

EXPERT TAKES: THE $11,094 QUESTION—WHY RECORD PRODUCTION COSTS ARE PUSHING COMMUNITY HOME LENDERS TOWARD STRATEGIC PARTNERS

By Lionel Urban, Founder and Division President, NavPros

EXECUTIVE SUMMARY

Mortgage production remained excessively expensive in 2025, according to the Mortgage Bankers Association, even in a year when lenders had reason to expect improvement. Volume was up, and loan balances reached a new study high. By the usual logic of the business, more loans should have spread fixed costs further and pulled per-loan expenses down. Instead, the 2025 Annual Mortgage Bankers Performance Report found that independent mortgage banks and bank mortgage subsidiaries spent a record $11,094 to originate the average loan, showing that volume alone did not solve the industry's cost problem.[1]

For a Community Bank or Credit Union running a lean mortgage operation and often have team members allocated to additional services, that number is not an abstraction. It is the clearest signal yet: mortgage production carries a cost structure that is difficult to absorb without sufficient technology, expertise, and scale.

A BETTER YEAR ON PAPER, A HARDER YEAR UNDERNEATH

Total revenue per loan increased by 3%, however, production expenses rose too, just not by much on paper, up less than half a percent year over year. Marina Walsh, MBA's Vice President of Industry Analysis explanation of why costs did not fall as volume grew is the more revealing finding in the whole report.

Historically, when origination volume increases, fixed costs spread across more loans and per-loan costs decline. That did not happen in 2025. Rising wages, higher third-party charges, and reduced application pull-through offset the benefit of higher volume, leaving per-loan costs essentially flat at a record level even as the industry originated more loans than the year before.[2] Walsh was direct about what that means going forward: containing origination costs and improving efficiency will separate profitable companies from unprofitable ones in 2026.[3]

For the largest home loan originators, improving efficiency is a management challenge to be solved with scale they already have. For a Community Bank or Credit Union originating a few loans a month, the challenge is spreading the costs of a mortgage operation across a much smaller applicant pool. MBA's study illustrates that difference in scale: participating independent mortgage banks and mortgage subsidiaries of chartered banks originated an average of $2.5 billion, or 7,273 loans per company during the full year in 2025.[4] Those figures describe the study's participating mortgage companies, not the typical community bank or credit union, and provide context for the scale available to larger competitors.

THE COMPLEXITY BEHIND EFFICIENCY

Rising per-loan expense is not just a story about wages and vendor fees. It reflects a mortgage product landscape and regulatory environment that have both grown more complex in ways that hit smaller originators the hardest. Start with the product side. Offering a broad suite of programs is now expected by borrowers and referring real estate agents – this is not an optional luxury. FHA, VA, USDA, Down Payment Assistance (DPA), jumbo and Reverse lending requires expertise, investor outlets and workflow integration for disclosures and closing documents.

THE $11,094 QUESTION (continued page 2)

Please note that all information provided is for informational purposes only, for the exclusive use of licensed mortgage professionals, and not for the general public. Navigator Lending Solutions is a Division of Land Home Financial Services, Inc. NMLS #1796. www.nmlsconsumeraccess.org1355 Willow Way, Suite 250, Concord, CA 94520. Licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act. Equal Housing Opportunity.

THE $11,094 QUESTION (continued from page 1)

Non-QM lending, once a niche corner of the market, is now described by industry analysts as a mainstream and durable segment of production. Verus Mortgage Capital's 2026 outlook projects non-QM will approach 10 percent of total mortgage originations by the end of the year, with self-employed and debt-service-coverage-ratio borrowers as the fastest-growing segments.[5] At a March 2026 Non-QM Town Hall hosted by National Mortgage Professional, panelists from across the industry described non-QM as having moved from a fallback option to a central growth strategy for some originators, with bank-statement loans, DSCR loans, and other alternative-income products driving volume.[6] The National Association of Mortgage Underwriters has made a similar point about what that shift demands operationally: non-QM lending requires a higher level of borrower education, documentation review, and scenario analysis than standard agency loans, and originators who understand complex income streams and investor guidelines are the ones who outperform.[7]

That is a meaningful ask for most Financial Institution lending teams built around limited portfolio lending guidelines. Each diversified program carries different documentation requirements, eligibility guidelines, pricing and disclosures / closing documents. A large IMB can build dedicated underwriting pods and product specialists around this complexity and amortize the training, supervision and monitoring costs across thousands of loans. A community lender originating non-traditional loans occasionally is asking generalist staff to become experts in a product category they touch a handful of times a year, which is where cycle times slip, errors creep in, and per-loan cost climbs even further. Optionally, they offer a limited set of programs and home shoppers apply elsewhere. Thereby, limiting the opportunity to board more portfolio lending or being their customers' first choice for their home lending needs.

