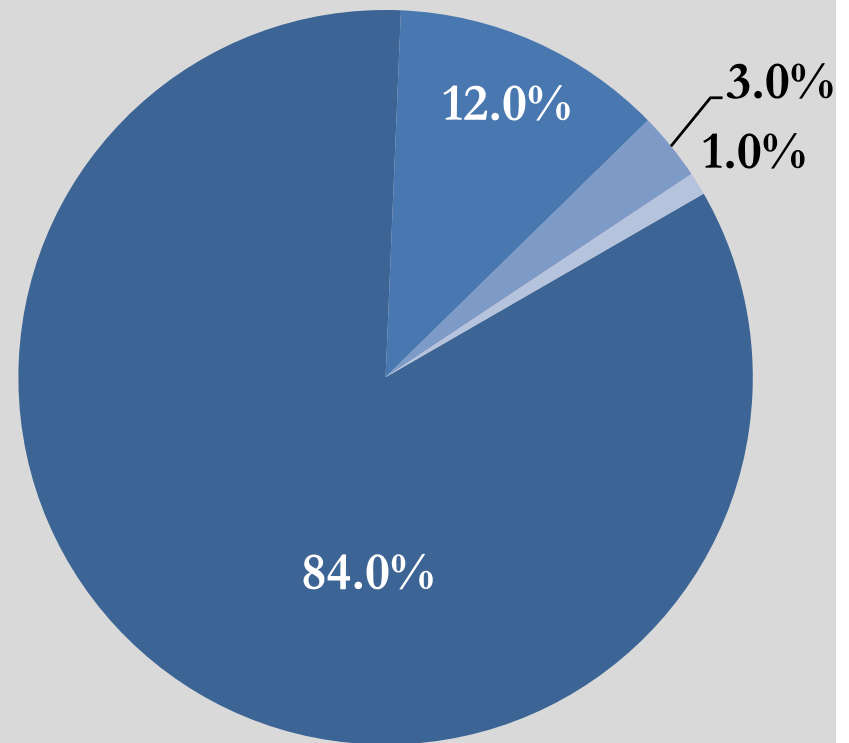


Chart 10: Origination Sources at a Glance

■ Retail ■ Wholesale/Correspondent ■ Internet ■ Other



December 2008



September 2007

Chart 11: How Participants Handled Loans Originated?

- Retained
- Sold to Fannie Mae
- Sold to Freddie Mac
- Securitized through Ginnie Mae
- Sold to Conduit/Aggregator
- Sold to other Financial Institution
- Sold through FHLB/MPF/MPP Program

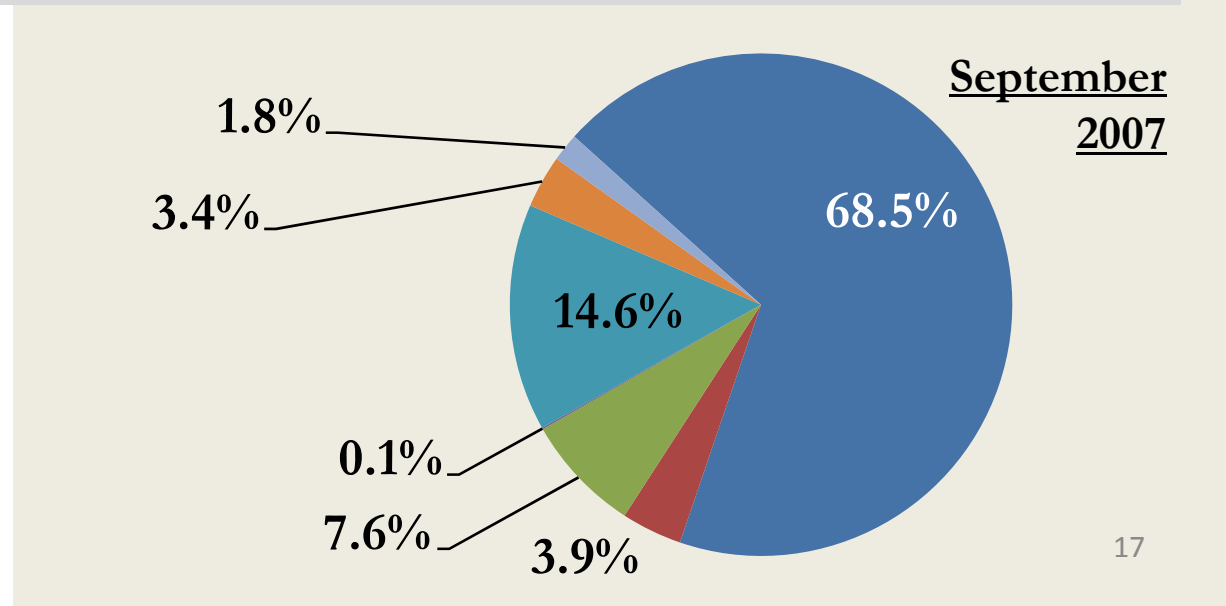
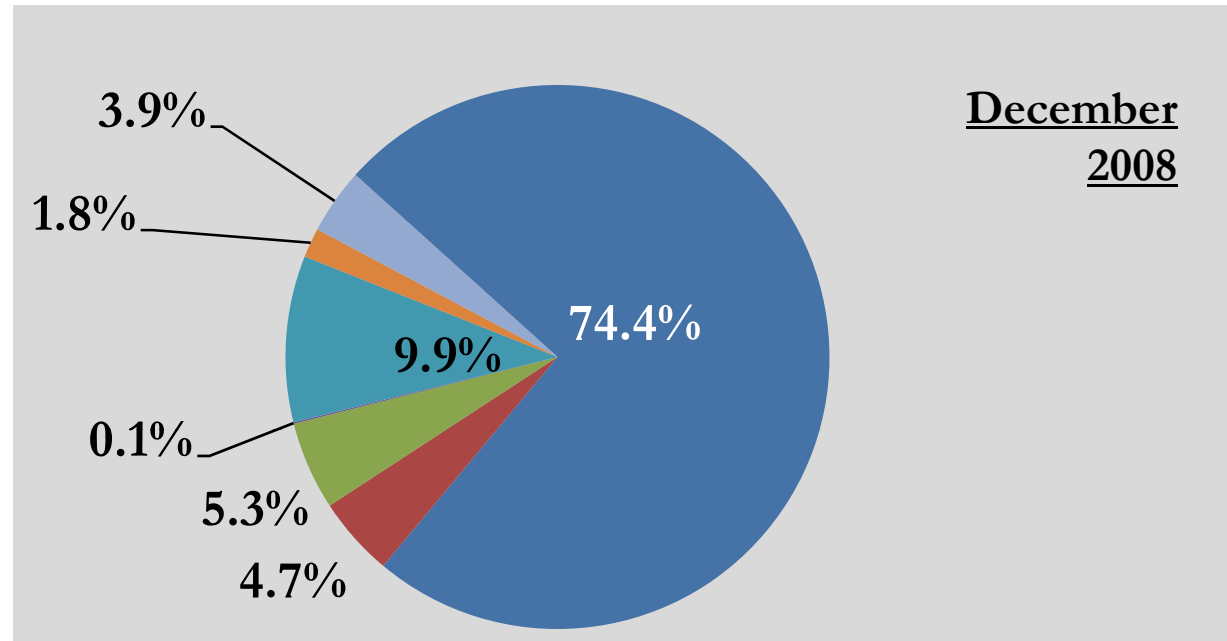


