Q3 2024 Snapshot

For Independent Mortgage Bankers

RICHEY•MAY SELECT

CHANGE IN NET PRODUCTION INCOME: +/-0 BASIS POINTS

In Q3, net production income remained stable at a positive 10 basis points (bps), marking two consecutive quarters of positive results. However, year-to-date net production income stands at -7 bps, and it's unlikely to turn positive for the full year, despite October setting a 2024 record high for funding and lock production across many companies. GAAP net income for the quarter declined by 31 bps, largely due to a write-down in the mortgage servicing portfolio.

CHANGE IN PRODUCTION VOLUME: +4%

Funded volume in Q3 rose by 4% from Q2 and was 9% higher than Q3 of last year. The refinance share increased by 3% quarter-over-quarter, reaching 12%, which is the highest share in the past ten quarters. However, this 12% refinance mix remains significantly below historical averages, and even falls short of refinance share from 2018. Average loan sizes have continued to rise throughout 2024, driving higher volume growth with minimal growth in units.

CHANGE IN COSTS TO ORIGINATE: -$148 per Loan

Costs decreased modestly from Q2 to Q3, bringing the total cost per loan down to $11,660, the lowest since Q1 2022. The reduction was entirely driven by lower operating costs, which benefited from a 3% increase in funded units during the quarter. Given the substantial fixed cost component of operating expenses, the decrease in costs was primarily driven by an increase in funded loans.

CHANGE IN SECONDARY GAIN ON SALE: -4 Basis Points

Secondary gain on sale (excluding gains and losses from lock pipelines) declined by 4 bps since Q2, offsetting the positive impact of increased funded volume and resulting in unchanged net production income for the quarter. Year-to-date, however, margins remain 19 bps higher than this time last year, a key factor enabling positive net production income over the past two quarters.

SERVICING PORTFOLIO VALUES: -6 Basis Points

Rate volatility at the end of Q3 led to a 6 bps decline in mortgage servicing portfolio values, bringing the average value down to 118 bps. With the average servicing portfolio UPB now at five times origination volume, this 6 bps decrease translates to a 30 bps write-off on the income statement when measured as a percentage of origination volume.