

Monthly Warehouse Insights

2024

ANOTHER DAY, ANOTHER DOLLAR

IMBs experienced some relief in November as the effective cost of warehouse and the average overnight SOFR rate declined. The decrease in warehouse costs was driven by lower interest rates, reduced fees, and an increase in cash-in incentives. Despite a modest rise in average note rates and dwell times, warehouse carry and net warehouse cost per loan improved significantly, resulting in a net warehouse cost per loan of approximately \$25, the lowest monthly CPL calculated this year.

Relief on the Horizon?

Another interest rate cut is widely anticipated at the Fed's December meeting, driven by expectations that inflation will continue trending toward the 2% target. The next meeting will be December 17-18, when the Fed releases its updated Summary of Economic Projections, which will provide insights into its economic outlook and potential policy directions for 2025.

Warehouse Lending Trends

	October 2024	November 2024
Effective Cost of Warehouse	7.11%	6.57% -0.54%
Average Overnight SOFR	4.85%	4.67% -0.18%
Effective Spread to Overnight SOFR	2.26%	1.90% -0.36%
Average Note Rate	6.17%	6.45% +0.28%
Warehouse Carry	-0.94%	-0.12% +0.82%
Average Dwell Time	18	20 +2
Net Warehouse CPL	-\$164.33	-\$23.53 +\$140.88

Preparing for the New Year

In a fluctuating rate environment, IMBs that harness technology to streamline and control their operations maintain a clear competitive edge. Although warehouse financing costs have declined, average dwell times remain elevated. By integrating systems between warehouse banks, investors, and custodians, originators can significantly reduce dwell time and enhance operational efficiency. As we close out the year and look to 2025, actionable insights derived from advanced reporting remain essential for originators and banks. Leveraging seamless integrations and advanced platforms ensures these critical insights are readily accessible.