Chart 12: Where is the Volume Going? A Historical Perspective

(Percentage of originations sold to each of the following buyers)

	2008	2007	2006	2005	2004	2003
Conduits/Wholesalers	10%	15%	10%	14%	15%	11%
Fannie Mae	5%	4%	3%	7%	8%	16%
Freddie Mac	5%	8%	6%	7%	10%	16%
FHLB MPF/MPP	4%	2%	2%	4%	3%	3%
Other	2%	3%	2%	1%	6%	1%

Chart 13: Top Five Outlets

Ranking of Most Used Aggregators

2008

Ranking	Aggregator
1	CitiMortgage
2	JPMorgan Chase
3	Countrywide
4	SunTrust Mortgage
5	Taylor, Bean & Whitaker

2007

Ranking	Aggregator
1	Countrywide
2	Taylor, Bean & Whitaker
3	CitiMortgage
4	Wells Fargo Home Mortgage
5	SunTrust Mortgage, Inc

Chart 14: Profile of a Mortgage Applicant

Based on 1-4 Family Mortgage Originations

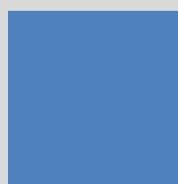
First Time Home Buyers

13%



2007

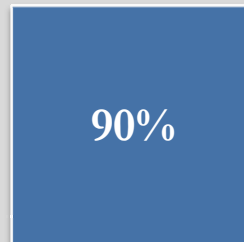
10%



2008

Do you require private mortgage insurance for loans with an LTV greater than 80%? (For 2008)

