

## Trend Report for Independent Mortgage Bankers

### 2018 - 3rd Quarter



#### Change in Production Volume

Production volume was down 6 percent from Q2. Year to date, volume is roughly the same as it was during the same period in 2017. Unfunded lock pipelines as of September 30th were down 20% compared to June 30th, a larger decline than typically observed between Q2 and Q3. Purchase share, at 85%, remained unchanged from the last quarter and is only 5% higher than it was during the same period last year.



#### Change in Secondary Gain on Sale (bps)

Tightening margins continue to be a significant challenge in 2018. Secondary gains decreased further in Q3, marking the 6th consecutive quarterly decline in secondary gain on sale. In an effort to offset decreases in secondary margins, lenders increased loan origination income and/or decreased direct costs during the quarter.



#### Change in Net Production Income (bps)

The combination of decreases in both volume and margins led to a decrease in earnings of 11 bps quarter over quarter. Net production income, at 19 bps in Q3, is the lowest it has been in any 3rd quarter since we began the benchmarking program 6 years ago.



#### Change in Costs to Originate (\$ Per Loan)

Due to declines in production volume quarter over quarter, fulfillment and back-office personnel costs increased by \$130 per loan. The rest of the increase (\$115, or 5 bps, per loan) was related to increases in sales personnel costs, which includes loan officers, account executives, sales managers and sales support (LOAs). The increase in sales costs is likely driven by recruiting and retention activity.



#### Change in Servicing Portfolio Values (bps)

Lenders did not get much of a boost in earnings from servicing fair value adjustments, as servicing values remained steady during the quarter, at 110 bps. Instead, many lenders sold portions of their portfolios to improve cash flow.

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