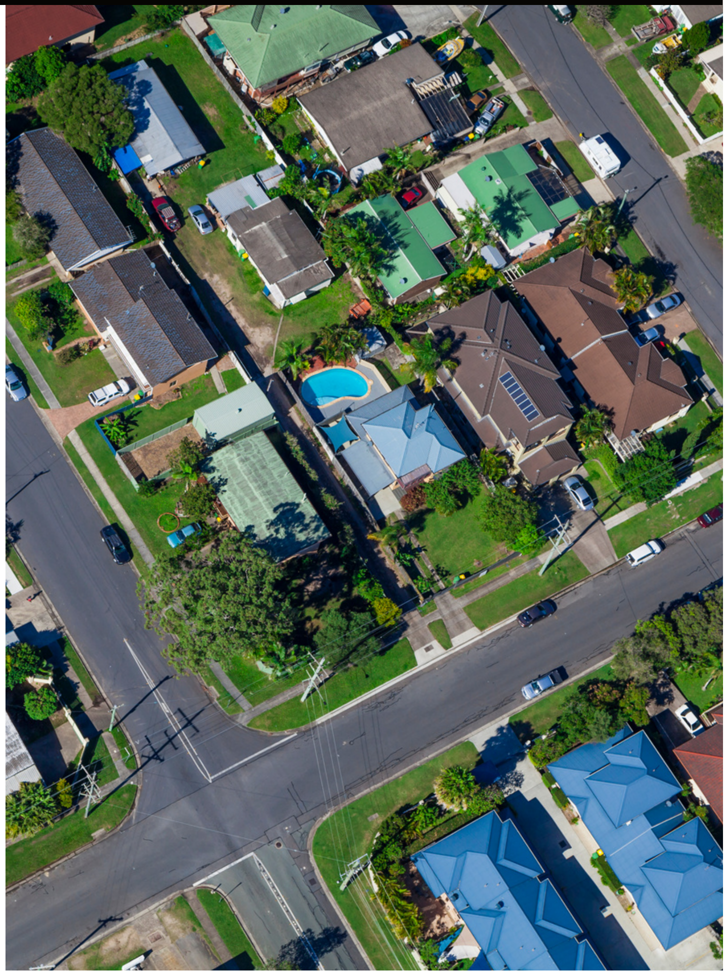
Mortgage Credit Potential Index

July 2023

The Mortgage Credit Potential Index (MCPI) is a monthly reporting of mid-score mortgage credit pulls analyzed by CreditXpert's predictive analytics platform. The MCPI highlights the volume of mid-score mortgage credit pulls by 20-point credit bands between 360 and 850. When compared to prior months and years, the MCPI serves as an indicator of changes in query volume.

creditxpert

Table of Contents



Over the past year CreditXpert analyzed 14.9M mid-score credit pulls.

12-months ending July 31, 2023

77% of all mid-score credit pulls below 760 may be able to increase their score by at least one 20-point band within 30 days.*

*Applicants that follow a custom CreditXpert action plan will be more likely to increase their credit score.

Total credit pulls between 640 and 759 in the last 12 months.

5.62M

12-months ending July 31, 2023

4.12M

Applicants that could increase their mid-score by 20-points or more within 30 days*

*Higher score achievable if applicant completes custom action plan

As interest rate is one of the top criteria that applicants use to select a lender, it will be important for lenders to deliver the most competitive offer. In the 12 months ending July 31, 2023, CreditXpert analyzed 5.62M mid-score credit pulls between 640 and 759 where a 20-point band increase could lead to a lower interest rate. Of these pulls, 4.12M may be able to increase their score by at least one 20-point band within 30-days if they complete a custom action plan.

According to the Loan Level Price Adjustment tables published by Fannie Mae and Freddie Mac, those with credit scores between 640 and 759 could potentially qualify for a better rate if they increase their score by at least one 20-point band. The Loan Level Price Adjustments are guidelines that are subject to individual lender pricing policies. CreditXpert has no involvement with any lender pricing policies and does not generate loan underwriting recommendations or decisions through its platform or otherwise.

