Mortgage Credit Potential Index

June 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.

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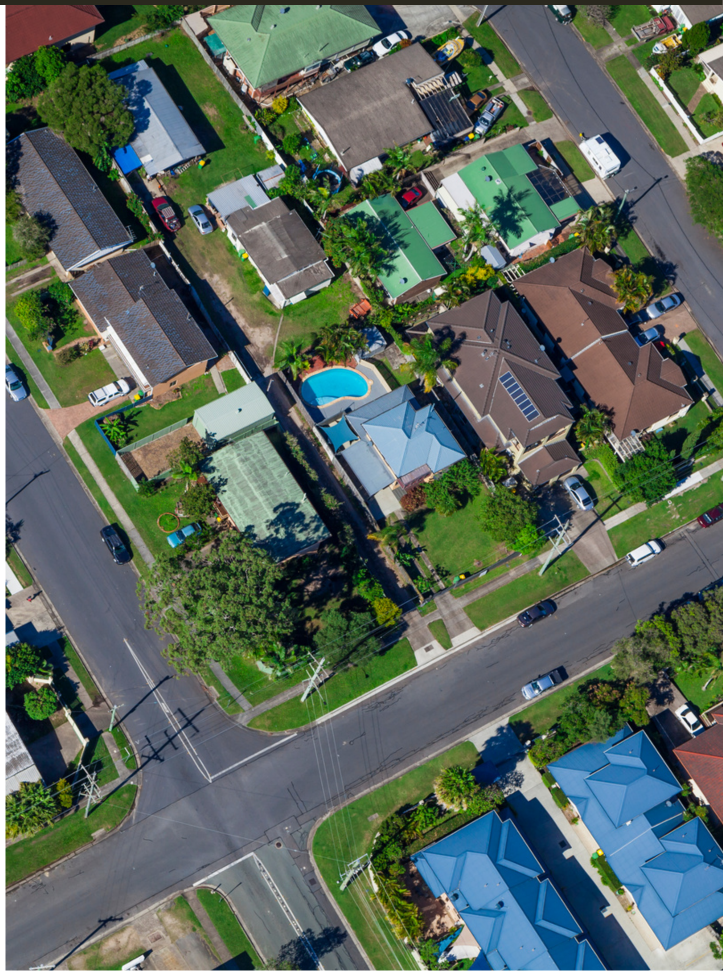


Over the past year CreditXpert analyzed 16.2M mid-score credit pulls.

12-months ending June 30, 2023

76% 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.

6.17M

12-months ending June 30, 2023

4.49M

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 June 30, 2023, CreditXpert analyzed 6.17M mid-score credit pulls between 640 and 759 where a 20-point band increase could lead to a lower interest rate. Of these pulls, 4.49M 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 May 2023 compared to May 2023

