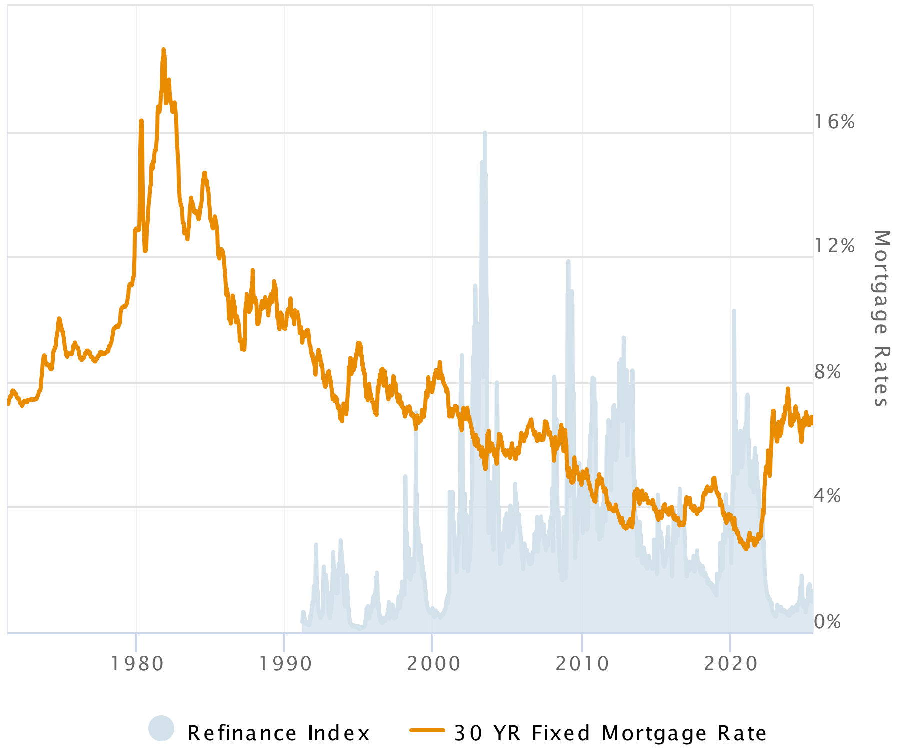
HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Mortgage Application Volume Continues Decline

The volume of mortgage applications for both home purchase and refinancing **fell for the third straight time during the week ended February 19.** The Mortgage Bankers Association (MBA) says its Market Composite Index, a measure of that volume, dropped 11.4 percent on a seasonally adjusted basis. It was the largest single week decline since the week ended April 3, 2020. On an unadjusted basis the index was down 10.0 percent.

The Refinancing Index decreased 11 percent from the previous week but was still 50 percent higher than the same week one year ago. The refinance share of mortgage activity decreased to 68.5 percent of total applications from 69.3 percent the previous week.

The seasonally adjusted Purchase Index dropped 12 percent and was 8 percent lower before adjustment. Activity was 7 percent higher than the same week one year ago.



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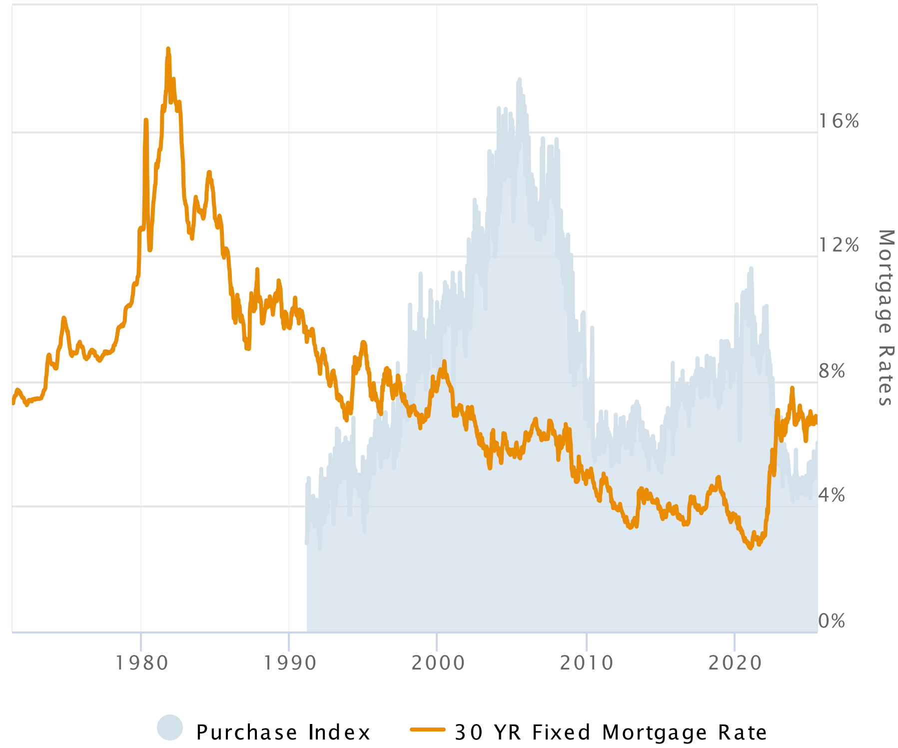

