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Midwest Lenders Tout Rising Loan Volume, Despite Dips in Housing Starts

NEW YORK, Sept. 19 (LendingIntelligence.com) — Despite the fact that the Midwest posted the largest drop-off in new housing starts for August, according to data released today, mortgage lenders in the region insist the numbers belie the region's steady growth.

Overall, housing starts across the nation declined 2.2% last month, according to [Department of Commerce](#) and the [Department of Housing and Urban Development](#). That marks the third consecutive monthly decline, which experts say is indicative that the housing boom is winding down.

Specifically, new home starts dropped to a seasonally adjusted annual rate of 1.609 million units in August from 1.645 million in July.

Regionally, the Midwest experienced a sharp drop of 18.7% in new home starts. The West saw a 1.6% drop, while both the Northeast and South actually experienced increases of 9.4%, and 3.1%, respectively.

While the percentages paint a picture of gloom hanging over the Midwest, the region is still doing well, lenders said. As proof, they pointed to the fact that the Midwest, in spite of the 18.7% drop, still had 121,000 more new home starts than the Northeast.

The Midwest is usually the most stable region, said lenders, who labeled the dramatic drop an anomaly.

"The Midwest has historically been less volatile, with faster acceleration and deceleration on both the East and West coasts," said Eric Hu, vice president of secondary markets, [Harris Bank Mortgage](#), which has branches in Illinois, Indiana, Arizona and Florida.

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Doug Duncan, chief economist for the [Mortgage Bankers Association of America](#) had one possible explanation for the dramatic drop in new home starts in the Midwest.

“Delinquencies are up in the Midwest, primarily because of job losses in the manufacturing and tech sectors in the region, so that is probably affecting the new home starts,” Duncan said.

According to the MBA’s national delinquency survey, the region’s delinquencies increased 19 basis points in the second quarter, to 4.68%, from the previous quarter. The national average is 4.77%.

There are pockets in the Midwest where the mortgage business is still booming.

“Michigan is still enjoying a housing boom, which has been fueled by the auto industry,” said Allan Daniels, president of AA Mortgage Corp., based in Bloomfield Hills, Mich. “That’s on the strength of the auto industry here, and the success of 0% financing. We’re also seeing a high level of refinancing activity, which is showing little sign of slowing down.

“Usually, when the economy slumps, Michigan gets hit the hardest.”

Harris Bank’s Hu pointed out that while refinancing activity represented 73.6% of total applications in the MBA’s Weekly Mortgage Loan Application Survey, the Midwest region is averaging over 80%.

“In this region, the housing affordability index is still high, and homeownership is high, which is why the refi index is always ahead of the national average,” he explained.

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