

Monthly Warehouse Insights

2024

ANOTHER DAY, ANOTHER DOLLAR

Despite a decline in effective spread, the average note rates dropped more than the effective cost of warehouse. That, combined with an additional two days of negative carry led to an increase in net warehouse cost per loan, which has now reached its highest level this year at nearly \$160 per loan.

Relief on the Horizon?

The Feds recently expressed that the central bank is likely to continue implementing quarter-percentage-point interest rate cuts and is not "in a hurry." This comes after recent data increased confidence in sustained economic growth and consumer spending. The next meeting will take place on November 7th.

Warehouse Lending Trends

	August 2024	September 2024
Effective Cost of Warehouse	7.56%	7.18% -.38%
Average Overnight SOFR	5.33%	5.14% -0.19%
Effective Spread to Overnight SOFR	2.23%	2.04% -0.19%
Average Note Rate	6.69%	6.36% -0.33%
Warehouse Carry	-0.87%	-0.82% -0.05%
Average Dwell Time	18	20 +2
Net Warehouse CPL	-\$152.25	-\$159.44 +\$7.19

Rates are down, but Cost is Up

Mortgage rates are trending down following the Federal Reserve's recent 50-basis-point rate cut, resulting in a significant rise in demand, specifically refinances. This surge in activity presents originators with heightened workloads, as evidenced by increased dwell times, suggesting they are struggling to meet this growing demand. Implementing a robust management system can effectively mitigate these spikes in activity and reduce dwell time. It is crucial for originators to remain vigilant regarding the potential costs associated with prolonged dwell time. By leveraging technology, originators can boost operational efficiency and maximize profitability.