Layer the regulatory environment on top of that, and the picture gets more complicated. Mortgage compliance is unusually demanding because requirements govern nearly every step of origination and continue to evolve across federal and state jurisdictions. Lenders must manage TRID disclosure timing and accuracy, maintain appraisal-independence firewalls, verify SAFE Act licensing or registration, and structure loan-officer compensation without basing it on transaction terms or permitting prohibited dual compensation. These obligations sit alongside fair-lending, reporting, privacy, underwriting, record-retention, and investor requirements, each with its own controls, documentation, and monitoring. A Q2 2026 review from compliance advisory firm Winnow found that state-level regulatory divergence is creating a complex compliance patchwork for lenders operating across multiple states, even as federal enforcement from the CFPB accelerates around fair lending, reporting, and underwriting practices.

The result is not less complexity. It is complexity that has changed shape, requiring lenders to track federal statutes, interpretation, state-level divergence, and continuous updates all at once.

For an institution with a dedicated compliance department covering dozens of business lines, absorbing another shifting requirement is manageable. For a Community Bank or Credit Union where one or two people cover compliance for the entire mortgage division alongside deposit accounts, consumer lending, and everything else on the institution's regulatory calendar, each new requirement is a direct hit to bandwidth that a larger competitor does not feel the same way.

Technology is central to lowering labor costs, improving service levels, and supporting compliance. A Highly efficient workflow automates the ordering of services, identifies documentation requirements, interprets documents and escalates exceptions to product experts. The payoff can be significant: mortgage executives believe a fully digitized process can save up to 40 percent in origination costs. Industry research from STRATMOR Group shows adoption of AI and automation is accelerating across the mortgage industry as lenders look for ways to bring those costs down. The gains are already visible at the task level. In one mortgage workflow, intelligent document processing reduced a per-loan task from three minutes to 30 seconds.[8] Borrowers notice the difference too. Research found that 72 percent of borrowers completing fully digital closings were very satisfied, versus 59 percent closing in person, while 93 percent said digital document previews increased their confidence.[9] The challenge for community lenders is that these systems are expensive to license, implement and maintain. Their economics improve when infrastructure and technology costs are shared across more loans.

WHY SCALE ALONE ISN'T THE ANSWER FOR EVERYONE

One response to rising per-loan costs is to grow volume and spread fixed costs further, and that is exactly the advice large lenders are positioned to follow. But growth is not a universally available strategy, particularly for

THE $11,094 QUESTION (continued page 3)

Please note that all information provided is for informational purposes only, for the exclusive use of licensed mortgage professionals, and not for the general public. Navigator Lending Solutions is a Division of Land Home Financial Services, Inc. NMLS #1796. www.nmlsconsumeraccess.org 1355 Willow Way, Suite 250, Concord, CA 94520. Licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act. Equal Housing Opportunity.

THE $11,094 QUESTION (continued from page 2)

Community Banks and Credit Unions whose mortgage programs exist primarily to serve existing depositors and members rather than to compete for national market share. A recent analysis from Mercer Capital framed the underlying question community bank boards are facing well: it is not simply whether the institution needs to grow, but whether its current business model can carry the cost structure it already has. Where the answer is no, the paper lays out a narrow set of real options: grow, simplify, narrow focus, outsource what does not differentiate the institution, or find a partner better positioned to carry the platform forward. The same analysis pointed to real examples of institutions choosing partnership and outsourcing over building further in-house capacity, including a case in which one community bank chose to partner with another specifically for greater scale, resiliency, and efficiency.[10]

That framing matters because it reframes the choice community lenders are facing. The question raised by an $11,094 per-loan cost structure is not only "how do we cut expenses" but "which parts of mortgage production actually need to live inside our institution, and which parts are better carried by a partner built for exactly this work." STRATMOR Group's own research into lender readiness for 2026 growth reached a related conclusion from the operations side: across client reviews, workflow diagrams rarely match what actually happens day to day, and lenders are often working hard in silos, solving problems from within their own department's perspective rather than the shared experience of the borrower and the institution.[11] Fragmented, undersized mortgage operations do not just cost more per loan. They tend to produce a worse borrower experience while doing it.