-8.8%

12-months ending June 30, 2023

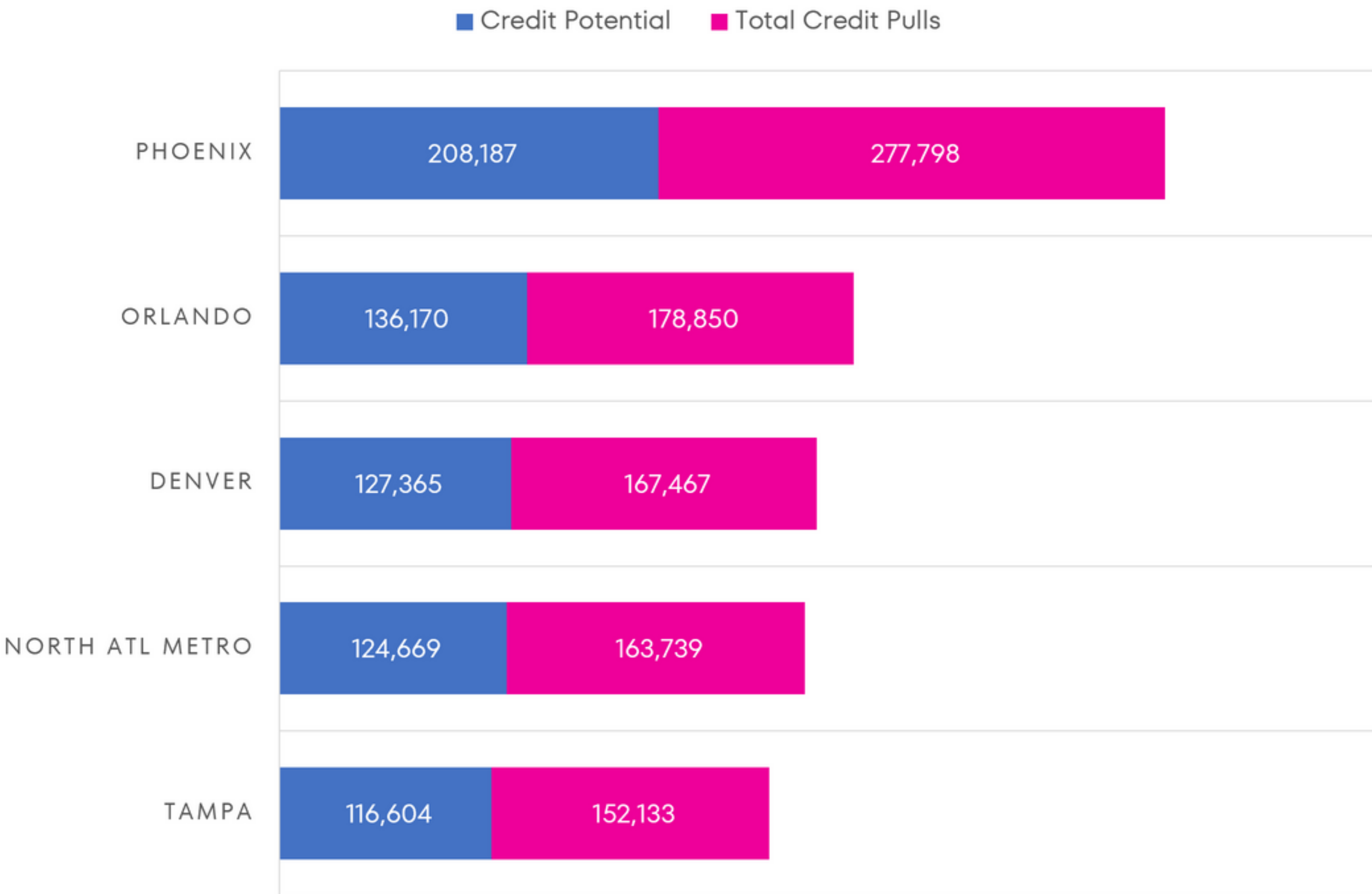
-8.5%

12-months ending June 30, 2023

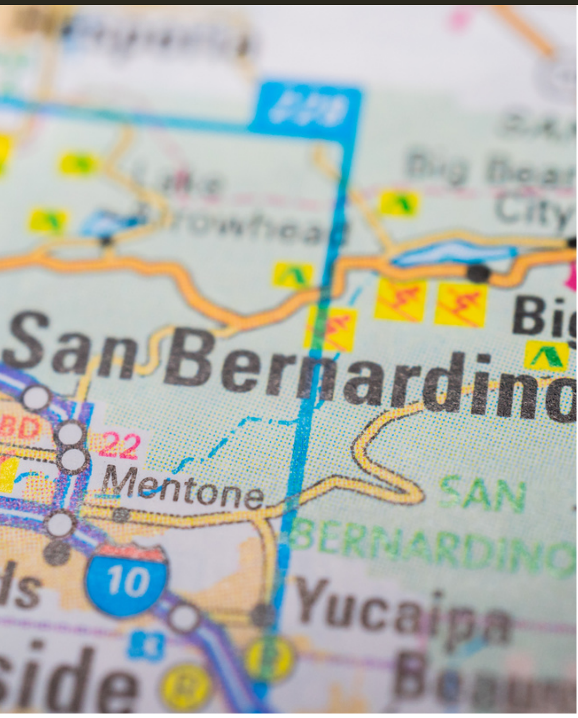
Total credit pulls from June 2023 compared to June 2022

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.

