Mortgage Credit Availability Index

FREQUENTLY ASKED QUESTIONS

What is the Mortgage Credit Availability Index (MCAI)?

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

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

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

The values of the indices do not represent the actual number of loans available for a given period. Rather, they represent percent changes to the monthly risk-adjusted 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 data for the index calculation is provided by AllRegs® Market Clarity,® a platform that provides underwriting guidelines from more than 85 investors into one place. See this link for additional information regarding AllRegs and the Market Clarity product: answers.allregs.com/mcai-market-clarity.

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) and payment type (interest-only vs. non).

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 several different quantifiable 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 — then 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 supply side of credit without examining the volume of credit provided by each investor. The philosophy is that the index measures the types of loans available at each point in time, 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. Changes to the index will reflect both of these factors.

How is the actual index value calculated?

The MCAI examines different factors that have been shown to influence a borrower's ability and/or willingness to repay a loan. MBA economists assigned a risk weight to each credit qualification metric so that loan programs that have had historically higher delinquency rates are given greater weight in the index. 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.

If the base period for the index is March 2012 = 100, what would the index have looked like in 2004–2007 when mortgage credit was inherently more available than it is today?

Experts at AllRegs and MBA have access to guidelines from that period which suggest the index compared to today would be significantly higher (meaning it was easier to get a loan relative to today and/or loan programs carried more risk during that time). Using these guidelines as inputs for lending standards during that period, MBA analysts generated a simulation model time which estimates that the MCAI was in a range of 750-850 during this period. This is due to the high availability of low-doc, no-doc, stated income, interest-only loans, and significant cash-out refinance activity.

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.), the MCAI uses actual data from AllRegs Market Clarity 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. New index values for the previous month will typically be released the second week of the 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.

Who decides what investors are included in the data used to create the index?

AllRegs gauges Investor popularity through requests made by their customer base of more than 3,000 companies, and modifies the list accordingly. To view the list of Investors available in AllRegs Market Clarity, the source of the MCAI data, visit answers.allregs.com/mcai-market-clarity. If you are an investor and would like to be included in this list, please email sales@allregs.com with your request.

What is weighting and how does the concept apply to the MCAI?

Different attributes of a loan make it either more or less risky. Loans with a fixed rate tend to be less risky than those with an adjustable rate. Cash-out refinance transactions tend to have more risk associated with them than the purchase of a primary residence. MBA's housing economists studied many of the primary drivers of risk in terms of loan attributes and assigned a 'risk factor' to each attribute.

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.

Can I access the data myself? If so, how?

The source data used in the MCAI is available to AllRegs Market Clarity clients. To learn how you can subscribe to source data, visit answers.allregs.com/mcai-market-clarity.

Do index values represent a dollar or number?

No, index values provide a point of comparison to gauge change relative to a point in time. The MCAI values are relative. For example, a movement from 100 to 110 suggests that mortgage credit is 10 percent looser by this metric.

How can I obtain historical data?

Please contact MBAResearch@mba.org if you are interested in obtaining historical index values.

Does this cost money?

Right now the index and press release are free to the public. This may be subject to change at a future time.

Some investors don't share their guidelines freely. How are investor guidelines protected in the MCAI?

AllRegs values its relationships with industry investors and goes to great lengths to protect the investor's identity in the data exchange. To that end, AllRegs provides the data to MBA with "masked" investor identities.

If I am an investor who purchases loans, how can I get involved with submitting data?

If you are an investor and would like to learn more about being included in the AllRegs Market Clarity database, please contact your AllRegs Account Executive at (800) 848-4904 or email your request to sales@allregs.com.

Will the methodology change at any point?

The MCAI is a relatively new data series. MBA and AllRegs plan to monitor feedback and watch the index move, and depending on the outcome there may be changes to the methodology.

Who do I contact if I have questions?

If your questions concern the MCAI or the related data or methodology 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 are a member of the media and would like more information about AllRegs, please call Krista Sabol at ksabol@allregs.com or Erica Harril at erica.harril@elliemae.com. If you have questions regarding the AllRegs Market Clarity product, or how you can be added as an investor, visit answers.allregs.com/mcai-market-clarity or call (800) 848-4904 to speak with your AllRegs Account Executive.