

# Mixed Messages in New Home Purchase Application Data

By: Jann Swanson | Tue, Aug 17 2021, 3:34 PM

Mortgage applications for the purchase of **newly built** homes **fell sharply** in July, but the Mortgage Bankers Association (MBA) said it expects new home sales for the month will remain strong. MBA's Builder Application Survey (BAS) recorded a **27.4 percent decline** in applications compared to July 2020 data. Applications were down 4 percent from June 2021. The numbers are **not** seasonally adjusted.

Based on the survey data and other assumptions, MBA estimates that new single-family home sales during the month were at a seasonally adjusted annual rate of 779,000 units. This is an **increase of 10.7** percent from the previous month's annual rate of 704,000 units. On an unadjusted basis, there were an estimated 64,000 home sold during the month, down from 66,000 in June.

"Mortgage applications for new home purchases declined in July - as is typical most summers when home sales start to moderate - but did come in at the **second-strongest July** reading since the inception of MBA's survey in 2012. Furthermore, the average loan size again increased to a new record of \$402,440," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Homebuilders are still facing elevated building costs and accelerating home-price growth from the continued imbalance between supply and demand."

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Added Kan, "After adjusting for seasonal patterns, our estimate of annualized new home sales showed a jump of more than 10 percent from June. The housing market is still extremely competitive, and prospective buyers have increasingly turned to newly built homes because for-sale inventories remain so low."

**Conventional** loans accounted for 73.8 percent of new home purchase applications and FHA for 14.6 percent. VA loans had a 10.8 percent share while 0.8 percent of applications were for USDA loans. The average loan size of loans increased from \$392,370 in June to \$402,440 in July.

The BAS tracks application volume from mortgage subsidiaries of home builders nationwide. This enables MBA to provide an early estimate of new home sales at the national, state, and metro level as well as information on the type of loans used by buyers. Official new home sales estimates are conducted by the U.S. Census Bureau when purchase contracts are signed. This typically coincides with the mortgage application. The census report for July new home sales will be published on August 24.

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