



2015

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



STATE OF CALIFORNIA
EDMUND G. BROWN JR., GOVERNOR

BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT

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Mortgage Lending
California Residential Mortgage Lending Act

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INTRODUCTION

In this report, the Department of Business Oversight (Department) 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.

The data compiled in this report is unaudited, and covers licensees' lending and servicing activities during the calendar year ended December 31, 2015. Related information such as licensing data also is included. Additionally, the report provides historical lending and licensing 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
- Mortgage loan originators



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The CRMLA authorizes licensees to make and service residential mortgage loans¹ secured by properties with one-to-four family residences. The Department 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.

In 2015, the Department licensed 399 mortgage lenders and servicers with 4,858 branches. Of the 399 licensees, 393 filed their required annual reports.

¹ Financial Code section 50003(o) 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

Following are some highlights from the 2015 CRMLA consolidated annual report.

- *Loans originated* – The number and principal amount of loans originated by licensees in 2015 increased significantly from 2014, according to the data. The number of loans grew to 537,757 from 365,045, an increase of 47.3 percent. The aggregate principal amount of loans originated in 2015 totaled \$179.3 billion, up 56.7 percent from 2014.

The 2015 aggregate principal amount represented a 364.5 percent increase from 2008's low point of \$38.6 billion, but still was 29.6 percent below the \$254.8 billion recorded in 2006.

- *Loans serviced* – The aggregate average amount of loans serviced by licensees each month increased 7.4 percent in 2015, to \$766.2 billion from \$713.1 billion in 2014.
- *Adjustable rate and other non-traditional mortgage loan products* – The number of licensees that reported making or arranging adjustable rate mortgages in 2015 went up to 143 from 134 in 2015, the data showed. The number making or arranging other non-traditional mortgages increased from 60 in 2014 to 68 last year.

Licensees retained on their books \$1.7 billion of adjustable rate mortgages in 2015 and sold to investors another \$6.0 billion of such mortgages.

- *Foreclosures* – Licensees reported completing 16,246 foreclosures in 2015. That was down 3.6 percent from the 2014 total of 16,853.
- *Licensees* – The number of licensed lenders and servicers at the end of 2015 was 11.1 percent higher than it was at the end of 2014, at 399 compared to 359. The number of branches grew 8.3 percent, to 4,858 from 4,484. The 2015 numbers continued a steady rise since 2010. In that year, licensees totaled 289, branches only 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 2015 and prior years.

Calendar Year	# of Loans Originated	\$ Amount of Loans Originated	# of Loans Brokered	\$ Amount of Loans Brokered
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
2007	342,075	103,575,960,213	27,869	\$10,205,803,507
2006	881,348	\$254,842,392,864	152,279	\$38,752,736,139



Servicing Data

Each licensee is required to report the unpaid principal balance of all loans serviced as of the last day of each month in the calendar year. The Department 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 for 2015 and prior years.

Year	Aggregate Average Amount of Loans Serviced
2015	\$766,204,805,537.92
2014	\$713,142,545,039.00
2013	\$634,034,864,728.61
2012	\$414,280,307,793.39
2011	\$247,225,226,747.86
2010	\$235,369,202,896.76
2009	\$234,722,586,560.21
2008	\$314,555,942,873.84
2007	\$624,501,756,683.89
2006	\$604,882,216,029.55

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 Department 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
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
2007	193	144	200	146

Licensees also reported the number and amount of adjustable rate and other non-traditional mortgages they originated in 2015. 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 first table on the following page shows this data for 2015.



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Type of Non-Traditional Loans Retained/Sold	# Retained 2015	\$ Amount Retained 2015	# Sold to Investors 2015	\$ Amount Sold to Investors 2015
Interest Only Mortgage Loan	130	\$126,324,671	500	\$416,308,741.00
Payment Option ARM	0	\$0	4	\$1,172,272.00
Reduced Documentation	699	\$262,296,311	3,819	\$1,173,656,822.00
Simultaneous Second Lien Loan	2,148	\$44,529,084	6,239	\$840,564,548.00
Home Equity Line of Credit	237	\$87,250,889	1,219	\$229,557,597.00
Covered Loans	294	\$73,193,991	5,452	\$1,536,545,874.00
Adjustable Rate Mortgage Loans	4,764	\$1,696,047,549	11,105	\$6,011,548,199.00

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 2015 and prior years.

