25th Annual ABA Residential Real Estate Survey Report

May 2018
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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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)
Bank Asset Sizes

- Up to $50 million: 23%
- $51-$100 million: 18%
- $101-$200 million: 20%
- $201-$300 million: 12%
- $301-$500 million: 7%
- $501 million-$1 billion: 6%
- $1 billion-$10 billion: 10%
- Over $10 billion: 2%

Primary Federal Regulator

- FDIC: 52%
- OCC: 31%
- Federal Reserve: 17%
<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>New England (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, Vermont)</td>
<td>15%</td>
</tr>
<tr>
<td>Mid-Atlantic (D.C., Delaware, Maryland, New Jersey, New York, Pennsylvania, Virginia)</td>
<td>18%</td>
</tr>
<tr>
<td>Middle Southeast (Kentucky, North Carolina, South Carolina, Tennessee, West Virginia)</td>
<td>9%</td>
</tr>
<tr>
<td>Lower Southeast (Alabama, Florida, Georgia, Mississippi, Puerto Rico)</td>
<td>2%</td>
</tr>
<tr>
<td>Great Lakes (Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin)</td>
<td>22%</td>
</tr>
<tr>
<td>South (Louisiana, Oklahoma, Texas, Arkansas)</td>
<td>7%</td>
</tr>
<tr>
<td>Plains (Iowa, Kansas, Missouri, North Dakota, Nebraska, South Dakota)</td>
<td>16%</td>
</tr>
<tr>
<td>Mountain (Colorado, Idaho, Montana, Utah, Wyoming)</td>
<td>6%</td>
</tr>
<tr>
<td>Southwest (Arizona, California, Hawaii, Nevada, New Mexico)</td>
<td>2%</td>
</tr>
<tr>
<td>Northwest (Alaska, Oregon, Washington)</td>
<td>2%</td>
</tr>
</tbody>
</table>
# Loan Production

## Top Loan Origination Systems

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Loan Origination System</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mortgagebot (Finastra)</td>
</tr>
<tr>
<td>2</td>
<td>Encompass (Ellie Mae)</td>
</tr>
<tr>
<td>3</td>
<td>Point (Calyx)</td>
</tr>
<tr>
<td>4</td>
<td>LaserPro (Finastra)</td>
</tr>
<tr>
<td>5</td>
<td>Compliance One (Wolters Kluwer)</td>
</tr>
</tbody>
</table>
## Loan Production

### Participant Loan Volume for 2017

<table>
<thead>
<tr>
<th></th>
<th>1-4 Family Mortgage Loans ($)</th>
<th>Home Equity Loans (drawn lines-of-credit) ($)</th>
<th>Second Trust Loans (closed-end) ($)</th>
<th>Multifamily Mortgage Loans ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>$80,196,966</td>
<td>$6,307,139</td>
<td>$2,130,490</td>
<td>$4,004,998</td>
</tr>
</tbody>
</table>
Loan Production
1-4 Family Mortgage Loan Production, Year-to-Year Origination Comparison

2015
- Purchase: 55%
- Refinance: 45%

2016
- Purchase: 53%
- Refinance: 47%

2017
- Purchase: 40%
- Refinance: 60%

Legend: Purchase • Refinance
Loan Production Origination Sources at a Glance

2015
- Retail: 83%
- Wholesale/Correspondent: 7%
- Internet: 7%
- Other: 3%

2016
- Retail: 81%
- Wholesale/Correspondent: 6%
- Internet: 6%
- Other: 3%

2017
- Retail: 83%
- Wholesale/Correspondent: 6%
- Internet: 6%
- Other: 5%
## Loan Production

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

<table>
<thead>
<tr>
<th>By Asset Size</th>
<th>Serviced for Bank (averages in millions, unless otherwise noted)</th>
<th>Serviced for Others (averages in millions, unless otherwise noted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 - $10 Billion</td>
<td>$362.5</td>
<td>$471.6</td>
</tr>
<tr>
<td>$501 Million - $1 Billion</td>
<td>$230.5</td>
<td>$182.0</td>
</tr>
<tr>
<td>$301 - $500 Million</td>
<td>$119.9</td>
<td>$87.8</td>
</tr>
<tr>
<td>$201 - $300 Million</td>
<td>$72.3</td>
<td>$138.7</td>
</tr>
<tr>
<td>$101 - $200 Million</td>
<td>$49.4</td>
<td>—</td>
</tr>
<tr>
<td>$51 - $100 Million</td>
<td>$15.4</td>
<td>—</td>
</tr>
<tr>
<td>Up to $50 Million</td>
<td>$7.8</td>
<td>—</td>
</tr>
</tbody>
</table>
Please estimate the number of 1-4 family loans your bank serviced as of December 31, 2017.