Total credit pulls from June 2023 compared to July 2023

-7.8%

12-months ending July 31, 2023

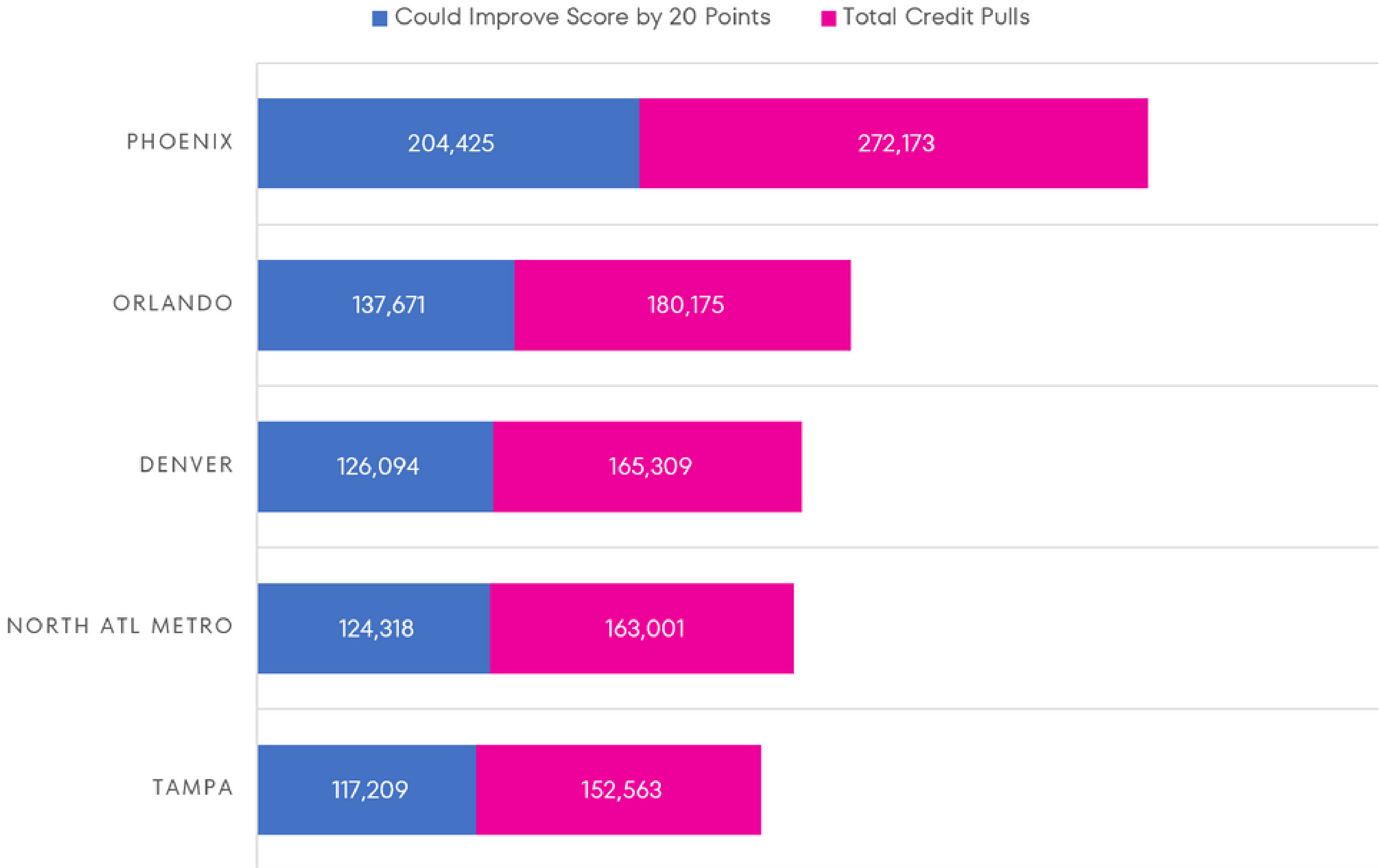
-24.8%

12-months ending July 31, 2023

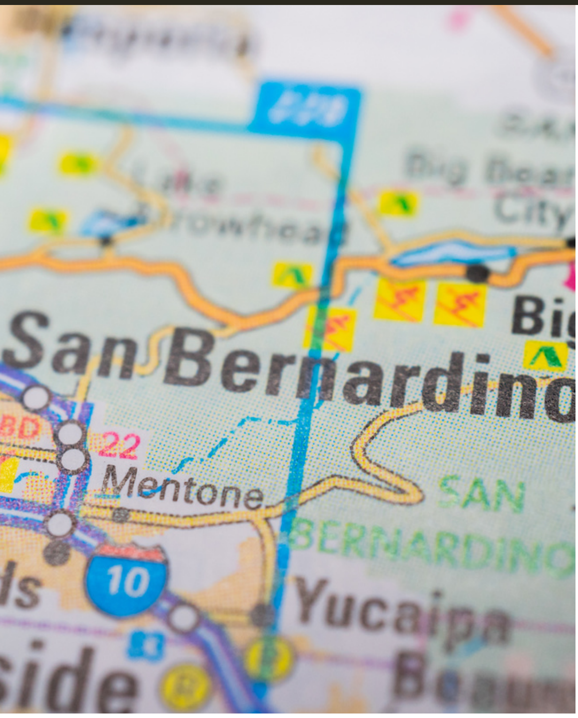
Total credit pulls from July 2023 compared to July 2022

According to the Loan Level Price Adjustment tables published by Fannie Mae and Freddie Mac, those with credit scores between 640 and 759 could potentially qualify for a better rate if they increase their