



2016

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



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# Table of Contents

INTRODUCTION.....	4
EXECUTIVE SUMMARY.....	6
SUMMARY REPORT.....	7
I. Lending and Servicing Data.....	7
• Loans Originated and Brokered.....	7
• Servicing Data.....	8
• Non-Traditional Mortgage Data.....	8
• Non-Traditional Mortgage Complaints.....	10
II. Foreclosure Data.....	11
• Licensees Reporting More Than 175 Foreclosures.....	12

## 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 calendar year 2016 and 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
- Adjustable rate and other non-traditional mortgage loans
- Foreclosures

The CRMLA authorizes licensees to make and service residential mortgage loans<sup>1</sup> secured by properties with one to four family residences. The DBO issues licenses under the CRMLA to companies that meet the requirements to be a residential mortgage lender, mortgage loan servicer or both.

A lender<sup>2</sup> 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 servicer<sup>3</sup> 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, 2016, the DBO licensed 409 mortgage lenders and servicers with 5,449 branches. Of the 409 licensees, 391 filed their required annual reports.

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<sup>1</sup> 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.

<sup>2</sup> 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.”

<sup>3</sup> 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 2016 CRMLA consolidated annual report.

- **Loans originated** – The number and principal amount of loans originated by licensees in 2016 increased significantly from 2015, according to the data. The number of loans grew nearly 12 percent to 602,002 from 537,757. The aggregate principal amount of loans originated in 2016 increased 15.6 percent to \$207.3 billion, a 437 percent increase from 2008’s low point of \$38.6 billion.
- **Loans brokered** – The number of loans brokered in 2016 increased slightly, up 4.59 percent over the number brokered in 2015. The aggregate principal amount of loans brokered in 2016 totaled \$6.1 billion, up 24.8 percent over 2015.
- **Loans serviced** – The aggregate average amount of loans serviced monthly by California licensees increased 11.5 percent in 2016, to \$854.1 billion from \$766.2 billion in 2015.
- **Adjustable rate and other non-traditional mortgage loan products** – The number of licensees that reported making or arranging adjustable rate mortgage loans in 2016 increased by one to 144. The number making or arranging other non-traditional mortgages increased to 74 from 68 in 2015.

Licensees retained on their books \$1.7 billion of adjustable rate mortgages in 2016 and sold to investors another \$7.6 billion of such mortgages.

- **Consumer complaints** – Licensees reported a nearly 75 percent increase in consumer complaints about non-traditional mortgage loans to 14,592 from 8,361 in 2015.
- **Foreclosures** – Licensees reported a 2.3 percent decline in foreclosures to 15,874 in 2016 compared to 16,246 the year before.

## 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 2016 and prior years.

Calendar Year	# of Loans Originated	\$ Amount of Loans Originated	# of Loans Brokered	\$ Amount of Loans Brokered
2016	602,002	\$207,273,906,929	12,536	\$6,116,151,606
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

## Servicing Data

All licensees are required to report both the unpaid principal balance and total number of all loans serviced on the last day of each month. In addition, they must report the annual total of both figures on the last day of the year. The Department divides the annual totals by 12 to determine the aggregate monthly average number of loans serviced, and the aggregate monthly average dollar amount of loans serviced. The table below provides those figures for 2016. Complete data was not collected prior to 2016.

Year	Aggregate Monthly Average Number of Loans Serviced	Aggregate Monthly Average Dollar Amount of Loans Serviced
2016	3,148,100	\$854,149,072,489

## 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 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 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.



Licenses are asked if they originated or arranged adjustable rate or other non-traditional mortgage products. The table below shows, of the 391 licenses that reported, the number that responded 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
2016	74	53	144	68
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

Licenses also reported the number and amount of adjustable rate and other non-traditional mortgages they originated in 2016. 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 2016.

