

Home Equity & Mortgage Lender Market Share Reports

Methodologies

Raw Data Sources

SMR's reports tap two large data sources.

First, we utilize our national property database, which includes loans originated in counties comprising a large majority of all U.S. home owners.

These data are sourced from county courthouse lien filings. SMR receives these data, updated monthly, from the nation's largest vendor of this information. The vendor has the most comprehensive geographical coverage available.

Second, we utilize official federal regulatory financial reports filed by all U.S. depository institutions. There are four series of these reports: 1) Reports filed by bank holding companies, 2) Reports filed by banks not part of a holding company, 3) Thrift (savings and loan) financial reports, and 4) Credit union financial reports filed with the National Credit Union Administration.

We use the courthouse liens data to count loan originations by lender and by place. We also use the liens data to calculate each lender's share of all existing customers (loan outstandings) by county and state.

We use the federal regulatory reports to review certain national-level statistics for lenders such as total home equity loan receivables and mortgage servicing.

Geographical Coverage

The courthouse liens data are obtained from counties where our vendor has coverage. Although this coverage does span most of the nation, there are gaps. The gaps can be caused by governmental tardiness in the posting of lien data to public records or other problems, including high cost to purchase data or lack of interest in information for thinly populated rural counties.

The federal regulatory reports used in our "companion" national totals spreadsheets cover each institution's total positions without geographical breakouts. All depository institutions file these reports, providing us with 100% coverage. The reports include the results of any mortgage subsidiaries an institution might own.

Specific counties covered by the courthouse liens data can vary a bit from time to time. See the "List Of Counties Covered" updated quarterly on our web site.

Owner-Occupied Homes

Our off-the-shelf market share products look at numbers of loans originated to owner-occupied home owners.

Lag Time

Sometimes, county recorder lien records are not fully up-to-date. Thus, after the close of a calendar quarter, we wait one additional month and then process the data to generate our reports.

Example: For the quarter ended December 31, 2010, clients would expect to receive a report on or about mid-February, 2011.

State Totals

SMR's state totals are the sum of the valid data we have on counties within the states.

Two-Year Data Requirement

SMR reports show market shares over a trailing 12-month period, and also compute lender shares for a full prior year, in order to show lender trends.

As a result, we only use data in counties where our raw data vendor has at least two years worth of data.

Market Shares Based On Known Lender Totals

In a small minority of instances, we can observe that someone has obtained a loan, but the lender name is not provided. In some cases, we also observe loans produced by individuals such as seller-financing loans or parents who provide loans to their children. We do not use these records in determining lender market shares.

Our market share calculation for any given lender in any county is: The lender's numbers and dollars of loans produced divided by numbers and dollars of all loans produced by all bona-fide loan companies.

Market Shares By Parent Companies; Pro-Forma Basis For Old Loans

Our market share reports are designed to show data on parent companies, not on separate subsidiaries or other operations of each parent entity.

There are more than 80,000 lender names in the raw loan data that SMR receives. Some no longer exist, and many are subsidiaries of other parent firms. This causes substantial complications in our effort to produce market share reports based on parent company totals.

SMR invests considerable resources in maintaining a "who owns who" database so that all units of a parent firm can be aggregated under the parent name. This includes changing parent names when acquisitions occur.

All acquisitions are handled on a pro-forma basis, assuming the current parent company has owned the acquired entity all along.

For instance, if Company X bought Company Y two months ago, then we would show the combined entity's current loan totals and the same combined entity's year-earlier market share. This method allows clients to see whether the current parent company is gaining or losing share irrespective of any acquisition activity.

About The Wholesale Loan Markets

In creating originations market share reports, the lender name we see is the one on the courthouse document – the firm that funded the loan.

This typically means we have correctly handled loans obtained from mortgage brokers. By definition, a broker does not fund a loan, but simply arranges one for the funding lender whose name typically will appear on the lien.

The other part of wholesale is the correspondent loan business. In this business, one lender funds a loan, but later sells it under contract to another institution. Note, again, that the lender name we see is the company that originally funded the loan – not the name of a lender who later purchased the same loan. As a result, our originations data do not track to any subsequent purchaser and solely reflect originating lender totals.

Very Old Loans Omitted

In some counties, SMR's historical loan files go far back in time. When we construct loan histories for people who have lived in the same home for a very long time, we will at times encounter loans originated many years ago.

When looking at share of loan outstandings, we do not count home equity loans that are more than 15 years old, since we assume these have since been paid off. We also do not count first-lien mortgage loans whose terms have expired.

