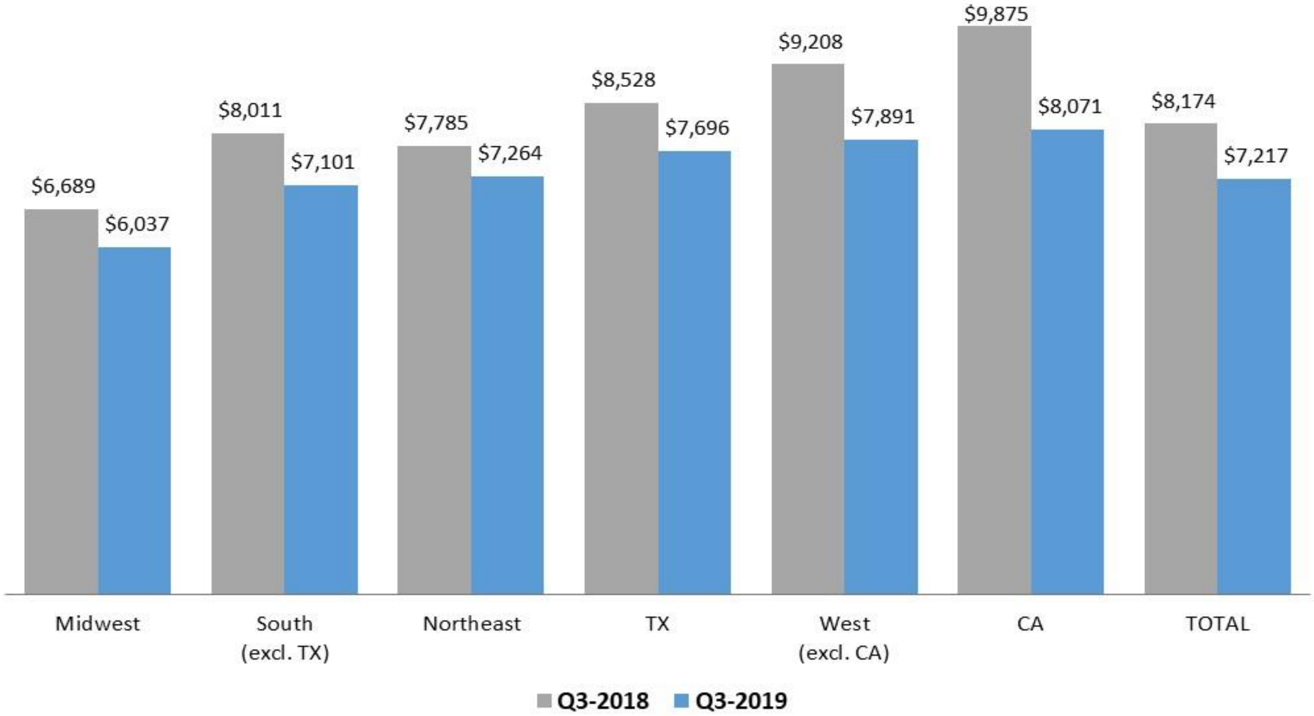
Chart of the Week – December 13, 2019
IMB Production Costs in $ per Loan by Geographic Region (Company HQ)



Source: Mortgage Bankers Association (MBA)

MBA in late November released its Quarterly Performance Report for the third quarter of 2019. The total sample of 338 independent mortgage banks and mortgage subsidiaries of chartered banks earned an average pre-tax production profit of $1,924 on each loan they originated – a substantial year-over-year improvement from $480 per loan in the third quarter of 2018. A primary driver of this positive news was the decline in total production expenses – sales, fulfillment, production support and administrative costs –to $7,217 per loan – down from $8,174 per loan a year ago.

In this week's chart, we compare total production expenses for the third quarters of 2018 and 2019 for firms headquartered in specific geographic regions of the country. Companies headquartered in California and the West had the highest production expenses in this year's third quarter at $7,891 per loan, and $8,071 per loan, respectively. Companies in those two areas also posted the largest year-over-year cost improvements.

Elsewhere, companies headquartered in the Midwest and the South had the lowest production expenses in the last quarter at $6,037 per loan, and $7,101 per loan, respectively. Factors influencing cost differences across regions include differences in average loan size (ranging from $216,956 in the Midwest to $334,762 in California), sales personnel expense, product mix, and productivity.

Geographic regions are based on the following state assignments: **Midwest:** IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI; **South (excluding TX):** AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, VA, WV; **West (excluding CA):** AK, AZ, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY; **Northeast:** CT, MA, ME, NH, NJ, NY, PA, RI, VT

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