RICHEY·MAY SELECT

Trend Report for Independent Mortgage Bankers
2019 - 1st Quarter

- 8%

Change in Production Volume
Volume was down 8% in Q1 compared to Q4, and down by 5% compared to Q1 of last year. The average note rate decreased by a quarter point during Q1 , leading to a 4% increase in refinance share.

90%

Change in Interest Rate Lock Pipelines
As of March 31, lock pipelines were up 90% compared to year-end. Thanks to a meaningful drop in rates during the quarter, pipelines swelled much more than normal during Q1, an indication that Q2 volume should exceed forecasted levels.

4 bps

Change in Secondary Gain on Sale (bps)
Secondary gain on sale was up an average of 4 basis points from Q4 2018, representing the second consecutive quarterly increase in gain on sale.

- 24 bps

Change in Net Production Income (bps)
Although average margins were up during Q1, net production income decreased by 24 basis points during the quarter due to declines in production volume and increases in certain costs.

42 bps

Change in Pre-Tax Net Income (bps)
Earnings improved by 42 bps from Q4, in large part due to unrealized gains related to interest rate lock pipelines, which were up an average of 90% from the prior quarter. That increase alone represented 33 bps in earnings during the quarter, compared to declining pipelines in Q4 that contributed a loss of 32 bps in that quarter.

-5 bps

Change in Servicing Portfolio Values (bps)
The average fair value of mortgage servicing rights decreased by 5 bps during Q1 due to the decline in interest rates. The average UPB of MSRs also decreased by 2% during the quarter as many lenders saw an increase in runoff due to prepayments.

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