90%



Yes

10%

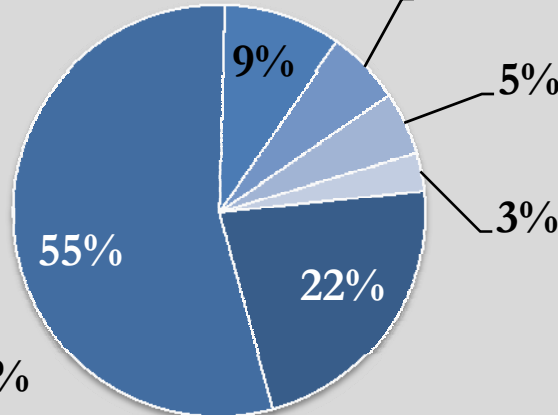


No

Loan Portfolio Breakdown by LTV

2008

- Below 60%
- 60 - 69%
- 70 - 79%
- 80 - 89%
- 90 - 95%
- Greater than 95%



2007

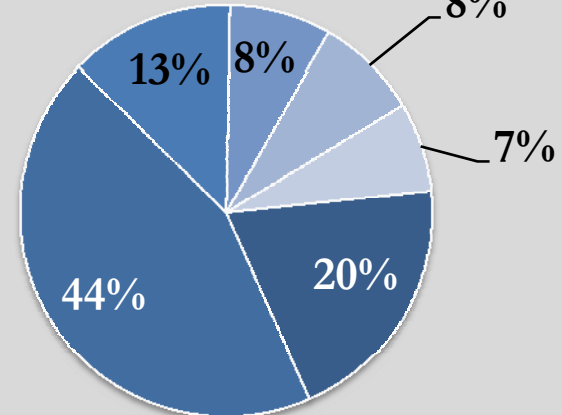


Chart 15: Tightening Underwriting Standards

Percent of 1-4 Family Mortgage Origination that Fall into FICO Category

