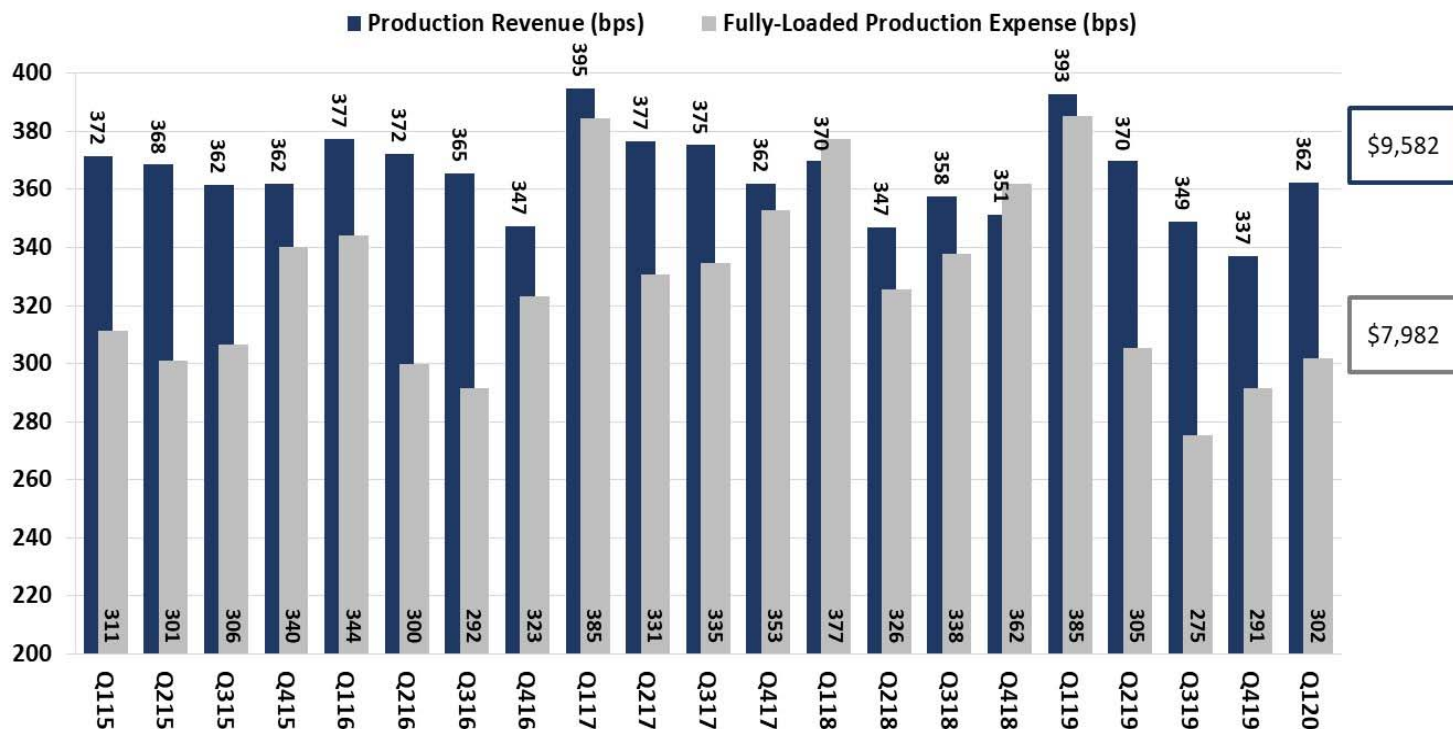


## Chart of the Week – June 12, 2020 IMB Production Revenues and Costs (bps)



Source: Mortgage Bankers Association

MBA [last week released](#) its [Quarterly Performance Report](#) for the first quarter of 2020. The total sample of 336 independent mortgage banks and mortgage subsidiaries of chartered banks earned an average pre-tax production profit of 61 basis points (or \$1,600) on each loan they originated – a solid showing particularly for a first quarter. In this week’s chart, we show production revenues compared to production expenses from the first quarter of 2015 to the first quarter of 2020. Revenues grew by 25 basis points (bps) from the fourth quarter, offsetting a reported increase in expenses.

Total production revenue (fee income, net secondary marking income and warehouse spread) increased to 362 bps in the first quarter of 2020, up from 337 bps in the fourth quarter of 2019. On a per-loan basis, production revenues increased to \$9,582 per loan in the first quarter, up from \$8,707 per loan in the fourth quarter of 2019. Widening credit spreads boosted secondary marketing income, and fee income also increased.

Total loan production expenses – commissions, compensation, occupancy, equipment, and other production expenses and corporate allocations – increased to 302 bps in the first three months of this year from 291 basis points in last year’s fourth quarter. On a per-loan basis, production expenses increased to \$7,982 per loan in the first quarter, up from \$7,525 per loan in the fourth quarter. Despite the reported increase from the previous quarter, production expenses for a first quarter were at their lowest levels of this chart’s time period, and down 83 basis points on a year-over-year basis.