HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Mortgage App Volume Declines, Refinancing Down 30 Percent

Mortgage application volume **declined for the fifth straight week** during the period ending April 2, and by the largest amount over that period. The Mortgage Bankers Association said its Market Composite Index fell by 5.1 percent on a seasonally adjusted basis from the previous week and by 5.0 percent before adjustment.

The Refinance Index was down 5 percent compared to the previous week and was **20 percent lower than the same week one year ago**. The refinance share of mortgage activity was 60.3 percent compared to 60.6 percent the previous week.

The seasonally adjusted Purchase Index decreased 5 percent as well and the unadjusted index was 4.0 percent lower. **Purchases, however, were 51 percent higher than the same week in 2020.**

Refi Index vs 30yr Fixed

Purchase Index vs 30yr Fixed

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"Mortgage rates resumed their upward move last week, with the 30-year fixed rate at 3.36 percent. The **return of rates to the highest level since last June** contributed to a slowdown in applications for both purchases and refinances. The rapidly recovering economy and improving job market is generating sizeable home buying demand, but activity in recent weeks is constrained by quicker home-price growth and extremely low inventory," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Refinance applications declined for the fifth straight week, but there was a gain in VA loan activity. Overall, refinance demand has decreased, with volume over the past 10 weeks down by more than 30 percent."

The FHA share of total applications decreased to 10.2 percent from 11.3 percent the previous week while the VA share increased to 13.8 percent from 10.3 percent. Applications for USDA mortgages ticked up from 0.4 percent to a 0.5 percent share. Loan balances declined with the average for a mortgage dipping to $322,700 from $324,800 the prior week. Purchase mortgages averaged $399,500 compared to $401,400.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRMs) with loan balances at or below the conforming limit of $548,250, increased to 3.36 percent from 3.33 percent, with points increasing to 0.43 from 0.39. The effective rate increased to 3.48 percent.

The rate for jumbo 30-year FRM, loans with balances greater than $548,250, increased to 3.41 percent from 3.34 percent, with points increasing to 0.41 from 0.31. The effective rate was 3.53 percent.

The average contract interest rate for 30-year FRMs backed by the FHA was 3.36 percent with 0.36 point. The prior week the rate was 3.29 percent with 0.34 point. The effective rate was 3.47 percent.

Fifteen-year FRMs had a rate of 2.74 percent, up 3 basis points week-over-week. Points dipped to 0.32 from 0.33 and the effective rate increased to 2.82 percent.

The average 5/1 adjustable rate mortgage (ARM) had a rate of 2.92 percent, up from 2.85 percent, with points increasing to 0.46 from 0.40. The effective rate was 3.09 percent. The adjustable-rate mortgage (ARM) share of activity increased by 3 basis points to 3.7 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 says its Forbearance and Call Volume Survey, covering the period from March 22 through March 28, 2021 found the total number of loans in forbearance down 6 basis points to 4.90 percent of servicer's portfolios. **MBA estimates that 2.5 million homeowners remain in those plans.** By stage, 13.7 percent of the loans are in the initial forbearance plan stage, 84.1 percent have extended their plans, and the remaining 2.2 percent are re-entries to the program.

The share of Fannie Mae and Freddie Mac loans in forbearance decreased to 2.72 percent, a 5-basis-point improvement. Ginnie Mae loans fell 5 basis points to 6.78 percent, while the forbearance share for portfolio loans and private-label securities (PLS) declined by 10 basis points to 8.80 percent. The percentage of forborne loans in independent mortgage bank (IMB) servicer portfolios was 5 basis points lower at 5.18 percent and for those serviced by depository servicers the decline was 7 basis points to 5.03 percent.

"The share of loans in forbearance decreased for the fifth straight week, **and new forbearance requests dropped to their lowest level since March 2020**. The share of loans in forbearance also decreased for all three investor categories," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "More than 21 percent of borrowers in forbearance extensions have now exceeded the 12-month mark. Of those that exited forbearance in March, more than 21 percent received a modification, indicating that their income had declined and they could not afford their original mortgage payment."

Fratantoni added, "March was a turning point for the economy, with hiring shifting into a higher gear and the unemployment rate continuing to decline. However, there are still more than 4.2 million people who have been actively looking for work for more than six months. Homeowners who are still facing hardships and need to extend their forbearance term should contact their servicer."