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Lender Production Profits Down 60% Thanks to TRID

The new Truth-in-Lending disclosure (TRID) rule is being blamed for a **sharp decline** in the per loan profitability of mortgage lenders. The Mortgage Bankers Association said that its fourth quarter survey of independent mortgage banks and mortgage subsidiaries of chartered banks found a drop in profitability from \$1,238 per loan in the third quarter of 2015 to \$493 in the fourth. TRID, the so-called "Know Before You Owe" rule went into effect for loans for which applications were received on or after October 3, 2015.

"Production profits dropped by **over sixty percent** in the fourth quarter of 2015 compared to the third quarter," said Marina Walsh, MBA's Vice President of Industry Analysis. "With the *Know Before You Owe* (TRID) rule going into effect last October 3rd and declining production volume compared to the third quarter of 2015, mortgage bankers saw their total loan production expenses climb to \$7,747 per loan, from \$7,080 per loan in the third quarter."

Walsh added, "The fourth quarter marked the **second highest level of production expenses** per loan since the inception of our report in the third quarter of 2008. However, the average production volume per company was nearly double the first quarter of 2014, when production expenses reached a study-high of \$8,025 per loan. The increase in total production expenses per loan in the fourth quarter of 2015 **cannot** be explained solely by volume fluctuations."

MBA's *Quarterly Mortgage Bankers Performance Report* found loan production averaged 2,265 loans per company in the fourth quarter compared to 2,609 loans in the third quarter. In the first quarter of 2014 when the per-loan production expenses referred to by Walsh were at a study-high, the average volume by count was 1,238 loans per company. Since the inception of the *Performance Report* in the third quarter of 2008, the quarterly production count has averaged 1,491 loans.

By dollar, the average production volume was **\$538 million**, down from \$614 million per company the previous quarter of 2015. Referring again back to the first quarter of 2014, the average production volume was \$274 million per company. Over the history of the *Performance Report* production volume per company has averaged \$332 million.

MBA's also found that productivity decreased to 2.4 loans originated per production employee per month in the fourth quarter of 2015 compared to

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.28%	-0.09	0.00
15 Yr. Fixed	6.75%	-0.07	0.00
30 Yr. FHA	6.70%	-0.12	0.00
30 Yr. Jumbo	7.48%	-0.07	0.00
5/1 ARM	7.35%	-0.07	0.00
Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/3

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

Value	Change
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Builder Confidence	Mar	51	+6.25%
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