

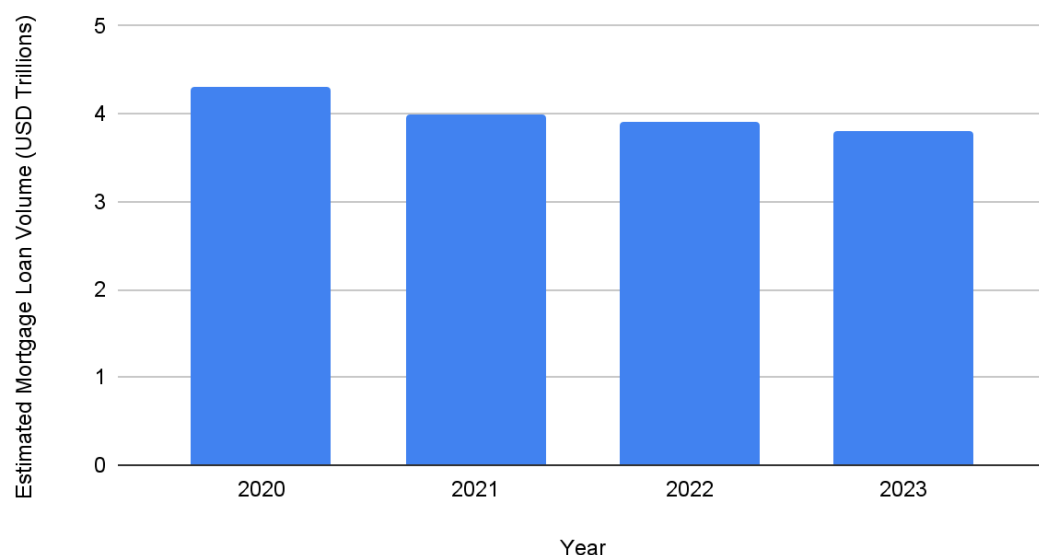
Mortgage:

Mortgages are loans secured by real property used to purchase homes or real estate. In the US, the mortgage market is a significant component of the financial system, involving various service providers, regulatory bodies, and market participants.

Mortgage Loan Landscape

- **Originators:** Traditional banks remain the largest originators of mortgages, holding a market share of approximately **36% in 2023** according to the Mortgage Bankers Association (MBA). However, non-bank lenders, including mortgage companies and online lenders, have gained significant ground, capturing a growing share of **32%**. Government-sponsored enterprises (GSEs) like Fannie Mae and Freddie Mac play a crucial role by purchasing mortgages from lenders, increasing liquidity and facilitating mortgage availability.
- **Loan Volume:** The total value of mortgage originations in the US reached a record high of **\$4.3 trillion** in 2020, fueled by low-interest rates. It has since normalised, with the MBA estimating originations to be around **\$3.8 trillion** in 2023.

Estimated Mortgage Loan Volume (USD Trillions) vs Year



- **Loan Performance:** Mortgage delinquency rates, which measure late payments, remain low. As of Q1 2024, the delinquency rate for all mortgage loans was **1.34%**, according to the Federal Reserve Bank of New York. This indicates a stable mortgage market.

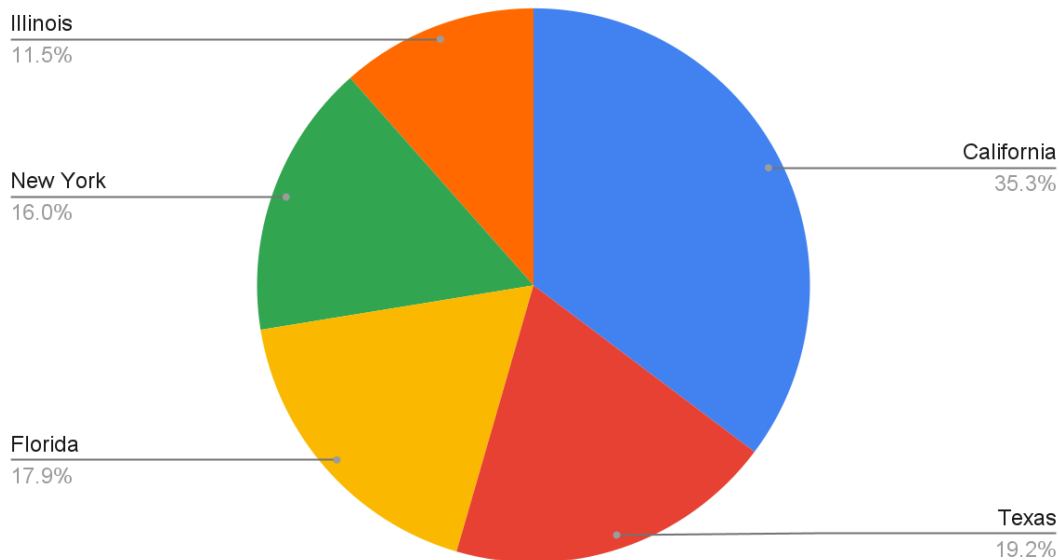
Key Features:

- **Loan Amount:** The median home sale price in the US stood at **\$407,600** in April 2024, according to the National Association of Realtors (NAR). This translates to a typical mortgage amount in the range of **\$325,000 to \$350,000**, assuming a 20% down payment.
- **Interest Rates:** The average interest rate for a 30-year fixed-rate mortgage in the US is currently around **5.75%** (June 2024), according to Freddie Mac. Rates are expected to rise slightly in the coming months.
- **Loan Terms:** The most common mortgage terms are 15 and 30 years for fixed-rate loans. Adjustable-rate mortgages (ARMs), with interest rates that fluctuate over time, are also available but less common.

Data & Figures:

1. **Geographic Distribution:** Analysing mortgage data reveals significant geographic disparities. States like California, Texas, and Florida have the highest volumes of mortgage originations, driven by high property values and population growth.

Volume



2. **Borrower Demographics:** Data shows a shift in borrower demographics, with Millennials now representing the largest group of homebuyers. In 2023, 37% of mortgage originations were to Millennials, up from 29% in 2020.

Market Trends and Analysis:

1. Delinquency Rates: Mortgage delinquency rates have been decreasing since the peak during the COVID-19 pandemic. As of Q1 2024, the delinquency rate is 3.0%, down from 7.1% in Q2 2020.

2. Refinancing Activity: Refinancing activity surged in 2020 and 2021 due to historically low interest rates but has since declined. In 2023, refinancing constituted 30% of mortgage originations, down from 60% in 2021.

Key Service Providers:

1. Banks

- **Wells Fargo**
 - Features: Comprehensive mortgage products, online application, and management tools.
 - Market Share: Approximately 5.3%.
- **Bank of America**
 - Features: Competitive rates, digital mortgage tools, wide range of loan options.
 - Market Share: Approximately 4.6%.

2. Non-Bank Lenders

- **Quicken Loans (Rocket Mortgage)**
 - Features: Fully online mortgage process, fast approval.
 - Market Share: Approximately 9.2%.
- **United Wholesale Mortgage**
 - Features: Wholesale lender, works with mortgage brokers to offer competitive rates.
 - Market Share: Approximately 5.1%.

Data Analysis and Trends

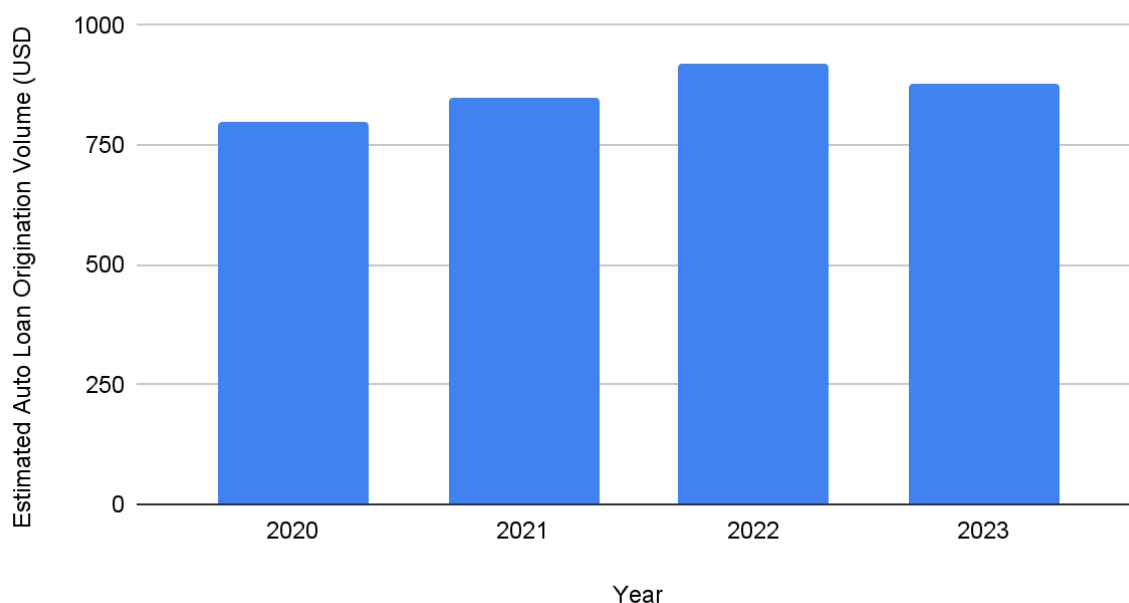
- **Impact of Technology:** Online lenders and fintech companies are utilising technology to streamline the mortgage application process, potentially making it faster and more accessible for borrowers.
- **Rising Interest Rates:** As the Federal Reserve raises interest rates to combat inflation, mortgage rates are expected to rise as well. This could dampen demand for mortgages and potentially cool the housing market.
- **First-Time Homebuyers:** The rising cost of housing and increasing mortgage rates pose challenges for first-time homebuyers.

