Mortgage

JPMorgan Chase's mortgage business getting back to normal

Origination volumes rose 20% from Q2, though margins fell by 43 BPS

October 13, 2020, 11:08 am *By James Kleimann*

JPMorgan Chase doesn't see mortgage defaults worsening in the second half of 2020.

In its earnings presentation on Tuesday, the nation's largest bank by assets said it had actually pared back its $15 billion in loan-loss reserves by $569 million in the third quarter. The bank cited runoff from its mortgage portfolio – driven by a wave of refinancings – as a reason for reducing its reserves.

In a presentation to investors, the Jamie Dimon-led bank said it had originated $29 billion in residential mortgages in the third quarter, up 20% from the second quarter. Though JPMorgan Chase dramatically amped up its originations in the third quarter, it appears to be more of a return to normal from a *very* sluggish, COVID-plagued second quarter, in which just $24 billion in mortgages were originated (the bank originated $32.4 billion in Q3 2019).

In a major bright spot for the bank, JPMorgan Chase said that customers as of Sept. 30 had a total of $28.5 billion in deferred residential, auto and consumer loans, down from an eye-popping $54.5 billion on June 30.

The bank made $1.7 billion in revenue from its home lending division in the third quarter, according to the investor presentation.

While originations picked up, gain-on-sale margins fell by 43 basis points during the third quarter, to 264 basis points. The retail channel comprised 71% of total volumes in the third quarter, down slightly from 74% a quarter prior.

The mortgage servicing valuation also rose 3% from the prior quarter, with the carrying value inching up to 66 basis points from 64 basis points in the second quarter. The MSR servicing fee multiple dropped slightly to 2.28x from 2.29x in the second quarter.

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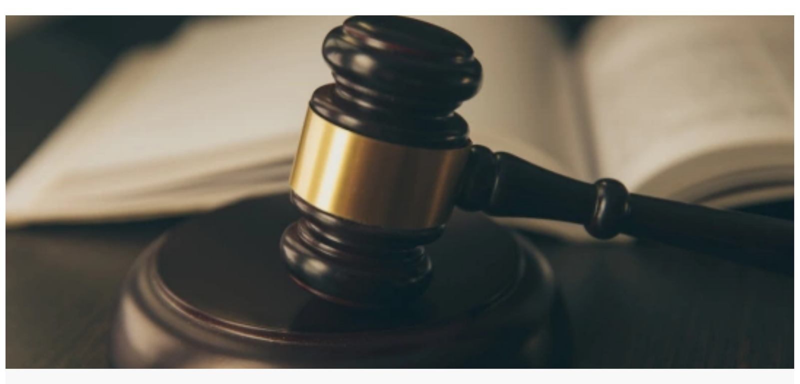

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