- 0 – 2,000: 71%
- 2,001 – 5,000: 21%
- 5,001 – 10,000: 5%
- 10,001 – 25,000: 3%
Loan Destination
Servicing Released and Servicing Retained, 2017

- Servicing released: 34%
- Servicing retained: 30%
- Both: 36%
Loan Destination
Servicing Released and Servicing Retained, 2017

If Both Servicing Released and Servicing Retained, Percentage Breakdown

- Servicing released: 42%
- Servicing retained: 58%
Loan Destination
1-4 Family Mortgage Originations (Dollar volume) Retained and/or Sold to Buyers, 2016 and 2017

2016

- Loans retained in portfolio: 43.4%
- Sold to Fannie Mae: 14.5%
- Securitized through Ginnie Mae: 11.9%
- Sold to Freddie Mac: 13.5%
- Sold to private mortgage conduits or aggregators: .6%
- Sold to other financial institutions as portfolio investment: 11.4%
- Sold through FHLB MPF/MPP Program: 4.74%

2017

- Loans retained in portfolio: 43.3%
- Sold to Fannie Mae: 18.2%
- Securitized through Ginnie Mae: 12.7%
- Sold to Freddie Mac: 9.2%
- Sold to private mortgage conduits or aggregators: 1.1%
- Sold to other financial institutions as portfolio investment: 11.3%
- Sold through FHLB MPF/MPP Program: 4.3%
Loan Destination
Where is the Volume Going?
A Historical Perspective

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduits/Wholesalers</td>
<td>19%</td>
<td>22%</td>
<td>17%</td>
<td>18%</td>
<td>18%</td>
<td>19%</td>
<td>12%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>12%</td>
<td>13%</td>
<td>15%</td>
<td>12%</td>
<td>14%</td>
<td>11%</td>
<td>10%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>17%</td>
<td>15%</td>
<td>13%</td>
<td>15%</td>
<td>15%</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>FHLB MPF/MPP</td>
<td>5%</td>
<td>5%</td>
<td>7%</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>4%</td>
<td>2%</td>
<td>3%</td>
<td>5%</td>
<td>4%</td>
</tr>
</tbody>
</table>
# Loan Destination

## Ranking of Most Used Aggregators Top Outlets

### 2017

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Aggregator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wells Fargo, FHLB</td>
</tr>
<tr>
<td>2</td>
<td>Franklin American</td>
</tr>
<tr>
<td>3</td>
<td>US Bank, SunTrust</td>
</tr>
<tr>
<td>4</td>
<td>Iowa Bankers Mortgage Corp</td>
</tr>
</tbody>
</table>

### 2016

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Aggregator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FHLB</td>
</tr>
<tr>
<td>2</td>
<td>Wells Fargo</td>
</tr>
<tr>
<td>3</td>
<td>U.S. Bank</td>
</tr>
<tr>
<td>4</td>
<td>PennyMac</td>
</tr>
<tr>
<td>5</td>
<td>Franklin American</td>
</tr>
</tbody>
</table>

### 2015

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Aggregator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wells Fargo</td>
</tr>
<tr>
<td>2</td>
<td>U.S. Bank</td>
</tr>
<tr>
<td>3</td>
<td>BB&amp;T</td>
</tr>
<tr>
<td>4</td>
<td>Franklin American</td>
</tr>
<tr>
<td>5</td>
<td>FHLB</td>
</tr>
</tbody>
</table>
Loan Destination Servicing Operations: Subservicer vs. Component Servicer

2016
- Subservicer 4%
- Component servicer 1%
- Both 1%
- Neither 94%

2017
- Subservicer 6%
- Component servicer 4%
- Both 1%
- Neither 89%
Have you sold mortgage servicing rights in the past year due to regulatory requirements or capital treatment of mortgage servicing assets?