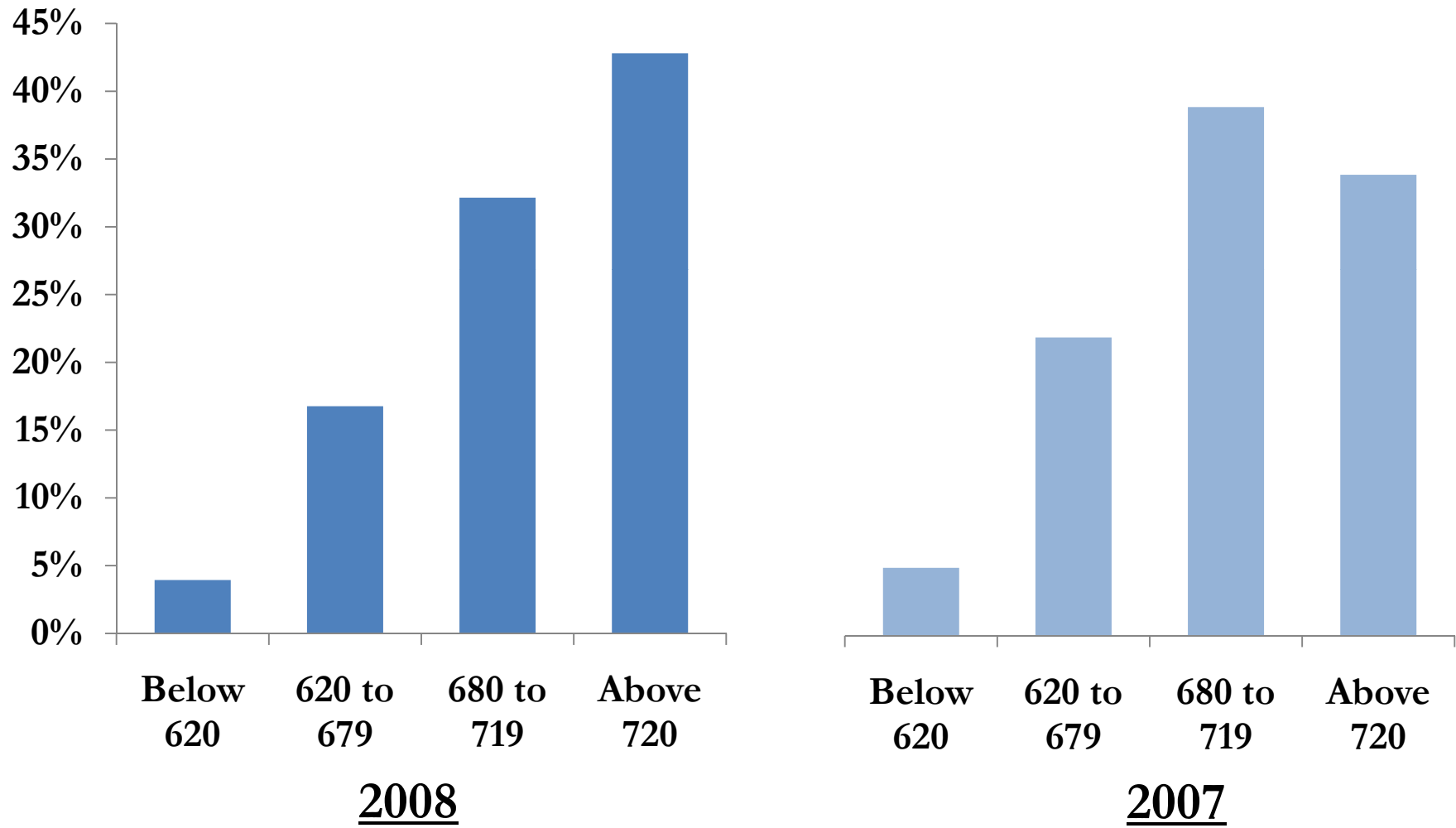


Chart 16: Delinquency and Foreclosure Rates

For 1-4 Family Mortgage Origination

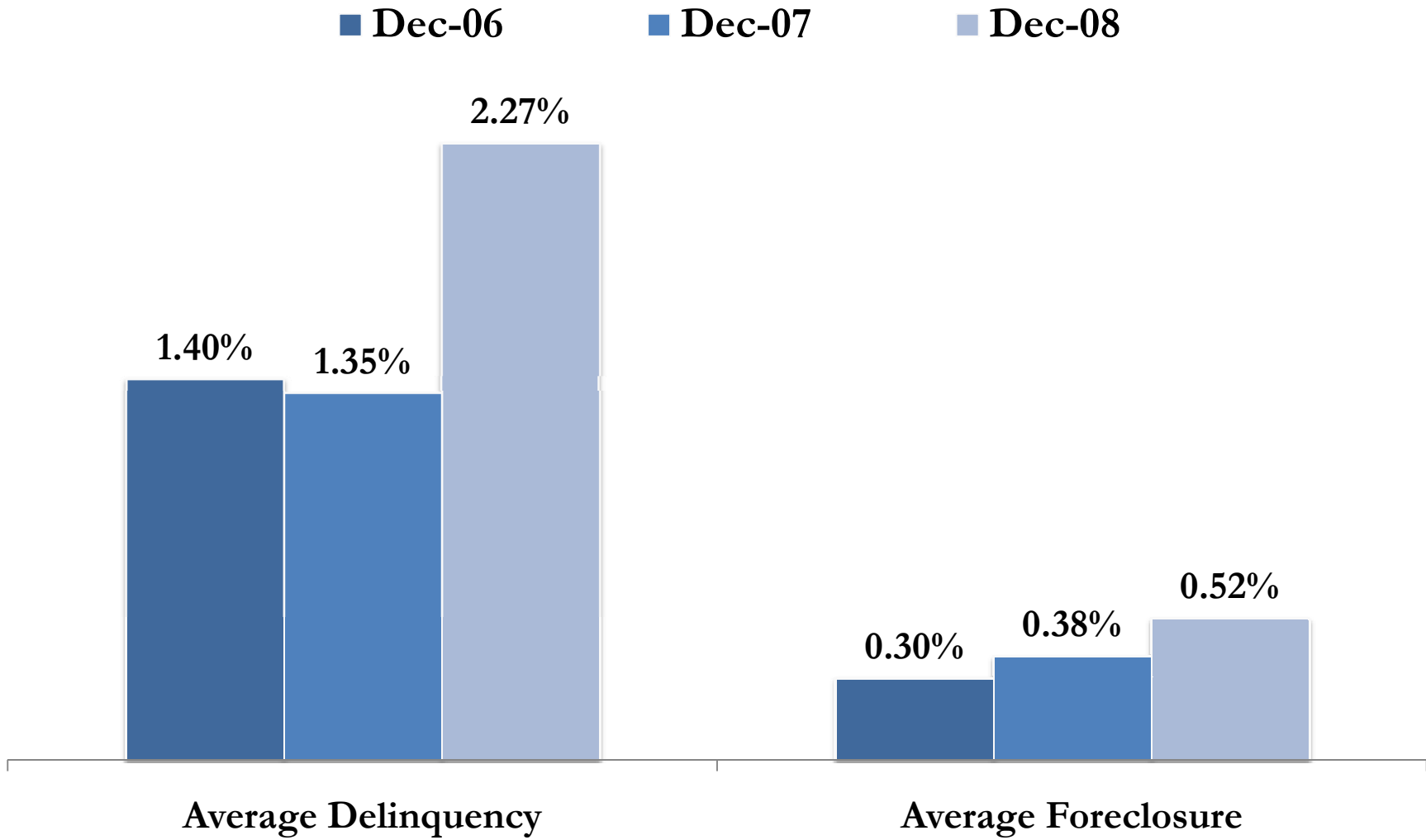


Chart 17: Have Foreclosures Impacted Your Bank's Collateral Values?

(Data for 2008)

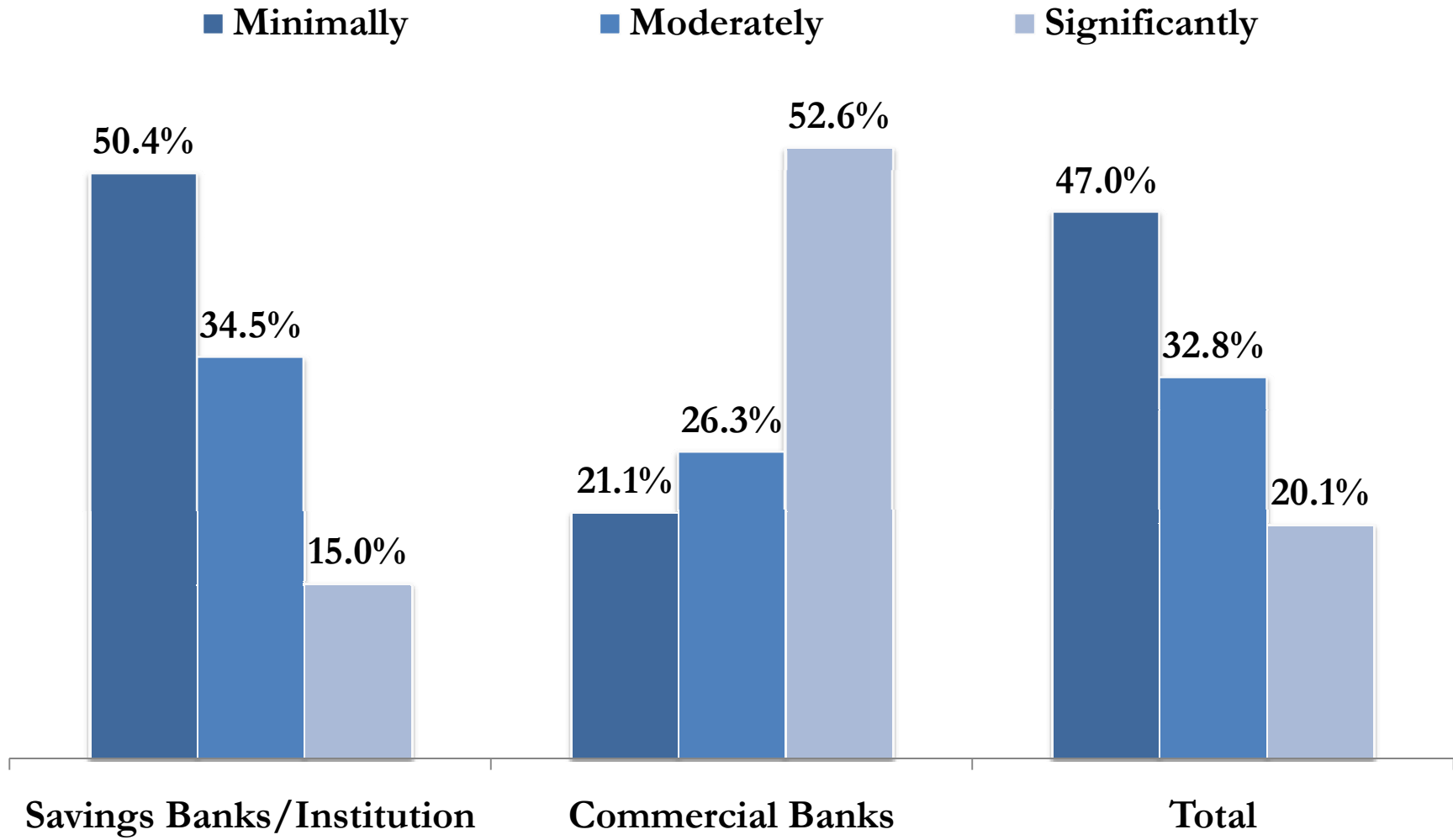
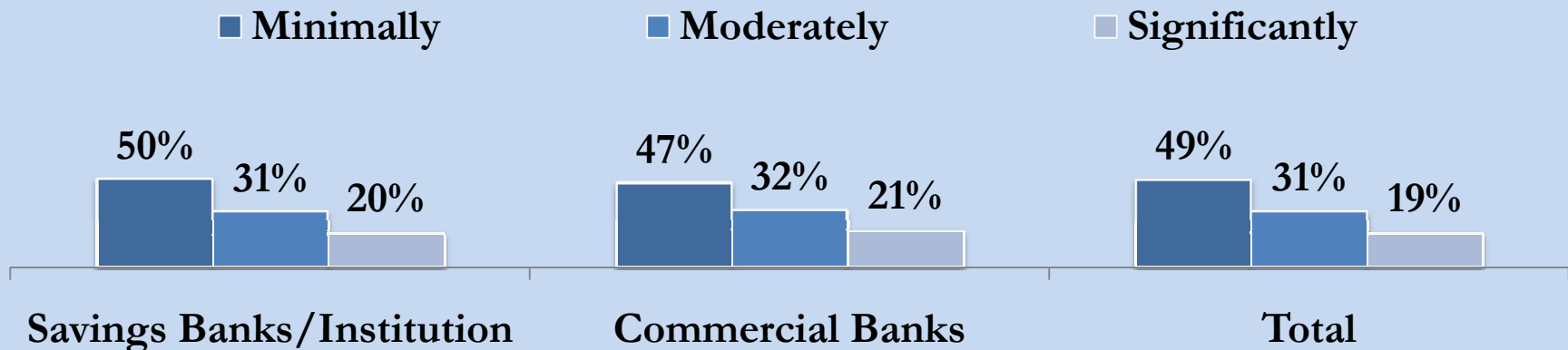