How We Identify Refinances And Home Equity Loans

Regarding the federal regulatory report data used in companion spreadsheets, loans are clearly segregated. Closed-end first-lien mortgages and closed-end junior-lien loans are clearly marked. Home equity lines of credit (Helocs) are defined as revolving loans secured by 1-4 unit residences.

Turning to the courthouse liens data used to calculate originations, the lien documents themselves are always clear regarding home purchase mortgage loans.

On refinances and home equity loans, the lien documents sometimes make the separation clear. On other occasions, lien documents alone make it hard to tell whether a loan is a first-lien mortgage refinance or a home equity loan.

To help resolve this, SMR creates a loan history for each home owner from the date of home purchase. We track total home debt owed along the way. When we encounter a new loan in this history, we look at its size compared to the existing debt amount. If the new loan is considerably less than the existing debt amount, we mark it as a home equity loan. Other loans are marked as refinances.

SMR actually has an entire series of "decision tree" algorithms in making this determination. We're sure we make an error now and then, but the system works with a generally high degree of accuracy.

Breakout Data Items

In Mortgage Lender Market Shares, we break out originations of home purchase loans versus refinances. This does not require any further clarification.

In Home Equity Lender Market Shares, we break out originations into "free-standing" and "piggyback" categories.

A free-standing home equity loan is any home equity loan or credit line originated to a customer as a single loan.

A piggyback home equity loan or line is one originated as part of a two-loan package (sometimes called "combo" loans). These were very common during the housing boom years and have since diminished. Most piggybacks had high combined loan-to-value ratios and were taken out by borrowers mainly to avoid paying for private mortgage insurance on a single loan with over-80% CLTV.

Credit Line Amounts

The courthouse liens data often make it hard to distinguish a closed-end home equity loan from a home equity line of credit (Heloc).

We do know that when the loan is a Heloc, the liens typically show the amount of the credit line, not the amount that the borrower initially draws down on that line.

When Our Numbers Don't Match Yours

SMR clients make their own internal counts of loans originated. It's quite unlikely that these counts would match ours perfectly. Internal counts will almost always be higher.

However, tests of our data against lender survey results show that SMR is getting a large enough sampling to make generally valid conclusions about market shares and trends.

There are several reasons why internal counts are typically higher. **Here are some of the main reasons.**

1. Geographical coverage

Our vendor's coverage of courthouse liens, although the broadest available anywhere, have gaps as noted earlier. These gaps will reduce our loan counts below internal records especially for lenders whose customers are concentrated in certain coverage problem areas, recently including Vermont, South Dakota, most of Pittsburgh, Suffolk County, NY, and New Orleans.

2. Correspondent business

You may purchase loans from correspondent lenders and count them as your own "originations." But they are unlikely to be counted as yours in our data. We only see the lender name on the original lien filing, so we would likely count your correspondent-sourced loans as being produced by the correspondents, not by your firm.

As noted earlier, this does not generally apply to loans sourced from brokers, since those loans get closed in the funding lender's name.

3. Loans on non-owner-occupied properties.

SMR's off-the-shelf market share products focus on owner-occupied homes. Your internal loan counts by county or state probably include all loans produced on both owner-occupied and non-owner-occupied (NOO) properties.

The owner-occupied market is the larger market by far. However, if your company specializes in NOO lending, or has a geographical concentration in major vacation-home markets, your internal loan counts may be substantially larger than ours.

4. Errors in parent company coding.

Although we work hard to prevent this, it is possible that we miscoded one of your subsidiaries or acquired firms and did not include loan production by that operation in your parent company totals.

If our counts are higher than yours, it's also possible we have included in your parent firm totals the loan production of a firm you don't own. Although rare, this can happen when two parent firms, each with subsidiaries, have a same-sounding name (there is a "Guaranty Bank" in Milwaukee and another in Texas).

If you suspect this might have happened, please contact us so that we can correct the problem. Call Stephanie Rady of our staff at 908-852-7677. We'll check which entities have been aggregated under your parent "banner," and will ask you for confirmation.

5. Our state totals are the totals only for the counties we cover in a state.

In some states, including California, Florida, Maryland, New Jersey, and more, we typically have origination data on every county in the state, making our state totals true totals.

But in other states, such as Texas and New York, our origination data typically cover the major cities and omit rural areas.

Our state totals by lender are the sum of all counties where we have coverage.

If you have additional questions about our methodologies, please feel free to call us at 908-852-7677.

SMR Research Corp.