

2020 Q2 SNAPSHOT FOR INDEPENDENT MORTGAGE BANKERS



CHANGE IN PRODUCTION VOLUME

HISTORIC LOW INTEREST RATES LEAD TO RECORD HIGH PRODUCTION VOLUME...

...during 2020. Volume during Q2 increased by 69% over Q1 and by 89% comparing the 1st half of 2020 and 2019. Refinances made up 57% of all originations during the quarter, surpassing previous refinance share highs from 2012 (which reached no higher than 55%). Lock pipelines as of June 30 were 17% higher than pipelines on March 31, indicating that production levels during Q3 will be on par, if not higher, than production levels in Q2.

69%



CHANGE IN SECONDARY GAIN ON SALE (BPS)

THE HIGH MORTGAGE DEMAND IN Q2 POSED SIGNIFICANT...

...capacity challenges for lenders, especially considering that hiring during the quarter was complicated with most of the country under a shelter in place order by local governments. Instead of increasing capacity by hiring, most lenders increased their margins. As a result, secondary gains for the peer group increased by 54 basis quarter over quarter, reaching the highest average secondary gain on sale in the history of the benchmarking program (since 2012).

+54 BPS



CHANGE IN COSTS TO ORIGINATE

ON AVERAGE, THE PEER GROUP CLOSED NEARLY 3 LOANS PER FTE...

...(full time equivalent employee) each month during Q2, which is 1.5x higher than productivity levels from Q2 of 2019. Total costs to originate for Q2 were lower than they have been for a while, but not as low as costs from 2016 which is likely a result of significant overtime and bonuses.

-\$880 \$PL



CHANGE IN NET PRODUCTION INCOME (BPS)

UNIQUE CIRCUMSTANCES RESULTING FROM THE CORONAVIRUS PANDEMIC...

...saw many lenders in the industry generate unusually high earnings. Average net production income was 143 basis points during Q2 with at least a quarter of the lenders in the program surpassing 200 bps in net production income. In context, 143 basis points is 2.25x higher than normal earnings during the 2nd quarter, which is usually around 60 basis points.

+102 BPS



CHANGE IN SERVICING PORTFOLIO VALUES

SERVICING PORTFOLIO VALUES AT THE END OF THE QUARTER DECREASED...

...by 6 basis points. Many lenders increased retention rates for servicing rights, in some cases resulting in servicing portfolios growing by 2x or 3x over portfolio volume at the end of Q1.

-6 BPS