Rich E. Blanchard
Managing Director, RICH Home Loans LLC
NMLS: 492461
1550 Wewatta St., 2nd Floor Denver, CO 80202

Office: 720.619.9900
Mobile: 303.328.7047
Fax: 214.975.2874
richblanchard@richhomeloans.com
View My Website

Lenders Manage Tiny Profits in 2018 Despite Rate Hikes, Inventories

Despite their fourth quarter loss reported last month, independent mortgage banks and bank mortgage subsidiaries still managed, albeit barely, to stay in the black last year. The Mortgage Bankers Association (MBA) said that banks responding to its survey made an average profit of $367 on each loan they originated last year, down from $711 per loan in 2017. They lost an average of $200 per loan in the last quarter of the year, only the third quarterly loss since MBA began collecting the data in 2008.

"Despite a healthy economy in 2018, **the mortgage market suffered,** as rate hikes hurt refinancing volume and low housing inventories priced some potential homebuyers out of the purchase market," said Marina Walsh, MBA's Vice President of Industry Analysis. "For mortgage companies, there was the perfect storm of lower production revenues combined with rising expenses, which together contributed to the lowest net production income per loan since 2008. Production revenues per loan dropped despite study-high loan balances in 2018. At the same time, production expenses per loan grew to a study-high of $8,278 per loan last year."

Added Walsh, "For those holding **mortgage servicing rights** (MSR), it was **the silver lining that boosted overall profitability**. Including both production and servicing operations, 69 percent of the firms posted overall pre-tax net financial profits in 2018, compared to only 47 percent of firms with net servicing income excluded."

That servicing income more than tripled year-over-year. The figure, which includes net servicing operational income, as well as mortgage servicing right (MSR) amortization and gains and losses on MSR valuations, increased from $64 per loan in 2017 to $203 in 2018.

On average, companies reporting data for MBA's annual *Mortgage Bankers Performance Report* originated 8,171 loans, **a volume of $2.0 billion, down from $2.13 billion (8,882 loans) per company in 2017.** Among companies that reported in both years, the 2018 numbers were 8,502 loans and a volume of $2.07 billion down from their 2017 production of 8,824 loans for $2.11 billion. For the mortgage industry as whole, MBA estimates production volume at $1.64 trillion in 2018, compared to $1.76 trillion in 2017.

Total production revenues, including fee income, net secondary marking income and warehouse spread, were 362 basis points (bps) in 2018, down from 379 bps in 2017. On a per-loan basis, production revenues were $8,645,

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.03%	-0.05	0.00
15 Yr. Fixed	6.44%	-0.01	0.00
30 Yr. FHA	6.50%	-0.05	0.00
30 Yr. Jumbo	7.24%	-0.01	0.00
5/1 ARM	7.05%	-0.02	0.00
Freddie Mac			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/5

Recent Housing Data

		Value	Change
Mortgage Apps	Jun 12	208.5	+15.58%
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%

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/richhomeloans

down from $8,793 per loan the previous year.

		Value	Change
Builder Confidence	Mar	51	+6.25%

Total **loan production expenses -** commissions, compensation, occupancy, equipment, and other production expenses and corporate allocations - increased to $8,278 per loan in 2018 from $8,082 in 2017.

Personnel expenses averaged $5,524 compared to $5,346 per loan in 2017. Productivity declined from 1.9 loans originated per production employee per month to 1.8 loans. Production employees include sales, fulfillment and production support functions.

The **average production profit** (net production income) **was 14 bps in 2018, less than half the 31 bps in 2017.** In the first half of 2018, net production income averaged 18 bps, then dropped to 9 in the second half of 2018. Over the 11 years MBA has collected the data (2008), net production income by year has averaged 49 bps ($1,020 per loan).

Including all business lines, 69 percent of the firms in the study posted pre-tax net financial profits in 2018, down from 80 percent in 2017. In the first half of 2018, 73 percent of firms that were repeat reporting posted pre-tax financial profits, compared to 55 percent in the second half of 2018.

The share of refinance originations by dollar volume decreased from 25 percent in 2017 to 20 percent. For the mortgage industry as a whole, MBA estimates the refinancing share last year decreased to 28 percent from 35 percent in 2017.

The size of first mortgages originated during the year reached a survey high of $251,084 in 2018, up from $245,500 in 2017. It was the 9th consecutive year that origination balances of first mortgages increased.

Eighty percent of the 280 firms that reported production data to MBS were independent mortgage companies and remaining 20 percent were subsidiaries and other non-depository institutions.

Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

Rich E. Blanchard

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/richhomeloans