

Monthly Warehouse Insights

2024

ANOTHER DAY, ANOTHER DOLLAR

Although warehouse costs and the average overnight SOFR remained consistent with July levels, a decline in the average note rate led to a rise in warehouse carry, which remains negative. The net warehouse cost per loan has surged to over \$150—the highest recorded this year.

Relief on the Horizon?

The most recent reports on unemployment and inflation suggest the economy is headed in the right direction. The Federal Reserve has asserted rate cuts are on the horizon in September, but the size of that relief remains in question. The next Federal Reserve meeting is September 18th.

Warehouse Lending Trends

	July 2024	August 2024
Effective Cost of Warehouse	7.55%	7.56% +0.01%
Average Overnight SOFR	5.35%	5.33% -0.02%
Effective Spread to Overnight SOFR	2.20%	2.23% +0.03%
Average Note Rate	6.90%	6.69% -0.21%
Warehouse Carry	-0.65%	-0.87% +0.22%
Average Dwell Time	19	18 -1
Net Warehouse CPL	-\$120.07	-\$152.25 +\$32.81

Maximizing Profitability Amid Rate Changes

There has been an increase in refinances and purchase loans as originators gradually lower rates. As originators decrease rates while reference rates remain elevated, the cost per loan continues to rise. Diversifying warehouse portfolio and optimizing warehouse selection remain crucial. Although some relief is expected, the increase in volume underscores the need for efficiency. Reports of burnout are surfacing and are likely to intensify as rates drop and activity continues. Streamlining processes and leveraging technology can help reduce the complexity of loans and ease the burden on your team.