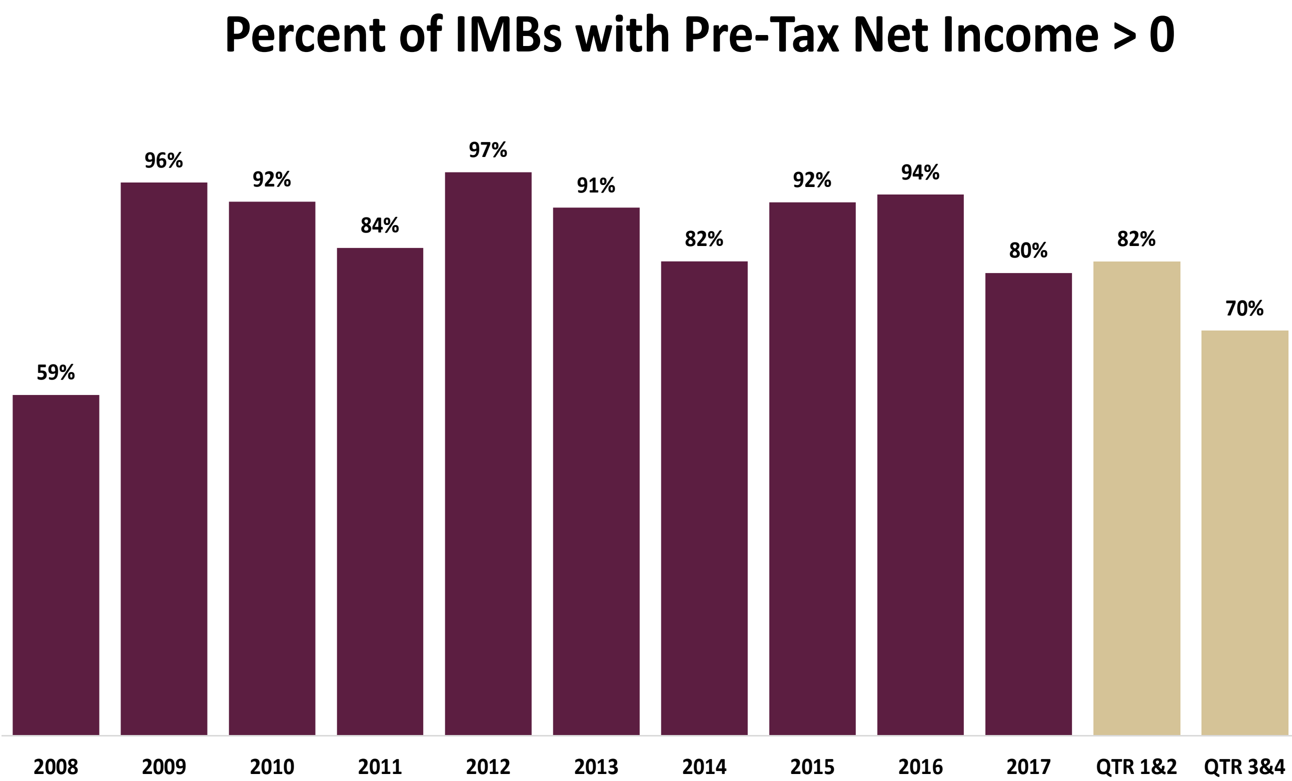
RESEARCH AND ECONOMICS

Chart of the Week – May 4, 2018



Source: MBA's Annual Performance Report (2017 Data), www.mba.org/performancereport

In April 2018, MBA Research released its Annual Performance Report containing 2017 data. Including all business lines, 80 percent of the 253 independent mortgage bankers in the study posted pre-tax net financial profits in 2017, down from 94 percent in 2016. In the first half of 2017, 82 percent of reporting repeater firms posted pre-tax financial profits, compared to 70 percent in the second half of 2017.

On the production side, a number of contributing factors led to reduced net production profitability in 2017. With the slowdown in refinancings, overall production volume dropped and fixed costs were spread over fewer loans. Total loan production expense reached a study-high of $8,082 per loan in 2017 from $7,209 in 2016. Productivity also dropped to 1.9 loans originated per production employee per month in 2017, from 2.4 in 2016. Production employees include sales, fulfillment and production support functions.

For those mortgage bankers holding mortgage servicing rights (MSR), higher loan balances drove up per-loan servicing revenues and helped overall profitability. Net servicing financial income, which includes net servicing operational income as well as mortgage servicing right (MSR) amortization and gains and losses on MSR valuations, was $64 per loan in 2017, up from $34 per loan in 2016.

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