Data Point: 2021 Mortgage Market Activity and Trends
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Module 1: Mortgage Activity and Trends (Part 1)

Objectives

- During this module, you will review mortgage applications and originations and mortgage outcomes by demographic groups and loan types
Introduction

The beginning of 2020 started as any other – Christmas trees came down, new resolutions were underway, and personal and business goals came into focus. Then came the pandemic in February, and life as we knew it changed overnight. The last two years brought about unprecedented demand for housing as people had to shutter at home to reduce in-person contact to mitigate the transfer of the COVID-19 virus. As school systems closed around the country and people were forced to work from home, it placed a high demand for housing. Real estate sales soared resulting in people moving from more densely populated communities around the U.S. to purchase larger homes with more space to accommodate a shift in personal habits. The CFPB published a report providing an in-depth analysis of how financial institutions navigated the last two years, giving mortgage industry personnel important lessons about current and future customer needs. Let’s take a look.

“HMDA data are used to assist in determining whether financial institutions are serving the housing credit needs of their local communities; facilitate public entities’ distribution of funds to local communities to attract private investment; and help identify possible discriminatory lending patterns and enforce antidiscrimination statutes. Institutions covered by HMDA are required to collect and report specified information about each mortgage purchase and application acted upon. The data includes the disposition of each application for mortgage credit; the type, purpose, and characteristics of each home mortgage application or purchased loan; the census-tract designations of the properties; loan pricing information; demographic and other information about loan applicants, such as their race, ethnicity, sex, age, and income; and information about loan sales. We have incorporated a number of new and revised data points that were not collected prior to the 2018 HMDA data. We have also incorporated analyses of lines of credit (LOCs) and other dwelling-secured transactions.

On June 16, 2022, the CFPB published a static application-level 2021 HMDA data file that consolidates data from individual reporters. The data file and the Data Point article reflect the data as of April 30, 2022.

Some of the key findings:

- 4,332 financial institutions reported at least one closed-end record in 2021, down by 3.1 percent from 4,472 financial institutions who reported in 2020.
  
  Overall, the number of closed-end originations (excluding reverse mortgages) in 2021 increased by 2.4 percent, from 13.4 million in 2020 to 13.7 million. This is in contrast from 2019 to 2020, where the number of originations increased by 66.8 percent and were largely driven by the refinance boom. In contrast, most of the increase from 2020 to 2021 was driven by an increase in the number of home purchase loans. The increase in home purchase loans was the most prominent among jumbo loans, likely reflecting rapidly rising house prices in 2021.

- The refinance boom, especially in non-cash-out refinance that dominated the mortgage
market activities in 2019 and 2020, peaked in March 2021. The non-cash-out refinance volume decreased precipitously throughout the remaining months of 2021. The decrease coincided with the increase in market interest rates. On the other hand, the cash-out refinance volume continued to increase in 2021 relative to 2020, likely because consumers took advantage of rapid house price appreciation and converted rising home equity into cash or liquid assets.

- Continuing trends from 2020, in 2021, non-Hispanic White borrowers’ share of home purchase loans decreased, while Asian, Black, and Hispanic White borrowers’ share increased. The share of refinance loans declined the fastest for Asian borrowers in 2021, just as it increased the fastest in 2019 and 2020. Black and Hispanic White borrowers’ share of refinance loans increased in 2021, accounting for 6.6 percent and 6.8 percent by the end of 2021.

- Black and Hispanic White borrowers continued to have lower median loan amounts, lower median credit scores, and higher denial rates, in addition to paying higher median interest rates and total loan costs compared to non-Hispanic White and Asian borrowers.

- The top 25 closed-end lenders held a combined market share of 43.9 percent, rising yearly since 2018. The top 25 lenders were particularly prominent in the refinance market, accounting for 53.0 percent of refinance loans by all reporting institutions.