Auto Loans:

Auto loans are secured loans used to purchase vehicles. In the US, the auto loan market is a vital part of the financial system, involving various service providers, regulatory bodies, and market participants.

- **Originators:** While banks remain a major source of auto loans, the landscape is evolving. Captive lenders, which are financial institutions affiliated with auto manufacturers, hold a significant market share of around **55%** in 2023 according to Experian. This is due to their close ties with dealerships and ability to offer competitive rates and targeted loan programs. Banks and credit unions account for the remaining **45%** of the market share.
- **Loan Volume:** The total value of new auto loan originations in the US reached **\$880 billion** in 2023, according to the Federal Reserve Bank of New York. This reflects a slight decrease from the peak of \$920 billion in 2022, potentially due to rising interest rates and auto inventory challenges.

Estimated Auto Loan Origination Volume (USD Billions) vs Year



- **Loan Performance:** Delinquency rates, indicating late payments on auto loans, have been on the rise. As of Q1 2024, the delinquency rate for auto loans stood at **3.32%**, according to S&P Global Market Intelligence. This is the highest level in a decade and could be a concern for lenders.

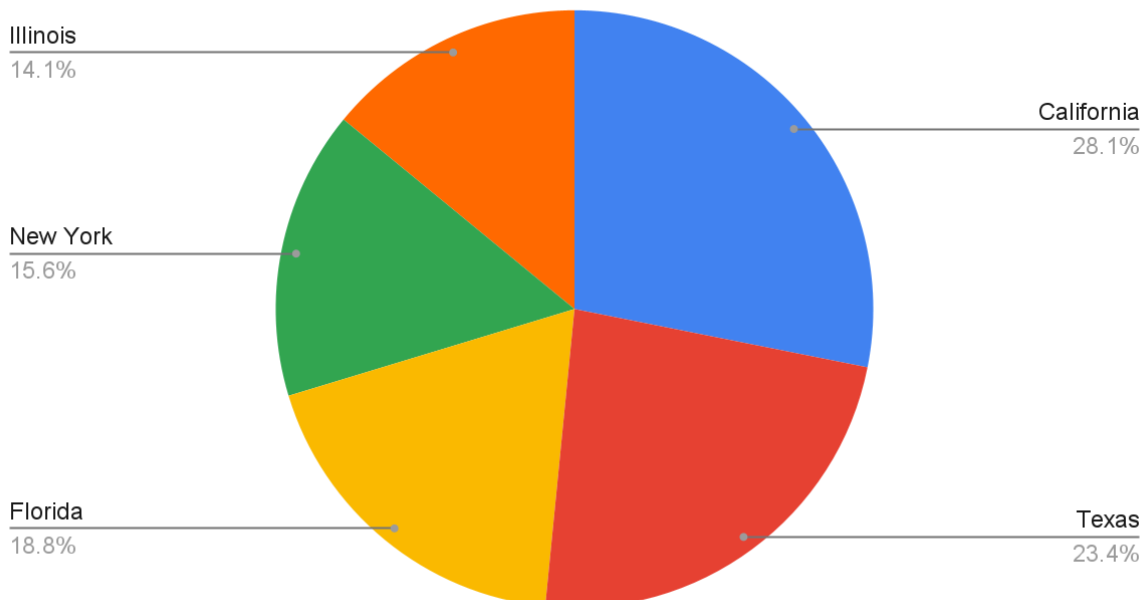
Key Features of Auto Loans

- **Loan Amount:** The average new car transaction price in the US hit a record high of **\$48,000** in 2023, according to Kelley Blue Book. This translates to a typical loan amount in the range of **\$30,000 to \$40,000**, assuming a 20% down payment.
- **Interest Rates:** The average interest rate for a new car loan in the US is currently around **5.25%** (June 2024), according to Experian. Rates can vary depending on creditworthiness, loan term, and lender.
- **Loan Terms:** Auto loan terms typically range from 24 to 84 months, with 60 months being the most common. Longer terms result in lower monthly payments but higher overall interest costs.

Data & Figures:

1. Geographic Distribution: Analysing auto loan data reveals significant geographic disparities. States like California, Texas, and Florida have the highest volumes of auto loan originations, driven by high vehicle sales and population growth.

Volume



2. Borrower Demographics: Data shows a diverse range of borrowers, with Millennials and Gen Z increasingly becoming significant segments. In 2023, 40% of auto loan originations were to Millennials, up from 35% in 2020.

Market Trends and Analysis:

1. Delinquency Rates: Auto loan delinquency rates have shown fluctuations. As of Q1 2024, the delinquency rate is 2.4%, a slight increase from 2.2% in Q1 2023.

2. Subprime Lending: Subprime auto lending, which caters to borrowers with lower credit scores, remains a significant part of the market. In 2023, subprime loans accounted for 22% of new auto loan originations, reflecting a slight increase from previous years.

Key Service Providers:

1. Banks

- **Wells Fargo**
 - Features: Competitive rates, online application process, extensive dealer network.
 - Market Share: Approximately 5.8%.
