

2026 Q1 Snapshot

For Independent Mortgage Bankers



Change in Production Volume: -1%

Originations in Q1 maintained the elevated production levels seen in Q4, supported in part by increased refinance activity driven by favorable rate movements during the quarter. **Refinance share rose to 30% of total production—the highest quarterly mix since 2021.** As rates have shifted unfavorably in Q2, refinance activity has begun to decline. At the same time, purchase application activity has continued running approximately 15%-20% above prior year levels indicating that Q2 originations are trending meaningfully higher than Q2 of last year.



Pretax Net Income: +24 Basis Points

Pretax net income averaged 21 basis points in Q1, representing a 24 basis point increase from the prior quarter, and a 32 basis point improvement compared to the same period last year. The quarter-over-quarter improvement was driven primarily by two factors. First, Mortgage Servicing Rights (MSR) valuations improved modestly, contributing to a 16 basis point reduction in MSR-related expense as a percentage of origination volume. Additionally, total expenses declined, particularly within personnel and administrative categories.



Change in Net Production Income: -32 Basis Points

Net production income (which excludes servicing and lock pipeline activity) declined by 32 basis points from Q4, averaging a loss of 29 basis points in Q1. With production volume remaining stable quarter-over-quarter, the decline was driven primarily by reduced secondary margins, which offset modest cost improvements during the period. Notably, the gap between pretax net income and net production income widened to 54 basis points, driven largely by improvements in lock pipeline valuations that contributed to reported earnings but are excluded from net production income.



Change in Costs to Originate: -\$210 per Loan

Production costs decreased by approximately \$210 per loan in Q1, ending the quarter at \$13,068. Personnel costs were the primary driver of this improvement, declining by nearly \$300 per loan. The most notable reductions were observed in sales-related roles, where costs decreased by more than \$250 per loan, equating to a decrease of 8 basis points of origination volume. While some of this decline reflects typical Q1 normalization, reductions were also observed among commission and salary-related costs. When considered alongside relatively stable staffing levels, this suggests the improvement in wage-related expenses is not purely timing related, but may reflect productivity gains and adjustments to compensation structures.



Change in Secondary Gain on Sale: -29 Basis Points

Gain-on-sale (excluding lock pipeline gains) declined by 29 basis points from Q4, ending at 287 basis points, or \$10,535 per loan—the lowest level in the past five quarters. In recent periods, stronger secondary margins helped support net production profitability. At current levels, however, positive net production income will likely require additional reductions in production costs. This reinforces the need for continued focus on cost efficiency, product mix, and operational discipline as lenders assess whether margin compression is temporary or a more sustained market trend.

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