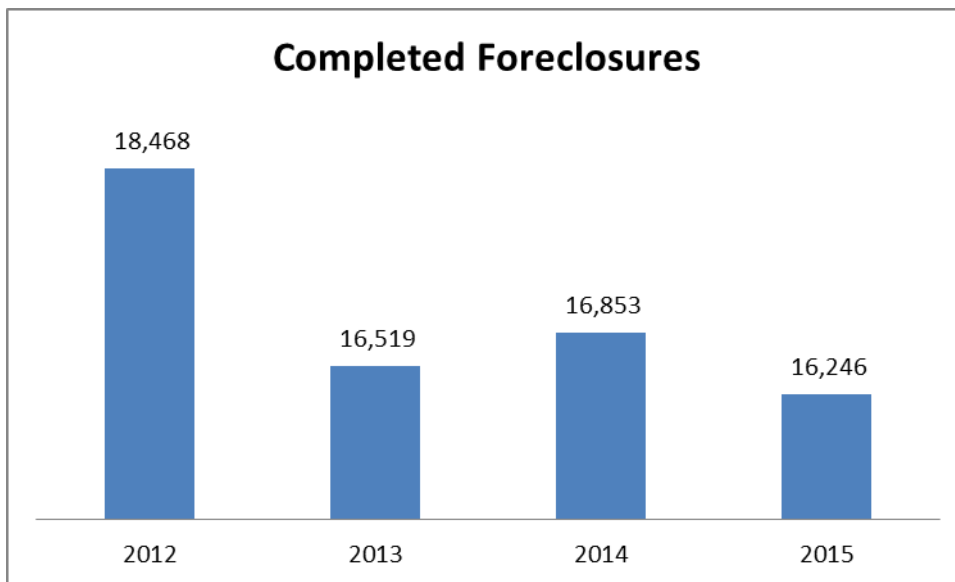
Calendar Year	Consumer Complaints Received	Resolved Complaints	Unresolved Complaints	Workout Arrangements Used to Resolve Complaints
2015	8,361	8,289	83	109
2014	12,775	12,767	41	611
2013	3,240	3,210	30	2
2012	3,361	3,299	64	59
2011	501	796	7	128
2010	1,073	1,063	10	485
2009	148	147	1	0
2008	7,276	6,665	289	2,132
2007	3,561	3,528	33	369



Foreclosures

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 that have reported completing more than 175 foreclosures in a year.



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Licensees Reporting More Than 175 Foreclosures

Company	2012	2013	2014	2015
Bayview Loan Servicing LLC	•			
Caliber Home Loans, Inc. fka Vericrest Financial, Inc.	•		•	•
Carrington Mortgage Services, LLC	•	•	•	
Citimortgage, Inc.	•	•	•	•
Ditech Financial LLC fka Green Tree Servicing LLC	•	•	•	•
Fay Servicing, LLC				•
First Mortgage Corporation	•			
GMAC Mortgage, LLC	•	•		
Guild Mortgage Company	•	•		
Homeward Residential, Inc.	•			
Kyanite Services, Inc. fka Seterus, Inc.	•	•	•	
Nationstar Mortgage LLC	•	•	•	•
New Penn Financial, LLC			•	
Ocwen Loan Servicing, LLC	•	•	•	•
Pennymac Loan Services, LLC	•		•	•
PHH Mortgage Corporation	•		•	
Pinnacle Capital Mortgage Corporation				•
Provident Funding Associates, L.P.	•			
Residential Credit Solutions, Inc.	•		•	•
Reverse Mortgage Solutions, Inc.		•		
Rushmore Loan Management Services, LLC				•
Saxon Mortgage Services, Inc.	•			
Select Portfolio Servicing, Inc.	•	•	•	•
Servis One, Inc.		•	•	•
Seterus, Inc. fka Kyanite Services, Inc.			•	•
Specialized Loan Servicing LLC	•		•	•
SunTrust Mortgage, Inc.	•	•		



II. Licensing Data

Number of Lender/Servicer Licensees

The number of licensees declined 35 percent from 2006 to 2010, as shown in the table below. The number of branch locations experienced a sharper decline of 71 percent over the same period. However, the number of licensees and branches has been increasing steadily since 2010.

As of	CRMLA Company Licenses	CRMLA Branches	Total CRMLA Locations
12/31/2015	399	4,858	5,257
12/31/2014	359	4,484	4,843
12/31/2013	352	3,917	4,269
12/31/2012	331	3,280	3,611
12/31/2011	322	2,544	2,866
12/31/2010	289	1,829	2,118
12/31/2009	310	2,568	2,878
12/31/2008	355	2,845	3,200
12/31/2007	438	4,869	5,307
12/31/2006	443	6,328	6,771

Lender/Servicer Licenses Issued and Surrendered

The Department issues a license to a company as a residential mortgage lender, mortgage loan servicer, or both. The licensee must notify the Department at least 10 days prior to opening a branch office in California or any location from which lending or servicing activities will be conducted. The following table shows 2015 and historical data for number of licenses issued and surrendered by licensees.⁴

⁴ Select licensing and application data has been included in this report. Additional information would be required to complete a reconciliation of licensing data.



