

## FREQUENTLY ASKED QUESTIONS

### WEEKLY APPLICATIONS SURVEY BASICS

**1. What is the Weekly Applications Survey (Weekly Apps or Survey)?**

The WAS measures single-family loan application activity. It surveys lending institutions to gauge changes in application activity from week to week.

**2. Do the Survey results report how many people apply for a loan each week?**

The weekly survey results do not report the raw number or dollar volume of applications. Instead, the results are reported as changes in the level of different indices, which show whether applications went up or down for 15 different segments in the primary mortgage market. The indices are benchmarked to the level of application activity in March 1990.

However, MBA does provide [free of charge] quarterly origination estimates. These are available for Total Originations (\$, Bil); Refinance Originations (\$, Bil); and Purchase Originations (\$, Bil) on a quarterly basis going back to 1990. Users can obtain MBA's quarterly origination estimates by clicking [here](#) or visiting [www.mba.org/ResearchandForecasts/ForecastsandCommentary](http://www.mba.org/ResearchandForecasts/ForecastsandCommentary).

**3. For what period of time is the data collected?**

We report survey results every Wednesday morning at 7 a.m. ET. Results reported Wednesday morning are for the period beginning the previous Saturday at midnight through 11:59 p.m. that Friday.

**4. How much of the market does the Survey cover?**

As of September 2011, the survey covers more than 75 percent of all U.S. retail residential mortgage applications and has been conducted weekly since 1990. Respondents include mortgage bankers, commercial banks and thrifts. Base period for all indices is March 16, 1990 = 100.00.

**5. Who participates in the Survey?**

We do not release information that identifies or could identify firms participating in the Survey, due to non-disclosure agreements with the participants.

**6. What constitutes a loan application?**

The Home Mortgage Disclosure Act (HMDA) guidelines indicate that an application is counted when the creditworthiness of the borrower is assessed, whether it be for pre-approval or rate lock. This definition covers both purchase applications and refinance applications, so our participants submit information on applications for both.

**7. What is the difference between an application and an origination?**

An application is a request for a loan. Not all applications will necessarily be approved, not all approved applications will move forward. An origination happens when the application is approved and accepted, and the loan is funded.

**8. Does MBA report only applications at the national level?**

For now, Weekly Apps results data are only reported at the national level. However, as an added benefit available exclusively to subscribers, MBA provides a Monthly State Profile of Mortgage Activity which gives state-level detail on some key measures of mortgage activity. These data are separate and distinct from the Survey results series.

**9. Does MBA count applications submitted through broker / correspondent / wholesale channels?**

No. MBA receives data on applications only through retail and direct channels.

## WEEKLY APPS DETAILS

### 10. Can I use applications to predict originations?

Yes. The purchase and refinance indices are considered highly predictive leading indicators of home sales and mortgage prepayments. But differences in the economy, underwriting standards, denial rates and loan types can cause variations in pull-through rates ( $[\text{Pull-Through Rate}] = [\text{Originations}] / [\text{Applications}]$ ), which can make it more difficult to map applications to originations.

### 11. What are the primary factors that lead to increases in the refinance index?

Changes in interest rates, home values and underwriting standards all affect borrowers' ability and incentive to refinance.

### 12. What factors influence the purchase index?

Interest rates, home prices, credit availability, time of year and the general strength of the economy all affect the purchase index.

### 13. Historical data suggest that the spread between primary and secondary mortgage rates widens when refinance volume goes up. Are there specific reasons for this?

Originators run into capacity constraints with respect to loan processing, and it becomes more difficult for them to hedge their origination pipeline. A refinance loan application is at greater risk of fallout (not becoming an origination) than purchase loans. This produces a higher cost of hedging per originated loan, which results in higher primary mortgage rates. Secondary mortgage rates are bid down because the secondary mortgage market is used to hedge movements in rates.

### 14. Why are the refinance indices not seasonally adjusted?

Homebuyers are more likely to buy homes in the spring and move in the summer, leading to pronounced seasonality in the purchase series. There is no such regular seasonality in the refinance index. Nevertheless, the refinance indices are occasionally affected when there is an across-the-board holiday adjustment to account for fewer days in the week.

### 15. Are your compositions (or shares) seasonally adjusted?

No, interest rates, average loan sizes and compositions/shares are not seasonally adjusted.

### 16. What is an index?

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.

### 17. What do index values represent and how do they change?

The values of the indices do not represent application counts for the week. Rather, they represent percent changes to the application counts relative to a point in time. For example, on March 16, 1990 (our base or benchmark period) MBA set all 15 non-seasonally adjusted indices to 100.00. After that week, each of the 15 indices either went up or down according to the level of activity within each category. An index of 110, for example, means there has been a 10 percent increase in application activity since the reference period; similarly, an index of 90 means a 10 percent decrease.

### 18. What do I need to know about historical data and the new 2011 benchmark?

Historical index data are available back to the original start date of the MBA Weekly Mortgage Applications Survey in 1990, with all unadjusted indices equal to 100.00 for the week of March 16, 1990 (available for purchase via [www.mba.org/WeeklyApps](http://www.mba.org/WeeklyApps)).

