

Current State of Mortgage Production Profits

Now more than ever, businesses across all industries are focusing on customer satisfaction. Why?

The digital age we live in has created a world where consumers hold more power, with more choices, and have forged a global referral network for just about everything. Whether one's looking for a new home or a new pair of shoes, "shopping around" these days takes little to no effort at all.

\$367

Average mortgage production profits per loan in 2018¹

\$1,000

Increase in loan production expenses since 2016²

332 bps

Combination of net marketing income¹ and origination fees average dropped from 354 bps in 2017 to 332 bps in 2018³

50%

Decrease year-over-year (YoY) in mortgage production profits²

14.8%

Increase in loan production expenses since 2016³

10%

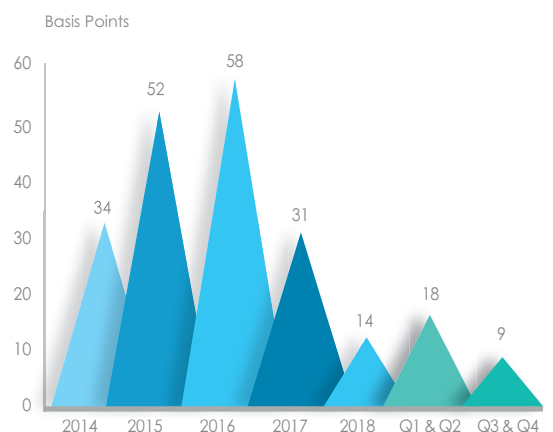
of total expenses⁴ were technology spending⁴

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So how do lenders combat the increasing cost to produce while growing market share? And why are lenders not seeing a return on their Point of Sale investment? One conclusion is that while digital applications save time for the consumer, they do not necessarily make the lender more efficient. In fact, an increase in application intake without process efficiencies could increase the cost per loan, which the market currently reflects.

A challenge faced by many lenders today is aligning volume projections to resource capacity. Interest rate fluctuations directly impacting loan volume and long term cycle projections both weigh heavily on resource management. Volume decreases due to a higher level of competition, and smaller spreads have resulted in compressed margins. **Lenders today are seeking ways to deploy technology to create leaner processes with increased automation in order to mitigate this macroeconomic risk.**

MORTGAGE BANKING PRODUCTION PROFITS



Source: "Annual Mortgage Bankers Performance Report 2018 Data," Mortgage Bankers Association, MBA, Apr. 2019.

A truly digital mortgage goes beyond the consumer experience. It empowers the originator to qualify and gain customer commitment at the first conversation while speeding up the process and reducing the cost to manufacture a loan. Learn why the nations top lenders choose Cloudvirga

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References

¹ Includes the gain or loss on the sale of loans in the secondary market, pricing subsidies, and overages, as well as capitalized servicing and servicing released premiums

² "Annual Mortgage Bankers Performance Report 2018 Data. Data." Mortgage Bankers Association, MBA, Apr. 2019

³ Reported by the 2018 Mortgage Bankers Performance Report

⁴ "MBA PGR Technology Charts. Charts." Mortgage Bankers Association, 2019.