Mortgage Credit Availability Index (MCAI) Methodology

FREQUENTLY ASKED QUESTIONS

What can you tell me about the change in methodology from August 2016?

After working on the Mortgage Credit Availability Index (MCAI) for over four years, MBA is updating the MCAI methodology in order to respond to recent changes in the marketplace and to better incorporate the frequent addition and subtraction of investor offerings into the index. In addition, jumbo and conforming loans are now defined to exclude government insured mortgages (FHA, VA, and USDA).

Why are we changing the methodology?

The changes to the methodology result in a less volatile and more comprehensive measurement of credit availability in order to provide the market and policymakers with a clearer signal of current trends in the supply mortgage credit. Modifications to the definition of conforming and jumbo are being made to better align with industry norms.

What is changing with the August 2016 Methodology?

The goal of the MCAI is to measure the quantity and quality of mortgage credit supplied to the market over time and for different segments of the market. The fundamental concepts underlying the MCAI have not changed. Investor offerings to purchase mortgages or mortgage credit risk are categorized by MBA into loan programs described by several risk attributes, and the index can be described as a risk-weighted measure of investor offerings.

The methodology prior to the July 2016 revision tracked a fixed set of loan programs over time to illustrate the change in availability among those programs relative to the base month of March 2012. However, since MBA started releasing the MCAI in 2013, the number of programs that do not exist in the base month (March 2012) has grown. Therefore, MBA has updated its methodology to better account for new loan programs that did not exist in the base month. MBA believes that this enhanced and more inclusive methodology provides a more representative illustration of credit availability over time.

As a result of the changes, the new indexes have different scale and volatility. In particular, the typical percentage point change in the indexes on a month to month basis will be different from the previous version. Historic values of the new indexes are available to provide context for the new results.

We have also updated our definition of conforming and jumbo mortgages to exclude government insured loans (FHA/VA/USDA). In the old index, all loans types were included in both the conforming and jumbo indexes, regardless of whether they were government or conventional. Going forward, only non-government loans will be split based on conforming and jumbo sizes. Under the new definitions, conventional conforming is restricted to loans below the standard conforming loan size cut-off (currently $417,000). Conventional jumbo includes offerings to purchase loans above the standard conforming cut-off, including conforming jumbo loans (conforming loans in high-cost areas).

What are the implications of the August 2016 methodology change?

Beginning with the August release of the July 2016 MCAI, MBA will publish the new MCAI index and its sub-indexes going forward and is providing historic series for the new indexes. The old MCAI, and its sub-indexes, will no longer be produced.

The new Total, Conforming and Jumbo MCAIs are set to equal 100 in March 2012. The Government Index is set equal to 183.5 and the Conventional Index equal to 73.5 in March 2012. The Total index is available starting January 2011 and sub-indexes are available starting January 2013.

Are there any other changes besides how you calculate the MCAI?

Yes. We have revised the sample of offerings we study in the Conforming and Jumbo MCAIs. We have also updated our definition of conforming and jumbo mortgages to exclude government insured loans (FHA/VA/USDA). In the old index, all loans types were included in both the conforming and jumbo indexes, regardless of whether they were government or conventional. Going forward, only non-government loans will be split based on conforming and jumbo sizes. Under the new definitions, conventional conforming is restricted to loans below the standard conforming loan size cut-off (currently $417,000). Conventional jumbo includes offerings to purchase loans above the standard conforming cut-off, including conforming jumbo loans (conforming loans in high-cost areas).