

Monthly Warehouse Insights

2025

MONTHLY INSIGHTS

The effective cost of warehouse increased 21 basis points to 6.51% in May, largely driven by higher interest and an increase in allocation to Non-QM, construction and other non-agency products. Despite minimal movement in the Overnight SOFR, the effective spread widened to 2.20%. The average note rate rose to 6.63%. Warehouse carry compressed to just 0.12%, reflecting thinner margins. Dwell time held steady at 16 days, but net warehouse spread dropped to \$19 per loan. While originators are still seeing a positive carry, these changes are pointing to a more costly funding environment.

At its May meeting, the Federal Reserve continued to note growing risks to both inflation and labor market stability, again maintaining rates at 4.25%-4.5%. Officials stressed uncertainty over whether current policy is sufficiently restrictive and agreed on a data-driven path forward. The Federal Reserve meets again in mid-June, but rate cuts remain unlikely until clearer economic signals emerge later this year.

Warehouse Lending Trends

	April 2025	May 2025
Effective Cost of Warehouse	6.30%	6.51% +0.21%
Average Overnight SOFR	4.30%	4.31% +0.01%
Effective Spread to Overnight SOFR	2.00%	2.20% +0.20%
Average Note Rate	6.56%	6.63% +0.07%
Warehouse Carry	0.26%	0.12% -0.14%
Average Dwell Time	16	16 +/-
Net Warehouse Spread (per loan)	\$40	\$19 -\$22

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