Monthly Warehouse Insights

2025

MONTHLY INSIGHTS

In August, the effective cost of warehouse inched up 4 bps to 6.64% as SOFR rose to 4.35%. The spread widened to 2.29%, while average note rates eased 7 bps to 6.66%. Dwell times held steady at 18 days, but warehouse carry dropped sharply to 0.02%. Net warehouse spread per loan fell to just $4 from $23 in July, highlighting intensifying margin pressures for originators despite modest relief in mortgage rates.

The Fed has held rates steady at 4.25%–4.50% but markets see a high likelihood of a 25-bps cut at the September 16–17 meeting. August jobs data showed weaker payroll growth, fewer openings, and rising claims, signaling labor market cooling. Inflation remains above target, with CPI estimates pointing to sticky core prices. While some Fed officials note easing conditions support a cut, others caution fundamentals remain strong. Mortgage rates already reflect much of the anticipated move.

Warehouse Lending Trends

	July 2025	August 2025
Effective Cost of Warehouse	6.60%	6.64% 0.04%
Average Overnight SOFR	4.34%	4.35% +0.01%
Effective Spread to Overnight SOFR	2.26%	2.29% 0.03%
Average Note Rate	6.73%	6.66% -0.07%
Warehouse Carry	0.13%	0.02% -0.11%
Average Dwell Time	18	18 +/-
Net Warehouse Spread (per loan)	$23	$4 -$19

Warehouse Lending Trends Show Continued Stability

While margins remain under pressure for originators, overall warehouse conditions continue to show steadiness. For warehouse lenders, stability in costs and spreads reinforces the importance of strong partnerships and streamlined processes with originators. Automation reduces reconciliation delays, improves visibility, and creates efficiency across the funding cycle.

With potential Fed rate cuts on the horizon, originators may see opportunities to improve carry and margins, while lenders can benefit from smoother funding cycles and sustained liquidity. OptiFunder's connected platform bridges both sides of the warehouse ecosystem, helping teams work together effectively, stay agile, and capitalize on evolving market conditions. **Schedule a demo today to see how.**

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