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As Bank of America steps back, there is room at the top for local loan originators

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A look at origination trends over the past several years shows that even in a declining market, there's one big ship that's taking on a lot more water than the rest of the fleet - but can smaller, independent originators bail out the market?

The leviathan in question is of course Bank of America, which has easily maintained its number one rank in total volume the past three years running in Massachusetts. BofA originated \$3.3 billion in mortgages in 2011, according to data provided by The Warren Group, publisher of Banker & Tradesman.

But that number is less than half its 2009 tally of \$7.6 billion and only \$173 million ahead of its nearest competitor, RBS Citizens, which managed \$3.2 billion in originations last year - practically a photo finish for the likes of BoA, which was \$1.6 billion ahead of its nearest competitor in 2010 and \$4 billion ahead in 2009.

There's no doubt these have been rough years for lenders across the board, with 2010 showing a total year-over-year drop in mortgage originations of 6.4% and an eye-watering 17.2% year-over-year decline last year.

But while everyone has struggled, Bank of America's results jump out: The bank saw dollar volume drop 30.9% year-over-year in 2010 and 36.3% in 2011. The bank's fate remains unclear, and its recent spat with Fannie Mae - last month, it announced it planned to stop selling a majority of its mortgages to Fannie - suggests it may be months, if not years, before the bank is back on track.

But are local lenders in a position to take up the slack? That's also unclear.

"I sure hope so," said Amy Tierce, president of Needham-based Fairway Independent Mortgage "Certainly it's the goal for a lot of the smaller lenders. But there's still a lot of fear about buybacks."

There are signs in other industry sectors of increasing demand - realtors are hailing an early spring, with full open houses and bidding wars aplenty, and homebuilders are filing more permits. But with Fannie, Freddie and the FHA still comprising so much of the market, their tight underwriting standards still set the tone, and fewer smaller lenders are willing to put a foot wrong in order to get a deal done.

"If the market starts to expand, we're going to need to be able to do more," Tierce agreed. Tierce did say she's seen a push here and a nudge there giving loan originators a little more room to maneuver - one credit union she's working with recently reintroduced second mortgages, allowing potential buyers to purchase with a 10% down payment. But "those green shoots are still few and far between," she sighed.

The Warren Groups' numbers reflect that reality. Of the few banks which have managed to increase their lending in Massachusetts in the past three years, only three have managed to do so by more than \$200 million: RBS Citizens, Leader Bank and JP Morgan Chase. Leader grew to \$1.1 billion

from roughly \$800 million,; Citizens to \$3.2 billion from \$2.5 billion; and Chase up to \$1.7 billion from \$1 billion.

But those gains have been inconsistent - both Leader and Citizens performed better in 2010 than 2011 - and altogether the \$1.6 billion in total volume they've captured is little over a third of the \$4.3 billion in volume lost by Bank of America.

That means there's still plenty of room in the market for new players - if they're willing to take a crack.

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Colleen Sullivan is a staff writer for Banker & Tradesman, Boston.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540