



## Tentative Recovery in Mortgage Availability With Help From Government and Jumbo Loans

While it did dip a bit last month, the availability of mortgage credit appears to be **stabilizing**, having moved only slightly over the last three months. The Mortgage Bankers Association's (MBA's) Mortgage Credit Availability Index (MCAI) was down 0.1 percent in December, to a reading of 122.1. A decline in the MCAI indicates that lending standards are tightening, while increases in the index are indicative of loosening credit.

The MCAI was at 181.3 in February 2020 as news of the pandemic broke. It declined by 16.1 percent in March and another 12.2 percent in April. Subsequent smaller decreases ultimately took the index to 118.6 in September before it began what is so far a **hesitant recovery**.



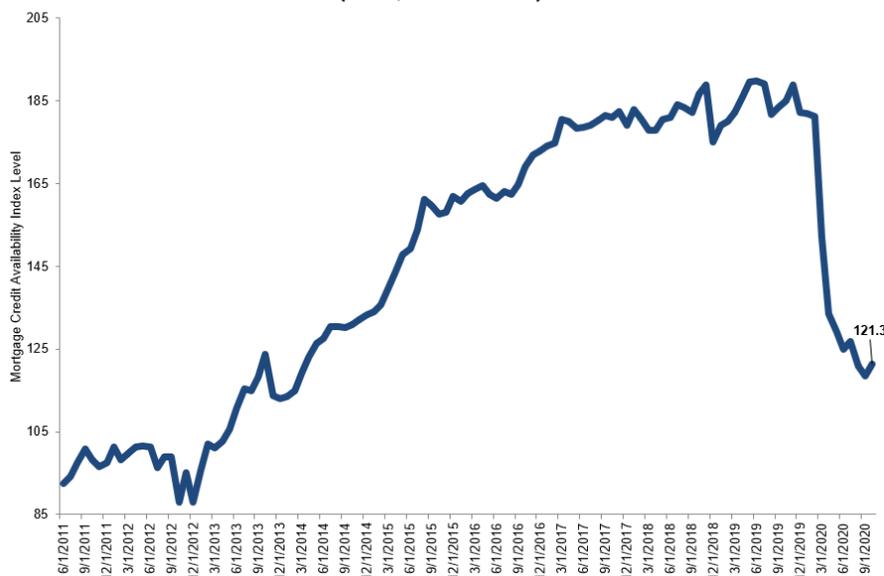
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**Mortgage Credit Availability Index, Index Level by Month  
(NSA, 3/2012=100)**



The index has **four components** based on loan types. The **Conventional** MCAI decreased 2.8 percent in December while the **Government** MCAI increased by 2.1 percent. Of the component indices of the Conventional MCAI, the **Jumbo** MCAI increased by 1.4 percent, and the **Conforming** MCAI fell by 7.2 percent.

"Credit availability in December remained essentially unchanged, with an increase in government credit offset by a decrease in conventional credit," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "The decline in conventional credit availability was the first in three months and was driven by fewer ARM offerings. **ARM loans** have increasingly seen a smaller share of the market, given the historically low rates for fixed-rate mortgages. Availability for government loans and jumbo loans have increased for four months and three months in a row, respectively."

Added Kan, "The increased credit supply for **jumbo** loans and government loans, driven in part by the greater supply of lower credit score and higher LTV loans, will support first-time home buyers entering the market. This will also help to facilitate sustained purchase activity for what is expected to be a strong 2021 for the housing market."

The MCAI and each of its components are calculated using several factors related to borrower eligibility (credit score, loan type, loan-to-value ratio, etc.). These metrics and underwriting criteria for over 95 lenders/investors are combined by MBA using data made available via a proprietary product from Ellie Mae. The resulting calculations are summary measures which indicate the availability of mortgage credit at a point in time. Base period and values for total index is March 31, 2012=100; Conventional March 31, 2012=73.5; Government March 31, 2012=183.5.