



California Department of Business Oversight
Annual Report: Calendar Year 2017
Operation of Lenders and Servicers
Licensed under the
California Residential Mortgage Lending Act



STATE OF CALIFORNIA
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INTRODUCTION

In this report, the Department of Business Oversight (DBO) has compiled data submitted by residential mortgage lenders and mortgage loan servicers licensed under the California Residential Mortgage Lending Act (CRMLA). The licensees submitted the data pursuant to Financial Code section 50307(a). The statute requires licensees to submit to the Commissioner of Business Oversight an annual report that contains information the Commissioner deems relevant to calculating licensees' annual assessment. The assessment calculation is governed by Financial Code section 50401(a).

Financial Code section 50307(a) states:

Each residential mortgage lender or servicer licensee shall file a report with the commissioner annually, on or before the first day of March, giving the relevant information that the commissioner reasonably requires to make the calculation required by subdivision (a) of Section 50401. The report shall be made under oath and in the form prescribed by the commissioner.

This report contains unaudited data provided by licensees for the calendar year ending December 31, 2017. The report provides historical lending and servicing information. The numbers primarily are statistical in nature. As in prior years, the Commissioner required licensees to provide in their annual reports data and information on the following:

- Loans originated
- Loans brokered
- Loans serviced
- Foreclosures
- Adjustable rate and other non-traditional mortgage loans

The CRMLA authorizes licensees to make and service residential mortgage loans¹ secured by properties with one-to-four family residences. The DBO issues licenses under the CRMLA to companies who meet the requirements to be a residential mortgage lender, mortgage loan servicer or both.

A lender² directly makes the loan, makes the credit decision in the loan transaction and uses its own funds, including warehouse lines of credit, to fund the loan.

A mortgage loan servicer³ collects mortgage loan payments from borrowers. Mortgage payments include principal, interest and amounts placed in escrow for payment of property taxes, hazard insurance, mortgage insurance premiums and other expenses.

As of December 31, 2017, the Department licensed 418 mortgage lenders and servicers with 5,929 branches. Of the 418 licensees, 364 filed their required annual reports.

While the number of licensees increased from 409 in 2016 to 418 in 2017, the number of licensees that filed their annual reports (364) decreased from 391 in 2016. That represented an eight percent decrease in filings.

The disparity in the number of annual report filers affects the comparison data provided in this report.

¹ Financial Code section 50003(p) defines residential mortgage loan as a federally-related mortgage loan as defined in Title 12 Chapter X Part 1024 Subpart A 1024.2 of the Code of Federal Regulations, or a loan made to finance construction of a one-to-four family dwelling.

² Financial Code section 50003(m) defines a lender as “a person that (1) is an approved lender for the Federal Housing Administration, Veterans Administration, Farmers Home Administration, Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, (2) directly makes residential mortgage loans, and (3) makes the credit decision in the loan transactions.”

³ Financial Code section 50003(q) defines servicer as “a person that (1) is an approved servicer for the Federal Housing Administration, Veterans Administration, Farmers Home Administration, Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, and (2) directly services or offers to service mortgage loans.”

EXECUTIVE SUMMARY

The following are highlights from the 2017 CRMLA consolidated annual report:

- **Loans originated** - The number and principal amount of loans originated by licensees in 2017 decreased significantly from 2016, according to the data. The number of loans declined from 602,430 to 431,052, a decrease of 28.4 percent. The aggregate principal amount of loans originated in 2017 totaled \$150.7 billion, a 27.3 percent decrease from 2016. However, the 2017 aggregate principal amount represented a 290.4 percent increase from 2008's low point of \$38.6 billion.
- **Loans brokered** - The number of loans brokered in 2017 fell 24.3 percent from 2016, to 9,496 from 12,536. The aggregate principal amount of brokered loans in 2017 totaled \$5 billion, down 14.3 percent from 2016.
- **Loans serviced** - The aggregate average monthly amount of loans serviced by licensees increased 2.13 percent in 2017, to \$854.8 billion from \$852.9 billion in 2016.
- **Adjustable rate and other non-traditional mortgage loan products** - The number of licensees that reported making or arranging adjustable rate mortgages in 2017 went up to 214 from 212 in 2016, the data showed. The number of licensees making or arranging other non-traditional mortgages increased from 128 in 2016 to 140 in 2017. Licensees retained on their books \$1.4 billion of adjustable rate mortgages in 2017 and sold to investors another \$7.4 billion of such mortgages.
- **Consumer complaints** - Licensees reported 12,963 consumer complaints concerning non-traditional mortgage loans, an 11 percent decrease from 2016.
- **Foreclosures** - Licensees reported completing 11,478 foreclosures in 2017. That was down 27.7 percent from the 2016 total of 15,883.
- **Licensees** - The number of licensed lenders and servicers at the end of 2017 was 2.2 percent higher than it was at the end of 2016, at 418 compared to 409. The number of branches grew 8.8 percent, to 5,929 from 5,449. The 2017 numbers continued a steady rise since 2010. In that year, licensees totaled 289, and branches numbered 1,829.