Mortgage applications and originations

2021 brought a significant increase in reported applications from fewer financial institutions. With 137 fewer companies, 4,338 financial institutions – depository institutions (banks, credit unions and savings associations) and non-depository mortgage lenders reported 23.3 million applications and 15 million originations under HMDA. In 2020, 4,475 financial institutions reported 14.5 million originations and 22.7 million applications. The fewer financial institutions represent an approximate 3.1 percent decrease. However, there was a slight increase in the total number of applications and originations in 2021. There was a 2.8 percent increase in the total number of reported applications (646,000) and a 3.2 percent increase in the number of originations (465,000). This slight increase in originations and applications represents a departure from 2020, when applications increased by 50 percent and originations increased by 56 percent in one year.
Lenders reported approximately 13.7 million closed-end site-built single-family originations in 2021, a 2.4 percent increase from 13.4 million originations in 2020. In contrast, this figure increased 66.8 percent from 2019 to 2020. In addition, lenders reported around 20.7 million closed-end site-built single-family applications, which includes 4.4 million applications that the lenders closed as incomplete or the applicant withdrew before the lender made a decision.

In 2021, about 228,000 loans secured by manufactured homes were originated, compared to 197,000 such loans in 2020. About 148,000 manufactured home loans were taken out for home purchase, up from 137,000 in 2020. Among them, about 82,000 were secured by both home and land, while 59,000 were secured by a manufactured home but not land. Refinance loans secured by manufactured homes also increased. In 2021, about 75,000 manufactured home loans were taken for refinance purpose, up from 56,000 in 2020.

Unlike the previous three years, the total number of HELOCs reversed its downward trend and increased from 869,000 in 2020 to 962,000 in 2021, a 10.7 percent increase. This number of HELOC originations is still lower than the number of HELOC originations in 2018 and 2019. Similar trends applied to the HELOC applications. The total number of reverse mortgage originations also increased from 43,000 to 59,000 from 2020 to 2021, an increase of over 36 percent.

In contrast to 2020 when the refinance loans in closed-end site-built single-family originations increased by 149.1 percent, refinance originations slightly decreased in 2021. Refinance originations fell from 8.4 million in 2020 to 8.3 million in 2021, which is approximately a 1.7 percent decrease. Refinance applications for site-built single-family properties also decreased from 13.2 million in 2020 to 13.1 million in 2021.

Refinance originations decreased for all types of loans except for conventional jumbo loans and FHA loans, which increased by 28.3 percent and 5.9 percent respectively in 2021. This is notable as these two sectors experienced some of the smallest refinance growth rates in 2020. Percentage wise, VA loans experienced the largest decrease in refinance activity in 2021, decreasing from 938,000 originations in 2020 to 774,000 originations in 2021, or a 17.5 percent decline. The previous year, the refinance volume of VA loans had increased by 126.2 percent.

Given these changes, generally, refinance origination numbers in 2021 are still notably higher than 2019 and 2018 volumes, but not as high as the peak in 2020.
The closed-end site-built single-family mortgage originations for home purchase rose by a similar rate in 2021 as 2020. In 2021, there were 5.1 million home purchase originsations, as compared with nearly 4.7 million in 2020. This represents a 9.2 percent growth rate from 2020, while in 2020, the growth rate was 9.0 percent. When limited to the first-lien principal residence, the home purchase loan originations increased by 6.7 percent, from 4.1 million in 2020 to 4.4 million in 2021. Among them, both conventional conforming and jumbo loans increased while all nonconventional loan categories saw a decrease in volume. The conventional jumbo market experienced the largest increase of 52.8 percent in 2021, while FSA/RHS loans saw the biggest decrease of 15.7 percent.

The change in market interest rates was likely the main driver behind the declines in refinance applications and loans. The mortgage interest rate declined substantively in 2019 and 2020, reaching historically low levels at the end of 2020. The rate began rising in 2021 but still remained low by historical standards. Moreover, the rise in interest rates during 2021 was smaller than the decline during 2020.

On the other hand, fast-rising house prices in 2021 likely explain the increase in home purchase loan origination volume. In particular, the large increase of jumbo loan volume, for both home purchase and refinance loans, could be largely attributable to rising house prices. Similarly, as home values appreciated and existing homeowners’ home equity increased, a higher share (about 35.0 percent) of closed-end site-built single-family refinance loans were cash-out refinances versus non-cash-out refinances. This is higher than 2020 when cash-out refinance loans accounted for 25.1 percent of all refinance loans.
Mortgage outcomes by demographic groups and loan types

The HMDA data are a key resource for policymakers and the public to understand the distribution of mortgage credit across demographic groups.