**2016**
- Yes: 2%
- No: 98%

**2017**
- Yes: 5%
- No: 95%
Are you contemplating selling servicing rights due to new regulatory requirements or capital treatment of mortgage servicing assets?

- Yes: 12%
- No: 88%
Mortgage Products and Features
Breakdown of Offered Mortgage Products

2016
- Fixed Rate (30-Year): 47.7%
- Fixed Rate (15-Year): 18.6%
- Other Fixed Rate: 15.1%
- 1-Year ARM: 6.7%
- 3/1 ARM: 2.8%
- 5/1 ARM: 2.6%
- 7/1 ARM: 0.7%
- Interest-Only ARM: 0.5%

2017
- Fixed Rate (30-Year): 52.8%
- Fixed Rate (15-Year): 15.4%
- Other Fixed Rate: 11.8%
- 1-Year ARM: 5.9%
- 3/1 ARM: 4.4%
- 5/1 ARM: 11.8%
- 7/1 ARM: 15.4%
- Interest-Only ARM: 7.7%
- Other ARM: 0.6%
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

Conforming
- 2017: 75.9%
- 2016: 79.4%
- 2015: 72.1%
- 2014: 71.1%
- 2013: 74.8%

Jumbo
- 2017: 8.7%
- 2016: 8.6%
- 2015: 9.5%
- 2014: 8.5%
- 2013: 6.4%

Non-Conforming
- 2017: 10.4%
- 2016: 7.7%
- 2015: 13.8%
- 2014: 14.6%
- 2013: 15%

FHA/VA
- 2017: 5%
- 2016: 4.3%
- 2015: 4.6%
- 2014: 5.8%
- 2013: 3.8%
Mortgage Products/Features
First Time Home Buyers

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>14%</td>
</tr>
<tr>
<td>2015</td>
<td>15%</td>
</tr>
<tr>
<td>2016</td>
<td>16%</td>
</tr>
<tr>
<td>2017</td>
<td>17%</td>
</tr>
</tbody>
</table>
Mortgage Products/Features
Loan-to-Value Ratios for 1-4 Family Mortgage Loans Originated

2016
- 60% or less: 6%
- 60% - 80%: 16%
- 80% - 85%: 8%
- 85% - 90%: 8%
- 90% - 95%: 16%
- 95% and greater: 46%

2017
- 60% or less: 8%
- 60% - 80%: 14%
- 80% - 85%: 8%
- 85% - 90%: 11%
- 90% - 95%: 16%
- 95% and greater: 43%
For 1-4 family mortgage loans with an LTV above 80%:
Do you require private mortgage insurance?

- Yes: 54%
- No: 13%
- Sometimes: 33%
Mortgage Products/Features
FICO Categories

Percentage of 1-4 Family Mortgage Loans by FICO Categories

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>720 and above</td>
<td>49.5%</td>
<td>49.2%</td>
<td>48.6%</td>
</tr>
<tr>
<td>680 and 719</td>
<td>30.8%</td>
<td>31.0%</td>
<td>31.1%</td>
</tr>
<tr>
<td>620 and 679</td>
<td>17.4%</td>
<td>16.5%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Below 620</td>
<td>2.3%</td>
<td>2.6%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Mortgage Products/Features
Escrow Services

Does your bank provide escrow services for its mortgage customers?

- Yes: 83%
- No: 17%

Are escrow accounts mandatory for mortgage customers?

