



2018

California Department of Business Oversight Annual Report

Operation of Lenders and Servicers Licensed under
the California Residential Mortgage Lending Act



California Department
of Business Oversight

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TABLE OF CONTENTS

INTRODUCTION	1
EXECUTIVE SUMMARY	3
I. Lending and Servicing Data	4
A. Loans Originated and Brokered	4
Table 1: Loans Originated and Brokered	4
B. Servicing Data	5
Table 2: Aggregate Monthly Average of Number and Amount of Loans Serviced.....	5
C. Non-Traditional Mortgage Data	5
Table 3: Originated or Arranged Non-Traditional Mortgage and Adjustable Rate Products.....	6
Table 4: Non-Traditional Loan Data	6
D. Non-Traditional Mortgage Complaints	7
Table 5: Non-Traditional Complaint Data	7
II. Foreclosure Data	8
A. Licensees Reporting More Than 175 Foreclosures	9
Table 6: Licensees Reporting More than 175 Foreclosures	9

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).

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, 2018. The numbers 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.

In a CRMLA transaction, 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.

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.”

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, 2018, the DBO licensed 426 mortgage lenders and servicers with 5,916 branches. Of the 426 licensees, 377 filed their required annual reports. The DBO notified the non-filers of its intent to revoke their licenses.

Data obtained from a small number of licensees who filed annual reports after the aggregate report was compiled is not included. This omission does not materially change the results of this composite report.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided, and percentages may not precisely reflect absolute figures.

This report and prior years' reports can be found on the DBO's website at www.dbo.ca.gov.

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 2018 CRMLA consolidated annual report:

- **Loans originated** - The number and principal amount of loans originated by licensees in 2018 decreased from 2017, according to the data. The number of loans dropped 18 percent from 442,229 to 362,578. The aggregate principal amount of loans originated in 2018 totaled \$131.3 billion, down 15.2 percent from 2017. These figures continue a trend DBO noted in last year's annual report.
- **Loans brokered** - The number of loans brokered in 2018 were 10,146 a slight decrease from 10,184 in 2017. The aggregate principal amount of brokered loans in 2018 totaled \$5.8 billion, an increase of 8 percent from 2017.
- **Loans serviced** - The aggregate average amount of loans serviced by licensees increased 28.7 percent in 2018, to \$1.1 trillion from \$855 billion in 2017.
- **Adjustable rate and other non-traditional mortgage loan products** - The number of licensees that reported making or arranging adjustable rate mortgages in 2018 decreased to 209 down from 224 in 2017. The number of licensees making or arranging other non-traditional mortgages in 2018 increased to 159 from 148 in 2017. Licensees retained on their books \$2 billion of adjustable rate mortgages in 2018 and sold to investors another \$9.5 billion of such mortgages.
- **Consumer Complaints** - In 2018 licensees reported 11,951 consumer complaints concerning non-traditional mortgage loans, a 7.8 percent decrease from 2017.
- **Foreclosures** - Licensees reported completing 8,150 foreclosures in 2018. That number represented a decrease of 13.7 percent from 9,452 foreclosures in 2017.
- **Licensees** - The number of licensed lenders and servicers at the end of 2018 was 1.9 percent higher than it was at the end of 2017, at 426 compared to 418. The number of branches for 2018 decreased slightly from 5,929 to 5,916 in 2017. This marks the first decrease in branches since 2014.

I. Lending and Servicing Data

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

A. 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 provided data for 2018 and prior years.

Table 1: Loans Originated and Brokered

Calendar Year	# of Loans Originated	Amount of Loans Originated	# of Loans Brokered	Amount of Loans Brokered
2018	362,578	\$131,356,504,115	10,146	\$5,892,833,880
2017*	442,229	\$154,959,606,951	10,184	\$5,458,113,406
2016	602,891	\$207,635,655,293	12,160	\$5,926,618,050
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

**Variances in prior year's annual reports due to late filings or updates by licensees after the annual report was published.*

B. 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 2018 and prior years.

Table 2: Aggregate Monthly Average of Number and Amount of Loans Serviced

Calendar Year*	Aggregate Average Number of Loans Serviced**	Aggregate Average Amount of Loans Serviced
2018	3,633,435	\$1,110,521,745,753
2017	3,531,638	\$953,246,696,811
2016	3,161,099	\$855,057,663,203

**Variances in prior year's annual reports due to late filings or updates by licensees after the annual report was published.*

***Data not collected prior to 2016.*

C. 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.

Licenses are asked if they originated or arranged adjustable rate or other non-traditional mortgage products. The table below shows the number of licenses that responded with a "Yes" answer.

Table 3: Originated or Arranged Non-Traditional Mortgage and Adjustable Rate Products

Calendar Year	Originated Other Non-Traditional Mortgage Products	Arranged Other Non-Traditional Mortgage Products	Originated Adjustable Rate Mortgage Products	Arranged Adjustable Rate Mortgage Products
2018	101	58	140	69
2017*	87	61	154	70
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

*Variances in prior year's annual reports due to late filings or updates by licensees after the annual report was published.

Licenses also reported the number and amount of adjustable rate and other non-traditional mortgages they originated in 2018. Data was submitted both for loans retained by the licenses and loans 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 the data for 2018.

