

Case Study

Optimized Funding Platform's Impact on Warehouse Expense

Overview

OptiFunderSM, the industry's only Warehouse Management System (WMS), combines optimized warehouse funding decisions with automation for funding through loan sale. This study reviews the impact of utilizing its rules-based decision engine which employs patent-pending algorithms and AI/ML technology to meet strategic objectives such as maximizing ROE, meeting specific funding targets or achieving the lowest cost of capital. For this study the objective was to optimize warehouse funding allocations for the lowest cost of capital.

Study Parameters

This pre/post OptiFunder study was informed by loan-level warehouse expense data provided by the client for the period of January 2021 to April 2022. It includes interest expense, fees, non-use fees and rebates. The client began using OptiFunder's optimized decision engine November 3, 2021. The pre-OptiFunder period is defined as January 2021 through October 2021 and the post-OptiFunder period is defined as November 2021 through April 2022. The thirty-day Libor was used as the reference rate for the analysis.

The Client is a leading national independent mortgage banker with average monthly fundings of \$2.5bn during the study period.

15.8%

Funding Expense reduction achieved by OptiFunder for a Top 10 Retail Lender

Client saved an average of \$481,561/mo during the study period.

Projected 2022 Savings: \$5.8mm

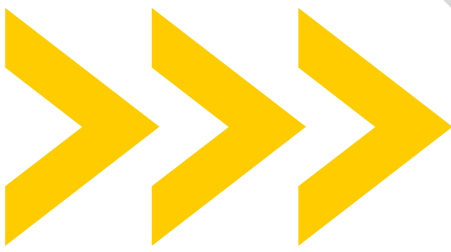


"As a former mortgage banker, my vision for OptiFunder is to empower IMBs by simplifying access to capital while reducing the cost of it. These results make us even more motivated to continue streamlining processes, improving data access and utilization and reducing mortgage bankers' costs."

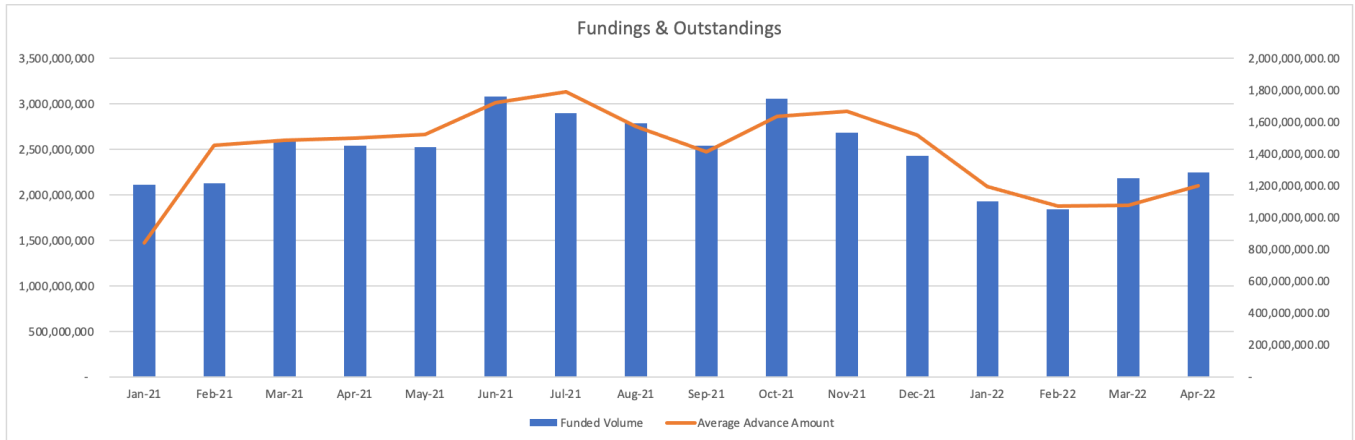
Michael McFadden, CFA
Founder & CEO, OptiFunder

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The OptiFunder Select decision engine chooses the best warehouse facility for each loan based on its specific characteristics.



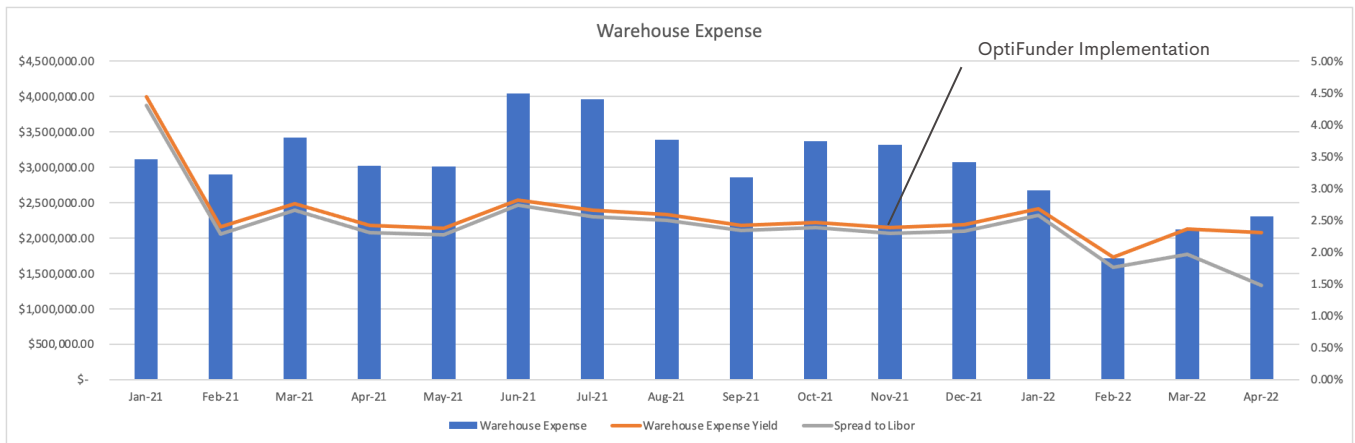
FUNDING OVERVIEW

Average Advance Amount

- Total Study Period: \$1.45bn
- Pre-OptiFunder: \$1.49bn
- Post-OptiFunder implementation: \$1.29bn

