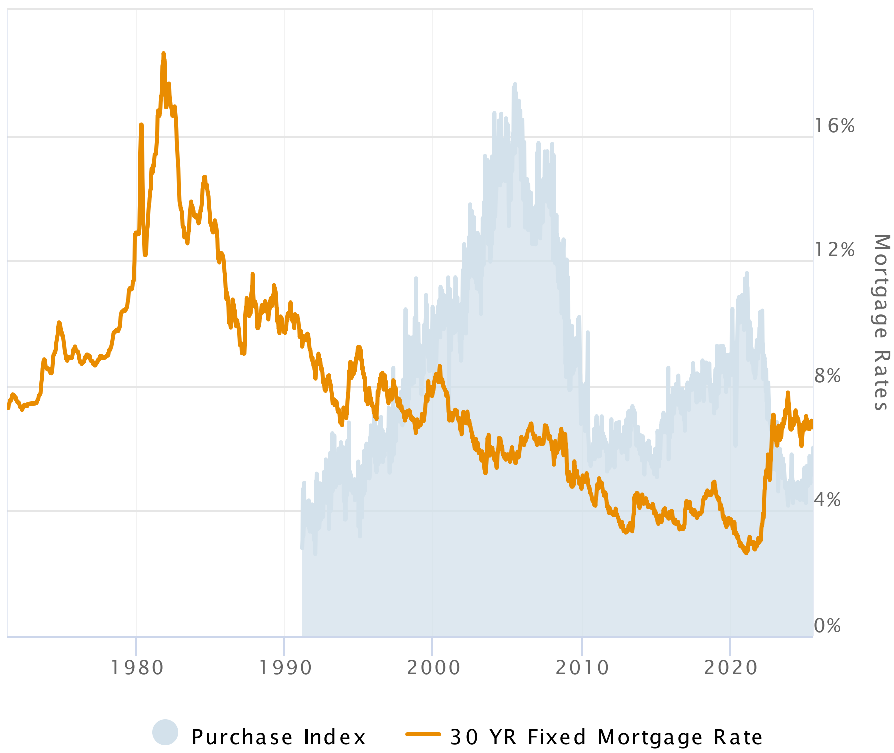
Purchase Application Volume up for Fourth Consecutive Week

Mortgage application volume declined for the third consecutive time during the week ended March 19 as refinancing continued to retreat. The Mortgage Bankers Association's (MBA) Weekly Mortgage Applications Survey **revealed a 2.5 percent decrease in the seasonally adjusted Market Composite Index**, a measure of mortgage loan application volume. The Index was down 2.0 percent before adjustment.

The Refinance Index declined 5 percent from the previous week and was 13 percent lower than the same week one year ago. Refinancing accounted for 60.9 percent of the week's applications compared to 62.9 percent during the week ended March 12.

The Purchase Index **increased 3 percent on both an adjusted and unadjusted basis.** It was 26 percent above its level during the same week in 2020.



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"The 30-year fixed mortgage rate increased to 3.36 percent last week and has now **risen 50 basis points since the beginning of the year,** in turn shutting off refinance incentives for many borrowers," Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting aid. "Refinance activity dropped to its slowest pace since September 2020, with declines in both conventional and government applications. Mortgage rates have moved higher in tandem with Treasury yields, as the outlook continues to improve amidst the faster vaccine rollout and states easing pandemic-related restrictions. Purchase applications were strong over the week, driven both by households seeking more living space and younger households looking to enter homeownership. The purchase index increased for the fourth consecutive week and was up 26 percent from last year's pace. The average purchase loan balance increased again, both by quickening home-price growth and a rise in higher-balance conventional applications."

Added Kan, "Inadequate housing inventory continues to put upward pressure on home prices. As both home-price growth and mortgage rates continue this upward trend, **we may see affordability challenges become more severe if new and existing supply does not significantly pick up**."

The FHA and USDA shares of total applications were unchanged at 11.7 percent and 0.4 percent, respectively while the VA share decreased to 9.8 percent from 10.3 percent. The average loan size grew to $333,000 from $327,200 the previous week and the average balance of purchase mortgages increased to $409,300 from $406,200.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRM) with loan balances at or below the conforming limit of $548,250 was 3.36 percent, up from 3.28 percent, with points increasing to 0.42 from 0.41. The effective rate was 3.48 percent.

Jumbo 30-year FRM, loans with balances exceeding the conforming limit, had an average interest rate of 3.40 percent with 0.43 point. The prior rate was 3.34 percent with 0.40 point. The effective rate increased to 3.53 percent.

The rate for 30-year FRM backed by the FHA rose 10 basis points to 3.35 percent and points grew to 0.41 from 0.38. The effective rate increased to 3.47 percent.

Fifteen-year fixed-rate mortgage had an average rate of 2.72 percent, up from 2.67 percent; points increased to 0.40 from 0.37. The effective rate increased to 2.82 percent.

The rate for 5/1 adjustable rate mortgages (ARMs) declined to 2.79 percent from 2.82 percent, while points increased to 0.44 from 0.30 and the effective rate rose to 2.95 percent. The ARM share of activity was 3.2 percent of total applications compared to 2.7 percent the prior 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.

The ranks of loans in forbearance shrank again over the period covered by MBA's most recent Forbearance and Call Volume Survey. **A 6 basis point decline brought the share of forborne loans in servicer portfolios down to 5.14 percent** as of March 7, 2021. According to MBA's estimate, 2.6 million homeowners are in forbearance plans. By stage, 14.1 percent of those loans are in their initial terms while 83.3 percent have received an extension. The remaining 2.6 percent are forbearance re-entries.

The share of Fannie Mae and Freddie Mac (GSE) loans in forbearance decreased 6 basis points to 2.88 percent. Ginnie Mae (VA and FHA) loans in forbearance fell 12 basis points to 7.16 percent while the forbearance share for portfolio loans and private-label securities (PLS) was unchanged from the prior week at 9.05 percent. The percentage of loans serviced by independent mortgage banks (IMBs) decreased 6 basis points to 5.45 percent and those in depository servicers' portfolios dropped 9 basis points to 5.19 percent.

"One year after the onset of the pandemic, many homeowners are approaching 12 months in their forbearance plan. That is likely why call volume to servicers picked up in the prior week to the highest level since last April, and forbearance exits increased to their highest level since January. With new forbearance requests unchanged, the share of loans in forbearance decreased again," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "Homeowners with federally backed loans have access to up to 18 months of forbearance, but they need to contact their servicer to receive this additional relief."

Fratantoni added, "The American Rescue Plan provides needed support for homeowners who are continuing to struggle during these challenging times, and stimulus payments are being delivered to households now. We anticipate that this support, along with the improving job market, will help many homeowners to get back on their feet."

MBA's latest Forbearance and Call Volume Survey covers the period from March 1 through March 7, 2021 and represents 74 percent of the first-mortgage servicing market (36.8 million loans).