

# Sluggish Loan Applications Show Weakness in New Home Sales

By: Jann Swanson | Thu, Dec 12 2019, 10:06 AM

While the Mortgage Bankers Association (MBA) is predicting newly constructed homes sold at a much higher rate in November than they did a year earlier, sales are expected to be down significantly from this past October.

MBA's Builder Application Survey (BAS) data for November 2019 shows mortgage applications for new home purchases **increased 27.1 percent compared to November 2018 but were down 17 percent from the prior month**. This change does not include any adjustment for typical seasonal patterns.

Based on the application data and information about market coverage and other data, the association estimates new single-family home sales were running at a seasonally adjusted annual rate of 688,000 units during the month. This estimate is a decrease of 13 percent from the October pace of 791,000 units. On an unadjusted basis, MBA estimates that there were 51,000 new home sales in November 2019, down 16.4 percent from 61,000 sales in October.

"Applications for new home purchases continue to outperform last year's pace, and November was no different. Activity last month was 27 percent higher than November 2018," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "On a seasonally-adjusted monthly basis, **new applications decreased to the slowest pace since June 2019**, which points to some weakness as this year comes to an end. The healthy job market, increased new home construction, and rising household formation support growth heading into 2020, but affordability challenges in many markets and economic uncertainty pose as headwinds."

**Conventional loans had a 69.2 percent share** of new home loan applications, **18 percent were for FHA** loans and **12.2 percent VA** loans. RHS/USDA loans accounted for 0.6 percent of the total. The average loan size for purchasing a new house increased from \$335,235 in October to \$337,943 in November.

MBA's Builder Application Survey tracks application volume from mortgage subsidiaries of home builders across the country. Utilizing this and other data, MBA is able to provide an early estimate of new home sales volumes at the national, state, and metro level and to provide information regarding the types of loans used by new home buyers.

Official new home sales estimates are conducted by the Census Bureau on a monthly basis. In that data, new home sales are recorded at contract signing, which is typically coincident with the mortgage application. The Census Bureau's November new home sales data will be released on December 23.

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