"Mortgage rates have increased in six of the last eight weeks, with the benchmark 30-year fixed rate last week climbing above 3 percent to its highest level since September 2020. As a result of these higher rates, **overall refinance activity fell 11 percent to its lowest level since December 2020**, but remained 50 percent higher than a year ago," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Additionally, the severe winter weather in Texas affected many households and lenders, causing more than a 40 percent drop in both purchase and refinance applications in the state last week."

Added Kan, "The housing market in most of the country remains strong, with activity last week 7 percent higher than a year ago. The average loan size of purchase applications increased to a record $418,000, in line with the accelerating home-price growth caused by very low inventory levels."

The **FHA share of total applications j**umped to 11.2 percent from 9.0 percent the previous week while the VA share fell to 11.9 percent from 13.2 percent and the USDA share dipped 0.1 point to 0.3. The balance of all loans was $344,800, up from $338,200 and for purchase loans the balance grew from $412,200 to $418,000.

The average contract interest rate for 30-year fixed-rate mortgages (FRM) with balances at or below the current conforming limit of $548,250 increased to 3.08 percent from 2.98 percent, with points increasing to 0.46 from 0.43. The effective rate was 3.22 percent.

The rate for **jumbo** 30-year fixed-rate mortgages, loans with balances greater than the conforming limit, increased to 3.23 percent from 3.11 percent, with points increasing to 0.43 from 0.35. The effective rate was 3.35 percent.

Thirty-year FRM backed by the FHA had an average rate of 3.00 percent with 0.33 point. The prior week the rate was 2.93 percent with 0.27 point. The effective rate increased to 3.10 percent. The rate for 15-year fixed-rate mortgages increased 9 basis points to 2.56 percent and points grew to 0.40 from 0.36. The effective rate was 2.66 percent.

The average contract interest rate for 5/1 adjustable-rate mortgages (ARMs) was unchanged at 2.83 percent, with points decreasing to 0.36 from 0.70. The effective rate declined to 3.10 percent. The ARM share of applications increased from 2.4 to 2.7 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 a **7-basis point decline in the total number of loans in forbearance t**o 5.22 percent of all first liens as of February 14, 2021. According to MBA's estimate, 2.6 million homeowners are in forbearance plans. Of those loans, 15.9 percent are in the initial forbearance plan stage, while 81.6 percent are in a forbearance extension. The remaining 2.5 percent are re-entries in the program.

The share of Fannie Mae and Freddie Mac (GSE) loans in forbearance decreased to 2.97 percent - a 4-basis-point improvement. Ginnie Mae (FHA and VA) loans in forbearance ticked down 2 basis points to 7.32 percent, while the forbearance share for portfolio loans and private-label securities (PLS) decreased by 20 basis points to 8.94 percent. The percentage of loans in forbearance serviced by independent mortgage banks (IMB) fell 15 basis points to 5.54 percent, and the percentage of forborne loans in depository servicers' portfolios rose 2 basis points to 5.28 percent.

"The share of loans in forbearance has declined for three weeks in a row, with portfolio and PLS loans decreasing the most this week. This decline was due to a sharp increase in borrower exits, particularly for IMB servicers," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "Requests for new forbearances dropped to 6 basis points, matching a survey low."

Fratantoni added, "The housing market is quite strong, with home sales, home construction, and home price data all testifying to this strength. Policymakers and the mortgage industry have helped enable this during the pandemic by providing millions of homeowners support in the form of forbearance. The decision to extend the allowable duration of forbearance plans **should provide for a smoother transition this year** as the job market continues to recover."

MBA's latest Forbearance and Call Volume Survey covers the period from February 8 through February 14, 2021 and represents 74 percent of the first-mortgage servicing market (37.1 million loans).