Capital Economics expects the housing crisis to end this year

Capital Economics expects the housing crisis to end this year, according to a report released Tuesday. One of the reasons: loosening credit.

The analytics firm notes the average credit score required to attain a mortgage loan is 700. While this is higher than scores required prior to the crisis, it is constant with requirements one year ago.

Additionally, a Fed Senior Loan Officer Survey found credit requirements in the fourth quarter were consistent with the past three quarters.

However, other market indicators point not just to a stabilization of mortgage lending standards, but also a loosening of credit availability.

Banks are now lending amounts up to 3.5 times borrower earnings. This is up from a low during the crisis of 3.2 times borrower earnings.

Banks are also loosening loan-to-value ratios (LTV), which Capital Economics denotes “the clearest sign yet of an improvement in mortgage credit conditions.”

In contrast to a low of 74 percent reached in mid-2010, banks are now lending at 82 percent LTV.

While credit conditions may have loosened slightly, some potential homebuyers are still struggling with credit requirements. In fact, Capital Economics points out that in November 8 percent of contract cancellations were the result of a potential buyer not qualifying for a loan.

Additionally, Capital Economics says “any improvement in credit conditions won’t be significant enough to generate actual house price gains,” and potential ramifications from the euro-zone pose a threat to future credit availability.