HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Mortgage Bank Profits Declined Substantially in Q4

The data is in for Q4, 2021, and it was not a good quarter for mortgage profitability according to the Quarterly Mortgage Bankers Performance report from the Mortgage Bankers Association (MBA). The data covers 359 companies with **83% being independent mortgage banks** (IMBs) and the remainder falling into the category of "subsidiaries and other non-depository institutions."

“Production margins tightened substantially in the fourth quarter of 2021. After a two-year run of above-average profitability, pre-tax net production income per loan reached its lowest level since the first quarter of 2019,” said Marina Walsh, CMB, MBA’s Vice President of Industry Analysis. “Among the headwinds were lower revenues and higher production costs.”

This doesn't mean the industry was unprofitable. Indeed, **76 percent** of the study reported a pre-tax **profit**. That number **falls** to 58 percent if the income from loan servicing is factored out. Notably, 92 percent reported a profit in Q3, 2021.

But as Walsh notes, "the average cost to originate a mortgage has now risen for six quarters in a row, reaching a study-high of almost $9,500 per loan by the end of 2021."

Other highlights from the report:

- pre-tax production profit :
  - 38bps in Q4 vs 89bps in Q3 and 137bps in Q4, 2020
- total production revenue:
  - 353bps in Q4 vs 396bps in Q3
- revenue per loan:
  - $10,569 in Q4 vs $11,734 in Q3
- Total loan production expense
  - $9,470 in Q4 vs $9,140 in Q3
- Net Secondary Marketing income
  - 275bps in Q4 vs 310bps in Q3
- Servicing net income per loan
  - $71 in Q4 vs $37 in Q3

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