



New Home Purchase Applications Remained Strong to Year's End

The Mortgage Bankers Association (MBA) estimates that applications for the **purchase of newly built homes rose only 0.2 percent** from November to December, however, those applications were up 42.2 percent compared to December 2019. The information comes from MBA's monthly Builder Application Survey (BAS) and was not adjusted for typical seasonal patterns.

Based on those mortgage applications and assumptions regarding market coverage and other factors, MBA estimates new single-family home sales were running at a seasonally adjusted annual rate of 876,000 units in December 2020. **This is an increase of 5.9 percent** from the November pace of 827,000 units. On an unadjusted basis, there were an estimated 59,000 new home sold during the month, unchanged from the same level in November.

"The new home sales market closed out 2020 strong. Mortgage applications in December were essentially unchanged from November, but activity was up 42 percent compared to December 2019," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Despite the ongoing economic impact of the pandemic, households seeking more space, **assisted by low mortgage rates, drove the demand for new homes higher.** This brought the three-month estimated average of new home sales to 877,000 units, and the 2020 average to around 796,000 units - much higher than the 717,000 units in 2019."

Added Kan, "In the coming months, we expect home building to continue to ramp-up to meet demand. Housing inventory, particularly for existing homes, is still extremely tight."

Conventional loans accounted for 73.3 percent of all applications. FHA applications had a 15.8 percent share, VA loans 10 percent and RHS/USDA loans 0.9 percent. The average loan size of new homes increased from \$357,554 in November to \$367,502 in December.

MBA's Builder Application Survey tracks application volume from mortgage subsidiaries of home builders across the country. Official new home sales estimates are provided each month by the Census Bureau and the Department of Housing and Urban Development (HUD). In that data, new home sales are recorded at contract signing, which is typically coincident with the mortgage application. The Census Bureau/HUD report for December will be released on January 28.



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