Type of Non-Traditional Loans Retained/Sold	# Retained 2016	\$ Amount Retained 2016	# Sold to Investors 2016	\$ Amount Sold to Investors
Interest Only Mortgage Loan	312	\$117,098,778	1,052	\$875,954,726
Payment Option Adjustable Rate Mortgage	0	\$0	46	\$27,067,619
Reduced Documentation	4,925	\$262,296,311	7,698	\$3,602,880,683
Simultaneous Second Lien Loan	1,825	\$44,529,084	6,777	\$710,434,348
Home Equity Line of Credit	267	\$87,250,889	1,627	\$316,596,977
Covered Loans	427	\$73,193,991	9,838	\$3,009,142,125
Adjustable Rate Mortgage Loans	3,764	\$1,696,047,549	48,758	\$7,592,531,093

## 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 2016 and prior years.

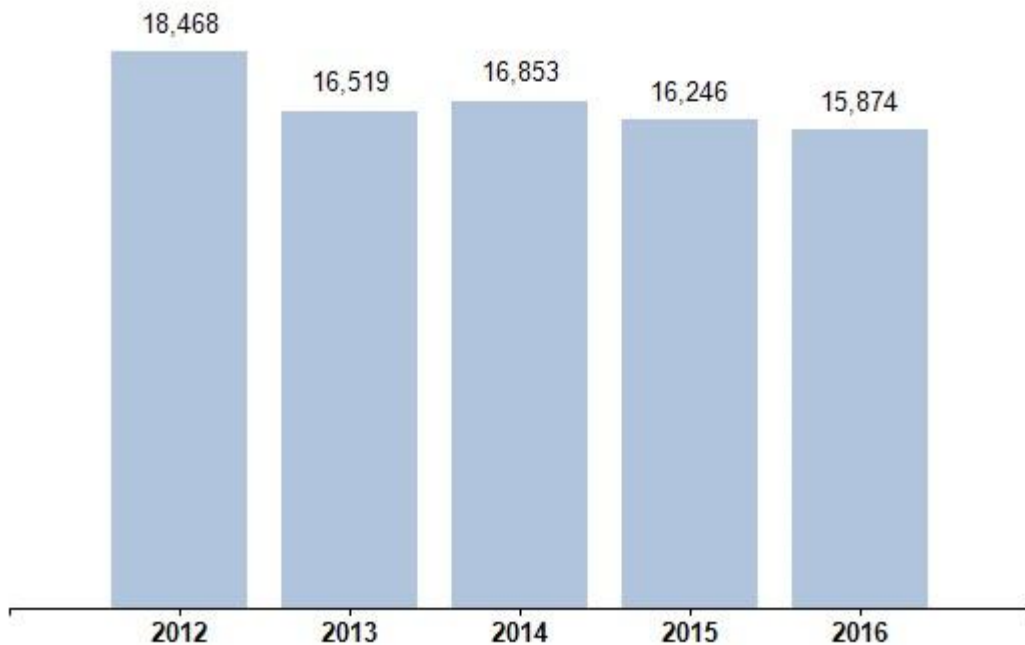
Calendar Year	Consumer Complaints Received	Resolved Complaints	Unresolved Complaints	Workout Arrangements Used to Resolve Complaints
2016	14,592	14,562	54	456
2015	8,361	8,289	83	109
2014	12,775	12,767	41	611
2013	3,240	3,210	30	2
2012	3,361	3,299	64	59
2011	501	796	7	128
2010	1,073	1,063	10	485
2009	148	147	1	0
2008	7,276	6,665	289	2,132

Licensees submit complaint data as identified in the Guidance on Nontraditional Mortgage Product Risks, published 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 July 17, 2007 by CSBS, AARMR and the National Association of Consumer Credit Administrators.

## II. Foreclosure Data

The California Foreclosure Reduction 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.



## Licensees Reporting More Than 175 Foreclosures

Company	2016
Bayview Loan Servicing LLC	403
Caliber Home Loans, Inc.	637
Carrington Mortgage Services, LLC	208
Citimortgage, Inc.	1,100
Ditech Financial LLC	456
Fay Servicing, LLC	219
Lakeview Loan Servicing, LLC	575
Nationstar Mortgage LLC	1,666
New Penn Financial, LLC	442
Ocwen Loan Servicing, LLC	1,476
Pennymac Loan Services, LLC	186
Reverse Mortgage Funding, LLC	233
Reverse Mortgage Solutions, Inc.	702
Rushmore Loan Management Services, LLC	184
Select Portfolio Servicing, Inc.	1,022
Seterus, Inc.	4,265
Specialized Loan Servicing LLC	551



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