HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Mortgage Volumes Resume Downward Trend as Rates Rise

The volume of mortgage applications declined again last week, **the fourth loss out of the six full weeks since the year began**. The Mortgage Bankers Association (MBA says that its Market Composite Index, a measure of application volume, has lost an aggregate of 9.6 percent since the week ended January 1. In the most recent week, which ended February 12, the index was down 5.1 percent on a seasonally adjusted basis and 4.0 percent before adjustment.

The Refinance Index decreased 5 percent from the previous week **although it remains 51 percent higher than the same week one year ago.** The refinance share of mortgage activity decreased to 69.3 percent of total applications, from 70.2 percent during the week ended February 5.

The Purchase Index was down 6 percent on a seasonally adjusted basis and was 1 percent before adjustment. It was **15 percent higher than the same week one year ago.**

"Expectations of faster economic growth and inflation continue to push Treasury yields and mortgage rates higher. Since hitting a survey low in December, the 30-year fixed rate has slowly risen, and last week climbed to its highest level since November 2020," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "The uptick in rates has slightly dampened refinance activity, with MBA's index falling for the second week in a row, and the overall share dipping below 70 percent for the first time since last October."

Added Kan, "The housing market in early 2021 continues to be constrained by low inventory and higher prices. **Conventional and government applications to buy a home declined last week**, but purchase activity overall is still strong - up 15 percent from last year. The average purchase loan size hit another survey high at $412,200, partly due to a larger drop in FHA applications, which tend to have smaller than average loan sizes."

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The FHA share of total applications decreased to 9.0 percent from 9.5 percent the previous week and the VA share dipped 13.2 percent from 13.3 percent. The USDA share was unchanged from 0.4 percent. The average balance of a mortgage increased from $331,400 to $338,200 and the new record high for purchase mortgages, $412,200, was $10,000 higher than the previous record a week earlier.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRM) with origination balances at or below the conforming limit of $548,250 increased to 2.98 percent from 2.96 percent, and points increased to 0.43 from 0.36. The effective rate rose to 3.10 percent.

The average contract interest rate for jumbo 30-year FRM, loans with balances greater than the conforming limit, was unchanged at 3.11 percent. Points grew to 0.35 from 0.29 and the effective rate was 3.21 percent.

The rate for 30-year FRM backed by the FHA decreased to 2.93 percent from 2.97 percent. Points rose to 0.37 from 0.36 and the effective rate decreased to 3.04 percent.

Fifteen-year FRM had an average rate of 2.47 percent, down 3 basis points from the prior week. Points increased to 0.36 from 0.29 and the effective rate decreased to 2.56 percent.

The average contract interest rate for 5/1 adjustable-rate mortgages (ARMs) was to 2.83 percent, down from 2.92 percent, with points increasing to 0.70 from 0.36. The effective rate increased to 3.09 percent. The adjustable-rate mortgage (ARM) share of activity was 2.4 percent compared to 2.3 percent the previous week.

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 puts the share of **loans now in forbearance** at 5.35 percent of servicers' portfolio volume, **down 6 basis points from the prior week.** According to MBA's estimate, 2.6 million homeowners were in active plans as of February 7. By stage, 16.07 percent of those loans were in the initial forbearance plan stage, 81.42 percent were in a forbearance extension, and the remaining 2.51 percent were forbearance re-entries.

The share of Fannie Mae and Freddie Mac loans in forbearance decreased to 3.01 percent- a 6-basis-point improvement. The Ginnie Mae share (FHA and VA loans) fell by 12 basis points to 7.34 percent, while the forbearance share for portfolio loans and private-label securities (PLS) was unchanged relative to the prior week at 9.14 percent. The percentage of loans in forbearance for independent mortgage bank (IMB) servicers decreased 4 basis points to 5.69 percent, and the depository servicers' share decreased 10 basis points to 5.26 percent.

"The share of loans in forbearance declined to the lowest level since April 5th of last year, due to decreases in both the GSE and Ginnie Mae portfolios," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "Similar to the trend in recent months, the first week of February **showed a faster pace of exits from forbearance** compared to recent weeks, while new forbearance requests were unchanged."

Fratantoni added, "2.6 million homeowners remain in forbearance plans. MBA expects the rollout of the vaccines to boost economic growth through the course of the year, leading to a stronger job market and a greater ability for more struggling homeowners to get back on their feet. We do believe that additional support is needed until they have regained their jobs and incomes."

MBA's latest Forbearance and Call Volume Survey covers the period from February 1 through February 7, 2021 and represents 74 percent of the first-mortgage servicing market which totals 37.0 million loans.