HOUSING CONNECTION
Mortgage and Real Estate News That Matters


# Mortgage Application Volume Nears 18-Month Low

Mortgage applications fell sharply last week, affecting both refinance and purchase components of the Mortgage Banker Association's (MBA's) Market Composite Index. The index, a measure of mortgage loan application volume, was down 6.9 percent on a seasonally adjusted basis during the week ended June 25, and was 7 percent lower before adjustment, **bringing it to the lowest level in almost a year and a half.**

**The Refinance Index decreased 8 percent** from the previous week and was 15 percent lower than the same week one year ago. The refinance share of mortgage activity declined to 61.9 percent of total applications from 62.5 percent the previous week.

The seasonally adjusted **Purchase Index decreased 5 percent** and the unadjusted version was down 6 percent compared with the previous week and was 17 percent lower than the same week one year ago.

"Mortgage rates were volatile last week, as investors tried to gauge upcoming moves by the Federal Reserve amidst several divergent signals, including rising inflation, mixed job market data, strong consumer spending, **and a supply-constrained housing market that has led to rapid home-price growth**," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist.

"Purchase applications for conventional loans declined last week to the lowest level since last May. The average loan size for total purchase applications increased, indicating that first-time homebuyers, who typically get smaller loans, are likely getting squeezed out of the market due to the lack of entry-level homes for sale."

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The FHA share of total applications was unchanged at 9.5 percent and the VA share decreased to 10.5 percent from 11.2 percent. The USDA share remained at 0.5 percent. The average loan balance dropped from $340,200 the prior week to $338,600 while purchase applications rose to $405,000 from $398,700.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRM) with conforming loan balances of $548,250 or less increased to 3.20 percent from 3.18 percent, with points decreasing to 0.39 from 0.48 The effective rate remained at 3.32 percent. .

The rate for jumbo 30-year FRM, loans with balances greater than $548,250, decreased to 3.23 percent from 3.26 percent. Points dropped to 0.33 from 0.44 and the effective rate was 3.32 percent.

Thirty-year FRM with FHA guarantees had an average rate of 3.19 percent compared to 3.21 percent the prior week. Points were unchanged at 0.34 and the effective rate decreased to 3.29 percent.

The rate for 15-year FRM decreased to 2.56 percent from 2.58 percent, with points ticking down to 0.37 from 0.39. The effective rate was 2.65 percent.

The average contract interest rate for 5/1 adjustable rate mortgages (ARMs) jumped 29 basis points to 2.98 percent while points declined to 0.23 from 0.26. The effective rate increased to 3.07 percent. The ARM share of activity decreased to 3.6 percent of total applications from 3.9 percent a week earlier.

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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 Forbearance and Call Volume survey for the week ended June 20 showed only a 2 basis point reduction in the percentage of all loans that were in forbearance plans to 3.93 percent. MBA estimates there are approximately 2 million homeowners remaining in the program; 10.7 percent are in their initial plan term while 83.1 percent are in a forbearance extension. The remaining 6.2 percent are forbearance re-entries.

The share of Fannie Mae and Freddie Mac loans in forbearance **decreased 3 basis points to 2.02 percent.** The Ginnie Mae (FHA and VA) share improved by 2 basis points to 5.13 percent, and the forbearance share for portfolio loans and private-label securities (PLS) dipped 1 basis point to 7.97 percent. The percentage forborne loans in independent mortgage bank (IMB) servicer portfolios was down 2 basis points to 4.03 percent and declined 2 basis points in depository servicers' portfolios to 4.14 percent.

"**The share of loans in forbearance declined for the 17th straight week**, with small declines across almost every loan category," Fratantoni said. "The rate of forbearance exits slowed - as has been typical in mid-month reports - but the pace of new forbearance requests remained at a very low level of 4 basis points."

He added, "The steady improvement in the aggregate forbearance numbers is heartening, as it is evidence that improving economic conditions are allowing more homeowners to get back on their feet. However, we continue to closely monitor the number of forbearance re-entries, reflecting borrowers who exited forbearance but had to re-enter due to hardships. These re-entries accounted for 6.2 percent of loans in forbearance this week."

MBA's latest Forbearance and Call Volume Survey covers the period from June 14 through June 20, 2021 and represents 74 percent of the first-mortgage servicing market (37.0 million loans).

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