

Monthly Warehouse Insights

2024

ANOTHER DAY, ANOTHER DOLLAR

As rates for borrowers drop, cost of warehouse remains high. With the average overnight SOFR at 5.32% in January and an average dwell-time of 18 days, the average net cost of warehouse dwell was a staggering \$108 per funded loan, up \$68 per funded loan from

December 2023.

Industry Insights

At their first meeting in 2024, the Federal Open Market Committee (FOMC) voted to leave the benchmark federal funds rate unchanged.

This is the fourth consecutive meeting where the FOMC held its policy rate steady, leaving the benchmark interest rate range between 5.25% and 5.5%. The FOMC will meet again in March.

Warehouse Lending Trends

	December 2023	January 2024
Effective Cost of Warehouse	7.47%	7.46% - 0.01%
Average Overnight SOFR	5.33%	5.32% - 0.01%
Effective Spread to Overnight SOFR	2.14%	2.14% +/-
Average Note Rate	7.15%	6.74% 0.41%
Warehouse Carry	- 0.32%	- 0.72% +0.40%
Average Dwell Time	15	18 + 3 days
Net Warehouse CPL	-\$40	-\$108 + \$68

8 Tips to Lower Cost of Warehouse

1. Keep your best warehouses full.
2. Align incentives, non-use fees, and rebates.
3. Right-size capacity in all environments.
4. Monitor changes in reference rate daily.
5. Do not request advances any earlier than necessary.
6. Automate activities like collateral shipping and Purchase Advice.
7. Pay down lines same day the investor wire is received.
8. Minimize cost of execution.