3.1 Distribution of home loans

Different groups’ shares of closed-end (excluding reverse mortgage) site-built one-to-four-family, first lien, principal residence home purchase and refinance loans and how these shares have changed since 2018. Continuing the trend, Black borrowers’ share of home purchase loans increased from 6.8 percent in 2018 to 7.9 percent in 2021. Whereas the share for Hispanic White borrowers was at 9.2 percent in 2021, holding at a steady level since 2019. For non-Hispanic White borrowers, their share of home purchase loans was 55.6 percent in 2021, down from 62.0 percent in 2018. On the other hand, Asian borrowers’ share of home purchase loans increased from 5.5 percent in 2020 to 7.1 percent in 2021.

Non-Hispanic White borrowers accounted for about 58.3 percent of all refinance loans in 2021, down slightly from 61.0 percent in 2020. Asian borrowers still took up a larger share among refinance loans in 2021 at 6.0 percent compared to their shares in 2018 and 2019, but their share was down from a high of 6.7 percent in 2020. The shares of Black and Hispanic White borrowers refinance loans returned to 2019 levels after a low in 2020. The Black borrowers’ share of refinance loans increased from 4.2 percent in 2020 to 5.4 percent in 2021, and the Hispanic White borrowers’ share of refinance loans increased from 5.3 percent in 2020 to 6.1 percent in 2021. Such observations are set against the backdrop in which origination volumes of refinance loans have slightly deceased from peak volumes after the refinance boom of 2019 and 2020.

The shares of home purchase and refinance loans exhibit opposite trends for low- or moderate-income (LMI) borrowers compared with high-income borrowers. The LMI borrower share of home purchase loans decreased from 30.4 percent in 2020 to 28.7 percent in 2021. Whereas high-income borrowers’ share increased from 41.2 percent to 43.2 percent. The LMI borrower share of refinance
loans increased from 18.9 percent in 2020 to 23.9 in 2021, while high-income borrowers’ share decreased from 45.1 percent to 42.0 percent. For both home purchase and refinance loans, these trends are polar opposite of the ones seen from 2019 to 2020 and shares generally returned to the steady 2019 levels in 2021.

Like 2020, the trends in shares of LMI and high-income neighborhoods mirror those of the borrowers for refinance loans but not for home purchase loans. The LMI neighborhoods’ share of refinance loans increased, whereas high-income neighborhoods’ share of refinance loans decreased. On the other hand, the share of home purchase loans in LMI neighborhoods increased slightly, while the share in high-income neighborhoods decreased slightly between 2020 and 2021.

The share of refinance loans for most racial/ethnic groups, LMI borrowers, and LMI neighborhoods has fluctuated in the past few years, while the number of refinance loans has increased for all groups between 2018 and 2021. For example, the share of refinance loans for Hispanic White borrowers decreased from 6.8 percent in 2018 to 6.1 percent in 2021 but the number increased by about 354,000. The increase in the number of refinance loans over the past few years is especially large for Asian borrowers, high-income borrowers, and high-income.

### 3.2 Mortgage characteristics of home loans

The median characteristics of mortgage loans and borrowers may differ substantially by race and ethnicity, borrower income and neighborhoods, and loan types. The median loan amount, credit scores of borrowers, interest rates, and total loan costs of home purchase loans for different racial/ethnic groups, borrower income, neighborhood income, and enhanced loan types over time. The sample is limited to closed-end first-lien mortgages for site-built one-to-four-family, principal residences with loan purpose being home purchase.

The median loan amounts for home purchase loans have risen consistently across all categories, likely reflecting the rise in home prices. Among different racial/ethnic groups, in 2021, Asian borrowers continued to take out home purchase loans with the largest median loan amount, with a median of about $414,000, an increase from a median loan amount of $362,000 in 2020. In contrast, Black borrowers continued to take out loans with the smallest median loan amount for home purchase, at approximately $264,000, also an increase from 2020. The median loan amount of home purchase loans for Hispanic White borrowers was $272,000 in 2021, while the median loan amount of home purchase loans for non-Hispanic White borrowers was $274,000.

In 2021, the median loan amount of home purchase loans for high-income borrowers was $394,000. As in
2020, high-income borrowers had a median loan amount which was almost twice that of LMI borrowers. Similarly, the median loan amount of home purchase loans secured by properties in high-income areas was $355,000, compared to $235,000 in LMI neighborhoods.

