



MBA / AllRegs Partnership *Mortgage Credit Availability Index*

June 2013

MBA

- The Mortgage Credit Availability Index (MCAI) is calculated using several quantitative metrics related to borrower eligibility

- Credit score, loan type, loan-to-value ratio, etc.*



- Metrics are combined to calculate the MCAI, a summary measure which indicates the availability of mortgage credit at a point in time.

- MCAI is a measure of mortgage credit supplied to the market.

- Unlike survey measures which only capture whether lending provisions are tightening or loosening, the MCAI provides a standardized quantitative metric that is solely focused on mortgage credit.

- Transformation of AllRegs Market Clarity Data by MBA analyst.
 - TERM:
Original = “5,10,15,30”
Transformation: Min Term=5; Max Term=30
 - PURPOSE:
Original = “Cash Out Refinance, Purchase, Rate and Term Refinance”
Transformation: “Allows Cash Out”
- Granular data is categorized for standardization and analysis.
 - MAX LTV
Original = 95.6 OR 95 OR 92 OR 98.5, etc.....
Transformation =
 - LTV <=90
 - LTV >90 and <=95
 - LTV >95

7 Dimensions of Risk Weighting

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Amortization

Product_Type	Weight
FIXED	
ARM	
BALLOON	

IO/Amortization

Int_Only_Flag	Product_Type	Weight
NON-IO	FIXED	
NON-IO	ARM	
NON-IO	BALLOON	
INTEREST ONLY	FIXED	
INTEREST ONLY	ARM	
INTEREST ONLY	BALLOON	

Loan Purpose

purpose_ROLLUP	Weight
Allows Rate/Term Refi, Not Cash Out	
Allows Cash Out Refi	
Purchase Transactions Only	

Loan Term

term_ROLLUP	Weight
Max Term <= 30	
Max Term >30	

Doc.Type

Doc_Type_ROLLUP	Weight
FULL/ALT DOC	
STATED DOCUMENTATION (Anywhere the word *Stated* appears)	
NO DOC (Anywhere the word *NO* is mentioned, excludes any entries with the word *STATED*)	

LTV / Occupancy Joint

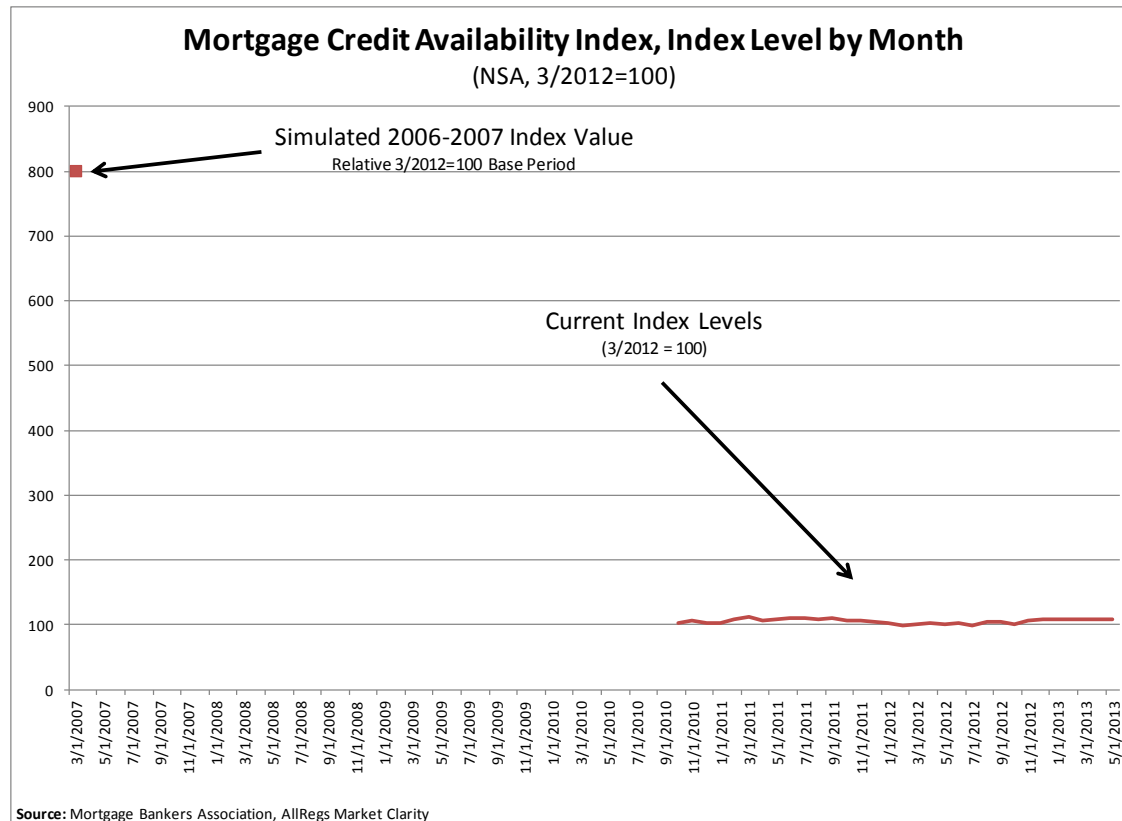
Max_LTV_Bracket	occupancy_ROLLUP	Weight
LTV <=90	Allows Investor Homes	
LTV >90 and <=95	Allows Investor Homes	
LTV >95	Allows Investor Homes	
LTV <=90	Allows Second Homes, Not Investor	
LTV >90 and <=95	Allows Second Homes, Not Investor	
LTV >95	Allows Second Homes, Not Investor	
LTV <=90	Owner Occupied Only	
LTV >90 and <=95	Owner Occupied Only	
LTV >95	Owner Occupied Only	