Chart 18: Mortgage Modification Programs

(Data for 2008)

Was there an increase in demand for work-outs or other modifications?



Would your institution consider using the methodologies of the FDIC's foreclosure mitigation proposal?

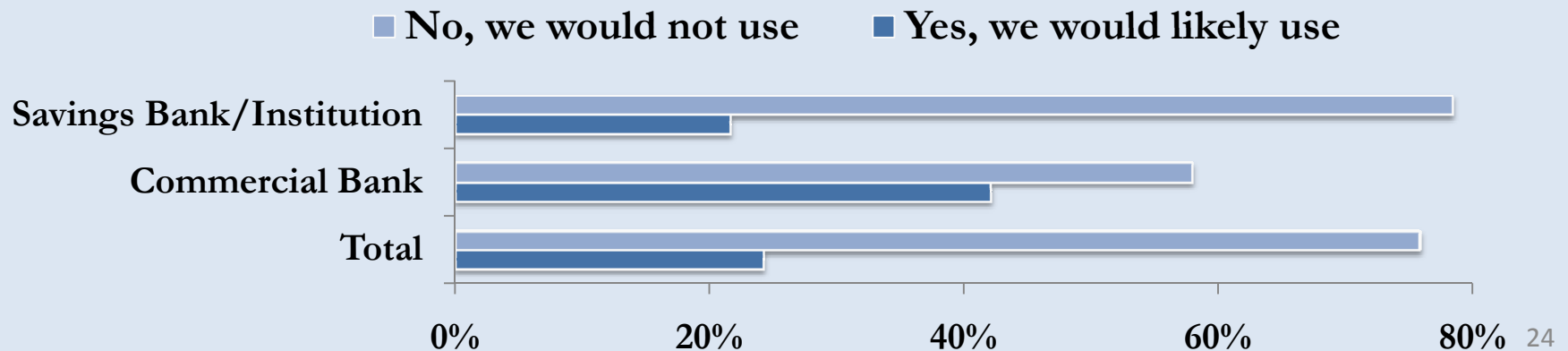
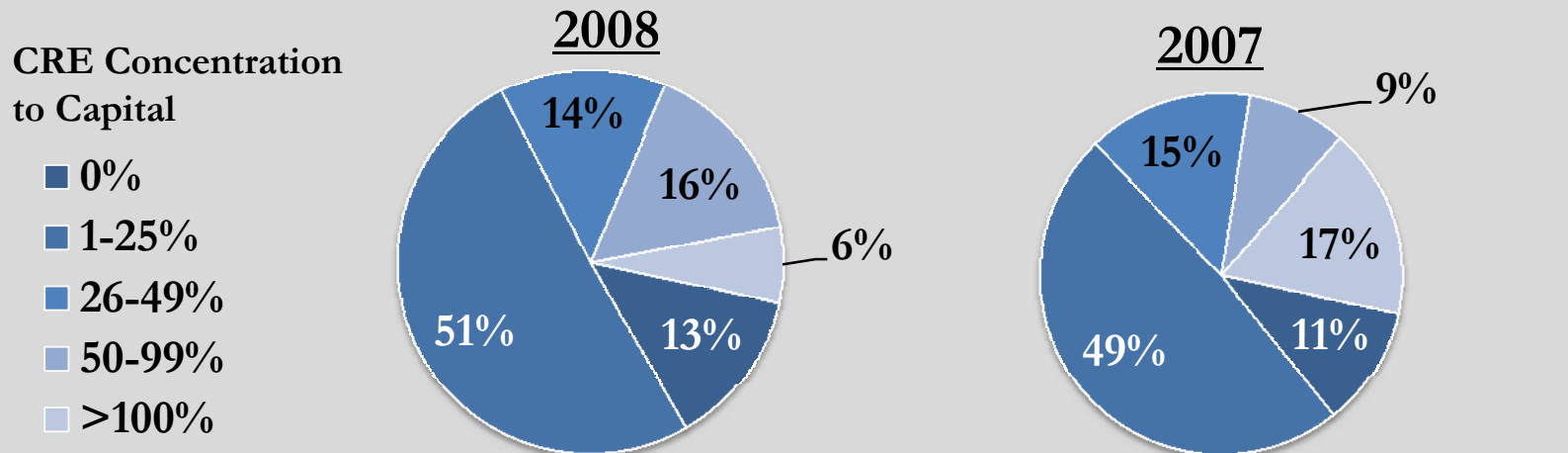


