2022 Overview Snapshot

Q4-2022 and 2022 as a Whole

For Independent Mortgage Bankers

RICHEY•MAY SELECT

CHANGE IN PRODUCTION VOLUME

-43%

Volume in Q4 decreased about 43.6% from Q3 2022 and is down 50% in 2022 compared to 2021. As expected, this drop was driven by the increase in note rate throughout 2022. Weighted average note rate is up 36% compared to Q3 and is up 82% year over year. Average loan size declined 2.3% in Q4 for the second quarter in a row. Although average loan size is up overall in 2022, this shows the impact that increased rates can have on home prices in addition to production volumes. Production is now in line with volumes seen prior to 2019.

PURCHASE LOANS

+1%

Increases in rates over the quarter have continued to reduce incentive for refinancing. Purchase loans as a percent of total market share increased throughout 2022 and is up 36% when compared to 2021. This percentage increased quarter over quarter, ending the year at 90% in Q4 2022.

CHANGE IN SECONDARY GAIN ON SALE

- 78.1 BPS

Year over year secondary margins decreased by 78.1 basis points to the lowest levels we've seen over the last decade. This drop of 21.2% caused total production revenue to be down by nearly the same amount. In Q4, we saw secondary margins increase by an average of 37.2 basis points from Q3 2022. This increase is due to unrealized gains/losses removed from our secondary gain on sale figure.

CHANGE IN NET PRODUCTION INCOME

-29 BPS

Net Production Income experienced another drop quarter-over-quarter. The decrease of 29.8 basis points brings net production income to the lowest level we have seen in program history. This is driven largely by low production volumes and the challenge to reach appropriate staffing levels. Looking at 2022, this is the first time we have seen negative net production income annually. NPI is down 118.9 basis points on average compared to 2021.

CHANGE IN COST TO ORIGINATE

15%

Total cost to originate per loan increased by 15.5% compared to Q3 and is up 27% in 2022 compared to the prior year. However, when looking at total dollars, cost to originate is down significantly suggesting lenders have continued to scale back personnel and overhead costs. The increase in cost, on a per loan basis, is due to the overall decline in production over the period.

TOTAL PERSONNEL

27%

We continued to see decreases in total personnel in Q4, this was the third quarter of declines in 2022. Total personnel is down 27.3% compared to Q3 and is down 14.3% for the year overall. This trend was seen across all categories when looking at the prior quarter and prior year. This demonstrates continued efforts to scale back as production volume has declined. Additionally, total loans closed per employee declined by 15.6% in Q4 and is down 38.8% for all of 2022.