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S&P Global
Market Intelligence

Nonbanks continue mortgage market share gains as Citibank falls out of top 5

By Zach Fox and Zuhaib Gull **October 11, 2017**

Nonbank mortgage lenders continued to win market share in 2016 at the expense of the nation's largest banks.

Of the top 20 mortgage originators in 2016, 12 were mortgage banking shops, including a few companies making massive leaps. A total of five nonbank lenders posted year-over-year origination growth in excess of 50%, headlined by Blackstone Group LP-owned Finance of America Mortgage LLC with a nearly 400% increase from its 2015 origination mark, catapulting the company to the No. 13 lender from No. 77 a year prior. Blackstone also owns Stearns Lending LLC, giving the massive asset manager two units in the top 20 mortgage originators.

The recently released data, made available via the Home Mortgage Disclosure Act, shows originations through year-end 2016. The top four originators remained unchanged with Wells Fargo Bank NA at No. 1, followed by JPMorgan

Top 20 US mortgage originators of 2016

Ranking			Funded loans		Avg. funded loan size		Market share	
2016	2015	Company (top-level ticker)	2016 amount ($B)	YOY change (%)	2016 amount ($000)	YOY change (%)	2016 (%)	YOY change (bps)
1	1	Wells Fargo Bank NA (WFC)	146.27	4.4	334	3.9	6.74	-86
2	2	JPMorgan Chase Bank NA (JPM)	94.70	14.7	512	5.3	4.36	-12
3	3	Quicken Loans Inc.	90.55	21.3	208	1.9	4.17	12
4	4	Bank of America NA (BAC)	61.01	8.8	384	16.5	2.81	-23
5	7	loanDepot.com LLC	35.99	38.1	270	2.3	1.66	24
6	9	Freedom Mortgage Corp.	32.22	56.1	208	0.7	1.48	37
7	6	U.S. Bank NA (USB)	31.32	15.1	256	6.6	1.44	-3
8	10	Caliber Home Loans Inc.	28.26	56.6	261	1.2	1.30	32
9	8	Flagstar Bank FSB (FBC)	27.56	8.1	268	2.8	1.27	-11
10	5	Citibank NA (C)	26.79	-7.8	487	13.1	1.23	-34
11	15	United Shore Financial Services LLC	23.02	75.6	279	6.2	1.06	35
12	14	Guaranteed Rate Inc.	18.49	38.7	284	5.7	0.85	13
13	77	Finance of America Mortgage LLC (BX)	17.76	399.7	286	16.2	0.82	63
14	21	Fairway Independent Mortgage Corp.	16.47	60.1	224	6.0	0.76	20
15	11	PNC Bank NA (PNC)	16.39	-3.7	258	3.8	0.76	-17
16	25	USAA Federal Savings Bank	15.52	68.5	232	3.0	0.72	22
17	18	Guild Mortgage Co.	15.36	25.8	229	4.5	0.71	5
18	12	Stearns Lending LLC (BX)	15.12	-3.7	278	5.4	0.70	-15
19	19	SunTrust Mortgage Inc. (STI)	14.79	24.4	287	3.8	0.68	4
20	16	PrimeLending a PlainsCapital Co. (HTH)	14.21	9.4	221	-0.7	0.65	-5
		Top 20 mortgage originators	**741.81**	**19.8**	**291**	**2.5**	**34.18**	**59**
		Total U.S.*	**2,170.23**	**17.7**	**260**	**4.0**		

Commercial bank Mortgage bank Thrift

Data compiled Oct. 10, 2017.
List shows the top 20 operating-level institutions by the amount of mortgages funded in 2016.
Based on data filed by lenders under the Home Mortgage Disclosure Act. Data may reflect mergers and acquisitions that occurred subsequent to the end of the periods displayed.
* Includes all institutions that filed data under the Home Mortgage Disclosure Act.
Top-level ticker is based on the home country stock exchange of the highest traded entity within the corporate structure.
Source: S&P Global Market Intelligence

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Chase Bank NA, Quicken Loans Inc. and Bank of America NA. The change in the No. 5 spot was emblematic of the nonbank growth and the pullback among banks as Citibank NA dropped to No. 10 and nonbank lender loanDepot.com LLC jumped into the top five.

