Mortgage Credit Availability Index

FREQUENTLY ASKED QUESTIONS

What is the Mortgage Credit Availability Index (MCAI)?

The MCAI is a barometer on the availability or supply of mortgage credit using criteria from institutional investors who purchase loans through the broker and/or correspondent channels. Higher index values signal that more credit is available, while lower index values indicate that mortgage credit supply is tighter.

What is an index, how does it work and what does "base period" mean?

An index is derived using changes relative to a benchmark value. It is used to show the changes in the underlying data series over time.

The values of the indices do not represent the actual number of loans or dollar volume available for a given period. Rather, they represent percent changes to the risk adjusted monthly loan offering counts relative to a point in time. For example, in March 2012 (our "base" or "benchmark" period), MBA set the MCAI to 100.00. After that month, the MCAI either moves up or down according to the change in credit availability conditions during that month relative to the base monthly. An index of 110, for example, means there has been a 10-percent increase in availability of credit since the reference period (March 2012); similarly, an index of 90 means a 10-percent decrease.

The underlying data for the index calculation is provided by ICE Mortgage Technology. Specifically, the data includes the published credit criteria for different loan programs offered by a wide range of investors on the platform. See this link for additional information: www. icemortgagetechnology.com

What factors are taken into consideration when measuring credit availability?

The main dimensions of mortgage credit risk taken into consideration are:

- Loan purpose (Purchase, Rate/Term Refinance, Cash-Out Refinance)
- Amortization type (Fixed, ARM, Balloon)
- Property type (primary residence, second home, investor property)
- Loan term (years to maturity)
- LTV
- Credit score
- Documentation type (full, stated, no doc)
- Payment type (interest-only vs. non IO)

What is a loan program?

A loan program is a type of mortgage with a certain set of attributes. Since the index takes into account different components of credit worthiness, there are hundreds of different permutations of these attributes (or loan programs) for any given month, each one given a carefully calculated risk weight that is input into the credit index calculation model to output a final index value.

Are different investors given different weights based on their relative production volume?

The MCAI simply measures the overall supply side of credit without examining the volume of credit provided by individual investors. The index

measures the types of loans available at each point in time based on credit criteria, rather than the volume of lending that is being done. For data on the volume of lending, see MBA's Weekly Applications Survey.

What factors drive the index up or down?

The supply of mortgage credit to the market is a function of the risk appetite of different investors, as well being impacted by changes to various regulations that can affect the types of loans being made.

How is the actual index value calculated?

MBA economists assigned a risk weight to each credit qualification metric and different attributes of a loan make it either more or less risky. For example, loan programs with low minimum credit scores are given a greater risk weight than those with higher minimum credit scores. Some dimensions of credit qualification are examined together (layered risks are considered) and MBA's economists have spent time and careful consideration in assigning the risk variables.

Can I get a list of corresponding risk factors for the different weighting attributes which MBA uses in its model?

No, the attribute risk factors are proprietary to the index model and are not available for release to the public.

How does this compare with the Federal Reserve Board's Senior Loan Officer Survey on Lending Standards?

The Fed survey is based on a series of questions that senior loan officers are asked which are more qualitative in nature (e.g. credit is more available; less available; etc.) while the MCAI uses monthly loan program data from ICE Mortgage Technology and takes a more quantitative approach to measuring credit availability.

How often are new index values calculated?

New index values are released monthly and cover the period ending on the last day of the previous month. Data for the previous month will typically be released the second week of the following month.

What is the data collection period?

The data are collected on an end-of-month basis.

Are the data seasonally adjusted?

Index values are not currently seasonally adjusted.

How can I obtain historical data?

Please visit www.mba.org/mcai for a link to download the full dataset.

Who do I contact if I have questions?

If your questions concern the MCAI, please contact MBAResearch@mba.org with technical questions. If you are a member of the media, please call (202) 557-2700 and ask for the Public Affairs department.

If you would like more information about ICE Mortgage Technology, please visit icemortgagetechnology.com or call (877) 355-4362 to learn more.