



IMB FACT SHEET

Independent Mortgage Banks: Financing the American Dream

Today's IMB sector plays a crucial role in serving the single-family mortgage market with sustainable mortgage products through all economic cycles.

Independent mortgage banks (IMBs) are nondepository institutions that typically focus exclusively on mortgage lending. Mortgage bankers have originated and serviced loans since the 1870s, and IMBs have been an important component of the mortgage market for more than a century. Over the past decade, IMBs have become the primary source of mortgage credit for low- and moderate-income (LMI), as well as minority, homebuyers.

According to Home Mortgage Disclosure Act (HMDA) data, there were 842 IMBs in 2023 operating in all 50 states. IMBs are a diverse market segment and range in annual production volume from less than \$10 million to more than \$107 billion. Companies range from fewer than 100 employees to several thousand. IMBs strengthen our housing finance system by bringing together local market knowledge and specialized business processes. Their market presence diversifies risk across a larger number of lenders and servicers and fosters greater competition and innovation.

The Facts About IMBs

- **Mortgage Banking Is a Time-Tested Business Model.** The independent mortgage banking model has existed for more than 100 years and provides important market diversification.
- **IMBs Serve Critical Borrower Segments in Their Local Markets.** IMBs focus on loans for home purchase and on government-insured or -guaranteed loans. Today, IMBs are the primary source of mortgage credit for LMI borrowers, minority households, and first-time homebuyers.
- **IMBs Are Well Regulated at Both the State and Federal Levels.** All of the federal and state consumer protection rules apply to IMBs, just as they do for depository institutions. IMBs are the only lenders in the market whose loan officers are required to be individually licensed and tested. Additionally, FHA, VA, Ginnie Mae, the government-sponsored enterprises, and warehouse lenders all exercise regular counterparty oversight, establish minimum financial standards, and require regular financial reporting.
- **IMBs Support Their Communities, Consumers, and the American Economy.** There are more than 800 IMBs active in the market today, the vast majority of which are locally owned institutions serving their communities by bringing mortgage funds from Wall Street to Main Street.



- **IMBs Have Skin in the Game.** IMBs have made significant, market-leading investments in technology and infrastructure for both mortgage origination and long-term servicing for their customers.

The IMB Business Model

- IMBs are nondepository institutions and typically use short-term borrowings chiefly from banks, known as warehouse lines of credit, to originate their loans. The borrowing is secured by the funded loans until the loans are sold to an investor (typically Fannie Mae or Freddie Mac) or issued as securities (typically guaranteed by Ginnie Mae).
- As a result, the mortgage banking business model serves as an “importer” of capital to local communities, moving investment dollars from the capital markets on Wall Street to make home mortgages available on Main Street.
- IMBs are typically monoline companies, focused exclusively on providing home mortgage financing, mortgage servicing, and other closely related services. They operate through all market

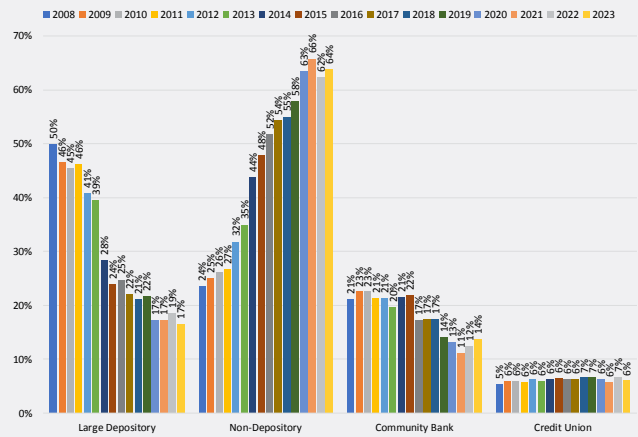
cycles and across all delivery channels (retail, broker wholesale, and correspondent).