score by at least one 20-point band. The Loan Level Price Adjustments are guidelines that are subject to individual lender pricing policies. CreditXpert has no involvement with any lender pricing policies and does not generate loan underwriting recommendations or decisions through its platform or otherwise.

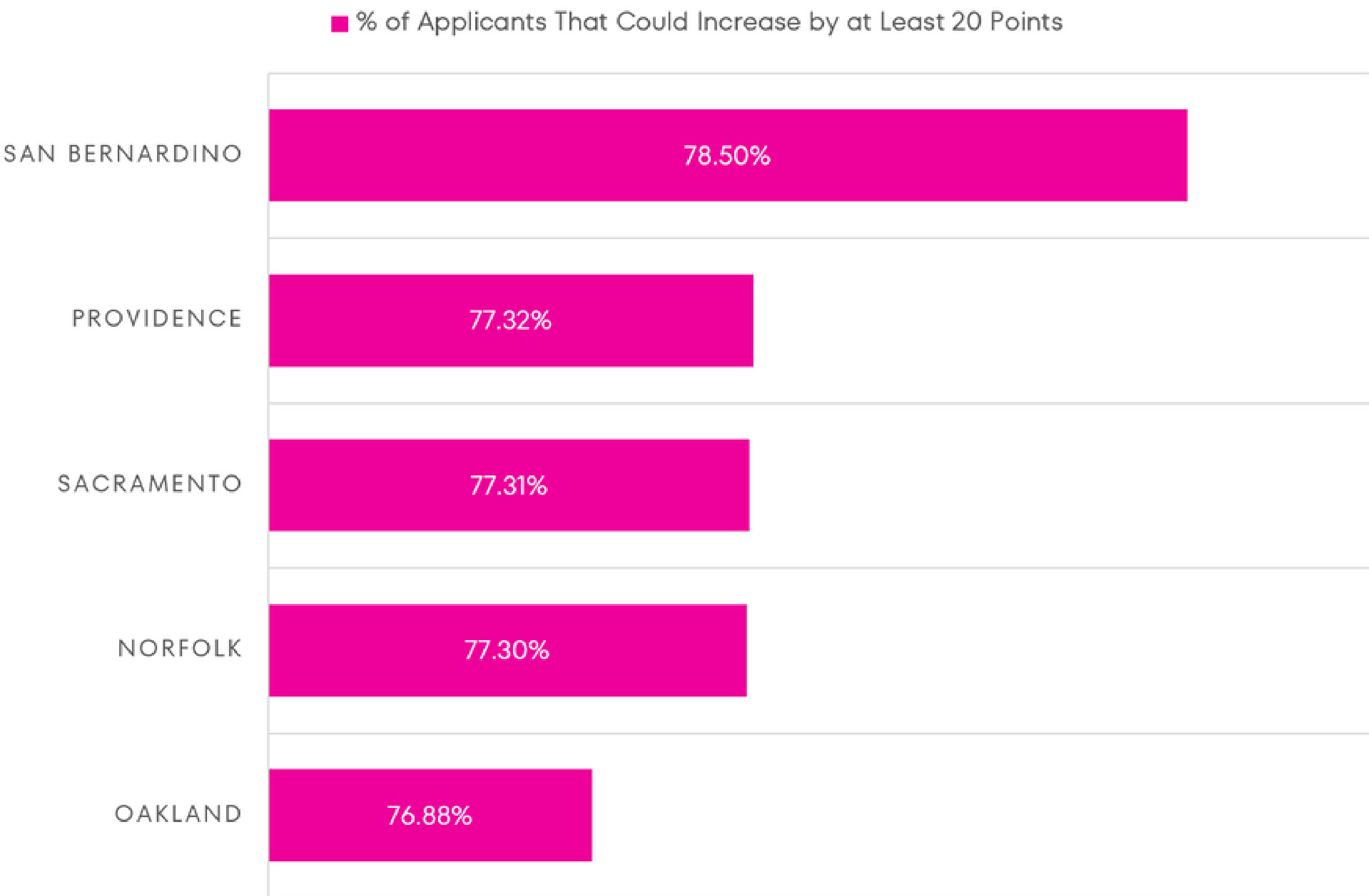
Top 5 metro areas with the most mortgage applicants that could increase their credit mid-score by at least 20 points in 30 days.



