

Q3 2021 Snapshot



FOR INDEPENDENT MORTGAGE BANKERS



CHANGE IN PRODUCTION VOLUME



Q3 volume decreased by 3% compared to Q2. The refinance share of originations continued to decrease this quarter, only slightly from 36% in Q2 to 34% in Q3. This is a significant drop from the 55% refinance percentage in Q1.



CHANGE IN SECONDARY GAIN ON SALE (BPS)



Secondary margins decreased by an average of 10 basis points during the 3rd quarter and are down 82 basis points from their peak in Q4 2020. This contributed to a 12 basis point decrease in gross loan margin revenue over the quarter, and an 80 basis point decrease over the last year.



CHANGE IN COSTS TO ORIGINATE



Total costs per loan increased by another \$157 per loan over last quarter, although this was actually a decrease of 7 basis points as average loan sizes continue to rise. With the slight decrease in production volume, break even surplus declined by an average of 15-20% quarter over quarter. However, at 65%, it is still higher than any quarter prior to Q2 2020.



CHANGE IN NET PRODUCTION INCOME (BPS)



Net production income decreased by 5 basis points from Q2 and is down 30 basis points from Q1. After reaching historic highs in 2020, net production income took a sharp turn in Q1 and Q2 2021, so this quarter's 5 basis point decline is relatively mild compared to movement in the preceding year. Lenders' ability to maintain secondary margins will continue to be the driving factor in flattening the decline in net production income.



CHANGE IN SERVICING PORTFOLIO VALUES



MSR portfolio was up 4 basis points from prior quarter-end. At an average of 100 basis points as of September 30, 2021, servicing values are still below historically high values seen in 2018.



LOANS PER SALES FTE



Total closed loans per sales personnel decreased about 18% to 4.3 from last quarter. Although average number of sales employees increased over the quarter, the decline in production led to this drop. This number peaked in Q3 2020 at 7.4 and has been steadily declining since. It is now in line with levels seen in late 2019.