Loan amounts vary by loan type. The home purchase jumbo loans have a median loan amount of $948,000 in 2021. In comparison, the median loan amounts of home purchase loans were $172,000 for RHS/FSA loans and $241,000 for FHA loans.

Similar to the home purchase loans, in 2021, the median loan amount of refinance loans for Asian borrowers was also higher than other racial/ethnic groups, at approximately $355,000 in 2021, compared to $221,000 for Black borrowers, $243,000 for Hispanic White borrowers, and $232,000 for non-Hispanic White borrowers. For all racial/ethnic groups, the median refinance loan amount decreased from 2020 to 2021, just as the refinance loan origination volume decreased. This is in contrast with home purchase loans, where the median loan amount increased for all racial groups and origination volumes increased slightly.

Credit scores are widely used in mortgage underwriting and pricing. Where applicable, credit scores have been collected and reported in HMDA since 2018. The median credit scores for closed-end home purchase mortgage loans secured by first-lien principal-residence site-built single-family properties have been increasing from 2018 through 2021. But the variations of median credit scores among different groups remain. Black and Hispanic White borrowers continued to have lower median credit scores than other racial/ethnic groups. The median credit score of Black borrowers who borrowed home purchase loans was 691 in 2021, and the median credit score of Hispanic White home purchase loan borrowers was 716. In comparison, the median credit scores of non-Hispanic White and Asian home purchase loan borrowers in 2021 were 750 and 764, respectively.

High-income home purchase borrowers have higher median credit scores than middle and LMI borrowers, and borrowers taking out home purchase loans secured by properties in high-income neighborhoods have higher median credits scores than borrowers in middle and LMI neighborhoods as well. In terms of loan types, the median credit score for home purchase jumbo loan borrowers was 776 in 2021 and the median credit score of conventional conforming home purchase loan borrowers was 759, while the median credit score of FHA home purchase loan borrowers was 664.

The median credit scores of refinance loan borrowers are higher than those of home purchase loan borrowers, both overall and across most groups. The median credit score of Black borrowers who refinanced in 2020 was 719, the median credit score of Hispanic White refinance borrowers was 737. In comparison, the median credit scores of non-Hispanic White and Asian borrowers who refinanced in 2021 were 763 and 776, respectively. The median credit score for refinance jumbo loan borrowers was 776 in 2021, the median credit score of conventional conforming refinance loan borrowers was
while the median credit score of FHA refinance loan borrowers was 706.

The mortgage interest rate increased during 2021 from its historical low at the end of 2020. However, the rate of increase during 2021 was slower than the rate of decrease during 2020. As a result, the median interest rate for home purchase loans secured by first-lien principal-residence site-built single-family properties was 3.000 in 2021, compared to 3.125 percent in 2020.

The variations in interest rates across different racial/ethnic groups and loan types still remained in 2021. At 3.125 percent, Black and Hispanic White borrowers continued to pay higher median interest rates than all other racial/ethnic groups for home purchase loans. The median interest rate for Asian borrowers was 2.875 percent and that for non-Hispanic White borrowers was 3.00 percent. For home purchase loans, FHA loans had higher median interest rates than any other enhanced loan types, at 3.125 percent. On the other hand, VA loans had the lowest median interest rate at 2.750 percent.

Total loan costs, a data point collected and reported under HMDA since 2018, represent the sum of origination fees that the lender charges, charges for the services that borrowers cannot shop for (e.g., appraisal fees or credit report fees), and charges for services borrowers can shop for such as settlement agent or title insurance fees.

The median total loan costs for home purchase loans in 2021 was $4,889, an increase by 3.2 percent from $4,736 in 2020. Hispanic White borrowers for home purchase loans paid $6,282 in median total loan costs, the highest among all racial/ethnic groups. The next highest was Black borrowers with the median total loan costs for Black home purchase loan borrowers were $6,186, up from $5,980 in 2020. In comparison, the median total loan costs of home purchase loans were $4,462 for non-Hispanic White borrowers and $5,095 for Asian borrowers.