12-months ending July 31, 2023



Top 5 metro areas (by credit pulls) that have the highest *percentage* likelihood of increasing their credit score by 20 points in 30 days or less.

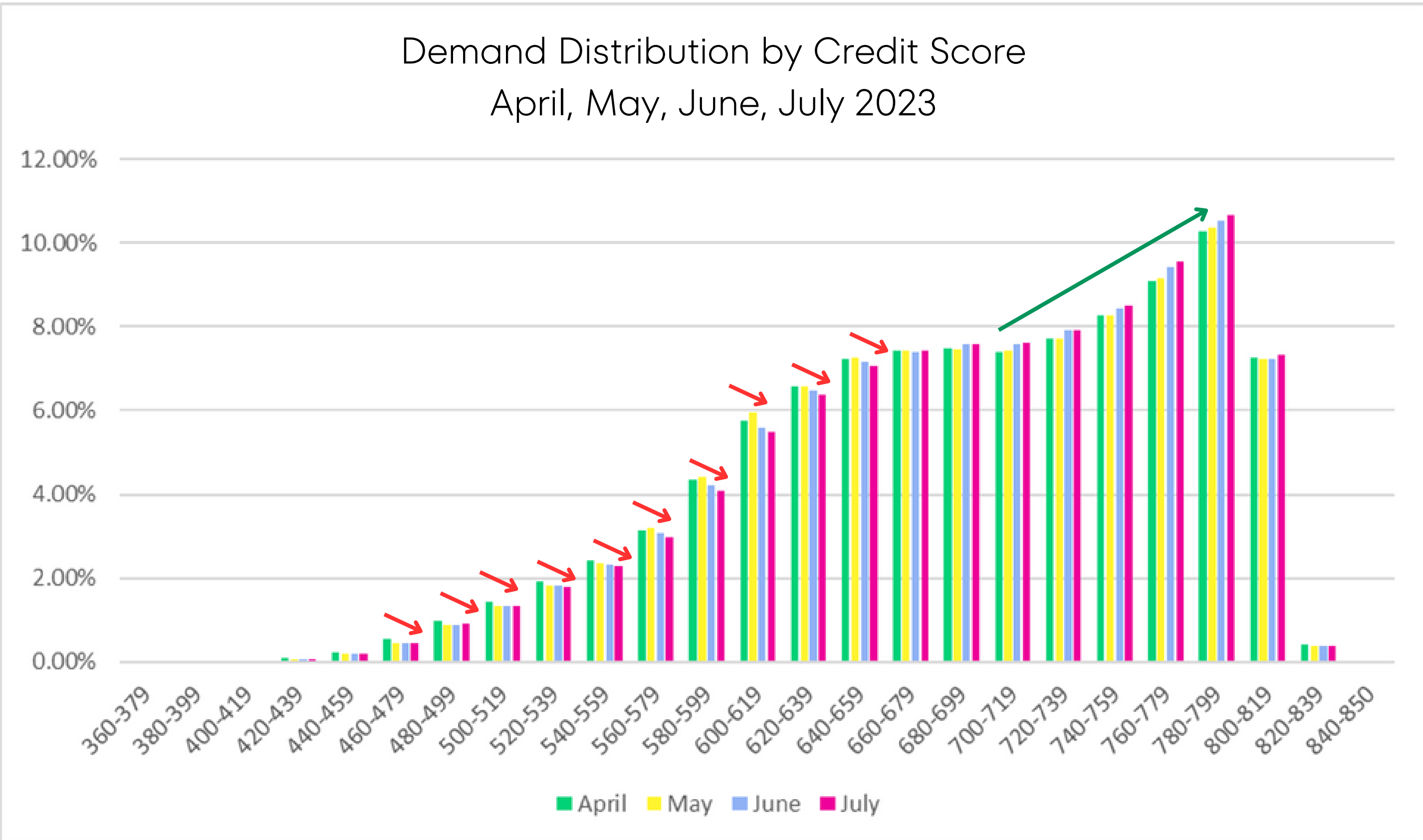


12-months ending July 31, 2023

Demand Distribution by Credit Band

Demand, as a percentage of total demand, in the low – to mid-credit score bands (679 and below) has been decreasing since April 2023 (as far back as the graph shows). As a percent of total demand, has conversely been increasing through the mid- to upper-bands (700 – 799), also since April.

It would seem there is always demand in the higher credit score bands. It's easy business, and yes those in these bands can increase