- Yes: 31%
- No: 69%
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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delinquency rate</td>
<td>1.42%</td>
<td>1.29%</td>
</tr>
<tr>
<td>Foreclosure rate</td>
<td>0.37%</td>
<td>0.57%</td>
</tr>
</tbody>
</table>
Regulatory Impact
Non-QM Loans

Average Percentage of Non-QM Loans

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>16%</td>
</tr>
<tr>
<td>2014</td>
<td>10%</td>
</tr>
<tr>
<td>2015</td>
<td>14%</td>
</tr>
<tr>
<td>2016</td>
<td>9%</td>
</tr>
<tr>
<td>2017</td>
<td>10%</td>
</tr>
</tbody>
</table>
Regulatory Impact

Impact of ATR/QM Rules on Lending

Bank restricted lending to QM segments
- 2016: 31%
- 2017: 28%

Bank originated primarily QM loans, and non-QM loans were restricted to targeted markets or otherwise limited
- 2016: 45%
- 2017: 52%

Bank originated loans without regard to QM status
- 2016: 23%
- 2017: 20%
If you originate non-QM loans, do you:

- Hold as portfolio investments: 67%
- Sell to secondary market investors: 5%
- Sell directly to other investors: 2%
- All the above: 2%
- Not applicable: 23%
What do you expect will be the ongoing impact of the Ability-to-Repay/QM rules on credit availability?

### 2016
- Moderate: 61%
- Negligible: 29%
- Severe: 10%

### 2017
- Moderate: 70%
- Negligible: 26%
- Severe: 4%
## Of your 2017 production, which was the most important reason why a non-QM loan does not meet QM standards?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate exceeded available spread over the average prime offer  rate</td>
<td>12%</td>
</tr>
<tr>
<td>Loan had negative amortization features</td>
<td>1%</td>
</tr>
<tr>
<td>Loan exceeded 30 years</td>
<td>1%</td>
</tr>
<tr>
<td>Loan exceeded the limits on points and fees</td>
<td>3%</td>
</tr>
<tr>
<td>Loan had interest-only payment features</td>
<td>5%</td>
</tr>
<tr>
<td>Loan had a balloon payment within the first 60 months</td>
<td>2%</td>
</tr>
<tr>
<td>Loan exceeded the debt-to-income ratio</td>
<td>39%</td>
</tr>
<tr>
<td>Documentation requirements prevented consideration of all income and/or assets</td>
<td>16%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
<tr>
<td>Did not make non-QM loans</td>
<td>20%</td>
</tr>
</tbody>
</table>
Has FEMA remapping or any other issue related to National Flood Insurance Program pricing affected affordability for loans in your market?

- Yes: 28%
- No: 72%
Regulatory Impact
Impacts on Business

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

2016
- No negative impact: 5%
- Small negative impact: 18%
- Moderate negative impact: 55%

2017
- No negative impact: 24%
- Small negative impact: 1%
- Moderate negative impact: 53%
Has your institution experienced higher mortgage-specific compliance costs in light of the recent regulatory reforms?

- Yes: 96%
- No: 4%
Have you had to hire more staff because of new regulations?

- Yes: 74%
- No: 17%
- No, but plan to do so in near future: 9%
If you have had to hire more staff due to new regulations, how many staff did you add to support additional regulatory burdens?

- 1 to 2: 69%
- 3 to 5: 23%
- 5 to 10: 4%
- Over 10: 4%
Have your legal/regulatory consulting costs increased because of new regulations?

- Yes: 97%
- No: 3%
## Regulatory Impact Compliance Costs

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

<table>
<thead>
<tr>
<th>Driver</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased time allocation</td>
<td>113</td>
</tr>
<tr>
<td>Increased technology costs</td>
<td>104</td>
</tr>
<tr>
<td>Increased personnel costs</td>
<td>99</td>
</tr>
<tr>
<td>Loss of efficiency</td>
<td>95</td>
</tr>
<tr>
<td>Increased costs for third-party vendor services</td>
<td>91</td>
</tr>
<tr>
<td>Loss of customers due to increased paperwork and/or complexity of disclosures</td>
<td>45</td>
</tr>
<tr>
<td>Loss of customers due to increased time between loan application and final loan approval</td>
<td>37</td>
</tr>
<tr>
<td>Loss of profitable business lines</td>
<td>20</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
</tr>
</tbody>
</table>
## Most Frequent Concerns

<table>
<thead>
<tr>
<th>Concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rising interest rates</td>
</tr>
<tr>
<td>Regulatory burdens</td>
</tr>
<tr>
<td>Lack of housing inventory</td>
</tr>
<tr>
<td>Increased cost of doing business and providing consumer services</td>
</tr>
</tbody>
</table>