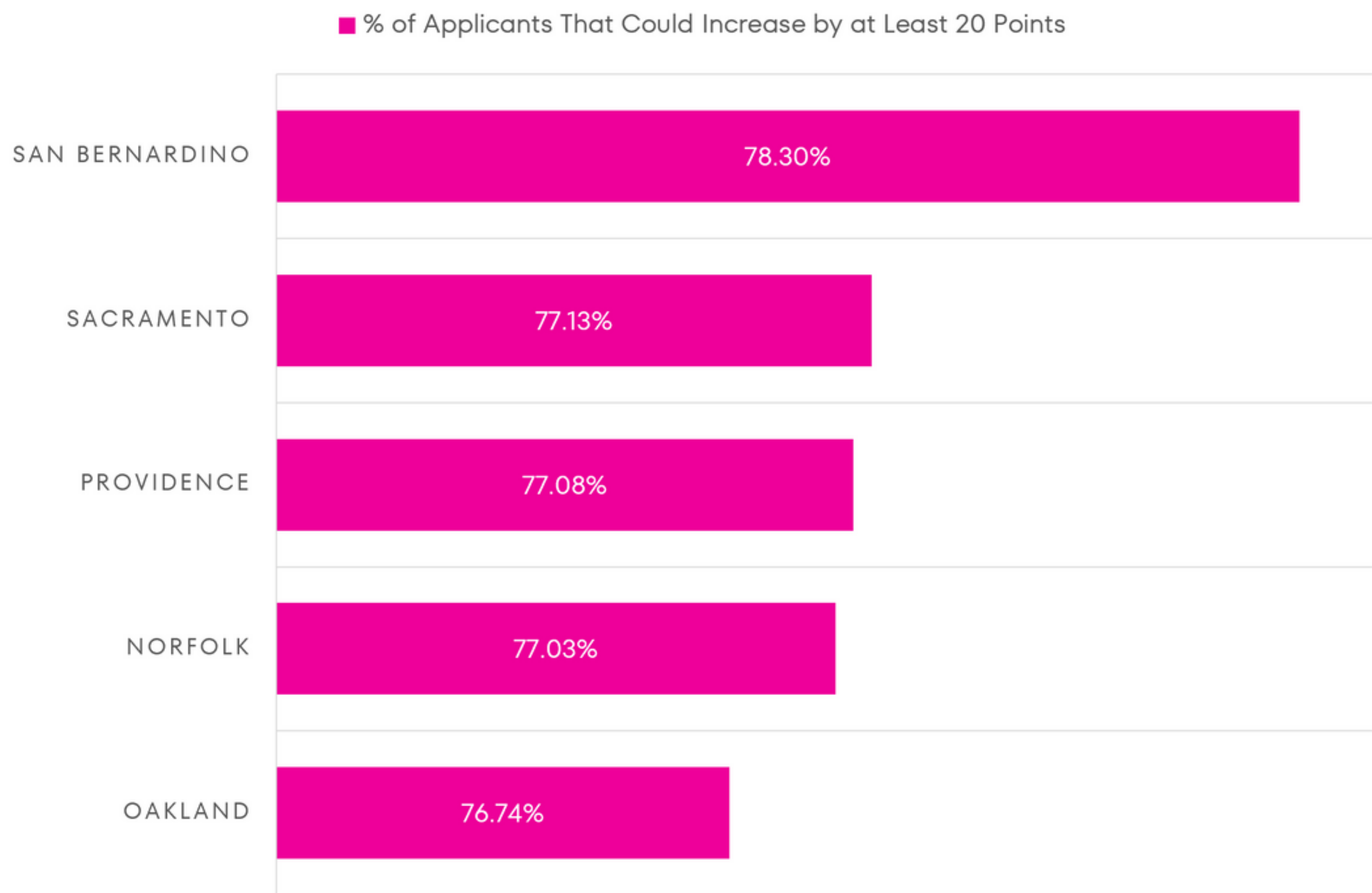
Top 5 metro areas with the most mortgage applicants that could increase their credit mid-score by at least 20 points in 30 days.



12-months ending June 30, 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.