Chart 19: CRE Loan Concentration to Capital

Capital represented by CRE loans for construction, land development and other land. (Pie wedges represent percent of respondents)



Capital represented by CRE loans secured by multifamily/nonfarm residential/construction & land development and other land

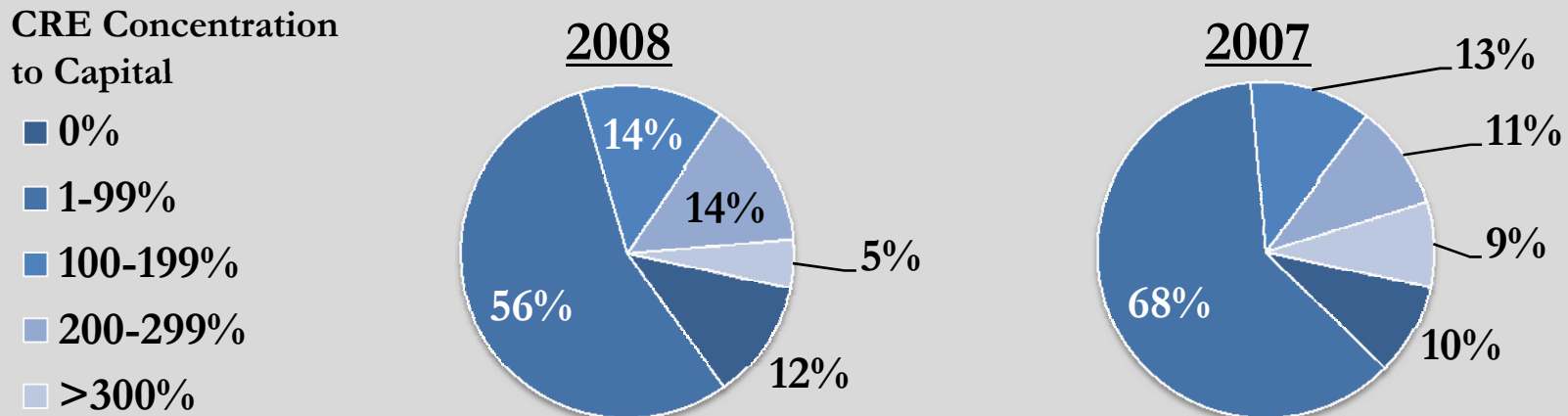


Chart 20: Levels of CRE Loan Delinquencies (30 or More Days Past Due)