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Calendar Year	CRMLA New Licenses Issued	CRMLA Licenses Surrendered	New Branches	Branches Surrendered
2015	56	8	1,788	1,412
2014	45	18	1,496	915
2013	35	15	1,528	877
2012	36	11	1,282	525
2011	68	16	1,280	593
2010	46	16	1,081	333
2009	38	15	824	Not Available
2008	33	26	1,040	Not Available
2007	75	28	1,506	Not Available
2006	55	16	2,595	Not Available

Lender/Servicer License Applications

All applications for CRMLA company licenses are filed through the Nationwide Mortgage Licensing System (NMLS). Notifications of branch locations also are provided through the NMLS. The Department must approve or deny license applications within 60 days of receiving a completed application. Applications are deemed abandoned if the applicant fails to respond to a written notification of a deficiency within 90 days. Applications also may be withdrawn at the request of the applicant. The table below shows application data for 2015 and prior years.

Calendar Year	Applications Received	Applications Withdrawn	Applications Abandoned
2015	43	11	13
2014	68	14	14
2013	75	5	11
2012	59	6	4
2011	87	7	20
2010	56	6	7
2009	68	11	15
2008	69	10	11
2007	63	19	41
2006	120	9	20

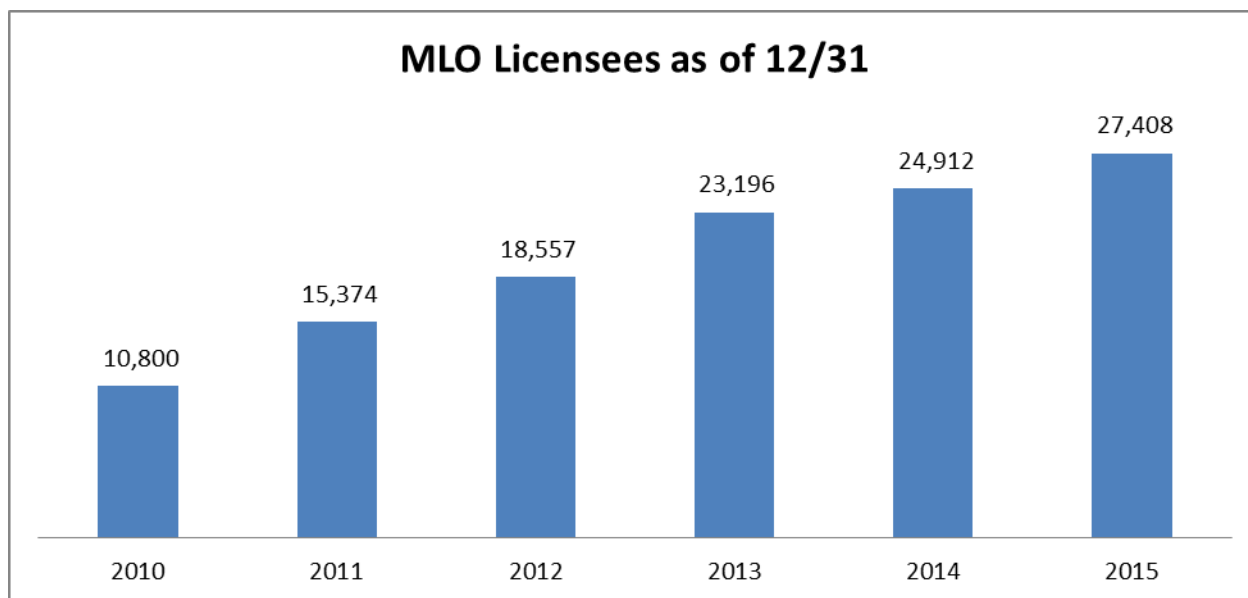


Mortgage Loan Originator Licensing Data

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008⁵ (SAFE Act) was enacted on July 30, 2008. It mandated a nationwide licensing and registration system for residential mortgage loan originators (MLOs). The SAFE Act required all states to enact legislation mandating licensure of MLOs and established minimum national licensing standards. California began licensing MLOs on January 4, 2010.

MLOs are employees of companies licensed under the CRMLA. MLOs accept residential mortgage loan applications, or offer or negotiate terms of a residential mortgage loan.⁶

The two following tables show MLO licensing and application data for 2015 and prior years.



⁵ Title V of the Housing and Economic Recovery Act of 2008 (Pub. L. 110-289, 122 Stat. 2654, 12 U.S.C. 5101 et seq.)

⁶ Financial Code section 50003.5(a) defines mortgage loan originator as “an individual who, for compensation or gain, or in the expectation of compensation or gain, takes a residential mortgage loan application or offers or negotiates terms of a residential mortgage loan.”



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