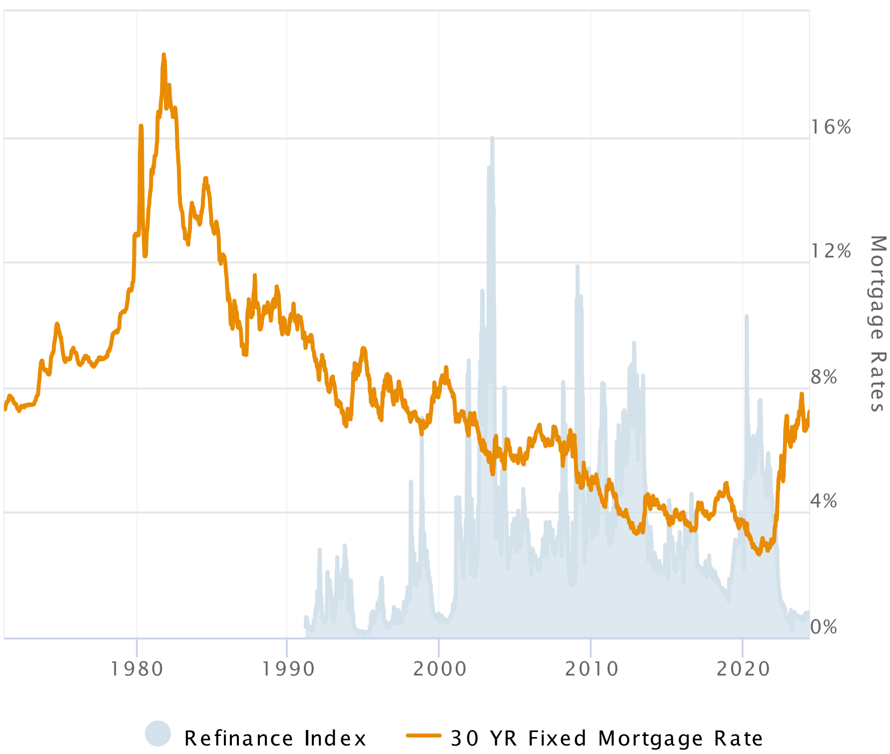
Refinance Volume Ramps Down on Rising Rates

Mortgage application volume rose for the first time in four weeks during the week ended February 26, **but it was only a marginal increase.** The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of mortgage loan application volume, increased 0.5 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index increased 2 percent compared with the previous week.

The Refinance Index was **0.1 percent higher** than during the week ended February 19 and was up 7 percent from the same week in 2020. The refinance share of mortgage activity decreased to 67.5 percent of total applications from 68.5 percent.

The seasonally adjusted Purchase Index **increased 2 percent** and was 5 percent higher on an unadjusted basis. Volume grew 1 percent compared to the same week last year.



The FHA share of total applications increased to 12.1 percent from 11.2 percent and the VA share rose to 12.3 percent from 11.9 percent. The USDA share ticked up 0.4 percent from 0.3 percent. The origination balances of all mortgages and of purchase loans declined from the previous week, the former from $344,800 to $336,200 and the latter from $418,000 to $412,300.

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"Mortgage rates jumped last week on market expectations of stronger economic growth and higher inflation. The 30-year fixed rate experienced its largest single-week increase in almost a year, reaching 3.23 percent - the highest since July 2020," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "The overall share of refinances declined for the fourth consecutive week, and conventional refinance applications fell more than 2 percent to the lowest level in four months. Government refinance applications historically lag the more rate-sensitive movements of conventional applications, and that was true last week, as both FHA and VA refinancing volumes increased."

Added Kan, "The housing market is **entering the busy spring buying season with strong demand.** Purchase applications increased, with a rise in government applications - likely first-time buyers - pulling down the average loan size for the first time in six weeks."

The average contract interest rate for 30-year fixed-rate mortgages (FRM) **with balances below the conforming limit** of $548,250 increased to 3.23 percent from 3.08 percent and points to 0.48 from 0.46. The effective rate was 3.37 percent.

The rate for **jumbo** 30-year FRM, loans with balances greater than the conforming limit, averaged 3.33 percent, a 10 basis point increase, with points dipping to 0.41 from 0.43. The effective rate rose to 3.45 percent.

The rate for 30-year FRM backed by the FHA averaged 3.19 percent with 0.30 point compared to 3.00 percent with 0.33 point the prior week. The effective rate was 3.28 percent.

Fifteen-year FRM had an average rate of 2.64 percent, up 8 basis points week-over-week. Points decreased to 0.39 from 0.40 and the effective rate increased to 2.74 percent.

The average contract interest rate for 5/1 ARMs was 2.84 percent compared to 2.83 percent, with points increasing to 0.58 from 0.36. The effective rate increased from the prior week, but MBA did not provide a rate. The adjustable-rate mortgage (ARM) share of activity increased to 2.9 percent of total applications.

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 **small increase in the total number of loans in forbearance during the week** of February 15 through February 21. The percentage of loans in plans ticked up 1 basis point to 5.23 percent of all active loans. MBA estimates 2.6 million homeowners are now in forbearance. Of those loans, 15.6 percent are in the initial forbearance plan stage, 81.9 percent are in an extension, and 2.5 percent have re-entered the program.

The share of Fannie Mae and Freddie Mac (GSE) loans in forbearance remained flat relative to the prior week at 2.97 percent. The share of Ginnie Mae (FHA and VA) loans increased 3 basis points to 7.35 percent and there was a 9-basis point increase in the share of forborne loans serviced for bank portfolio and private-label securities (PLS) to 9.03%. The percentage of loans in forbearance serviced by independent mortgage bank (IMB) servicers increased 3 basis points to 5.57 percent and the percentage for depository servicers increased 1 basis point to 5.29 percent.

"A small increase in new forbearance requests, coupled with exits decreasing to match a survey low, led to the overall share of loans in forbearance increasing for the first time in five weeks," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "The largest rise in the forbearance share was for portfolio and PLS loans, due to increases for both Ginnie Mae buyouts and other portfolio/PLS loans."

Fratantoni added, "The winter storm that impacted Texas and other states did lead to some temporary disruptions at servicer call centers, but these centers quickly returned to full operations."