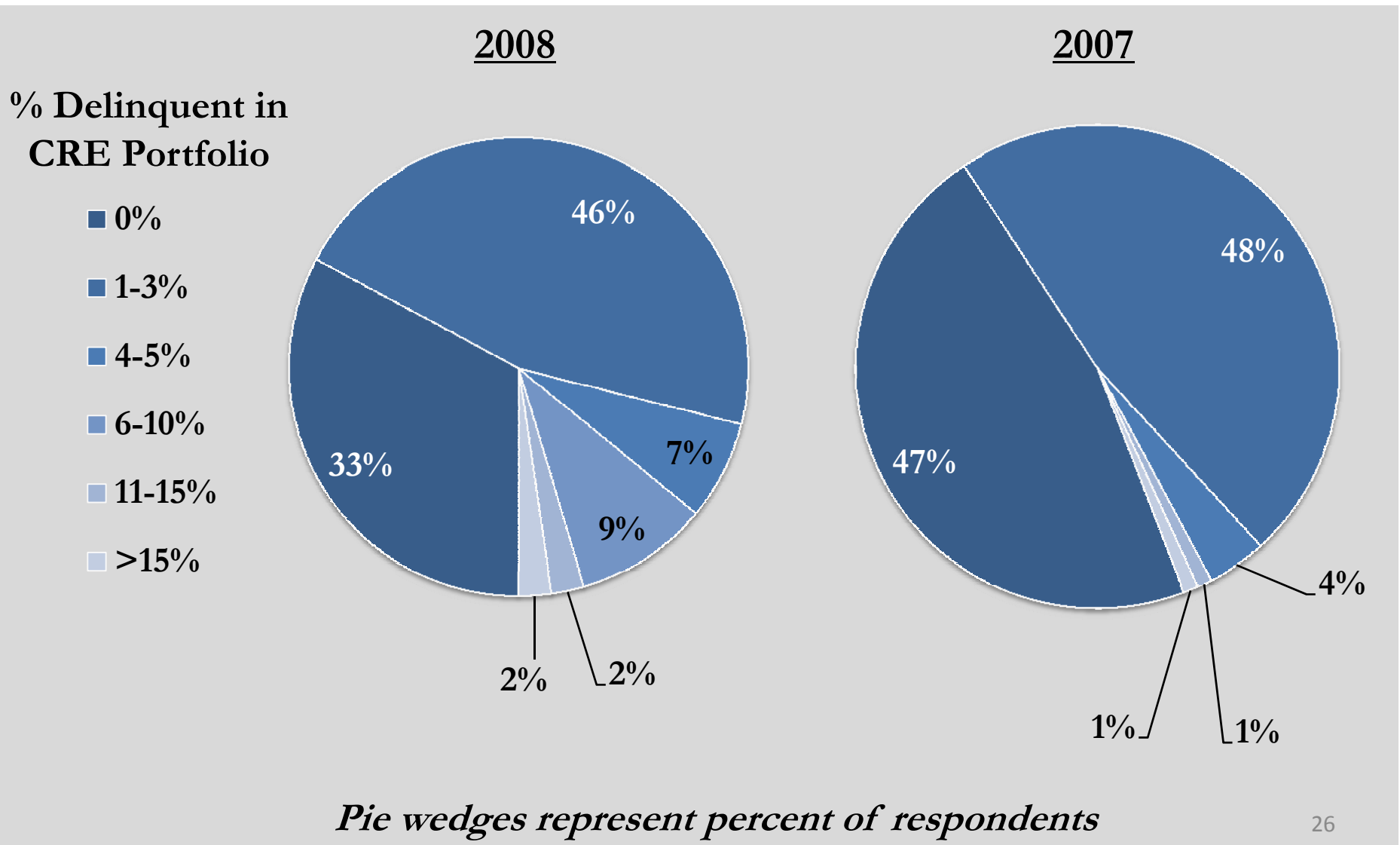


Chart 21: CRE Loan Delinquency by Loan Category (30 or More Days Past Due)