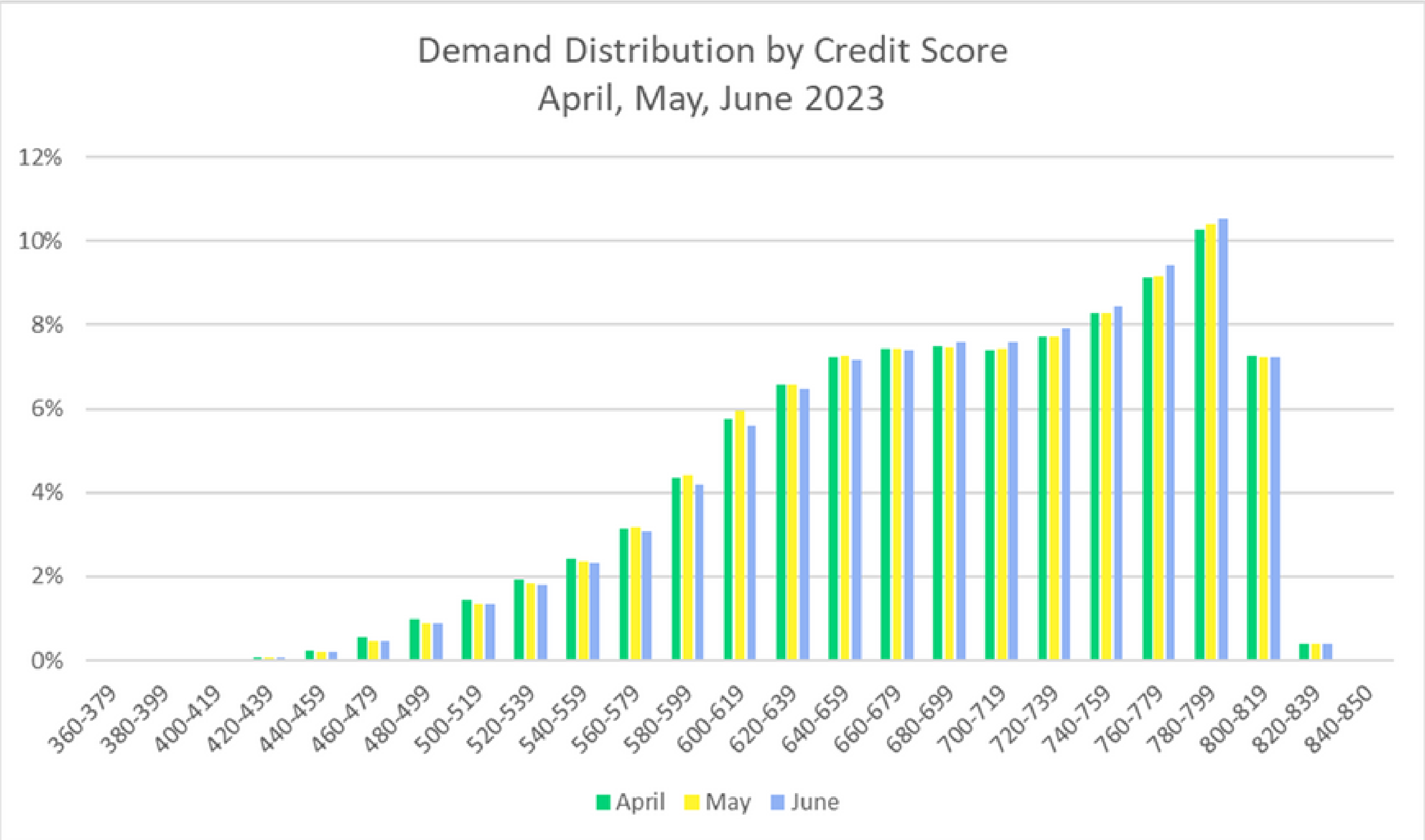
12-months ending June 30, 2023

Credit Inquiries Down Month-to-Month, Q2 Credit Comparison

While demand has declined—from 1.40 million credit inquiries in May to 1.32 million in June, a decrease of 5.71%—the number of inquiries remains largely equivalent when adjusted for calendar days, with 1.35 million in May compared to 1.32 million in June. Consequently, the overall demand and inquiry patterns remain stable month over month.

The graph below further reinforces this point by showing the similarity between month-over-month patterns. The differences are negligible and thus insignificant. Furthermore, the demand pattern among inquiries with the potential for improvement by at least one credit band also remains consistent despite a declining number in alignment with overall demand. On an adjusted basis, we see a decrease of 2.14% month over month.