The median total loan costs of home purchase loans were higher for high-income borrowers ($5,148) and middle-income borrowers ($4,980) than LMI borrowers ($4,425). On the other hand, the median total loan costs of home purchase loans were $4,952 for loans secured by properties in LMI neighborhoods, $4,767 for loans in middle-income neighborhood and $4,995 for loans in high-income neighborhoods.

Among various enhanced loan types for home purchase loans, FHA loans had the highest median total loan costs, at $8,427, likely reflecting the required upfront mortgage insurance premium which could be a significant part of the total loan costs of FHA loans. The median total loan costs were $6,830 for VA home purchase loans. To the extent that Black and Hispanic White borrowers are more likely to take out FHA loans than Asian and non-Hispanic White borrowers, the high total loan costs
of FHA loans could contribute to higher median total loan costs for Black and Hispanic White borrowers as observed above.

The median total loan costs for refinance loans in 2021 was $3,336, which is lower than that for home purchase loans, and only up very slightly from $3,310 in 2020. The Hispanic White borrowers who refinanced in 2021 paid $3,879 in median total loan costs, also the highest among all racial/ethnic groups for refinance loans. The next highest was Black borrowers. The median total loan costs for Black refinance loan borrowers were $3,857. The median total loan costs of refinance loans were $3,214 for non-Hispanic White borrowers and $3,030 for Asian borrowers.

The median total loan costs of refinance loans were slightly lower for low-income ($3,286) and middle-income borrowers ($3,313) in comparison with high-income borrowers ($3,387). Conversely, the median total loan costs of refinance loans were higher for loans secured by properties in LMI neighborhoods ($3,454) than those in middle-income ($3,337) or high-income neighborhoods ($3,299). The pattern of median total loan costs for refinance loans by enhanced loan types was consistent with the pattern for home purchase loans, with FHA refinance loans having the highest loan costs and VA refinance loans having the lowest.
Module 2: Mortgage Activity and Trends (Part 2)

Objectives

- During this module, you will examine denial rates, monthly mortgage trends and activities by state, and lending institutions.
Denial rates

Unfortunately for some applicants, not all mortgage loan applications are approved. According to the HMDA, the overall denial rate for home purchase applications in 2021 was 8.3 percent. This was lower than 9.3 percent reported in 2020 and in 8.9 percent reported in 2019. About 12.4 percent of FHA applications (excluding withdrawn or incomplete applications) for home purchase loans were denied in 2021, followed by applications for FSA/RHS loans which had a denial rate of 10 percent. The conventional conforming home purchase applications had a denial rate of 7.1 percent in 2021, the lowest among all enhanced loan types.

The denial rates for refinance applications were higher than those for home purchase loans. The overall denial rate on applications for refinance loans was 14.2 percent in 2021. This was an increase from 13.2 percent in 2020, but still much lower than the 29.1 percent denial rate in 2018 and 19.2 percent denial 2019. Consistent with home purchase applications, applications for FHA refinance loans were more likely to be denied (23.6 percent) than all other enhanced loan types. While applications for conventional conforming refinance loans were the least likely to be denied (13.0 percent).

As in past years, Black and Hispanic White borrowers had notably higher denial rates in 2021 than non-Hispanic White and Asian borrowers. Among home purchase applications, the denial rates were 15.3 percent for Black applicants and 10.6 percent for Hispanic White applicants in 2021, both of which were lower than 2020 denial rates. In contrast, the denial rates of home purchase applications were 7.9 percent for Asian applicants and 6.3 percent for non-Hispanic White applicants.

Within each enhanced loan type except FHA and FSA/RHS loans, Black and Hispanic White applicants for home purchase loans had higher denial rates than non-Hispanic White or Asian applicants. For example, the denial rate of home purchase loan applications for conventional conforming loans was 15.7 percent for Black applicants and 9.7 percent for Hispanic White applicants. In contrast, the denial rate of home purchase loan applications for conventional conforming loans was 5.4 percent for non-Hispanic White applicants. On the other hand, for FHA home purchase applications, the denial rate of Asian applicants was higher than that of Hispanic White applicants but lower than that of Black applicants.

