

2020 Q3 SNAPSHOT FOR INDEPENDENT MORTGAGE BANKERS



CHANGE IN PRODUCTION VOLUME

IN TOTAL, VOLUME INCREASED BY 25% OVER Q2...

...reaching a new historic high in average quarterly volume for the peer group. The quarterly increase was primarily driven by more purchase business which increased by 47% over last quarter. Even though interest rates continued to decline, refinance volume was relatively flat quarter over quarter, leading to an 8% decrease in the refinance share of originations. Volume through the first nine months of 2020 increased by an average of 90% over volume from the same period last year.

+25%



CHANGE IN SECONDARY GAIN ON SALE (BPS)

SECONDARY MARGINS DURING Q3 WERE 66 BASIS POINTS HIGHER...

...making it two consecutive quarters with record high margins. Average secondary gain on sale was 440 basis points for the peer group, which was 80 basis points higher than past quarterly highs from a year other than 2020.

+66 BPS



CHANGE IN COSTS TO ORIGINATE

LENDERS FROM THE PEER GROUP INCREASED STAFFING LEVELS...

...by approximately 11% during Q3. However, increases in production still outpaced increases in staffing levels, which resulted in new record high output across many of the personnel functions measured in the benchmarking program. Increases in output did not translate to decreases in costs during Q3; instead costs increased by \$300 per closed loan. The vast majority of the increase was due to a 12 basis point increase sales compensation and an increase of \$42 per loan in processing and underwriting that were likely driven by high overtime rates, sign-on bonuses, spot bonuses and production incentive bonuses which continue to be significant in 2020. Operating costs remained relatively flat with modest increases in professional fees that were offset by modest decreases in rent, occupancy and equipment costs

+300 \$PL



CHANGE IN NET PRODUCTION INCOME (BPS)

AFTER RECORD HIGH EARNINGS FROM Q2...

...earnings increased again during Q3. The average quarterly net production income was 195 basis points, which was an increase of 54 basis points over Q2. With consecutive record setting earnings in the last two quarters, net production income from the last 6 months was greater than the previous 57 months combined.

+54 BPS



CHANGE IN SERVICING PORTFOLIO VALUES

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

...slightly by 2 basis points. Many lenders increased retention rates for servicing rights during Q2 and continued or increased those retention rates in Q3.

-6 BPS