

2023 Overview Snapshot

Q4-2023 and 2023 as a Whole

For Independent Mortgage Bankers



CHANGE IN COSTS TO ORIGINATE: +\$500 per loan

Costs to originate a mortgage increased by \$500 quarter over quarter, marking the ninth consecutive quarter with costs totaling over \$10K per loan. The quarterly increase was primarily driven by seasonal volume decreases that are normal during the 4th quarter. On an annual basis, costs also increased by about \$500 per loan, and averaged \$12,040 for all of 2023. The increases in costs were almost entirely related to fixed operating costs and back-office personnel.



CHANGE IN SECONDARY GAIN ON SALE: -5 bps

Gain on sale decreased by 5 basis points in Q4, making margins similar to the levels we experienced in Q2 2023. Margins for the year decreased by 23 basis points and remain about 73 basis points below the historical average from 2019 through 2012.



CHANGE IN PRODUCTION VOLUME: -14%

As typical in a purchase market, funded volume decreased in Q4 2023 by 14%. On an annual basis, volume decreased by 18% for the peer group, indicating that independent mortgage banks likely increased market share, when compared to the 29% decrease forecasted by the Mortgage Bankers Association.



CHANGE IN PRE-TAX NET INCOME: -83 bps

Over the past 11 quarters, having an MSR portfolio supplemented pre-tax net incomes by 21 basis points, on average. However, mortgage rate decreases in December caused servicing portfolio values to decrease, resulting in a pre-tax loss of 27 basis points on the income statement in Q4 2023. This shift significantly contributed to the quarter-over-quarter decrease, accounting for nearly half (40 out of 83 basis points) of the reduction in pre-tax net income. The remainder of the decline, amounting to 43 basis points, was primarily due to decreases in funded volume and open lock pipelines at the end of Q4.



CHANGE IN MSR PORTFOLIO VALUE: -10 bps

Portfolio values for mortgage servicing rights ended 2023 at an average of 119 basis points, which was a 10 basis point decrease from Q3 2023. This change represented a 6 basis point decrease compared to 2022. With the slight increase in mortgage rates since the end of 2023, we expect servicing values in Q1 2024 to recover a portion of the 10 basis point decrease we saw at the end of 2023.