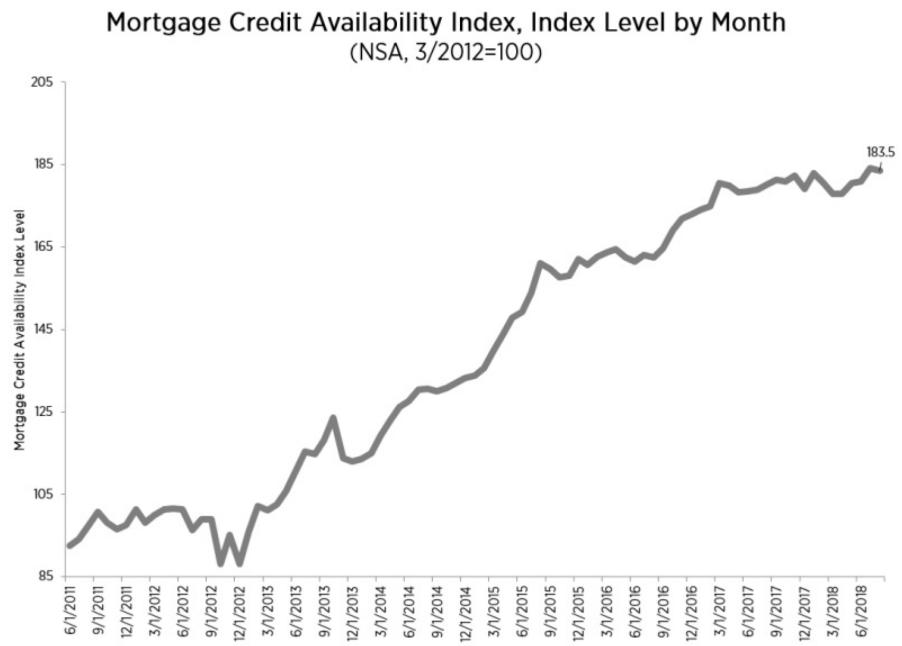
Are Lenders Anticipating a Slowdown? Available Credit Falls 3.9 Percent

By: Jann Swanson | Thu, Sep 12 2019, 11:35 AM

The Mortgage Bankers Association (MBA) says its Mortgage Credit Availability Index (MCAI) suffered its **largest decline in eight months** in August. The Index fell 3.9 percent to 181.7, MBA says this indicates that credit is tightening.

The MBA announcement comes on the heels of Fannie Mae's release of its third quarter Lenders' Sentiment Survey in which there was a substantial net increase in lenders responses that credit had tightened over the last three months and was expected to continue.

All four of MBA's index components indicated a decline in credit access. The Conventional MCAI dropped 3.6 percent and the Government MCAI fell 4.1 percent. The two sub-components of the Conventional index, The Conforming and the Jumbo MCAI's were down by 4.3 and 3.2 percent respectively.



"Credit supply declined across the board in August, even as mortgage rates fell and application activity picked up, particularly for refinances," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Last month's decrease was the largest since December 2018, and also the first tightening we have seen for conventional loans all year. We anticipate some weakening of the job market in the year ahead as economic growth cools. **It's possible some lenders may be tightening credit in expectation of a slowdown**."

The MCAI is calculated using several factors related to borrower eligibility (credit score, loan type, loan-to-value ratio, etc.) gathered from over 95 lenders and investors. These are combined with data from Ellie Mae's AllRegs proprietary product to calculate a summary measure indicating the availability of mortgage credit at a point in time

Like the MCAI, its components were benchmarked in March 2012 and are designed to show relative credit risk/availability for their respective indices. The Conforming, and Jumbo sub-indices were indexed at 100 while the Conventional and Government indices were indexed at 73.5 and 183.5 respectively to better represent where each index might have been relative to 100.

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