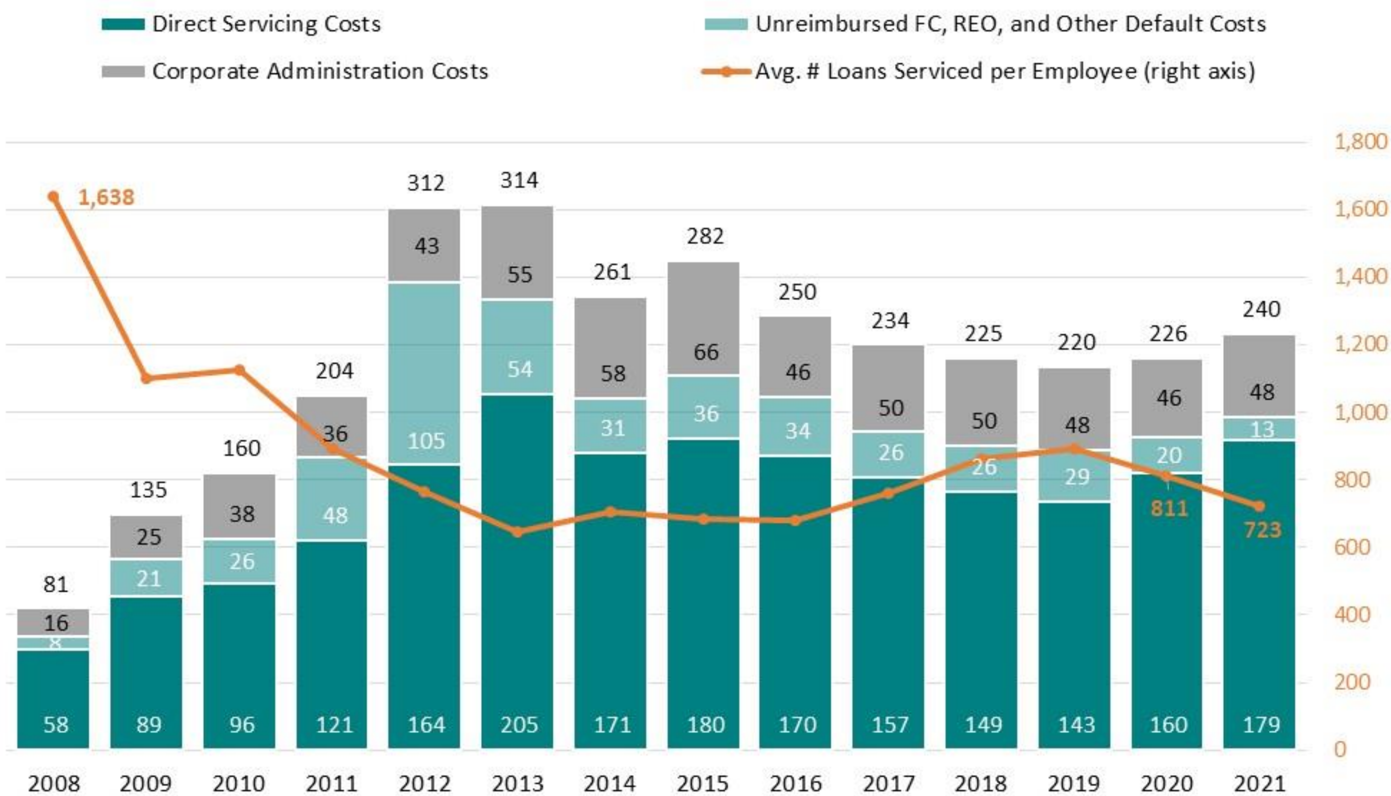
RESEARCH AND ECONOMICS

Chart of the Week – July 15, 2022

Cost to Service ($ per Loan) and Loans Serviced per Employee



Source: MBA's Servicing Operations Study and Forum (SOSF)

MBA's annual [Servicing Operations Study and Forum](#) includes a deep-dive analysis and discussion of servicing costs, productivity, portfolio activity, and operational metrics for in-house servicers. This week's MBA Chart of the Week shows 2021 fully-loaded servicing costs, which include three components: direct expenses; unreimbursed foreclosure, REO and other default costs; and corporate administration costs. The chart also presents the number of loans serviced per servicing employee.

Fully-loaded servicing costs during 2008 through 2021 increased three-fold and have not dropped below $200 per loan since the passage of the *Dodd-Frank Act* in 2010. Moreover, productivity has not exceeded 1,000 loans per employee since 2010. After a period of incremental improvements from 2016-2019, servicing costs started to rise and reached $240 per loan in 2021, up from $226 per loan in 2020. Direct cost increases – which grew by $19 per loan in 2021 – were apparent in such functional areas as collections, loss mitigation, foreclosure, call center, payoffs, escrow, and systems.

Despite the relatively benign default environment that tracked closely to low unemployment levels, activity associated with post-forbearance workouts picked up in 2021. In addition, the federal foreclosure moratorium was lifted in July 2021, bringing more work to servicers' default departments to ensure investor and regulatory compliance. As competition for human capital grew, employee turnover reached a study-high 29% last year, despite higher overall compensation per employee. This contributed not only to increased costs but also decreased productivity, which dropped to 723 loans serviced per servicing employee in 2021 from 811 in 2020.

- Marina Walsh (mwalsh@mba.org)

Note: Direct servicing costs are defined as personnel, occupancy and equipment, and other costs needed to service residential mortgages. Unreimbursed foreclosure, REO and other default costs cover property preservation costs above the investor reimbursement limit, servicer penalties, compensatory fees as well as mortgage product-specific foreclosure costs for which the servicer is responsible, such as a portion of the attorney fees for FHA loans. Corporate administration costs include legal, finance, human resources, network administration, and parent allocations.

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