- Most IMBs are privately held companies, owned and operated by a single individual or small number of owners whose personal net worth is fully invested in the company. This aligns the owners with the success of the enterprise, providing skin in the game and strong incentives to manage the business prudently for the long term.
- Despite the economic and financial shocks from COVID-19 in 2020 and 2021, IMBs performed well. IMBs, working with their warehouse banks, obtained the additional capacity to meet the record spike in demand for mortgages. In addition, IMB servicers maintained sufficient liquidity and operational capacity to provide extended forbearance to millions of borrowers experiencing hardships, while advancing timely principal and interest payments to investors in federally backed mortgage securities.
- Following the low-rate market boom for originations, IMBs persevered through two of the most challenging years in the mortgage industry. IMBs reported eight consecutive quarters of average net production losses from the second quarter of 2022 through the first quarter of 2024. Still, IMBs maintained majority overall market share compared to depository institutions and the overall credit quality remained strong, as shown by national delinquency and foreclosure metrics tracking close to historically low levels.

Bridging the Gap: IMBs' Role in Serving LMI and Minority Households

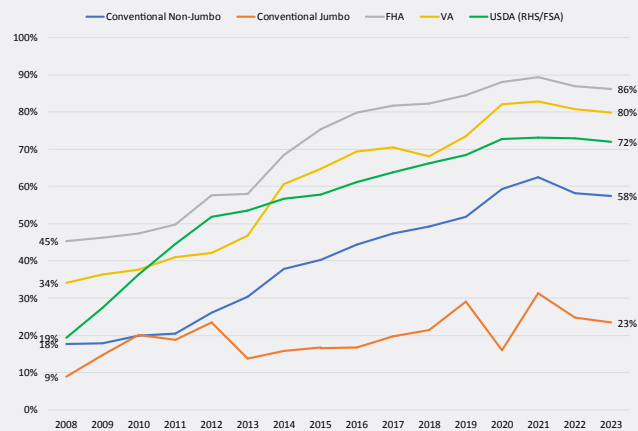
- IMBs have been around for more than a century. Their share of home mortgage lending has ebbed and flowed with broader developments in the market. Historically, IMBs have focused their lending on loans guaranteed by FHA and VA.
- More recently, IMBs have stepped into the void created as some bank lenders retreated not only from government lending, but from the mortgage market generally, in the aftermath of the 2008 financial crisis.
- While the IMBs' share of HMDA-reporting entities has remained steady in recent years, accounting for just over 17% of all reporting companies, they have grown their share of overall origination volume from 24% in 2008 to 64% in 2023.
- More importantly, IMBs have become the primary source of credit for FHA, VA, and Rural Housing Service (RHS) borrowers. These government-backed

FIGURE 1: SHARE OF ORIGINATIONS (#) BY COMPANY TYPE



Source: Home Mortgage Disclosure Act (HMDA) data, 2008-2023

FIGURE 2: IMB SHARE OF ORIGINATIONS (#) BY LOAN TYPE

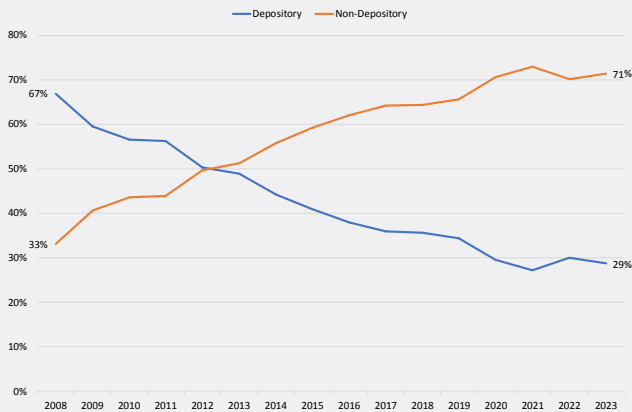


Source: Home Mortgage Disclosure Act (HMDA) data, 2008-2023

programs predominantly serve LMI families and first-time homebuyers in underserved markets.

