

Economist: It's Not Easier to Get a Mortgage

Daily Real Estate News | Monday, August 10, 2015

Home sales are improving, so does that mean it's easier to get credit access for a mortgage? Not necessarily, writes Jonathan Smoke, realtor.com®'s chief economist.

Last fall, mortgage giant backers Fannie Mae and Freddie Mac urged lenders to ease their requirements and also introduced [new 3 percent down payment programs](#) for qualified buyers. The Federal Housing Administration also has [lowered its insurance premiums](#).

The Mortgage Bankers Association's Credit Availability Index was at 122 in June, a 5 percent increase year-over-year in the expansion of credit. However, the index peaked at 869 in June 2004 – indicating that June's reading is still far from that peak or even a normal reading.

Smoke says that the average FICO score on a closed purchase mortgage in June was 727. Average FICO scores for the past 24 months have hovered between 724 and 742. That represents above-median credit quality households, Smoke says. The average denied FICO score was 672 in June, down from 686 a year ago.

What that means, Smoke notes, is that "more lower credit-quality households are applying but not getting approved. Yet at the same time, the percentage of purchase applications making it to closing has risen from 64 percent last June to 69 percent this June. Times are still tough for those with tarnished credit."

On the other hand, wealthier households seeking a jumbo mortgage may be having an easier time. Lenders are showing [signs of loosening up on jumbo mortgage requirements](#).

A more widespread change may be on the horizon for the market. A July Senior Loan Officer survey report from the Federal Reserve did show that over the past three months banks have been easing lending standards on several categories of mortgage loans. Smoke notes that those changes may start appearing in the closing averages in the coming months.

Still, "today's limited credit availability is at least partly to blame for the tight supply that's leading to higher prices and higher rents," Smoke writes. "Builders

are not convinced that there's enough depth of demand to absorb higher levels of new construction, so they are holding back and focusing on their profitable growth instead. Meanwhile, a substantial percentage of today's home owners with mortgages underwritten years ago fear not being able to qualify for a new mortgage today, so they stay on the sidelines and keep their homes off the market."

Source: "[Is It Really Easier to Get a Mortgage These Days? Well ...](#)" realtor.com® (Aug. 6, 2015)