FICO / LTV Combo

Max_LTV_Bracket	Min_FICO_Bracket	Weight
LTV >95	FICO <=620	
LTV <=90	FICO <=620	
LTV >90 and <=95	FICO <=620	
LTV >95	FICO >620 and <=680	
LTV >90 and <=95	FICO >620 and <=680	
LTV <=90	FICO >620 and <=680	
LTV <=90	FICO >680	
LTV >95	FICO >680	
LTV >90 and <=95	FICO >680	

NOTE: The more red shading, the more influence a specific attribute will have over the way the *Master Index* moves. All 7 boxes are only shaded relative to the other items within a specific box, meaning shading is independent for each box. In addition to the 7 dimensions, MBA also examines loan type (FHA, VA, etc.) and loan size type (Conforming, Conforming/Jumbo, Jumbo) for analytical insight but does not weight based on these features.

Investors offer many variations of standard products. In particular, there are a wide variety of ARM products that utilize different indexes or vary along other dimensions. The MCAI captures these variances as additional offers of credit. However, it is important to note that most loans getting done today are drawn from a relatively short product list. For example, according to Weekly Application Survey data, as of April 2013, 87% of purchase loans were 30-year fixed-rate, and only 5% were ARMs of any type.

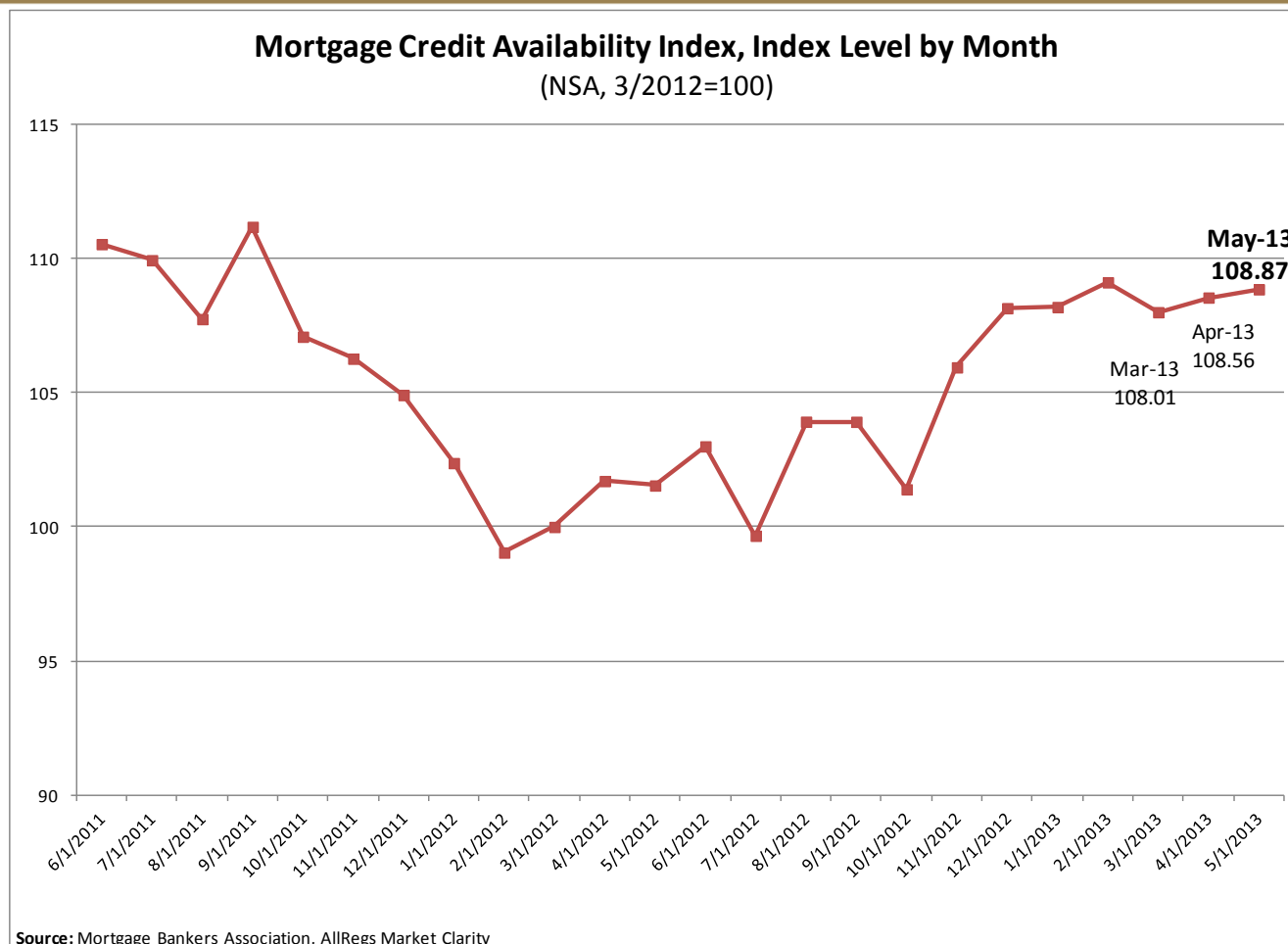


Mortgage Credit Availability Index (MCAI)

Lower Index = Less Credit Available / *Higher* Index = More Credit Available

- Experts at AllRegs and MBA examined guidelines from the '06-'07 period and estimate that the Mortgage Credit Availability Index was in a range of 750 – 850 during this period.
- This was due to the availability of low-doc, no-doc, stated income, and interest-only loans, and significant cash-out refinance activities.

Recent Trend in the MCAI



