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Mortgage Production Profits Down in Q4, Still Much Higher Year-Over-Year

Per-loan **profitability fell** in the third quarter of 2015 the Mortgage Bankers Association. (MBA) said today, but **remained substantially above** those profits a year earlier. Independent mortgage banks and mortgage subsidiaries of chartered banks reported a net gain of $1,238 on each loan they originated in the third quarter of 2015, down from a reported gain of $1,522 per loan in the second quarter of 2015. The third quarter 2015 profits however were nearly a third higher than the $897 per loan reported a year earlier.

Marina Walsh MBA's Vice President of Industry analysis said the third quarter profits were equivalent to **55 basis points per loan**, up from 42 basis points a year earlier. "The average production volume in the third quarter of 2015 was significantly higher at $614 million per company, compared to $437 million per company in the third quarter of 2014. At the same time, the share of purchase production to total production by dollar volume was similar at 70 and 72 percent respectively," she said

MBA's Quarterly Mortgage Bankers Performance Report included production data from 363 companies. Seventy-four percent were independent mortgage companies and the remaining 26 percent were subsidiaries of chartered banks and other non-depository institutions. Including all business lines, **86 percent** of the firms in the study posted pre-tax net financial profits in the third quarter of 2015, down from 92 percent in the second quarter of 2015.

The production volume by loan count averaged 2,609 loans per company in the third quarter of 2015, down from the study-high 2,714 loans in the second quarter of 2015. Despite this decrease, the third quarter average production volume in both dollar and count was the **second highest reported** since inception of the Performance Report in the third quarter of 2008. Productivity also decreased on a per-production employee basis to 2.5 loans per month from 2.8 loans in the second quarter.

The average pre-tax production profit was **55 basis points** in the third quarter, compared to an average net production profit of 67 in the second quarter of 2015. Since MBA started reporting this data in the third quarter of 2008, net production income has averaged 54 basis points.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.72	+0.02
10 YR Treasury	5.1260	-0.0082
30 YR Treasury	5.4741	-0.0017

Pricing as of: 11/16 7:32PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Total loan production expenses - commissions, compensation, occupancy, equipment, and other production expenses and corporate allocations - **increased to $7,080 per loan** in the third quarter of 2015, from $6,984 in the second quarter of 2015. Personnel expenses averaged $4,674 per loan compared to $4,632 per loan the previous quarter.

The **"net cost to originate" increased to $5,549 per loan** in the third quarter from $5,372 in the second. This figure includes all production operating expenses and commissions, minus all fee income, but excludes secondary marketing gains, capitalized servicing, servicing released premiums, and warehouse interest spread. Secondary marketing income was 290 basis points in the third quarter of 2015, down from 294 basis points in the second quarter.

Those companies reporting originated an average of **70 percent of their loans as purchase mortgages**, up from 62 percent in the second quarter. For the mortgage industry as a whole, MBA estimates the purchase share at 63 percent in the third quarter of 2015. Jumbo loans made up 9.09 percent of first mortgage originations, virtually unchanged from the second quarter. Loan size decreased to a $241,942 average for first mortgages from $244,350 in the second quarter.

The average pre-tax servicing profit dropped to a loss of $52 per loan serviced in the third quarter of 2015, from a gain of $196 per loan serviced in the second quarter of 2015.

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

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