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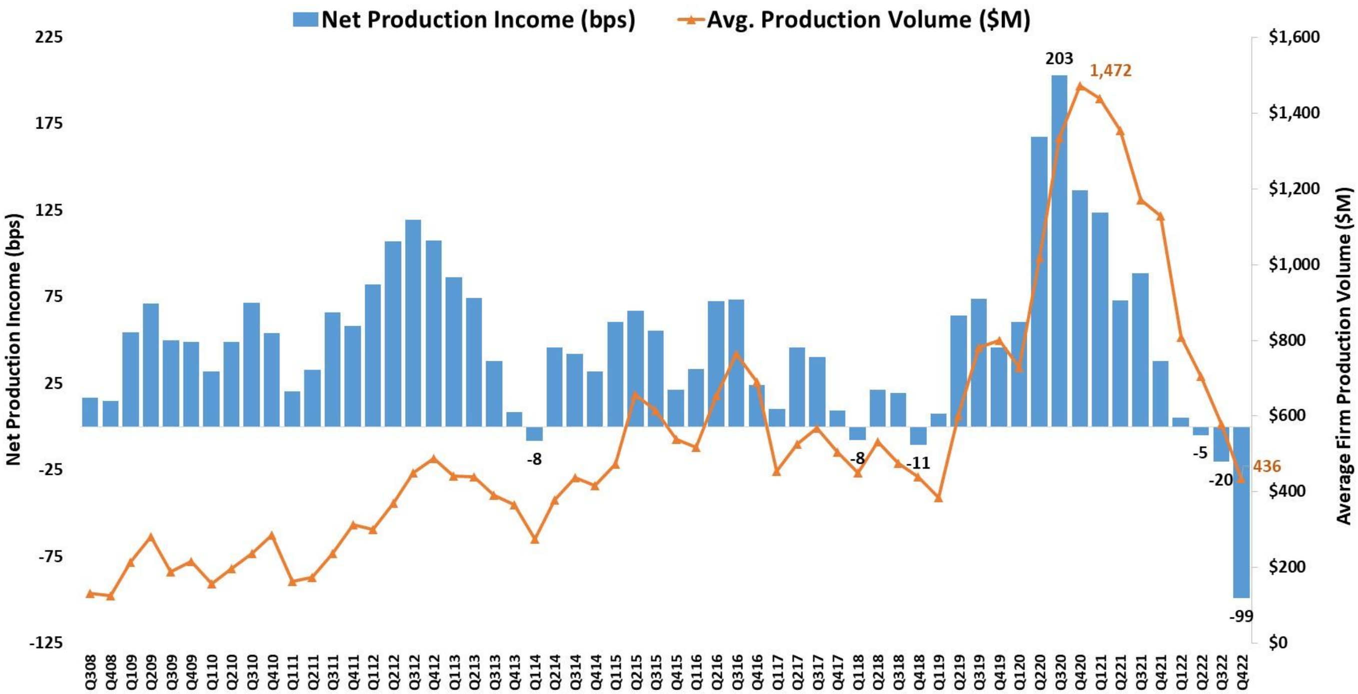
# Chart of the Week – March 17, 2023
# IMB Net Production Profit and Production Volume




Source: MBA's Quarterly Mortgage Bankers Performance Report

Independent mortgage banks (IMBs) and mortgage subsidiaries of chartered banks reported a net loss of $2,812 on each loan they originated in the fourth quarter of 2022, down from a reported loss of $624 per loan in the third quarter of 2022, according to the Mortgage Bankers Association's (MBA) newly released Quarterly Mortgage Bankers Performance Report.

In this week's MBA Chart of the Week, we look at production profits in basis points, relative to average production volume, from the inception of this series in the third quarter of 2008 through the fourth quarter of 2022. For the third consecutive quarter, the average pre-tax net production income was in the red, reaching a new survey low of 99 basis points of loss in the final three months of 2022. Basis-point revenues dropped to levels not seen since the fourth quarter of 2011, while production costs reached their highest levels.

At the same time, production volume declined for the eighth consecutive quarter. The fourth quarter average production volume was $436 million per company in the fourth quarter of 2022, down from almost $1.5 billion per company at its peak two years ago. This unprecedented change in mortgage market activity over a short period of time wreaked havoc on profits. Even when all business lines are considered – both mortgage production and mortgage servicing – only one in four companies were profitable in the fourth quarter of 2022.

Based on MBA's latest forecast, total industry volume is expected to pick up starting in the second quarter of 2023. The 30-year fixed mortgage rate is forecast to decline as the year progresses.

- Jenny Masoud (jmasoud@mba.org); Marina Walsh, CMB (mwalsh@mba.org)

Note: Pre-tax net production income in basis points is defined as total revenues (fee income, secondary marketing income, value of capitalized servicing/servicing released premiums and net warehouse spread) minus fully-loaded production costs (sales, fulfillment, production support and corporate costs), divided by production volume in dollars ($), multiplied by 10,000. Ongoing changes in the value of mortgage servicing rights after origination are excluded.

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