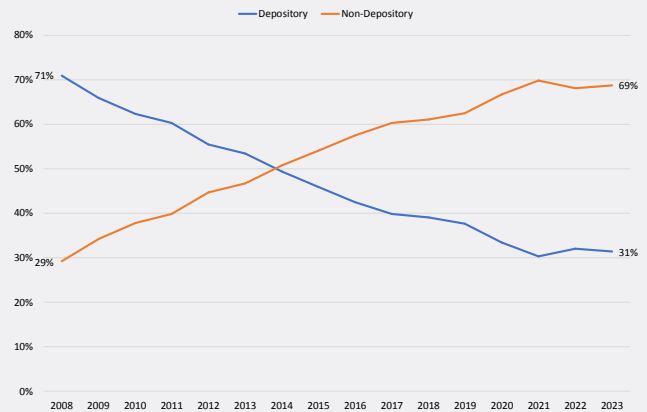
- In 2023, IMBs accounted for 86% of FHA loans, 80% of VA loans, and 72% of RHS loans. (See Figure 1.) Prior to the financial crisis, federally insured depositories accounted for most of such lending.
- As overall IMB market share has grown, IMBs have become the primary source of home purchase mortgages for minority households. In 2023, IMBs accounted for 71% of home purchase mortgages to minority homebuyers. (See Figure 2.) Further, IMBs originated 69% of all home purchase loans for LMI borrowers. (See Figure 3.)

FIGURE 3: SHARE OF HOME PURCHASE, OWNER-OCCUPIED ORIGINATIONS (#) TO MINORITY BORROWERS BY COMPANY TYPE



Source: Home Mortgage Disclosure Act (HMDA) data, 2008-2023

FIGURE 4: SHARE OF LMI HOME PURCHASE ORIGINATIONS (#) BY COMPANY TYPE



Source: Home Mortgage Disclosure Act (HMDA) data, 2008-2023

- [2022](#) and [2023 reports](#) from the Urban Institute demonstrate how IMBs have led the market in serving both LMI and minority communities, for purchase-money home loans.

IMBs also tend to serve borrowers needing lower-balance loans. The average loan amount for home purchases originated by IMBs in 2023 was \$345,000, compared to \$396,000 for federally insured depositories. (See Figure 4.)

Federal and State Oversight of IMBs Is Robust

- IMBs are subject to state supervision in every state in which they do business. They are also regulated at the federal level, where the Consumer Financial Protection Bureau (CFPB) has supervisory, investigative, and enforcement authority over their lending practices and consumer compliance.
- Each year, the typical IMB faces numerous financial and consumer compliance exams from state and federal regulatory agencies. Under the auspices of the Conference of State Bank Supervisors (CSBS), state regulators have increased the frequency and rigor of state onsite examination programs for IMBs, including the use of multistate exams for larger IMBs, which are often conducted in coordination with the CFPB. In 2021, the CSBS began implementing an integrated supervisory platform called Networked Supervision that improves information sharing and coordination of IMB supervision across the states.

- In addition, Fannie Mae, Freddie Mac, Ginnie Mae, and the FHA have minimum net worth and liquidity requirements for all approved lenders and routinely monitor their performance. In the wake of the financial crisis, minimum capital standards were increased substantially, and then again in 2015, along with higher liquidity requirements. In August 2022, the Federal Housing Finance Agency (FHFA) and Ginnie Mae jointly issued a robust new capital, net worth, and liquidity framework for sellers and servicers of loans to the GSEs and for Ginnie Mae issuers. In coordination with that effort, the CSBS released a model prudential framework that aligns with these standards, which states may adopt and use in examinations. The Financial Stability Oversight Council released [a report](#) stating as of April 2024, the handful of states that have adopted the CSBS model account for “98 percent of the nonbank mortgage market.” Together, these actions put in place a comprehensive financial oversight regime for IMBs. These latest requirements were gradually phased in and took effect between September 2023 and December 2024.
- Warehouse lenders also closely monitor IMBs for counterparty risk, as they will look to the IMBs and the underlying collateral to get paid back in the event of a default.
- Finally, IMBs are the only mortgage lending business model that requires all individual loan originators employed by the company to be tested and licensed in each state they operate.