STRATEGIC PARTNERSHIPS

A strategic partnership can play a role for Community Banks and Credit Unions that is conceptually similar to the role global credit card networks play in payments: providing the specialized infrastructure, technology, expertise, and operational capabilities that allow a financial institution to offer a sophisticated product without building and maintaining the entire platform internally. The Bank or Credit Union retains ownership of the member or customer relationship, the brand, and the strategic lending objectives, while the strategic mortgage partner provides the technology, mortgage professionals, loan processing, underwriting, secondary-market access, compliance support, and operational infrastructure required to originate and fulfill home loans. Framed this way, the relationship is not the purchase of a discrete mortgage service; it is access to shared infrastructure that can reduce complexity, fixed costs, staffing requirements, and the burden of maintaining specialized expertise.

For Community Banks and Credit Unions, this model enables them to expand their home-lending capabilities while remaining the trusted local financial institution at the center of the borrower relationship. Rather than building every component of a mortgage operation internally, the institution can leverage an experienced mortgage service provider to supply those capabilities behind the scenes. The financial institution maintains the customer relationship and its community presence, while the service provider supplies the specialized infrastructure necessary to deliver a compliant, efficient, and competitive mortgage experience. In this model, the community institution owns the relationship; the mortgage service provider supplies the specialized infrastructure that makes home lending practical, scalable, and sustainable.

WHERE NAVPROS FITS

This is precisely the gap NavPros was built to close. As division of Land Home Financial Services, NavPros gives Community Banks and Credit Unions access to the infrastructure, underwriting expertise, and product breadth of a scaled national platform without requiring those institutions to build that capacity themselves. Instead of asking a community lender's existing team to become non-traditional home lending specialists, absorb a shifting compliance calendar across multiple states, and staff for products they may only originate occasionally, a NavPros partnership lets the institution offer that full product range, including a full suite of non-agency niche products increasingly driving industry volume, while NavPros carries the underwriting depth, investor relationships, and compliance infrastructure behind it. With this scope of support, a community lender can focus on promoting home lending rather than fulfilling services. And, with a superior level of service and compliance.

That structure addresses the cost story directly. MBA's data shows the industry's fixed costs did not shrink as volume grew in 2025 because wage growth, third-party charges, and pull-through losses ate the benefit.[12] A white-label partnership changes that math for a community lender by converting a chunk of that fixed

Please note that all information provided is for informational purposes only, for the exclusive use of licensed mortgage professionals, and not for the general public. Navigator Lending Solutions is a Division of Land Home Financial Services, Inc. NMLS #1796. www.nmlsconsumeraccess.org1355 Willow Way, Suite 250, Concord, CA 94520. Licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act. Equal Housing Opportunity.

THE $11,094 QUESTION (continued from page 3)

cost structure, specialized underwriting staff, compliance monitoring across a growing patchwork of state and federal requirements, product-specific technology, into a shared cost spread across NavPros' broader loan volume rather than the community institution's own smaller book. The lender keeps the customer relationship and its own brand at the point of sale. NavPros carries the operational weight that has become disproportionately expensive for any single small institution to carry alone.

It also addresses the complexity story. Community Banks and Credit Unions do not need to build an in-house non-traditional underwriting practice to compete for the first time buyer, self-employed borrowers, real estate investors, and non-traditional income households now driving a growing share of originations industry-wide. They need a partner who already has that expertise built, tested, and compliant, so the institution can say yes to a wider range of borrowers without taking on the operational risk of doing it themselves for the first time.

THE CHOICE IN FRONT OF COMMUNITY LENDERS

MBA's report makes one thing clear about the year ahead: the gap between profitable and unprofitable mortgage lenders in 2026 will be defined by cost control and operational efficiency, not by market conditions alone.[13] Rate environment and volume will matter, as they always do, but the institutions that come out ahead will be the ones that solved the cost-per-loan problem structurally rather than trying to out-hustle it loan by loan.

For the largest IMBs, that means investing further in scale they already have. For community banks and credit unions, it means recognizing that the choice is not between doing everything in-house or falling behind. A strategic partnership with a platform like NavPros offers a third option: keep the origination relationship and community reputation that make a local lender valuable to its customers and members, while handing the increasingly complex and increasingly expensive parts of production to a partner built to carry that weight efficiently. In a year when the cost of originating a single loan hit a record high for the industry as a whole, that is not a defensive move. It is the difference between a mortgage program that can absorb what 2026 brings and one that cannot.

We offer a no-obligation Market Opportunity Report to help you gauge competition and opportunities that you could be missing in your lending footprint. Contact us to schedule your report and gain valuable insight on home lending opportunities that your financial institution could be missing.

