RICHEY•MAY SELECT

Trend Report for Independent Mortgage Bankers

2018 - 1st Quarter

-17%

Change in Production Volume

The trend of declining production continued in Q1, with a 17% decrease from the prior quarter. Volumes have now declined for 3 straight quarters. However, average volume during Q1 of 2018 was 6% higher than it was during Q1 of 2017. Additionally, unfunded lock pipelines increased by 43% quarter over quarter, an early indication that volumes may be up by as much as 30-40% in the 2nd quarter.

14 bps

Change in Pre-Tax Net Income (bps)

Pre-tax net income increased by 14 basis points from Q4. Increases in MSR values and the unrealized gains related to unfunded lock pipelines provided a boost to earnings and kept many lenders from realizing significant losses.

-41 bps

Change in Net Production Income (bps)

Average net production income was -19 basis points in Q1, a decrease of 41 basis points quarter over quarter. Decreases in production volume and gain on sale made it very difficult for lenders to turn a profit for the quarter. In fact, only 30% of participants had positive net production income in Q1.

-14 bps

Change in Secondary Gain on Sale (bps)

For the 2nd consecutive quarter, secondary gain on sale declined by more than 10 basis points. Hopefully, with increased volume in Q2, lenders will see increases in secondary gains and some relief from margin compression.

$684

Change in Costs to Originate ($ Per Loan)

Costs to originate increased by $684 per loan in the quarter, primarily due to a decrease in production volume. As a result, over half of the participating lenders reduced staffing during Q1, with most of the reductions being seen among loan officers, sales support, and processing.