

# 2023 Q3 Snapshot

## For Independent Mortgage Bankers



### CHANGE IN COSTS TO ORIGINATE: +\$949 per loan

Costs to originate increased by 8% this quarter, averaging \$12,366 per loan. Nearly every expense category was up in Q3, with the majority of the change in operations costs including equipment & depreciation and technology-related expenses. On the personnel side, both sales and backoffice expenses were up 5-7% this quarter, while fulfillment costs stayed flat.



### CHANGE IN SECONDARY GAIN ON SALE: +7.7bps

Gain on sale increased modestly over the quarter to an average of 261.7 basis points. This is 14 basis points above Q3 of 2022, and is down 174 basis points from the peak in Q4 2020. Margins did vary across lenders even when accounting for product and channel mix – the top 25% of lenders by net income recorded an average of 40 basis points in gain on sale above the rest of the group, despite having a similar mix of conventional versus government and retail versus wholesale production.



### CHANGE IN PRODUCTION VOLUME: -7.4%

Average production volume decreased 7% in Q3 after a substantial increase in Q2. Current levels are down 32% from the same quarter of last year, bringing the total for the year to date 44% below 2022 production through Q3. The relative mix of loan types changed only slightly this quarter, with conventional loans increasing to 58% on average from 56% last quarter. Purchase percentages have remained flat each quarter in 2023, making up 91% of total originations, up from 81% through Q3 of 2022.



### CHANGE IN NET PRODUCTION INCOME: -13.2bps

Despite improvements in Q2 after several quarters of consistent drops, net production income again worsened, falling to an average loss of 50.4 basis points. This brings total production losses for the year to an average of 60 basis points, more than three times the losses recorded through Q3 of 2022. Participants with positive net production income in Q3 showed notably higher gain on sale margins compared to the rest of the group. On the expense side, the most substantial differences were in sales costs and operational costs, including technology and general and administrative expenses. Companies with gains this quarter had sales costs nearly 30 basis points below those recording net losses.