Q2 2023 Snapshot

For Independent Mortgage Bankers

RICHEY•MAY SELECT

CHANGE IN COSTS TO ORIGINATE: -$3,230 per loan

Following three years of quarter-over-quarter increases, costs to originate decreased on a per-loan basis to an average of $11,184 in Q2 as lenders saw the benefit of increased seasonal production and continued cost-cutting efforts. Costs were down in every expense grouping across all personnel departments and operational categories, with the biggest declines in general & administrative expenses (down 37%), rent & occupancy (down 35%), and back office personnel (down 32%).

CHANGE IN SECONDARY GAIN ON SALE: -34.7bps

Gain on sale decreased to an average of 255 basis points in Q2. Despite showing improvement for two quarters following the all-time lows, margins again fell to the levels seen in Q3 2022. The dip has been slightly offset by steady increases in loan origination fees, bringing gross loan margin revenue to 305 basis points in Q2, down 29 basis points from last quarter but up 9 basis points from Q3 2022.

CHANGE IN PRODUCTION VOLUME: +46.3%

Average production volume increased 46% in Q2, but is still 40% below production levels in Q2 2022. Production continues to trend towards more government lending, which made up an average of 36% of production volume in Q2, up from 27% in Q2 2022. Consistent with seasonal activity and current rate conditions, purchase production increased to an average of 92% of volume in Q2, well above the 40-50% levels seen in 2020.

CHANGE IN NET PRODUCTION INCOME: +75.9bps

After dropping for three consecutive quarters, average net production income increased 76 basis points to a net loss of 34 basis points in Q2. Increases in production and sizable improvements in costs to originate led to the jump this quarter, although they could not offset the drop in secondary margins enough to achieve positive net income. Net production income is now consistent with averages experienced in Q1 2022, which was the first quarter of losses after historic highs in 2020 and 2021.

CHANGE IN LOANS PER FTE: +43.0%

Average loans per FTE increased 43% to 1.3 loans in Q2 as a result of increased production and continual downsizing across all departments. Total headcount is now consistent with levels last seen in 2019, although current headcount skews more towards sales and corporate personnel in exchange for less concentration on fulfillment personnel, likely due in part to efficiencies gained and technology investments made in 2020 and 2021.