

Monthly Warehouse Insights

2024

ANOTHER DAY, ANOTHER DOLLAR

Originators saw a little reprieve in February as the average cost of warehouse decreased and the average note rate continues to drop slowly. Dwell time is still averaging 18 days and average net warehouse cost per loan is down to \$55.50/ loan assuming average loan amount of \$300k.

Industry Insights

At their first meeting in 2024, the Federal Open Market Committee (FOMC) voted to leave the benchmark federal funds rate unchanged, the fourth consecutive meeting where the FOMC left the benchmark interest rate range between 5.25% and 5.5%.

The FOMC will meet again March 19-20.

Warehouse Lending Trends

	January 2024	February 2024
Effective Cost of Warehouse	7.46%	7.03% - 0.43%
Average Overnight SOFR	5.32%	5.31% - 0.01%
Effective Spread to Overnight SOFR	2.14%	1.72% - 0.42%
Average Note Rate	6.74%	6.66% - 0.08%
Warehouse Carry	- 0.72%	- 0.37% + 0.35%
Average Dwell Time	18	18
Net Warehouse CPL	-\$108	- \$55.50 + \$52.50

Lower Cost Per Loan by Reducing Dwell Time

What does reducing 2 days of dwell time look like for your bottom line? Let's take a look...

Assume SOFR plus 2.00% and 18-day dwell on a \$300K mortgage:
 $\$300,000 \times (.0531 + .02) \times 18/360 = \1.096 (*\$60.92 per day*)

Removing 2 days of dwell creates a very attractive ROI/ROE
 $\$60.92 \times 2 = \121.83

Requires 11.1% less equity to finance the LHFS
Assuming \$250mm/mo + 2% haircut = ~\$500k of additional liquidity