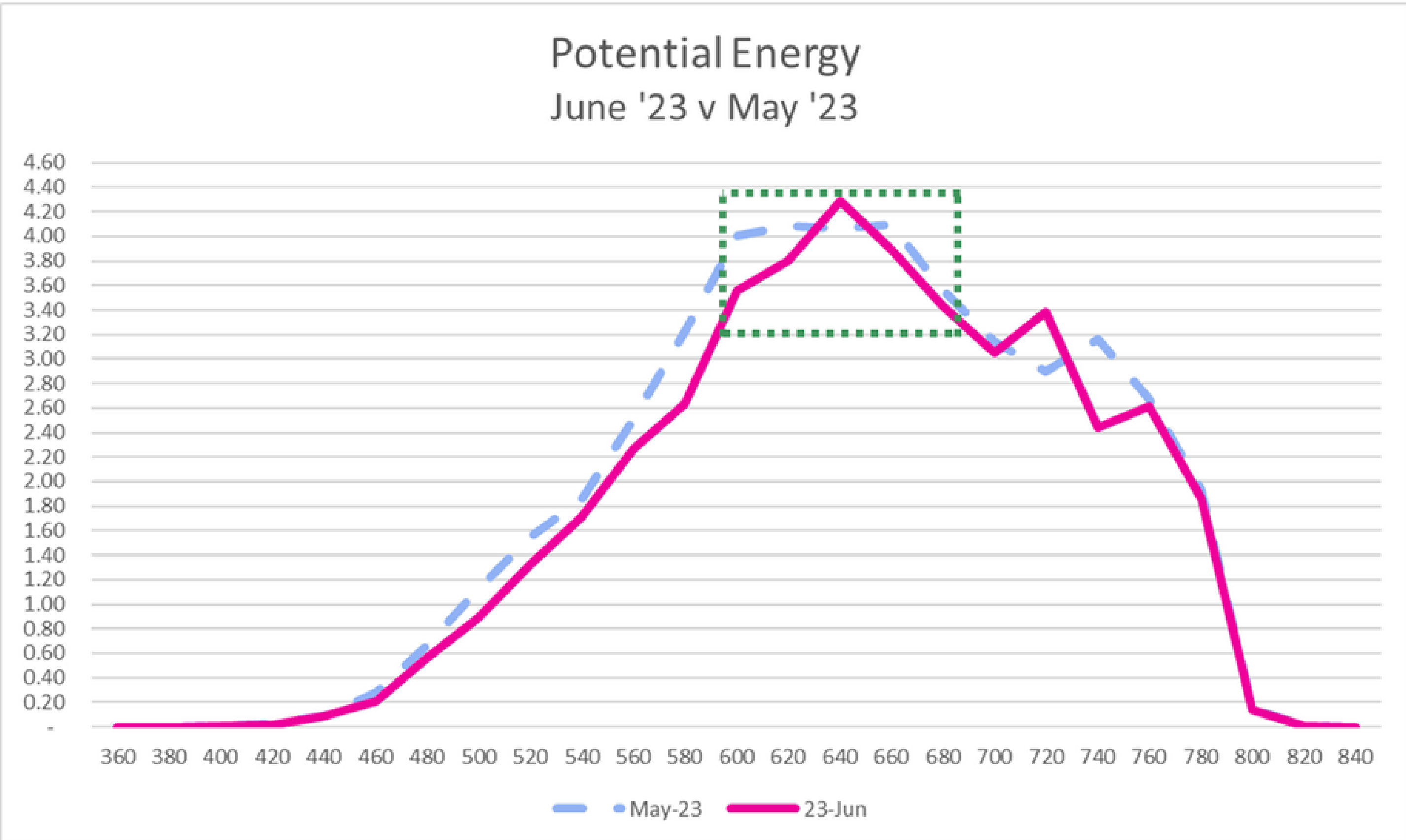
One notable change in June is the increase in improvement ratio—from 69.14% to 69.37%—although not monumental, it does continue exhibiting an incline as seen in May's comparison to April's data. Stability and predictability within these patterns provide a conducive environment for formulating and executing relevant strategies.