Table 4: Non-Traditional Loan Data

Type of Non-Traditional Loans	# Retained	Amount Retained	# Sold to Investors	Amount Sold to Investors
Interest-Only Mortgage Loan	1,520	\$873,891,970	4,219	\$2,154,687,473
Payment Option Arm	0	\$0	0	\$0
Reduced Documentation	1,585	\$526,059,499	5,177	\$1,999,740,406
Simultaneous Second-Lien Loan	1,424	\$82,516,960	5,432	\$359,641,477
Home Equity Line of Credit	543	\$69,257,665	1,150	\$244,780,378
Covered Loans	138	\$44,088,154	5,320	\$1,753,444,447
Adjustable Rate Mortgage Loans	4,930	\$2,016,328,724	16,288	\$9,524,685,844

D. Non-Traditional Mortgage Complaints

Licensees reported 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 complaints and workout data from 2018 to 2009.

Table 5: Non-Traditional Complaint Data

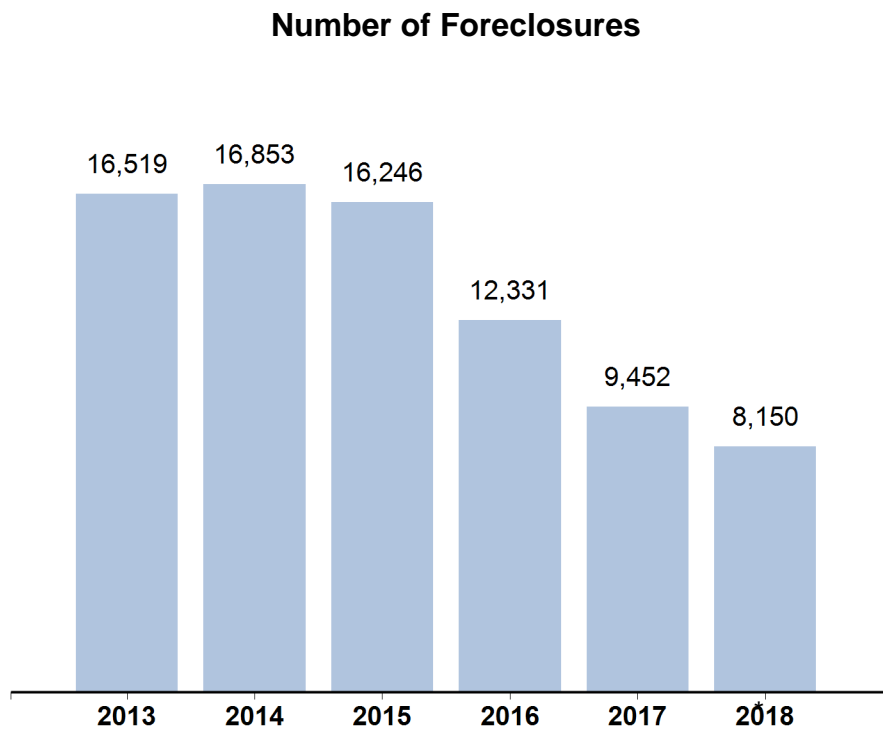
Calendar Year	Consumer Complaints Received	Resolved Complaints	Unresolved Complaints	Workout Arrangements Used to Resolve Complaints
2018	11,951	11,943	8	572
2017*	12,963	12,791	172	372
2016	14,579	14,549	30	456
2015	8,361	8,289	72	109
2014	12,775	12,767	8	611
2013	3,240	3,210	30	2
2012	3,361	3,299	62	59
2011	796	796	0	128
2010	1,073	1,063	10	485
2009	148	147	1	0

**Variances in prior year's annual reports due to late filings or updates by licensees after the annual report was published.*

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 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 Act, the DBO began collecting foreclosure data from its licensees starting with calendar year 2013. The chart below shows the number of completed foreclosures reported by licensees. Table 6 on the succeeding page lists licensees who reported completing more than 175 foreclosures in 2016 through 2018.



**Variances in prior year's annual reports due to late filings or updates by licensees after the annual report was published.*

A. Licensees Reporting More Than 175 Foreclosures

Table 6: Licensees Reporting More Than 175 Foreclosures

Company	2016*	2017*	2018
Bayview Loan Servicing, LLC	402	398	236
Caliber Home Loans, Inc.	637	387	247
Carrington Mortgage Services, LLC	208	189	212
Citimortgage, Inc.	1,100	928	1,087
Celink			260
Ditech Financial LLC	456	387	237
Fay Servicing, LLC	219	230	210
Lakeview Loan Servicing, LLC	575		177
Nationstar Mortgage LLC	1,666	1,410	1,213
Newrez LLC	442	402	419
Ocwen Loan Servicing, LLC	1,476	935	684
Pennymac Loan Services, LLC	186		
Reverse Mortgage Funding LLC	233		
Reverse Mortgage Solutions, Inc.	702	535	
Rushmore Loan Management Services LLC	184	239	322
Select Portfolio Servicing, Inc.	1,022	694	665
Seterus, Inc.	711	376	
Specialized Loan Servicing LLC	551	420	290

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California Department of Business Oversight

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