Consistent with denials for home purchase loans, Black and Hispanic White applicants were also more likely to be denied for refinance applications, with denial rates almost twice as high for Black applicants as compared with non-Hispanic White applicants. In 2021, about 23.6 percent of Black applicants and 17.6 percent of Hispanic White applicants applying for refinance loans were denied, compared to denial rates of 12.3 percent and 11.8 percent for Asian and non-Hispanic White loan applicants, respectively. The disparities in refinance denial rate were smaller among FHA and VA loan applications.
compared with conventional conforming and jumbo loan applications. For example, the denial rates for conventional conforming refinance applications stood at 23.9 percent, 17.1 percent, 11.9 percent, and 10.5 percent for Black, Hispanic White, Asian, and non-Hispanic White applicants in 2021, respectively. In contrast, the denial rates for FHA refinance applications were 25.3 percent, 21.9 percent, 23.8 percent, and 21.9 percent for Black, Hispanic White, Asian, and non-Hispanic White applicants, respectively.

Monthly mortgage trends and activities

The number of originations for closed-end mortgage loans secured by site-built single-family homes in each month between January 2018 and December 2021, separated by three loan purposes: home purchase, cash-out refinance, and non-cash-out refinance. The home purchase origination volume clearly displays a strong seasonal pattern, as home sales typically fluctuate as the numbers of home sellers and buyers entering the market change with the seasons. The home purchase loan origination volume rose year-over-year starting in the second half of 2019 until April 2020 when the pandemic and nationwide shutdown occurred. Starting in July 2020, the home purchase volume recovered and increased significantly despite the typical low-home-sale seasons near the end of the year. The year-over-year rise of home purchase loan volume continued well into the first half of 2021, reaching 520,000 originations in June 2021. Then it mostly plateaued or dipped into negative territories in terms of year-over-year change.

On the other hand, the refinance volume, especially in non-cash-out refinance that dominated the mortgage market activities in 2019 and 2020, clearly peaked in March 2021. Then the non-cash-out refinance volume dropped precipitously through the rest of 2021. At its peak, over 763,000 non-cash-out loans were originated in a month. By December 2021, the monthly non-cash-out refinance volume fell to 236,000, below the volume of cash-out refinance for the first time since April of 2019. This coincided with the increase in market interest rates. For most of 2021, the cash-out refinance volume continued to grow, staying above 200,00 originations per month, likely because consumers took advantage of rapid house price appreciation and converted some of their rising home equity into cash or liquid assets.

The year-over-year change in closed-end loan origination volumes by loan purpose between January 2018 and December 2021. The home purchase loan origination
volume rose year-over-year starting in the second half of 2019 until April 2020 when the pandemic was in full effect. Then, starting in July 2020, the home purchase volume recovered and increased significantly despite the typical low-home-sale seasons near the end of the year. The year-over-year rise of home purchase loan volume continued well into the first half of 2021, reaching 520,000 originations in June 2021. The numbers mostly plateaued or dipped into negative territories in terms of year-over-year change.

The trends in the conventional conforming market were largely similar to the overall trends of the entire mortgage market, as conventional conforming loans are the most common enhanced loan type. The rise of home purchase loans in 2021 was the most prominent among jumbo loans, with monthly origination volume of jumbo loans substantively higher than the previous three years and reaching 33,700 originations in a month by the end of 2021. This partly reflected rapidly rising house prices in 2021.

The monthly origination volume of closed-end home purchase loans is broken down by race/ethnicity. Compared to the same period in 2020, Asian, Black, Hispanic White, and non-Hispanic White borrowers all saw a significant increase in home purchase origination volumes in the second half of 2021. The share of non-Hispanic White borrowers far exceeds the shares of Asian, Black, and Hispanic White borrowers. In 2021, non-Hispanic White borrowers’ share among home purchase loans continued a downward trend that began in 2020. Meanwhile, the share of home purchase originations for Asian borrowers increased sharply beginning in May 2020. In addition, the share of home purchase originations for Black borrowers increased in 2021 compared to the previous years.