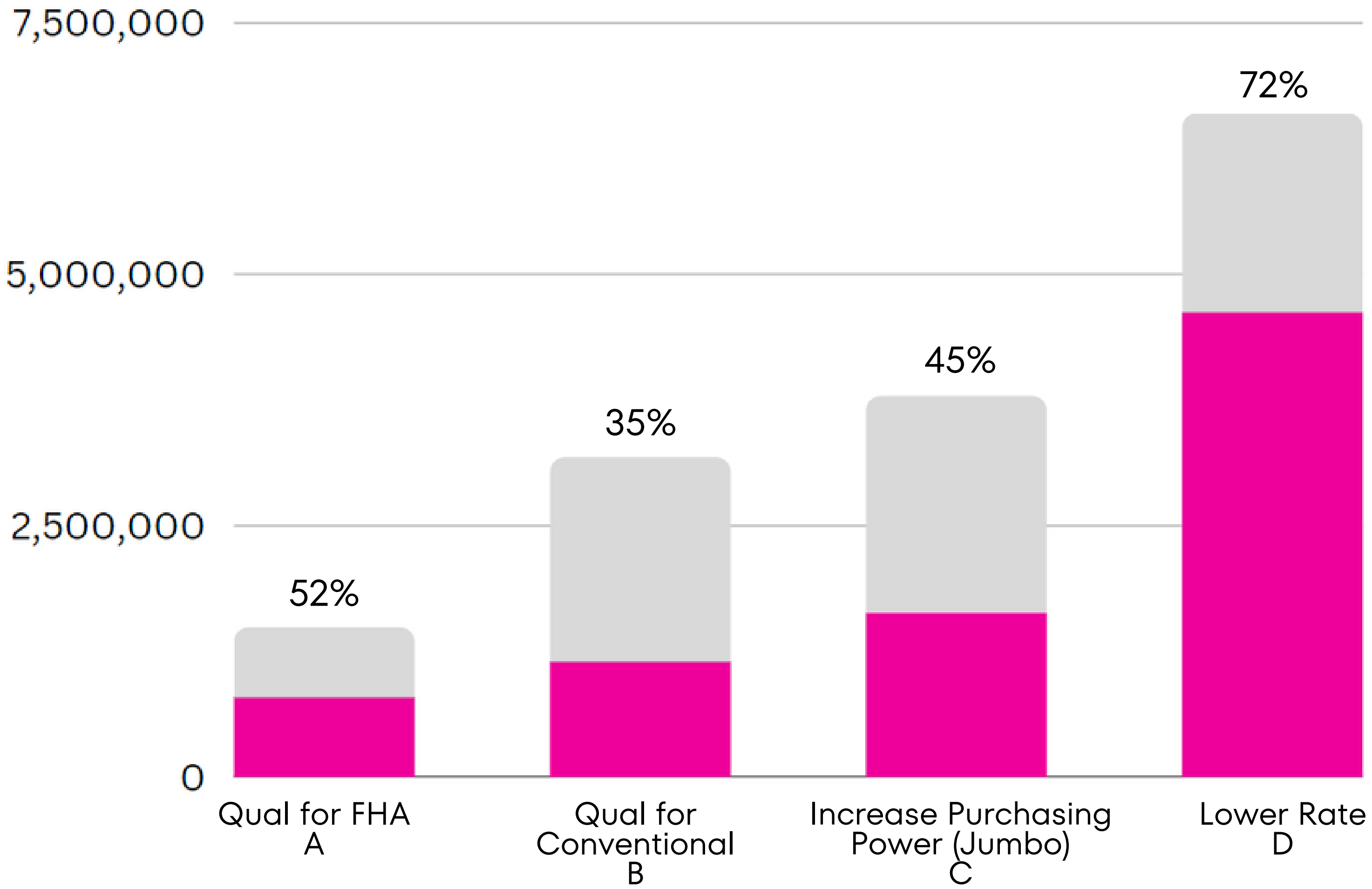
June Provides a Higher Zone of Credit Opportunity Than May

The graph below delves into the Zone of Opportunity for June, showcasing a slightly different visual format compared to previous months. The green dotted box highlights June's Zone and emphasizes the most significant credit score improvement opportunities within borrowers presenting scores between 600 and 700. Importantly, despite varying Zone widths and peak values, this range remains consistent with May's data. As a result, this information should allow lenders to optimize their targeting strategies.

Lastly, June's overall Zone score registers as 109, in contrast to May's score of 73. Higher scores denote beneficial circumstances, and this June increase aligns with the aforementioned improvement ratio increment.



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.

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