ABOUT THE AUTHOR

Lionel Urban is a technology leader for mortgage banking and has over 100,000 hours of mortgage banking experience since 1987. He serves as the President of Navigator Lending Solutions, a Division of Land Home Financial Services and supports lenders with mortgage Process Analysis, Technology Planning, Project Management and Advisory Board Services.

Lionel Urban - Inquiries@NavPros.com, 425.595.2012
President of Navigator Lending Solutions, a Division of Land Home Financial Services, Inc.

Follow me on LinkedIn

NAVPROS OFFERS:

- TPO Lending Solutions
- Staffing Augmentation
- Next Gen Technology
- Home Lending Marketing and Promotion
- Roadmap Planning
- Process Analysis and Project Management

NOTES:

1. Mortgage Bankers Association, "Independent Mortgage Bankers Post Improved Net Production Profits in 2025," news release, April 16, 2026, https://www.mba.org/news-and-research/newsroom/news/2026/04/16/independent-mortgage-bankers-post-improved-net-production-profits-in-2025.
2. Mortgage Bankers Association, "Independent Mortgage Bankers Post Improved Net Production Profits in 2025."
3. Mortgage Bankers Association, "Independent Mortgage Bankers Post Improved Net Production Profits in 2025."
4. Mortgage Bankers Association, "Independent Mortgage Bankers Post Improved Net Production Profits in 2025."

Please note that all information provided is for informational purposes only, for the exclusive use of licensed mortgage professionals, and not for the general public. Navigator Lending Solutions is a Division of Land Home Financial Services, Inc. NMLS #1796. www.nmlsconsumeraccess.org1355 Willow Way, Suite 250, Concord, CA 94520. Licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act. Equal Housing Opportunity.

THE $11,094 QUESTION (continued from page 4)

NOTES (Continued.):

5. Verus Mortgage Capital, “2026 Outlook for Non-QM Lending and Securitization,” March 17, 2026, https://verusmc.com/looking-ahead-the-2026-outlook-for-non-qm-lending-and-securitization/.

6. National Mortgage Professional, “Non-QM Town Hall Highlights 2026 Growth Opportunities As Originators Shift Strategy,” March 19, 2026, https://nationalmortgageprofessional.com/news/non-qm-town-hall-highlights-2026-growth-opportunities-originators-shift-strategy.

7. National Association of Mortgage Underwriters, “Non-QM Lending Poised for a More Disciplined Expansion in 2026,” January 21, 2026, https://www.mortgage-underwriters.org/mortgage-underwriting-news/2026/1/20/non-qm-lending-poised-for-a-more-disciplined-expansion-in-2026.

8. https://www.plantemoran.com/explore-our-thinking/insight/2026/06/q2-2026-compliance-updates-for-financial-institutionsUiPath, “UWM Accelerates Loan Processing with Document Understanding,” accessed October 23, 2026. uipath

9. Snapdocs, “60% of Homebuyers Experience Frustration During the Mortgage Process,” September 18, 2024, accessed October 23, 2026. Snapdocs

10. Mercer Capital, “The Community Bank Scale Tax: Three Questions for Boards in 2026,” April 30, 2026, https://mercercapital.com/insights/newsletters/bank-watch-newsletter/2026/april-2026-the-community-bank-scale-tax-three-questions-for-boards-in-2026/.

11. STRATMOR Group, “Cultivating What’s Next: Preparing for Growth in 2026,” accessed August 10, 2026, https://www.stratmorgroup.com/cultivating-whats-next-preparing-for-growth-in-2026/.

12. Mortgage Bankers Association, “Independent Mortgage Bankers Post Improved Net Production Profits in 2025.”

13. Mortgage Bankers Association, “Independent Mortgage Bankers Post Improved Net Production Profits in 2025.”



Lionel Urban is a technology leader for mortgage banking and has over 100,000 hours of mortgage banking experience since 1987. He serves as the President of Navigator Lending Solutions, a Division of Land Home Financial Services and supports lenders with mortgage Process Analysis, Technology Planning, Project Management and Advisory Board Services.

Lionel Urban - Inquiries@NavPros.com, 425.595.2012

President of Navigator Lending Solutions,
a Division of Land Home Financial Services, Inc.
Follow me on LinkedIn

Please note that all information provided is for informational purposes only, for the exclusive use of licensed mortgage professionals, and not for the general public. Navigator Lending Solutions is a Division of Land Home Financial Services, Inc. NMLS #1796. www.nmlsconsumeraccess.org1355 Willow Way, Suite 250, Concord, CA 94520. Licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act. Equal Housing Opportunity.