The refinance boom during 2019 and 2020 largely ended in 2021. The refinance volume increased for Asian, Black, Hispanic White, and non-Hispanic White borrowers during 2019 and 2020. Just as the refinance volume increased the fastest for Asian borrowers in 2019 and 2020, it also declined the fastest in 2021. There was a significant decline in Asian borrowers’ share of refinance loans in 2021. At its peak, Asian borrowers accounted for nearly 7.7 percent of all refinance loans in September 2021, far exceeding the shares of Black and Hispanic White borrowers. By the end of 2021, the share of refinance loans by Asian borrowers dropped to about 4.8 percent, dipping below the shares of Black and Hispanic White borrowers. In comparison, the Black and Hispanic White borrowers’ shares have steadily increased in 2021, accounting for about 6.6 and 6.8 percent of refinance loans by the end of 2021.
Mortgage trends and activities by states

The mortgage activities not only changed across time, but they also varied across geography. There was an annual growth rate of home purchase and refinance loans from 2020 to 2021 by state. All figures are restricted to closed-end originations secured by site-built single-family first-lien principal residences, excluding reverse mortgages.

Seven states (Idaho, Utah, Arizona, Montana, New Hampshire, Nebraska, and Tennessee) had a negative annual growth rate in home purchase originations. The home purchase originations increased by less than five percent in 16 states (South Dakota, Texas, Oklahoma, Minnesota, Wisconsin, Georgia, Indiana, Vermont, Missouri, Rhode Island, Kansas, Maine, Ohio, Arkansas, Iowa, and Kentucky). In contrast to year 2020 when 29 states experienced an annual growth rate of over 10 percent, only 13 states experienced an annual growth rate over 10 percent in 2021.

For refinance loans, twenty-eight states saw a decline in 2021 compared to 2020. Eleven of them - South Dakota, Utah, Colorado, North Dakota, Washington, Nebraska, Hawaii, Louisiana, Minnesota, Wisconsin, and Oregon – experienced an annual decline of over 10 percent. This is in sharp contrast with 2020 when all states experienced a yearly growth rate of over 100 percent.
Lending institutions

In 2021, 4,332 financial institutions reported closed-end applications and originations excluding reverse mortgages, down from 4,472 in 2020. This represents a continuation of the downward trend of institutions reporting closed-end applications and originations from 2019, where there were 5,500 institutions. A portion of the decrease in the number of institutions reporting closed-end transactions is likely driven by the increased reporting threshold that took effect in July 2020 due to the 2020 HMDA rule. The overall market volume of closed-end transactions excluding reverse mortgages. However, this has continued to increase over the past few years, from 13.0 million applications in 2019 to 20.9 million in 2020 and 21.5 million in 2021.

The financial institutions are broadly categorized into depository institutions (DIs) and non-depository institutions (non-DIs). DIs included 1,937 banks and thrifts (hereafter, banks) of which 1,299 were small (assets worth less than $1 billion), and 1,355 credit unions. Non-DIs included 68 mortgage companies affiliated with DIs and 972 independent mortgage companies.

Among DIs, banks collectively originated most of the reported closed-end loans, whereas, among non-DIs, independent mortgage companies originated significantly more loans than mortgage companies affiliated with DIs. For example, banks collectively originated 3.7 million loans, accounting for 26.3 percent of all reported closed-end originations in 2021. Credit unions originated 1.0 million loans, accounting for only 7.5 percent. Independent mortgage companies originated 8.9 million loans, accounting for 63.3 percent of all reported loans, whereas affiliates of DIs originated only 400,000 loans or 2.9 percent.

In 2021, independent mortgage companies originated 64.1 percent of all closed-end (excluding reverse mortgage) first-lien, owner-occupied, site built, one-to-four-family, home purchase loans, which compares to 60.7 percent in 2020. They also originated 65.8 of all closed-end, first-lien, owner-occupied, one-to-four family site-built refinance loans, which compares to 63.1 percent in 2020.

Only a small percentage of institutions (15.1 percent, 652 out of 4,332) reported fewer than 100 closed-end originations in 2021, accounting for about 35,000 total originations or about 0.2 percent of all originations. About 3 percent of institutions (140 out of 4,332), originated fewer than 25 loans, totaling just over 1,000 originations.
A number of differences exist between DIs and non-DIs with respect to the closed-end activity reported in 2021. First, DIs originated a significantly higher percentage of conventional home purchase loans than non-DIs. Second, overall, smaller shares of loans originated by DIs were distributed to minority borrowers, LMI borrowers, and in LMI neighborhoods than non-DIs. Third, non-DIs sold more of their originated loans compared to DIs. The HMDA data provide information on whether lenders sold originated loans within the same calendar year that they were originated, as well as the type of institution to which the lenders sold the loans, such as one of the GSEs or a banking institution.