their credit scores, but lenders are leaving business on the table in the lower bands. Bands that show the greatest potential for increase are not the largest segment of business, though, as we know, they need the most help and can potentially be very strong borrowers. Further, they're more likely to refer a lender that took the extra time to empower them to change their credit for the better! The fact that demand in these score bands is decreasing may mean that these borrowers are getting discouraged. All the more reason to engage with them about credit and show them their credit improvement potential.



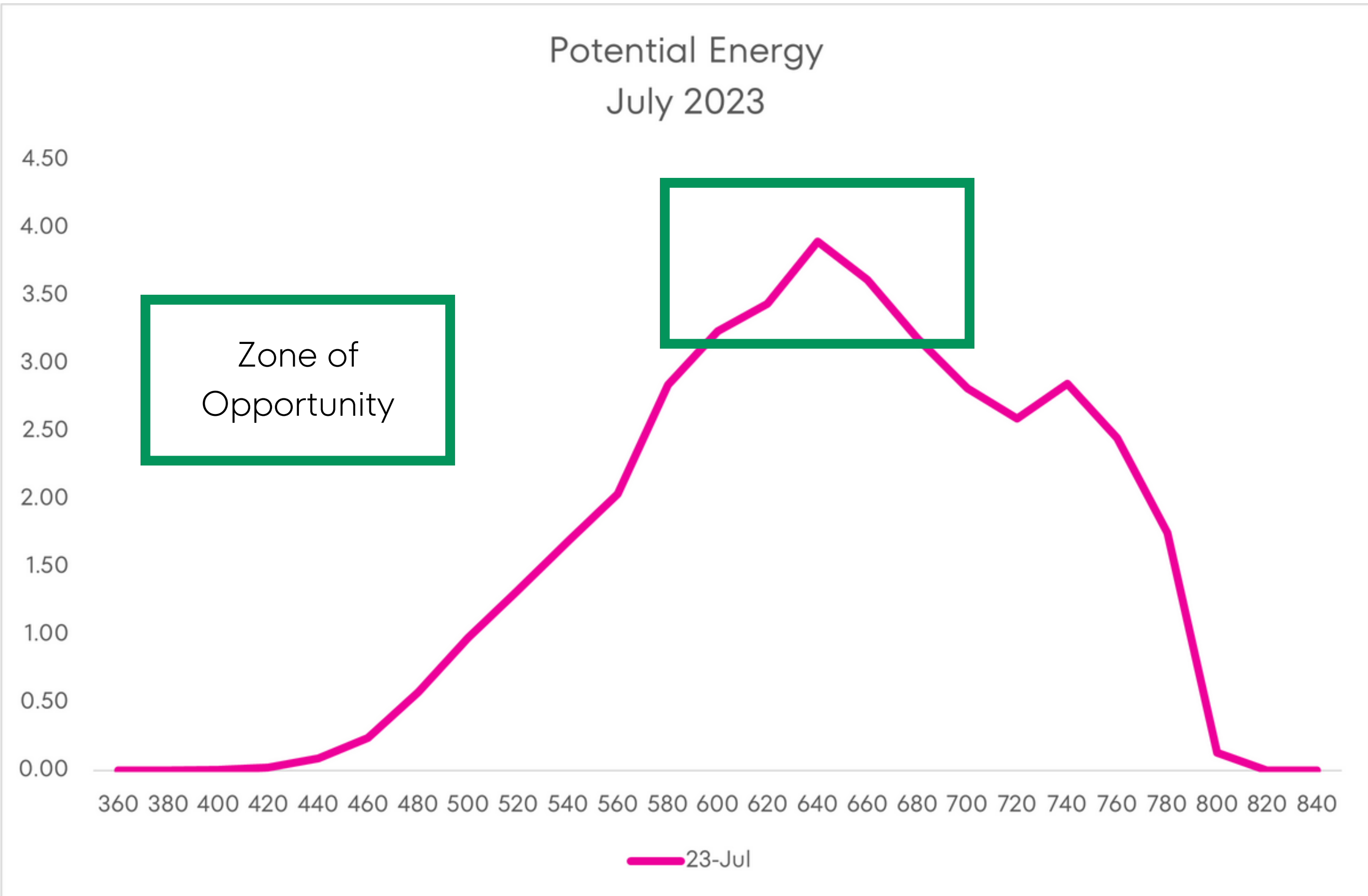
Credit Bands 580 - 695 Provides a High Zone of Credit Opportunity

