HOUSING CONNECTION
Mortgage and Real Estate News That Matters

# Mortgage Application Volume Rises After Three Straight Losses

Mortgage application activity bounced back from the Memorial Day holiday week with a seasonally adjusted increase of 4.2 percent in the Mortgage Bankers Association's (MBA's) Market Composite Index.  On an unadjusted basis **the index rose 15  percent.** The prior week's results included an adjustment to account for the holiday.

The Refinance Index for the week ended June 11 was **up 6 percent from the prior week but was 22 percent lower than the same week one year ago.** The refinance share of mortgage activity increased to 61.7 percent of total applications from 60.4 percent the previous week.

The seasonally adjusted Purchase Index gained 2 percent and was **11 percent higher on an unadjusted basis.** Activity was down 17 percent compared to the same week in 2020.

"Mortgage applications bounced back after three weeks of declines, increasing over 4 percent last week. Both purchase and refinance applications were up, including a 5.5 percent gain in refinances. The jump in refinances was the result of the 30-year fixed rate falling for the third straight week to 3.11 percent - the lowest since early May. U.S. Treasury yields have slid because of the uncertainty in the financial markets regarding inflation and how the Federal Reserve may act over the next few months," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Purchase activity also rebounded, even as supply constraints continue to slow the housing market. An almost 5 percent increase in government purchase applications drove most of last week's gain while also tempering the recent growth in loan sizes. Purchase applications were still down 17 percent from a year ago, which was when the mortgage market started seeing large post-shutdown increases in activity."

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The FHA share of total applications increased to 9.6 percent from 9.5 percent. the VA share ticked up 0.3 point to 11.5 percent and the USDA share increased to 0.5 percent from 0.4 percent the week prior. The average loan size declined from $338,000 to $337,800 and purchase loans shrunk from $407,000 to $400,000.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRM) with origination balances at or below the conforming limit of $548,250 decreased to 3.11 percent from 3.15 percent, with points increasing to 0.36 from  0.34. The effective rate decreased to 3.22 percent.

The rate for jumbo 30-year FRM, loans with balances exceeding the conforming limit, decreased to 3.20 percent from 3.29 percent. Points increased to 0.46 from 0.32 and the effective rate fell to 3.34 percent.

Thirty-year FRM backed by the FHA had an average rate of 3.14 percent, 2 basis points higher than the prior week. Points dipped to 0.33 from 0.34 and the effective rate rose to 3.24 percent.

The rate for 15-year fixed-rate mortgages was down 3 basis points to 2.49 percent and points decreased to 0.25 from 0.29. The effective rate was 2.55 percent.

The average rate for 5/1 adjustable rate mortgages (ARMs) jumped to 2.69 percent from 2.54 percent, with points increasing to 0.38 from 0.30. The effective rate rose to 2.83 percent and the ARM share of activity decreased to 3.8 percent from 3.9 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* puts the total number of loans in forbearance as of June 6 at 2.0 million. This is **down 12 basis points week-over-week to 4.04 percent of the estimated 37 million active mortgage loans.** Slightly less than 11 percent of the forborne loans are in their initial terms, 83.6 percent are in an extension and 5.8 percent had left then reentered the program.

The share of Fannie Mae and Freddie Mac (GSE) loans in forbearance decreased 9 basis points to 2.09 percent and the Ginnie Mae (FHA and VA) share dropped 32 basis points to 5.22 percent. The forbearance share for portfolio loans and private-label securities (PLS) grew by 2 basis points to 8.33 percent. The percentage of loans serviced by independent mortgage bank (IMB) servicers decreased 13 basis points to 4.21 percent and there was a 14 basis point decline in the percentage serviced by depository servicers to 4.19 percent.

"MBA estimates that 2 million homeowners remain in forbearance as of June 6$^{th}$. **The share of loans in forbearance has now declined for 15 straight weeks**, with a larger decline this week as many reached the 15-month mark," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "Forbearance exits increased - as is typical in the beginning of a month - and reached the fastest pace since April. New forbearance requests, at 4 basis points, remained at an extremely low level."

Added Fratantoni, "We are seeing an increase in the share of forbearance exits, where borrowers do not have a loss mitigation plan in place. Homeowners who are reaching the end of their forbearance term need to contact their servicer to discuss the next steps in the process, as servicers cannot extend the forbearance term without talking to the borrower."