

Monthly Warehouse Insights

2025

MONTHLY INSIGHTS

In October, the effective cost of warehouse rose slightly to 6.41%, up 8 bps as overnight SOFR eased to 4.20%. The spread to SOFR widened to 2.21%, while average note rates declined to 6.28%. Dwell time decreased to 16 days.

Warehouse carry shifted into negative territory at -0.30%, and net warehouse spread per loan moved to -\$20.22. The changes reflect continued margin pressure for originators as funding costs and secondary pricing dynamics remain in flux.

At its October meeting, the Federal Reserve cut the target federal funds rate by 25 basis points to a range of 3.75%–4.00%, citing elevated uncertainty around employment and inflation. Mortgage-rate markets responded with renewed optimism: the average 30-year fixed mortgage in the U.S. fell to approximately 6.17–6.30 %, the lowest level in over a year. With long-term Treasury yields easing and fewer data disruptions—despite some government shutdown impacts—markets are still pricing in further rate cuts, though the Fed noted future reductions are not assured.

Warehouse Lending Trends

	September 2025	October 2025
Effective Cost of Warehouse	6.33%	6.41% +0.08%
Average Overnight SOFR	4.30%	4.20% -0.10%
Effective Spread to Overnight SOFR	2.03%	2.21% +0.18%
Average Note Rate	6.50%	6.28% -0.22%
Warehouse Carry	0.17%	-0.30% -0.13%
Average Dwell Time	18	16 -2
Net Warehouse Spread (per loan)	\$30	-\$20.22 -\$49.97

Sustaining Efficiency in a Shifting Warehouse Environment

With warehouse carry dipping negative and net spreads tightening, efficiency is more critical than ever. As rates fluctuate and funding costs adjust, manual processes create friction and delay in both originator and warehouse lender workflows. OptiFunder's automation centralizes funding decisions, optimizes warehouse line usage, and standardizes post-closing and reconciliation activities—enabling teams to handle volume changes without constantly recalibrating staffing. In an environment where every basis point counts, automation helps both sides maintain margin stability while remaining responsive to market movement.