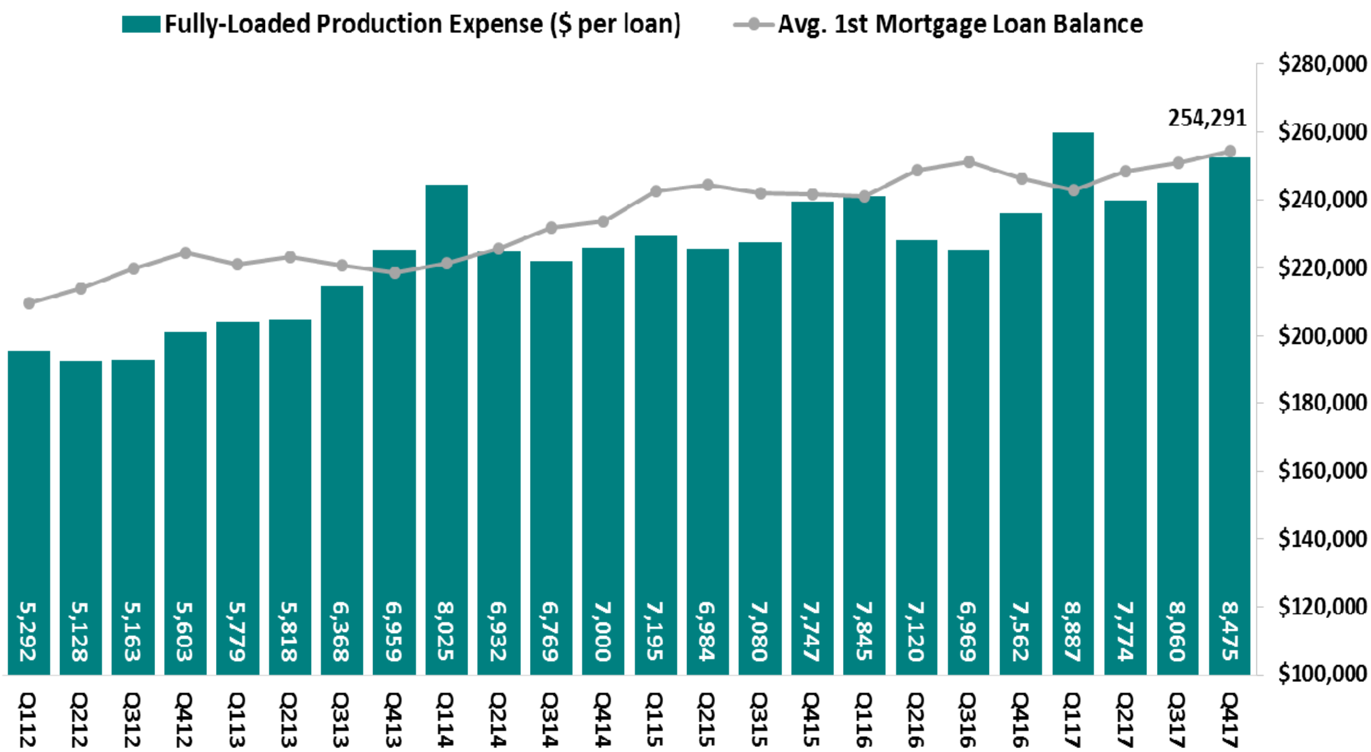
MBA

RESEARCH AND ECONOMICS

Chart of the Week - April 13, 2018

IMB Total Production Expenses per Loan



Source: MBA's Quarterly Mortgage Bankers Performance Report, www.mba.org/performancereport

Based on MBA's latest Quarterly Performance Report, independent mortgage bankers' total loan production expenses – commissions, compensation, occupancy, equipment, and other production expenses and corporate allocations – increased to $8,475 per loan in the fourth quarter of 2017, from $8,060 in the third quarter of 2017. This marks the second highest level reported since the inception of our study in 2008.

The higher production costs in the fourth quarter of 2017 were likely driven by several factors. During this quarter, average production volume by count per company averaged 2,059 loans, down from 2,341 loans in the third quarter. Fixed sales, fulfillment, support and corporate costs were spread over fewer loans, increasing per-loan costs. In addition, loan balances continued to rise, reaching a study high of $254,291. Since sales compensation is usually a percentage of the average loan balance, sales personnel costs per loan generally rise with increasing loan balances. Other factors influencing production costs may include rising compliance-related costs, technology spending, and non-sales labor costs for specific skillsets such as underwriting.

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