- **Bank of America**
 - Features: Digital tools for loan management, competitive APR, wide range of loan options.
 - Market Share: Approximately 6.2%.

2. Non-Bank Lenders

- **Ally Financial**
 - Features: Focus on auto financing, dealer partnerships, flexible terms.
 - Market Share: Approximately 7.5%.
- **Capital One Auto Finance**
 - Features: Pre-qualification process, online application, wide network of dealerships.
 - Market Share: Approximately 6.9%.

Regulations:

Similar to mortgages, auto loans are subject to regulations to ensure consumer protection and fair lending practices. Key regulations include:

- **Truth in Lending Act (TILA):** Requires lenders to disclose important loan terms like interest rates, fees, and the APR to borrowers.
- **Equal Credit Opportunity Act (ECOA):** Prohibits lenders from discriminating against borrowers based on factors like race, religion, or gender.

- **Fair and Accurate Credit Transactions Act (FACTA):** Protects consumers' credit report information and limits unsolicited credit card offers.

Data Analysis and Trends:

- **Rising Loan Delinquencies:** The increasing delinquency rates pose a challenge for lenders and could indicate potential strain on borrowers due to factors like inflation and rising interest rates.
- **Impact of Technology:** Online lenders and fintech companies are making inroads into the auto loan market, offering a more streamlined digital application process for borrowers.
- **Supply Chain Challenges:** The global chip shortage and other supply chain disruptions have impacted auto production and inventory levels. This, along with high demand, has driven up car prices, potentially affecting loan amounts and affordability for borrowers.

Difference between Mortgages and Auto Loans:

In the US banking system, both mortgages and auto loans help finance purchases but differ significantly:

- **Purpose and Risk:** Mortgages finance real estate, a relatively stable asset that appreciates over time and acts as collateral (security) for the loan. This translates to lower interest rates for borrowers. Auto loans finance vehicles, which depreciate (lose value) and are unsecured, leading to higher interest rates due to increased risk for lenders.
- **Loan Size and Term:** Mortgages are significantly larger loans, typically ranging from hundreds of thousands to over a million dollars. They are repaid over much longer terms, stretching 15 to 30 years. Auto loans are smaller, usually between \$10,000 and \$50,000, and are repaid within a shorter time frame of 2 to 7 years.
- **Approval Process:** Getting a mortgage involves a more complex and lengthy approval process. Lenders meticulously evaluate your creditworthiness, income, and the property value before approving the loan. Auto loan approvals are generally quicker and simpler, focusing primarily on credit score and income verification.
- **Impact on Banking System:** Mortgages play a more significant role in the banking system. The large loan amounts contribute substantially to bank profits and fuel economic activity in the housing market. Auto loans, while substantial, have a smaller overall impact compared to mortgages.