Our analysis of the most recent data suggests that lenders are leaving business on the table in the lower bands. The fact that demand in these score bands is decreasing may mean that these borrowers are getting discouraged. All the more reason to engage with them. But they still have to qualify for a loan the lender can sell them.

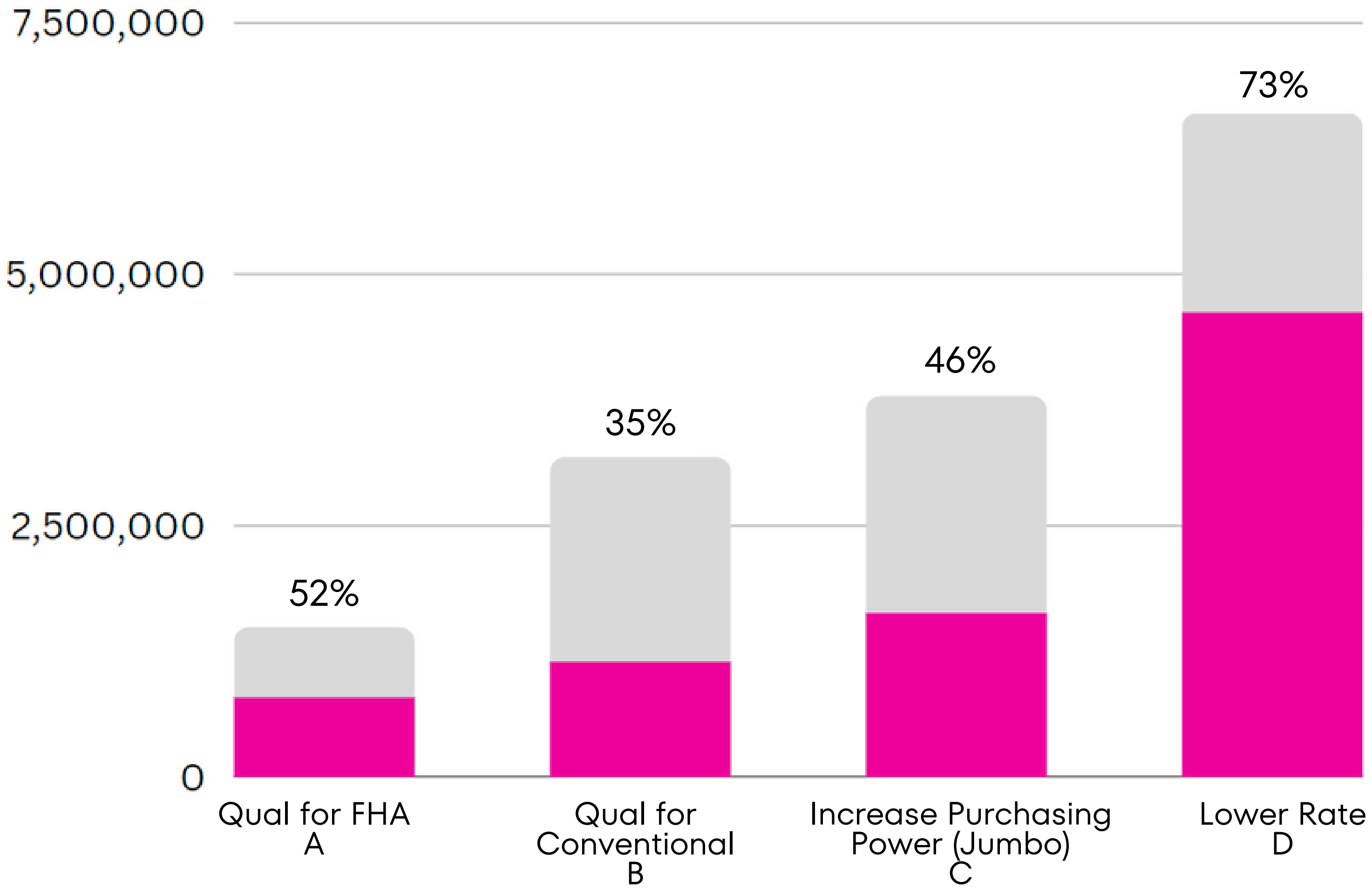
The applicant's credit score is really the only thing, in the home loan process, with the potential to change within 30 days. And which borrowers have the most potential to raise their scores in that time period? We call that the potential energy, Zone of Opportunity.