SUMMARY REPORT

I. Lending and Servicing Data

Each licensee is required to file an annual report covering lending and servicing activities conducted during the calendar year. The report is submitted in a form prescribed by the Commissioner and must be filed by March 1 of the following year.

Loans Originated and Brokered

Licensees are required to report the number and principal amount of loans originated, and the number and principal amount of loans brokered during the calendar year. The table below provides data for 2017 and prior years.

Calendar Year	# of Loans Originated	\$ Amount of Loans Originated	# of Loans Brokered	\$ Amount of Loans Brokered
2017	431,052	\$150,730,340,810	9,496	\$5,068,089,886
*2016	602,430	\$207,438,422,469	12,536	\$5,915,716,007
2015	537,757	\$179,260,310,887	11,986	\$4,899,646,676
2014	365,045	\$114,451,778,034	10,434	\$5,623,343,832
2013	431,345	\$131,710,834,914	14,761	\$5,712,120,486
2012	440,375	\$134,686,029,766	23,835	\$7,600,019,651
2011	223,640	\$63,271,522,165	11,815	\$4,209,913,005
2010	227,279	\$68,730,455,845	13,314	\$4,701,974,317
2009	211,634	\$59,880,918,802	23,969	\$7,686,551,541
2008	139,366	\$38,604,344,566	11,184	\$4,622,500,846

* Variance from figures in prior year's annual report due to licensees' updating their origination and brokering data after the annual report was published.

Servicing Data

Each licensee is required to report the number and unpaid principal balance of all loans serviced as of the last day of each month in the calendar year. The DBO then computes each licensee's average monthly servicing total by calculating the 12-month sum, then dividing that number by 12. The aggregate average monthly servicing total is the total of all licensees' monthly averages. The table below provides the aggregate monthly average of the number and amount of loans serviced for 2017 and 2016.

Aggregate Monthly Average of Number and Amount of Loans Serviced*

Calendar Year	Aggregate Average Number of Loans Serviced	Aggregate Average Amount of Loans Serviced
2017	3,190,668	\$854,813,646,354
2016	3,153,333	\$852,994,585,284

*Data not collected prior to 2016.

Non-Traditional Mortgage Data

Licensees report their lending and brokering activities with respect to adjustable rate mortgages and other non-traditional mortgage loan products.

Licensees submit this data as identified in the Guidance on Nontraditional Mortgage Product Risks, published on November 14, 2006 by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR), and the Statement on Subprime Mortgage Lending, published on July 17, 2007 by CSBS, AARMR and the National Association of Consumer Credit Administrators.

The DBO began collecting data on non-traditional mortgages in 2007.

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Licensees are asked if they originated or arranged adjustable rate or other non-traditional mortgage products. The table below shows the number of licensees responding with a "Yes."

Calendar Year	Originated Other Non-Traditional Mortgage Products	Arranged Other Non-Traditional Mortgage Products	Originated Adjustable Rate Mortgage Products	Arranged Adjustable Rate Mortgage Products
2017	82	58	147	67
2016	75	53	145	67
2015	68	48	143	64
2014	60	43	134	99
2013	77	45	135	63
2012	78	35	129	50
2011	76	45	126	59
2010	65	35	97	46
2009	17	10	30	14
2008	92	69	104	78

Licensees also reported the number and amount of adjustable rate and other non-traditional mortgages they originated in 2017. Data was submitted both for loans retained by the licensee and those sold to investors.

Some loans may have multiple non-traditional characteristics. These loans are reported in each category and are included more than once. The table below shows this data for 2017.

Type of Non-Traditional Loans	# Retained	\$ Amount Retained	# Sold to Investors	\$ Amount Sold to Investors
Interest-Only Mortgage Loan	470	\$151,867,686	2,018	\$1,279,569,332
Payment Option Arm	587	\$159,047,120	2,801	\$1,061,563,710
Reduced Documentation	786	\$197,260,273	7,802	\$2,363,419,837
Simultaneous Second-Lien Loan	2,465	\$86,161,013	5,919	\$430,907,988
Home Equity Line of Credit	21	\$5,844,250	1,794	\$372,044,148
Covered Loans	20	\$7,742,643	1,686	\$690,581,767
Adjustable Rate Mortgage Loans	4,556	\$1,509,320,893	19,929	\$10,910,112,515

Non-Traditional Mortgage Complaints

Licensees report data on consumer complaints received about non-traditional mortgage loans, including: the number of complaints; the number of resolved and unresolved complaints; and the number of workout arrangements used to resolve complaints. Workout arrangement means a modified or converted loan product with predictable payment requirements to help financially-stressed borrowers.