A distinct pattern emerges within a specific institution type. For example, among DIs, credit unions were the least likely to sell originated loans compared to banks. Small banks and large banks sold 81.1 percent and 73.8 percent, respectively, of their refinance loans within the same calendar year of the originations. In contrast, credit unions sold 40.3 percent of their refinance loans during the same period.

In 2021, 936 financial institutions reported open-end applications and originations excluding reverse mortgages, very similar to the number of institutions reporting in 2020 and 2019 (938 and 936 respectively). The overall market volume of open-end transactions, excluding reverse mortgages, increased slightly from approximately 1.7 million applications in 2020 to 1.8 million in 2021.

HELOCs are dominated by DIs. In 2021, 809 DIs, including 271 banks, of which 44 were small (assets less than $1 billion), and 538 credit unions, originated, in total, 934,000 HELOCs reported under HMDA, accounting for 97.1 percent of all HELOC originations reported. Only 127 non-DIs, including 2 mortgage companies affiliated with DIs and 125 independent mortgage companies reported HELOC originations, accounting for 2.9 percent of the market. Only a very small percentage (3.3 percent) of HELOCs were sold to other institutions.

The top 25 institutions reported closed-end transactions by the total number of closed-end originations and their lending characteristics, limited to first-lien mortgages for site-built single-family, principal-residence homes excluding reverse mortgages. Together, the top 25 closed-end lenders originated 6.1 million loans in 2021, accounting for 43.9 percent of the national market, the highest share of the national market in the last four years. Since 2018, the top 25 closed-end lenders have increased their share of total origination volume each year, from 33.8 percent in 2018, to 37.2 percent in 2019, to 38.9 percent of all closed-end originations in 2020. The top 25 lenders were particularly prominent in the refinance space. In 2021, they originated 4.0 million refinance loans, accounting for 53.0 percent of refinance...
loans by all reporting institutions. The top 25 lenders originated 1.5 million home purchase loans, or 34.4 percent of home purchase loans.

With about 1.2 million originated loans, Rocket Mortgage (formerly known as Quicken Loans) continued to be the highest volume closed-end lender, with a market share of about 8.8 percent. Nineteen of the 25 top financial institutions were independent mortgage companies, five were large banks, and one was a credit union. Two institutions, Better Mortgage Corporation and Navy Federal Credit Union, were new to the list of top 25 closed-end reporting institutions in 2021. Both institutions had a market share of 1.0 percent or less. Two institutions, Finance of America Mortgage and Primelending, A PlainsCapital Company fell off the list.

In total, the top 25 HELOC reporters accounted for 423,607 HELOC originations or 44.0 percent, of all HELOC originations reported under HMDA in 2021. All but one of the top 25 HELOC lenders were DIs and none of the DIs were small banks. The two largest HELOC reporters in 2021 were Citizens Bank and PNC Bank, accounting for 5.1 and 4.2 percent of all HELOC originations reported in 2021. Last year, Bank of America had the highest market share of HELOC origination at 5.6 percent, while this year the institution was the fifth largest with a market share of 3.3 percent.

In total, the top 10 reverse mortgage lenders accounted for a little under 55,000 reverse mortgage originations, or approximately 93.1 percent, of all reverse mortgage originations reported under HMDA in 2021. American Advisors Group continued to be the largest reverse mortgage lender that reported HMDA data in 2021, accounting for approximately 31.3 percent of all reverse mortgage originations reported. It was followed by Finance of America Reverse LLC with an annual market share of 18.0 percent.

**Conclusion**

The market has changed substantially from 2020 to 2021 as interest rates continue to increase in response due to inflation. While some people benefited from an increase in homeownership, several minority groups still experienced a high number of denials (Black and Hispanic White borrowers). Also, many mortgage companies have exited the industry reducing players in the mortgage space (financial institutions and mortgage loan originators). As a result, the future is uncertain as it relates to the mortgage industry, so companies and MLOs will need to continue pivoting to more creative lending options, like temporary buydowns and non-qualified mortgages, until a sense of normalcy returns.
Source

Data Point: 2021 Mortgage Market Activity and Trends | Consumer Financial Protection Bureau (consumerfinance.gov)