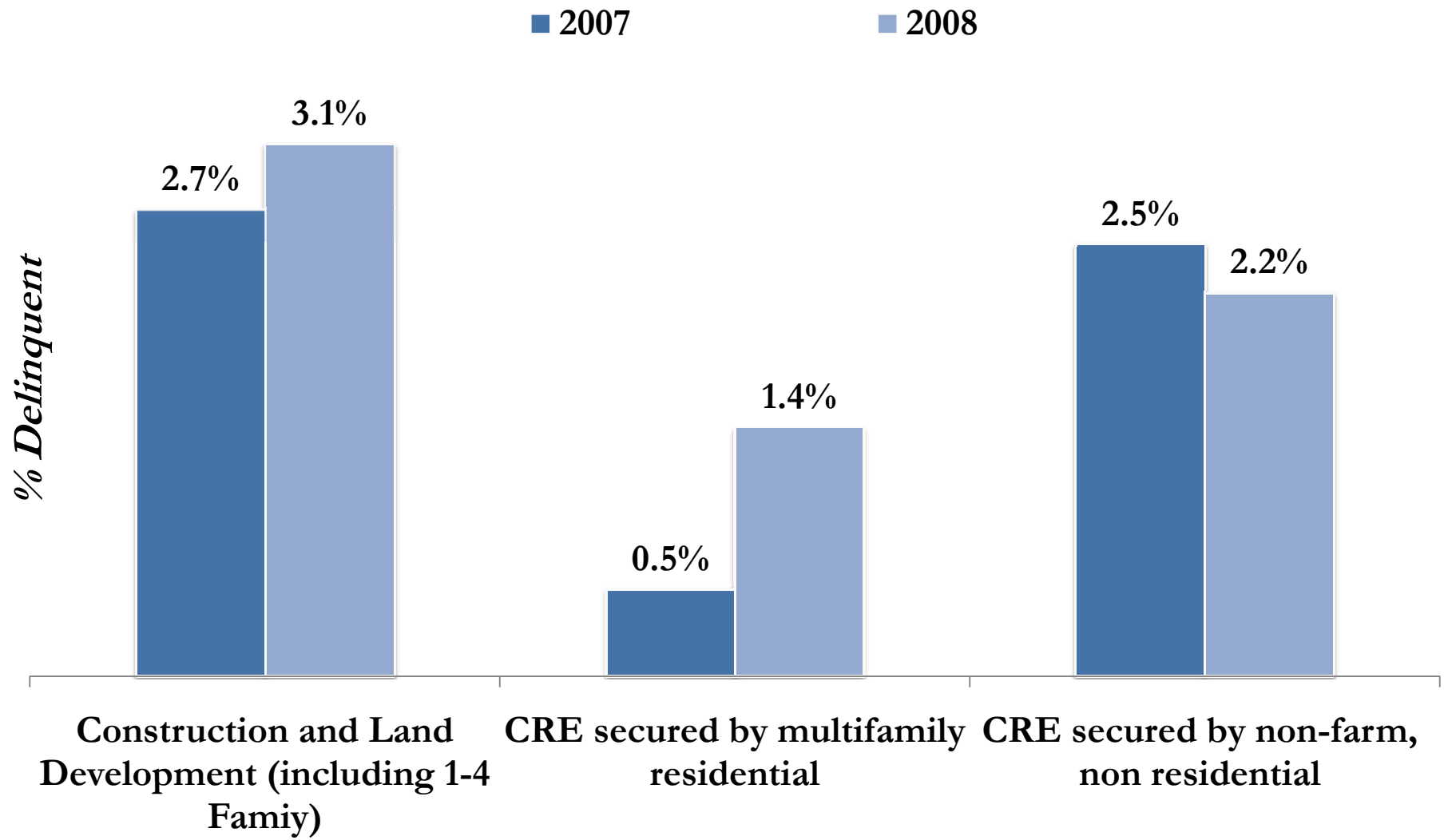


Chart 22: Production Down in All, Except Single Family

Do you expect a change in the dollar volume of loan production in 2009?

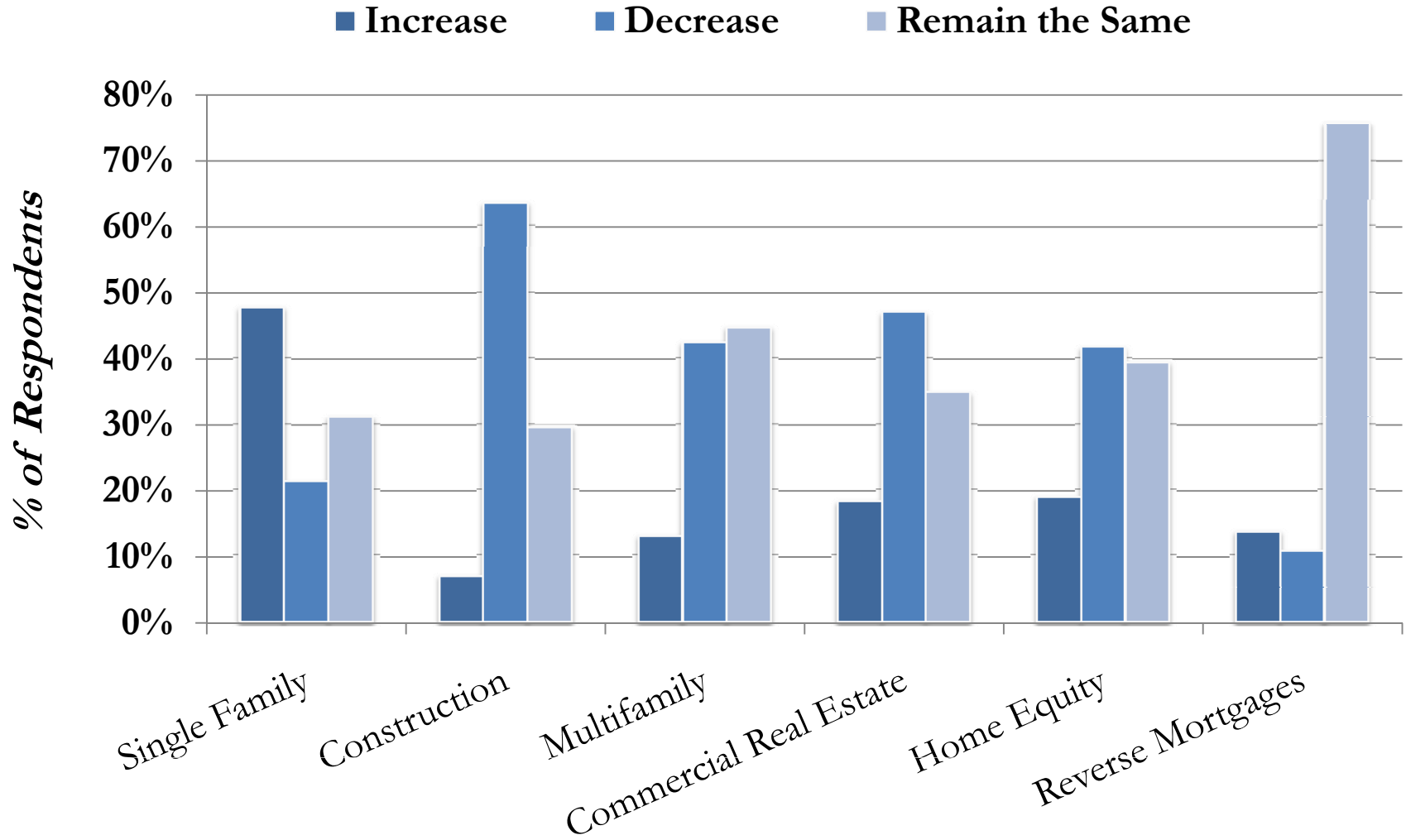


Chart 23: Looking Forward - Primary Concerns Regarding the Mortgage Market in 2009

Compilation of Most Frequent Survey Responses

Declining economy, falling home prices and rising unemployment

Legislative and regulatory action (i.e. bankruptcy cram-downs, TILA, RESPA, HMDA)

Damaging media portrayal about the banking industry and impact on consumer confidence

Rising delinquencies and foreclosures

Government action to manipulate interest rates