

# Monthly Warehouse Insights

**2024**

## ANOTHER DAY, ANOTHER DOLLAR

In October, the market saw a slight decline in the effective cost of warehouse by .07%, alongside a 0.29% drop in the average overnight SOFR, increasing the spread by 0.22%.

As the average note rate dropped to 6.17%, warehouse carry declined further. While average dwell time shortened by two days, net warehouse cost per loan increased to \$164.33, the highest the market has seen this year.

### Relief on the Horizon?

The Fed cut interest rates another .25% at its November meeting, bringing the target range to 4.5% - 4.75%. This decision aligns with recent easing in inflation trends and signs of a stabilizing labor market. Analysts are closely watching for another potential rate cut. The next meeting will be December 17-18, when the Fed releases its updated Summary of Economic Projections, which will provide insights into its economic outlook and potential policy directions for 2025.

## Warehouse Lending Trends

	September 2024	October 2024
Effective Cost of Warehouse	7.18%	7.11% -.07%
Average Overnight SOFR	5.14%	4.85% -0.29%
Effective Spread to Overnight SOFR	2.04%	2.26% +0.22%
Average Note Rate	6.36%	6.17% -0.19%
Warehouse Carry	-0.82%	-0.94% -0.12%
Average Dwell Time	20	18 -2
Net Warehouse CPL	-\$159.44	-\$164.33 -\$4.88

### The Results Are In

The 2024 election and the Federal Reserve's recent interest rate cuts are likely to introduce more fluctuations in the mortgage market, as policies on housing and economic strategies are clarified under the new administration. This year's federal rate cuts may offer a short-term decrease in mortgage costs, but the lasting impact will depend on how the next administration manages housing affordability, regulatory policy, and potential tax reforms impacting real estate. Implementing the right warehouse management technology with real-time data and integrations can be instrumental for mortgage originators and warehouse lenders as they navigate market volatility, offering better warehouse line management, enhancing financial resilience, and ensuring sustainable operations amid shifting economic conditions.