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EQUAL HOUSING LENDER

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Mortgage Lending Profitable in 2015 Despite Weaker 2nd Half

Year-end figures released on Tuesday by the Mortgage Bankers Association (MBA) shows that profits in at least one sector of mortgage lending **increased substantially** in 2015 compared to 2014. Those profits, however trended down as the year wore on.

According to MBA's *Annual Mortgage Bankers Performance Report*, independent mortgage banks and mortgage subsidiaries of chartered banks made an **average profit of $1,189** on each loan they originated in 2015, up from $747 per loan in 2014. Ninety-two percent of firms responding to the MBA survey posted pre-tax net profits in 2015, including all business lines while 82 percent reported such profits in 2014. However, in the first half of 2015 93 percent reported profits while **only 83 percent** did so in the second half of the year.

The **average production profit** (net production income) was 52 basis points (bps) in 2015 compared to 34 bps in 2014. The income averaged 65 bps in the first half of last year then fell to 39 in the second half.

"Despite a drop in profits in the second half of the year compared to the first half, full-year 2015 net production profits were 52 basis points, 18 basis points higher year over year, with higher production volume," said Marina Walsh. MBA's Vice President of Industry Analysis. "Profits in 2015 were **just below the annual average** of 55 basis points since the inception of the Performance Report in 2008. However, because of larger loan balances, per-loan profits were at their third highest levels since 2008. Average loan balances for this sample grew 7 percent from 2014 to 2015 and have grown 22 percent since 2008."

There were 276 companies reporting production data to MBA for the full year. Seventy-two percent were **independent mortgage companies** and the remainder were subsidiaries and other non-depository institutions.

The average production volume was $2.40 billion or 9,906 loans compared to $1.57 billion or 6,779 loans per company in 2014. Among those companies reporting for both years, average production volume increased by 48 percent to $2.48 billion (10,183 loans) from $1.68 billion (7,243 loans) in 2014. The size of an average loan increased 7 percent to $239,265 from $223,108 the previous year.

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	98.73	+0.03
10 YR Treasury	5.1266	-0.0076
30 YR Treasury	5.4747	-0.0011

Pricing as of: 11/16 7:34PM 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 - rose slightly year-over-year, from $6,950 to **$7,046 per loan**. In the first half of 2015, total production expenses averaged $6,893 per loan, then rose to $7,272 per loan in the second half of 2015.

Personnel expenses were an average of $4,699 per loan, up from $4,500 in 2014. There were 2.20 loans originated per production employee per month in 2015, compared to 2.05 in 2014.

The "**net cost to originate**" including all production operating expenses and commissions, minus all fee income, but excluding secondary marketing gains, capitalized servicing, servicing released premiums, and warehouse interest spread. was **$5,567 per loan** compared to $5,200 the year before. Secondary marketing income plus origination fees rose to 330 bps from 321 bps the previous year.

The purchase share of total originations, by dollar volume, decreased to 64 percent in 2015, from 71 percent in 2014. For the mortgage industry as whole, MBA estimates the purchase share dropped from 60 percent in 2014 to 54 percent last year.

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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