•The MCAI is benchmarked to an index value of 100 in March 2012. Relative to the base period (March 2012), index values above 100 represent greater availability of mortgage credit while index values below 100 are an indication that mortgage lending standards have tightened.

Jan-April 2013 versus 2012 Purchase Tranche Analysis

App Size	2013 shares	2012 Shares	YTD Change YoY 2013_2012
<=150K	36.6%	41.6%	-2.1%
>150K and<=300	36.9%	36.7%	11.8%
>300K and<=417k	14.5%	12.8%	26.1%
>417K and<=625k	6.4%	5.0%	42.4%
>625K and <=729k	1.8%	1.3%	53.4%
>729K	3.8%	2.6%	59.4%
	100.0%	100.0%	11.1%

Source: Weekly Applications Survey

- Release date: second week of each month.
- The MCAI will be a valuable new source of information for market participants, policymakers and researchers:
 - For lenders:
 - The MCAI will provide an industry wide summary statistic regarding trends in mortgage credit availability.
 - For policymakers:
 - The MCAI can be an informative gauge regarding the impact of policy changes on the availability of mortgage credit.
 - For economists and other researchers:
 - The MCAI will provide a benefit in terms of its ability to capture credit trends, a vitally important component of the macroeconomic environment,” said Michael Fratantoni, MBA’s Vice President of Single-family Research and Economics.

Questions About the Index, It's Meaning , Or Other Information?

MCAI Product Page: www.mortgagebankers.org/MortgageCredit

MBA Research Contact: MBAResearch@mortgagebankers.org

MBA Press and Media: 202.557.2727 – Matt Robinson

(Mrobinson@MortgageBankers.org)

Questions About AllRegs, the AllRegs Market Clarity Tool?

AllRegs® Press and Media:

Krista Sabol 651.289.4809 or ksabol@allregs.com

AllRegs® Sales Inquiries:

For more information, contact your Regional Account Executive
(800) 848-4904 or sales@allregs.com