

## Trend Report for Independent Mortgage Bankers 2018 Overview



- 26 bps

### Change in Gain on Sale (bps)

Gain on sale for the full year was down an average of 26 bps year over year. However, during Q4, secondary gains improved by an average of 18 bps over those seen in Q3. This marks the end of an 18-month trend in which margins steadily decreased from over 360 bps during Q1 of 2017 to 313 bps in Q3 of 2018. Gain on sale increased by at least 5 bps from Q3 for 75% of survey participants.



- 23 bps

### Change in Net Production Income (bps)

During 2018, average net production income was 16 bps, a decrease of 23 bps from 2017. Approximately 60% of participating lenders generated positive net production income, with 40% of lenders showing a loss for the year. Despite a sharp 16% decrease in production volume during the 4th quarter, net production income was a positive 12 bps, an indication of the efforts made by many lenders during 2018 to reduce expenses.



- 3%

### Change in Production Volume

2018 volume was down 3% from 2017 levels. Purchase mix increased by 5% over 2017 for an average of 82% among survey participants, while the government share was down 3% to an average of 33% during 2018.



\$278

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

Costs to originate reached an annual high in 2018 of \$8,440 per loan. This represented a \$278 increase over the previous high established in 2017. With the exception of general and administrative expenses, there were modest increases in each expense category in 2018. Considering that actual operating expenses increased only 0.9% and that total staffing levels were unchanged, the increase in costs appears to be primarily driven by a 5% decrease in originated loan count.



-21 bps

### Change in Pre-Tax Net Income (bps)

Earnings decreased from 32 bps in 2017 to 11 bps in 2018, and return on equity decreased from 16.9% to 3.1%. Those net income and ROE figures were the lowest we've seen in the 7-year history of the benchmarking survey.