HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Mortgage Application Volume Holds Steady as Rates Test Lows

Mortgage application volume was **relatively flat as the nation eased into the holiday season.** The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of that volume, rose 1.1 percent on a seasonally adjusted basis during the week ended December 11. On an unadjusted basis the increase was 0.4 percent.

The Refinance Index increased 1.0 percent from the previous week and was 105 percent higher than the same week one year ago. The refinance share of mortgage activity increased to 72.7 percent of total applications from 72.0 percent the previous week.

The Purchase Index rose 2.0 percent on both an adjusted and an unadjusted basis. Volume was 26 percent higher than during the same week in 2019.

"**U.S. Treasury rates stayed low last week**, in part due to uncertainty over the prospects of additional pandemic-related government stimulus, as well as concerns about the continued rise in COVID-19 cases across the country. Mortgage rates as a result fell to another survey low, with the 30-year fixed mortgage rate dropping five basis points to 2.85 percent," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Homeowners once again acted on the decline in rates, with refinance activity rising for the second straight week and up 105 percent from a year ago."

Added Kan, "The ongoing strength in the housing market has carried into December. **Applications to buy a home increased for the fourth time in five weeks**, as both conventional and government segments of the market saw gains. Government purchase applications rose for the sixth straight week to the highest level since June - perhaps a sign that more first-time buyers are entering the market."

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The FHA share of total applications increased to 11.0 percent from 9.9 percent the previous week while VA applications fell to 12.1 percent from 12.7 percent. The USDA share was unchanged at 0.4 percent. The origination balance of loans averaged $320,600, up from $317,800 the prior week. Purchase mortgage balances also rose, from $366,100 to $374,700.

The average contract interest rate for 30-year fixed-rate mortgages (FRM) with loan balances at or below the conforming limit of $510,400, **decreased to a survey low of 2.85 percent** from 2.90 percent. Points declined to 0.33 from 0.35. The effective rate averaged 2.95 percent.

The rate for 30-year **jumbo** FRM, loans with balances higher than the conforming limit, was 3.12 percent with 0.33 point. The prior week the rate was 3.20 percent with 0.28 point. The effective rate was 3.22 percent.

Thirty-year FRM backed by the **FHA** had an average contract rate of 2.96 percent, down 1 basis point from the prior week. Points averaged 0.42, up from 0.40 a week earlier. The effective rate was 3.08 percent.

Fifteen-year FRM had a contract rate of 2.49 percent with 0.29 point, a new low. The rate the prior week was 2.51 percent with 0.35 point. The effective rate was 2.56 percent.

The 5/1 adjustable-rate mortgage rate averaged 2.58 percent with 0.36 point compared to 2.60 percent and 0.40 point. The effective rate was 2.71 percent. The ARM share of activity increased to 1.8 percent of total applications from 1.7 percent.

MBA's Weekly Mortgage Applications Survey has been conducted since 1990 and covers over 75 percent of all U.S. retail residential applications Respondents include mortgage bankers, commercial banks, and thrifts. Base period and value for all indexes is March 16, 1990=100 and interest rate information is based on loans with an 80 percent loan-to-value ratio and points that include the origination fee.

MBA's latest Forbearance and Call Volume Survey found that, as of December 6, 2.7 million homeowners remained in COVID-19 related forbearance plans. This represents 5.48 percent of total servicer portfolios, down from 5.54 percent the prior week. By stage, 18.72 percent of total loans in forbearance are in the initial forbearance plan stage, while 78.72 percent are in an extension period. The remaining 2.56 percent are re-entries to the program.

The share of GSE (Fannie Mae and Freddie Mac) **loans in forbearance decreased to 3.26 percent** of those combined portfolios an 8-basis point week-over-week improvement. Ginnie Mae (FHA and VA) loans in forbearance decreased 21 basis points to a 7.68 percent share, while the forbearance share for portfolio loans and private-label securities (PLS) increased 19 basis points to 8.89 percent.

There was a **4-basis point decline in the share of loans being serviced by independent mortgage banks** (IMB) to 5.98 percent, and the percentage of loans in forbearance for depository servicers decreased 10 basis points from the previous week to 5.38 percent. As a percent of servicing portfolio volume (#), forbearance calls increased from the previous week from 5.3 percent to 9.4 percent and forbearance inquiries grew to 0.12 percent from 0.08 percent.

"The share of loans in forbearance decreased in the first week of December. However, more borrowers sought relief, with new forbearance requests reaching their highest level since the week ending August 2, and servicer call volume hitting its highest level since the week ending April 19," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "Compared to the last two months, more homeowners exiting forbearance are using a modification - a sign that they have not been able to fully get back on their feet, even if they are working again."

Added Fratantoni, "The latest economic data is showing a slowdown, particularly an increase in layoffs and long-term unemployment. Coupled with the latest surge in COVID-19 cases, it is not surprising to see more homeowners seeking relief."

Of the borrowers who exited forbearance programs from June 1 to the present, 30.1 percent had made their monthly payments during their forbearance period and 24.4 percent received a loan deferral or partial claim. Another 16.3 percent paid back their past due amounts and 7.3 percent of loans were paid off through refinance or home sale.

Just over 13 percent of borrowers did not make all their monthly payments and exited without a loss mitigation plan in place while the remaining 2.0 percent took repayment plans, had short sales, gave a deed-in-lieu, or had other results.

MBA's latest Forbearance and Call Volume Survey covers the period from November 30 through December 6, 2020 and represents 74 percent of the first-mortgage servicing market (37.1 million loans).