Across the industry, low rates helped keep refinance volume high and allowed for year-over-year growth in total funded loans. In 2016, the industry originated $2.17 trillion of mortgages, up from $1.84 trillion in 2015. The loan approval rate ticked down slightly to 52.1% from 52.5%.

Although Wells Fargo, JPMorgan and Bank of America all retained their ranking among top mortgage lenders, all three banks reported a loss in market share while nonbank Quicken reported a gain. Citibank showed both a loss in market share as well as a year-over-year decrease in total funded loans.

“The trend that it confirmed, once again, is that banks have pulled back not just from government lending but overall,” said Guy Cecala, CEO of Inside Mortgage Finance.

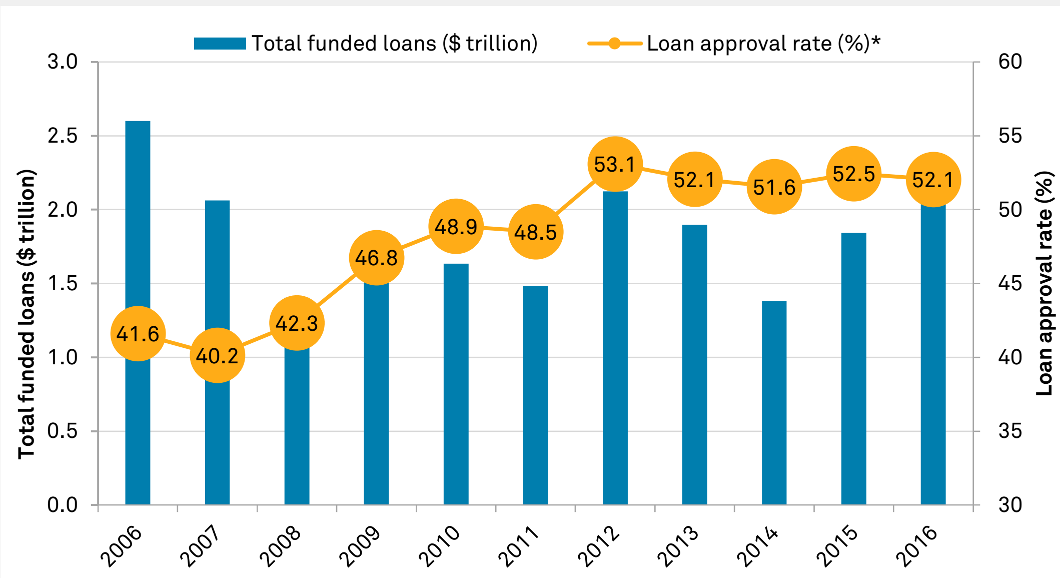
Banks have backed away from government lending in the wake of billions in fines emanating from the 2008 financial crisis. Some bankers were particularly perturbed by the government’s aggressive use of the False Claims Act for loans insured by the Federal Housing Administration.

JPMorgan executives took a very public stance against the government’s actions, saying the bank would no longer participate in FHA loans. In 2016, FHA-insured loans accounted for just 0.23% of JPMorgan’s volume by loan value, down from 6.05% in 2013. Accordingly, the bank has been more focused on jumbo mortgages and has grown its multifamily lending business, as evidenced by its large average funded loan size of $512,000 in 2016, a 5.3% year-over-year increase. The industrywide average was $260,000.

At the same time, some depository institutions have been able to report gains in mortgage market share. One traditional depository to post a particularly large jump was USAA Federal Savings Bank, which saw a 69% year-over-year increase in 2016. Another depository focused on military veterans, Navy FCU, was also up albeit more modestly with a 4% increase in funded loans by dollar value.

“They have very strong customer affinities, and that’s the key,” said Marina Walsh, vice president of industry analysis for the Mortgage Bankers Association. “That’s the secret sauce on the depository side. Even the largest banks, what they’re focused on is the bank customer going forward, especially as we’re entering a purchase market and refinances are drying up.”

Trend for US mortgage funding and approval rates



Data compiled Oct. 10, 2017.
* Loan approval rate is based on number of applications.
Based on data filed by lenders under the Home Mortgage Disclosure Act.
Source: S&P Global Market Intelligence