RICHEY·MAY SELECT

Q3/2019 - TREND REPORT
FOR INDEPENDENT MORTGAGE BANKERS

CHANGE IN PRODUCTION VOLUME

2019 IS ON PACE TO BE THE HIGHEST AVERAGE VOLUME ON RECORD BY IMBS.

Production volume increased by 27% during Q3, surpassing the previous record highs set in Q2. Through the first 9 months of 2019, volume is up an average of 31% over that same period in 2018. Thanks to decreases in interest rates, refinance volume nearly doubled during the quarter, going from a 23% share of volume in Q2 to a 38% share in Q3. Purchase volume remained relatively flat in comparison to Q2.

25%

CHANGE IN INTEREST RATE LOCK PIPELINES

HIGHER PIPELINES AT END OF Q3 INDICATE SEASONALLY HIGHER VOLUME IN Q4.

Most IMBs, especially those who focus on refinance business, had interest rate lock pipelines at the end of Q3 that were higher than pipelines at the end of Q2—an early indication that volume for Q4 will be higher than Q4 of prior years, even if interest rates see increases as we get closer to the end of the year.

36%

CHANGE IN SECONDARY GAIN ON SALE (BPS)

SECONDARY MARGINS CONTINUE TO BE LACKLUSTER.

Even considering an increase in refinance business and conventional products, decreases in gain on sale were more than would be expected during a period when many IMBs had to increase capacity of their warehouse lines to handle the production levels. With the gain on sale decreases in Q3, margins through the first 3 quarters in 2019 were even with last year.

-18.5 BPS

CHANGE IN NET PRODUCTION INCOME (BPS)

Q3 NET INCOME MODESTLY BETTER THAN Q2, THANKS TO HIGH PRODUCTION.

Average net production income was 69 basis points in Q3. Compared to past years, with unforeseen spikes in volume (2016, 2015 and 2012), 69 bps is below average, but most IMBs probably will not be complaining considering 2019 has been much better than 2018.

5 BPS

CHANGE IN COSTS TO ORIGINATE

EVERYONE LOOKS MORE EFFICIENT THANKS TO HIGH VOLUME!

Total costs to originate (CTOs) were $7,600 per loan in Q3, the lowest quarterly CTO in 11 quarters (Q3-2016). Decreases in per loan costs were seen in sales support, processing, underwriting, closing, post-closing, QC, compliance, secondary, corporate, rent, equipment, tech, marketing, professional fees and G&A—every category except sales. Most notably, fulfillment personnel (processing, underwriting and closing) set a record high of 9 loans per FTE per month. Costs per loan for this same group was $886 per loan which was the lowest cost since 2015.

-$460