The table below shows complaint and workout data for 2017 and prior years.

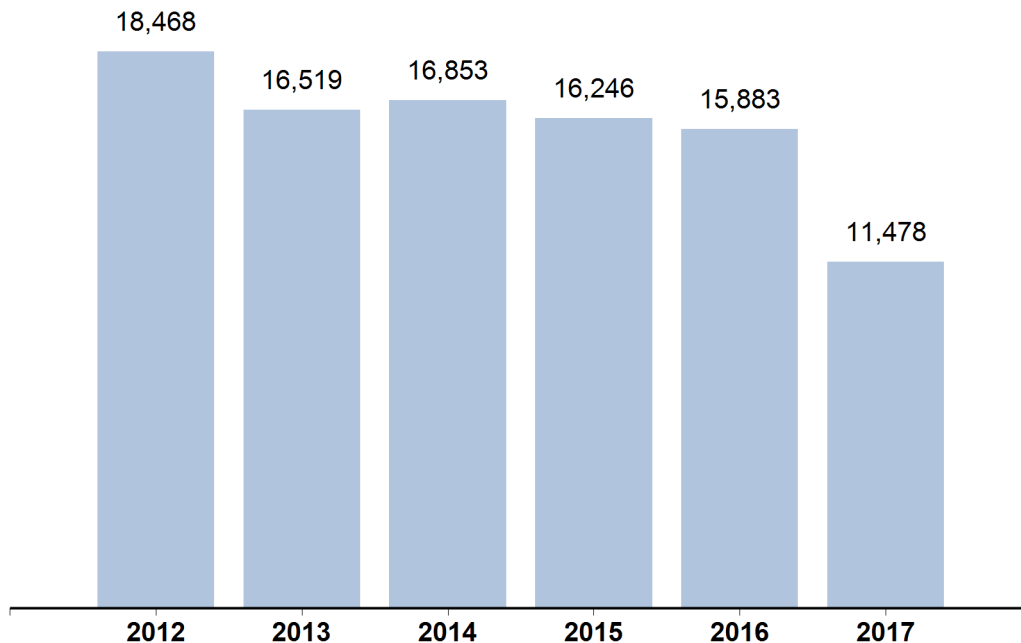
Calendar Year	Consumer Complaints Received	Resolved Complaints	Unresolved Complaints	Workout Arrangements Used to Resolve Complaints
2017	12,963	12,791	172	371
2016	14,579	14,549	30	456
2015	8,361	8,289	72	109
2014	12,775	12,767	8	611
2013	3,240	3,210	30	2
2012	3,361	3,299	62	59
2011	796	796	0	128
2010	1,073	1,063	10	485
2009	148	147	1	0
2008	7,276	6,665	611	2,132

II. Foreclosure Data

The California Foreclosure Reduction Act (Act), commonly referred to as the Homeowner Bill of Rights, took effect January 1, 2013. The statute significantly changed the non-judicial foreclosure process in California. The Foreclosure Reduction Act applies to all mortgage servicers that conduct foreclosures in the state. Many provisions apply only to mortgage servicers that have foreclosed on more than 175 homes during the preceding year.

To assess compliance with the Foreclosure Reduction Act, the Department began collecting foreclosure data from its licensees starting with calendar year 2012. The first of the two following charts shows the number of completed foreclosures reported by licensees. The second lists licensees reported completing more than 175 foreclosures in 2016 and 2017.

Number of Foreclosures



Licensees Reporting More Than 175 Foreclosures

Company	2016	2017
Bayview Loan Servicing, Llc	402	398
Caliber Home Loans, Inc.	637	387
Carrington Mortgage Services, Llc	208	189
Citimortgage, Inc.	1,100	928
Ditech Financial Llc	456	387
Fay Servicing, Llc	219	
Lakeview Loan Servicing, Llc	575	
Nationstar Mortgage Llc	1,666	1,410
New Penn Financial, Llc	442	402
Ocwen Loan Servicing, Llc	1,476	935
Pennymac Loan Services, Llc	186	
Reverse Mortgage Funding Llc	233	
Reverse Mortgage Solutions, Inc.	702	535
Rushmore Loan Management Services Llc	184	239
Select Portfolio Servicing, Inc.	1,022	694
Seterus, Inc.	4,265	2,762
Specialized Loan Servicing Llc	551	420

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