

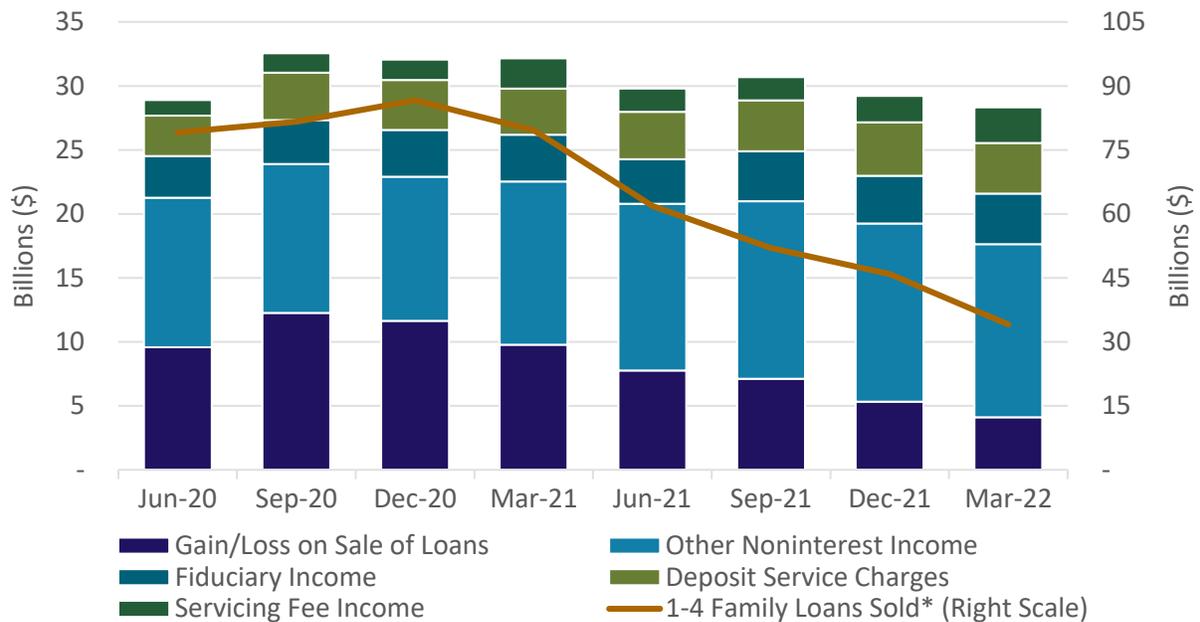
Community Banking BULLETIN: Highlight

Providing insights on community banking

Decreased gains on loan sales driving drop in noninterest income

Revenue from secondary market sales of loans continues to decline, in line with the drop in reported* sales of 1-4 family residential loans across community banks.

Noninterest Income and Loan Sale Activity



Source: Reports of Condition and Income

*The volume of 1-4 Family Loans Sold is aggregated only among those community banks that are required to report this item (15 percent of community banks at March 31, 2022) on quarterly Call Report filings.

- Noninterest income across community banking organizations¹ decreased to a two-year low at March 31, 2022. The largest driver of the decline was gains on the sale of loans, which dropped 58 percent year-over-year.
- Historically, 1-4 family residential loans have comprised a large portion of secondary market loan sales by community banks. Across the industry, residential mortgage lending among commercial banks has been challenged due to a low housing inventory, increased competition from fintech and nonbank lenders, rising interest rates, and a drop in consumer sentiment amid inflation concerns, resulting in decreased originations and refinancing activity.
- Among community banks that are required to report 1-4 family loans sold to the secondary market,² the volume of these loan sales decreased 57 percent year-over-year as of March 31, 2022. Likewise, income associated with this activity declined 55 percent year-over-year across those community banks that reported.

Questions or comments? Please contact KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org

¹ Community banking organizations are defined as having \$10 billion or less in total assets

² Call Report 031 and 041 filers must report residential mortgage banking activities if total originations and purchases for resale, loan sales, or quarter-end loans held for sale or trading exceed \$10 million for two consecutive quarters. Call Report 051 filers must report residential mortgage banking activities if total sales or quarter-end loans held for sale or trading exceeded \$10 million for the two calendar quarters preceding the current quarter.