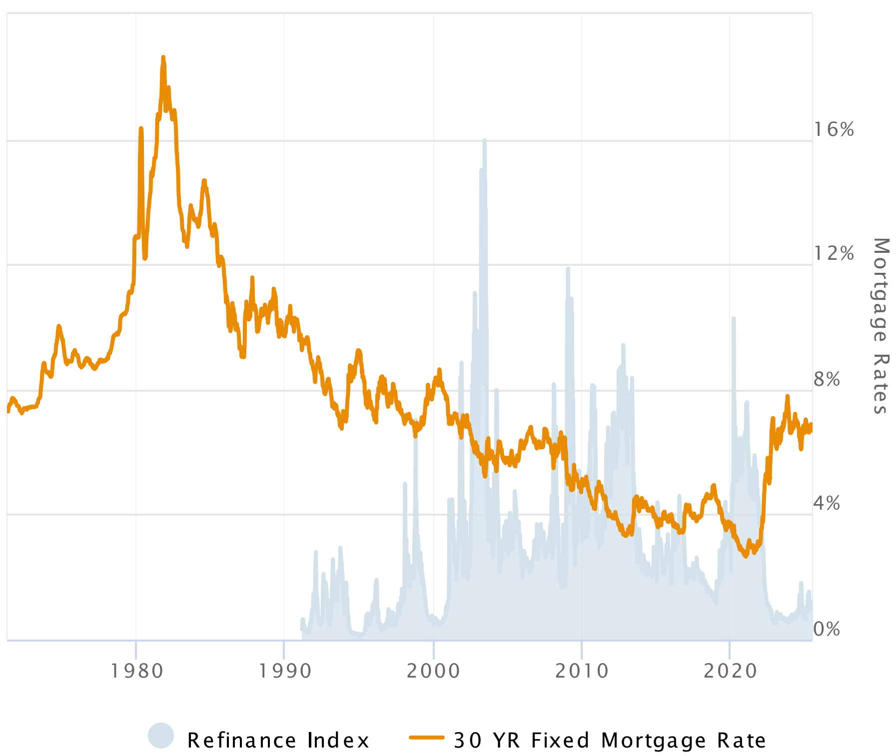
Rising Rates Hampered Refinance Activity This Week

Mortgage application volume turned lower again this week after longer term rates rose again, pulling more steam out of refinancing. The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of that volume, decreased 1.3 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index was down 1 percent compared with the previous week.

The Refinance Index fell 5 percent from the previous week and was **43 percent lower than the same week one year ago.** Refinancing still made up the majority of applications however, a 64.5 percent share compared to 67.5 percent of the volume a week earlier.

The seasonally adjusted **Purchase Index rose 7 percent from one week earlier** and was 9 percent higher on an unadjusted basis. Purchase volume was 2 percent greater than the same week one year ago.



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"The 30-year fixed mortgage rate climbed to 3.26 percent last week, which is the highest since last July and up 40 basis points since the start of 2021. Signs of faster economic growth, an improving job market and increased vaccine distribution are pushing rates higher," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "**The run-up in mortgage rates continues to cool demand for refinance applications**. Activity declined last week for the fourth time in five weeks."

Added Kan, "With the spring buying season at the doorstep, the purchase market had its strongest showing in four weeks, with gains in both conventional and government applications. Overall activity was 2.4 percent higher than a year ago, and loan sizes moderated for the second straight week - potentially a sign that more first-time buyers are entering the market."

The FHA share of total applications decreased to 11.6 percent from 12.1 percent the previous week and the VA share decline to 11.1 percent from 12.3 percent. The USDA share of applications was steady at 0.4 percent. The average mortgage balance dropped from $336,200 to $333,300 and purchase mortgage balances declined to $409,900 from $412,300.

The average contract interest rate for 30-year fixed-rate mortgages (FRM) with loan balances at or below the conforming limit of $548,250, increased 3 basis points to 3.26 percent. Points averaged 0.43 compared to 0.48 a week earlier and the effective rate rose to 3.38 percent.

Jumbo 30-year FRM, loans with balances above the conforming limit, had an average rate of 3.34 percent with 0.50 point. The prior week the rate was 3.33 percent with 0.41 point. The effective rate increased to 3.48 percent.

The rate for 30-year FRM backed by the **FHA** increased to 3.20 percent from 3.19 percent, with points increasing to 0.37 from 0.30. The effective rate was 3.31 percent.

Fifteen-year FRM had an average rate of 2.63 percent, down 1 basis point, and points fell to 0.37 from 0.39. The effective rate declined to 2.73 percent.

The average contract interest rate for 5/1 adjustable rate mortgages (ARMs) dropped from 2.84 percent to 2.69 and points decreased to 0.37 from 0.58. The effective rate was 2,82 percent. The ARM share of activity ticked up from 2.9 percent to 3.0 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 Forbearance and Call Volume Survey for the week ended February 28 showed a 3 basis point decline in the share of servicer portfolios in forbearance to 5.20 percent. According to MBA's estimate, 2.6 million homeowners are in forbearance plans with 14.6 of that total in their initial forbearance plan stage and 82.8 percent in an extension period. **The remaining 2.6 percent are program re-entries.**

The share of Fannie Mae and Freddie Mac (GSE) loans in forbearance also decreased 3 basis points to 2.94 percent. The Ginnie Mae (FHA and VA) share decreased by 7 basis points to 7.28 percent, while the forbearance share for portfolio loans and private-label securities (PLS) increased by 2 basis points to 9.05 percent. The percentage of forborne loans serviced by independent mortgage bank (IMB) servicers decreased 6 basis points to 5.51 percent and those in the portfolios of depository servicers decreased 1 basis point to 5.28.

"There was a small decline in the total share of loans in forbearance in the last week of February, as the pace of forbearance exits increased. This continues the trend reported in prior months. Of those homeowners in forbearance, more than 12 percent were current at the end of February, down somewhat from the almost 14 percent at the end of January," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "The improving economy, the soon-to-be passed stimulus package, and the many homeowners in forbearance reaching the 12-month mark of their plan **could all influence the overall forbearance share in the coming months**."

Fratantoni added, "Job growth picked up sharply in February and the unemployment rate decreased, but there are still almost 10 million people unemployed, with 4.1 million among the long-term unemployed - up 125,000 from January. The passage of the American Rescue Plan provides needed support for homeowners who are continuing to struggle during these challenging times."