The index constructed with the expanded Survey sample was benchmarked as of January 14, 2011. This benchmarking was accomplished by setting the new index levels, calculated using application counts from the new sample equal to the existing index values at that date, and then building the indices for the weeks following, using the percent changes from the new sample. Despite the differences in the underlying data, we ascertained that the correlation between the old and new series was high for the January-to-September period. Prior to the release date, MBA research staff tracked the performance of each index utilizing both the old and the new samples.

### 19. Can I get data on the new sample prior to September 16, 2011?

The index levels as of January 14, 2011 were used as the official starting point for tracking new changes in the expanded sample so that MBA could monitor correlation and variability between the old sample and the enhanced sample for a number of months. For the week ending September 16, 2011, reported on September 21, 2011, MBA switched from reporting the index levels/loan sizes/changes/interest rates of the old sample (which covered 50 percent of the retail and consumer direct residential market) to reporting the index levels/loan sizes/changes/interest rates of the new sample (which covers more than 75 percent of the retail residential market). Just as the old sample was tied to the March 16, 1990 date — the enhanced sample is tied to the January 14, 2011 date. Subscribers to the Survey can obtain the January-September index data for the new sample upon request.

**20. How did the mortgage rate series change with the re-benchmarking?**

Previously, MBA calculated the mortgage rate as a weighted average of the rates reported by participants, with the weights determined by application volume. As of the changeover date, MBA switched to calculating simple averages of lender reported rates, with a minimum number of applications required for a lender's rate to enter the calculation. MBA made the change because the new methodology better reflects typical rates in the market.

**21. Does the Survey measure/ report on anything besides activity/ indices?**

Yes. The Survey also has information related to composition of activity, average loan amounts and mortgage rates and points.

• **Composition of Applications (Shares)**

The "refinance share" (or "refi share") reports the percentage of all loan applications that relate to refinances. Similarly, the ARM share reports the share of applications that relate to adjustable-rate mortgages and the "government share" reports the portion of purchase or refinance loans insured by the FHA, VA or USDA.

• **Average Loan Application Amount (Loan Size)**

Each of the 15 application indices has a corresponding average loan size. These are calculated as follows:  
Total Average Application Amount = [Total \$ Volume]/ [Total Number of Applications]

• **Interest Rates and Points (Current Interest Rates)**

MBA's mortgage rates come to us directly from the participants in our survey, who average their actual pricing information over the course of the previous week. Other surveys rely on posted rates, which often do not include points or reflect the rates consumers end up locking on their application.

**22. What is included in "points and fees"?**

One point is equal to one percent of the total loan amount. Discount points are paid by borrowers up front to lower the rates on their loans. Origination fees charged by the lender reflect the direct costs to the lender of making the loan.

**23. What factors do survey participants take into account when calculating average weekly points?**

The MBA Weekly Rate/ Point Survey asks participants to take into account both origination fees and discount points in their point calculations. Survey participants collect the rates and associated points (including origination fee) for each application whose rate has been locked, and they calculate averages for the different loan products on which MBA reports (e.g., 30-year fixed and 15-year fixed).

**24. The survey reports both average contract rate and average effective rate. What is the difference?**

The contract rate is the interest rate recorded on a note, while the effective rate is an estimate of the cost of credit to the borrower after points are factored in — assuming that the loan is paid off prior to maturity. With an early payoff, the points are spread over a shorter time period, raising the effective cost of credit. The effective rate is a function of contract rate, points and time to payoff.

**25. Is the 30-year jumbo only fixed rate?**

Yes, the 30-year jumbo is fixed rate only.

**26. Is 5/1 ARM inclusive of 5/1 jumbos?**

Yes, the 5/1 ARM includes all 5/1 ARM rates.

**27. Is the FHA 203 (b) only fixed rate?**

Yes, the FHA 203 (b) is only fixed rate.

## OTHER QUESTIONS

**28. Who can I contact with questions about the Survey?**

For any questions about the WAS, please email [MBAResearch@mba.org](mailto:MBAResearch@mba.org).

**29. Can I participate in the Survey?**

MBA members who receive applications through retail and/or direct channels and who wish to participate in the Survey should contact [MBAResearch@mba.org](mailto:MBAResearch@mba.org). There are a number of benefits available only to participants, so please contact MBA for more information.

**30. Why should I subscribe to the Survey?**

In addition to the weekly results, there are additional benefits to subscribing to the Survey through MBA. The Monthly Profile of State & National Mortgage Activity contains state-level data that feature similar [and more detailed] information on mortgage application activity at the state level. In addition to the State Profile, direct subscribers will be sent a monthly report showing mortgage activity on the national level that contains an assortment of regional, product-specific and categorical data. As of September 2011, these two reports are only available to direct subscribers of the Survey.

**31. How much does a subscription to the survey results cost?**

A yearly subscription to the Survey costs \$400 for MBA members and \$800 for nonmembers.

**32. How do I subscribe?**

To subscribe, please visit [www.mba.org/WeeklyApps](http://www.mba.org/WeeklyApps) and click "Subscribe" to order your subscription today.