We have highlighted the Zone of Opportunity below. Notice that it extends from borrowers in the 580 FICO bucket all the way up to the 680 FICO.

Admittedly, borrowers who fall into these credit bands do not typically make up the largest segment of the lender's business. Consider, however, that these are the borrowers who need the most help and can be very appreciative to the lender who offers it.



What percentage of applicants could achieve a better outcome by following a CreditXpert action plan?



A. Total initial pulls below 579 that may be able to achieve 580 or higher within 30 days if they complete a custom
B. Total initial pulls below 619 that may be able to get to 620 or higher within 30 days if they complete a custom action plan
C. Total initial pulls below 679 that may be able to achieve 680 or higher within 30 days if they complete a custom action plan
D. Total initial pulls between 640 and 759 that may be able to increase their score by at least one 20-point band within 30 days if they complete a custom action plan

1 A Federal Housing Administration (FHA) Mortgage is a home mortgage that is insured by the government and issued by a bank or other lender that is approved by the agency. FHA loans require a lower minimum down payment than many conventional loans, and applicants may have lower credit scores, typically 580, than is usually required. The FHA loan is designed to help low- to moderate-income families attain homeownership. They are particularly popular with first-time homebuyers. The Rural Housing Service (RHS) provides loans directly to low-income borrowers in rural areas and guarantees loans provided by approved lenders. An RHS loan can help a borrower who otherwise might not qualify for a traditional mortgage because of low income or bad credit to buy a home in an approved rural area.
2 A Conventional Mortgage is any type of home buyer's loan that is not offered or secured by a government entity. Instead, conventional mortgages are available through private lenders, such as banks, credit unions, and mortgage companies. However, some conventional mortgages can be guaranteed by two government-sponsored enterprises; the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Conventional loans typically require a minimum credit score of 620. Loan size must be equal to or less than $647,200 or $970,800 in high-cost areas for a single-family home.
3 A Jumbo Mortgage is a non-conforming mortgage loan that exceeds the limits set by the Federal Housing Finance Agency (FHFA). Jumbo loans are non-conforming loans as they cannot be purchased, guaranteed, or securitized by Fannie Mae or Freddie Mac. The main advantage of a jumbo loan is that it lets you borrow more than the limits imposed by Fannie and Freddie. Jumbo loans typically require a minimum credit score of between 680 and 700 depending on individual lender guidelines.
4 According to the Loan Level Price Adjustment tables published by Fannie Mae and Freddie Mac, those with credit scores between 640 and 759 could potentially qualify for a better rate if they increase their score by at least one 20-point band. The Loan Level Price Adjustments are guidelines that are subject to individual lender pricing policies. CreditXpert has no involvement with any lender pricing policies and does not generate loan underwriting recommendations or decisions through its platform or otherwise.

Meet the Team

William Coates
CreditXpert - Business Intelligence Lead

Dan Green
Blackfin Group - Principal

Chase Arvanitis
CreditXpert - Director of Performance Marketing

Mike Darne
CreditXpert - VP of Marketing

CreditXpert
1600 W 41st Ste 100
Baltimore, MD 21211