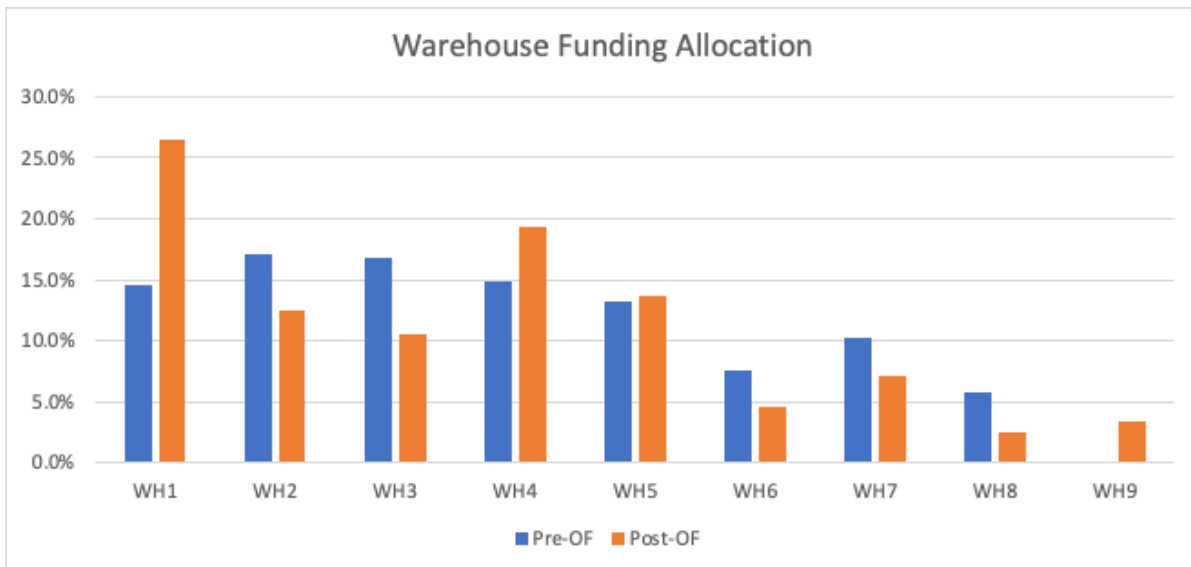
Average Monthly Fundings

- Total Study Period: \$2.5bn
- Pre-OptiFunder: \$2.6bn
- After OptiFunder Implementation: \$2.2bn



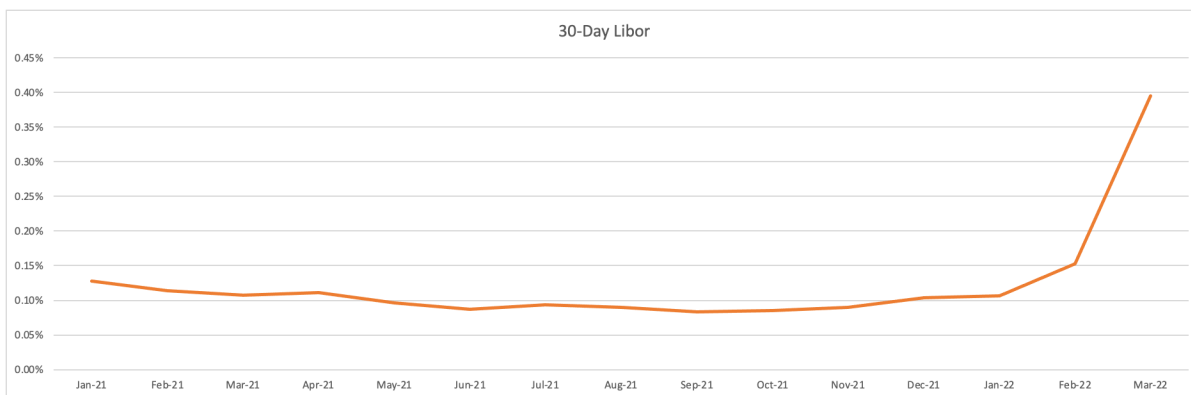
Warehouse Expense & Spread

- Pre-OptiFunder average spread to Libor: 2.47%
- Post-OptiFunder average spread to Libor: 2.08%
- Estimating average outstanding balance of \$1.45bn, the decline in spread equates to **\$481,561 in monthly warehouse savings.**
- **Estimated annualized savings of \$5.8mm** to the originator's bottom line.



Warehouse Utilization

Throughout the study period, the client utilized nine warehouse facilities. The specific warehouse lenders utilized and the overall number of warehouse facilities did not change throughout the study period, nor did the terms of the warehouse agreements. The share of loans funded with each lender did vary pre/post-OptiFunder implementation. The OptiFunder Select decision engine makes dynamic decisions, adapting to pipeline, facility and market factors.



Libor ranged from 8bps in Sept. 2021 to a high of 83bps in April 2022.

Conclusion: OptiFunder’s optimized decisioning achieved the lowest cost of capital, reducing funding expense by 15.8%. Streamlining with automation increases the savings. It's a proven way for originators to reduce costs.

Similar study findings for other clients support significant expense reductions. The savings in this study do not include efficiencies gained with automation of funding and loan sale activities.

To find out how much you can save, contact:
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