HOUSING CONNECTION

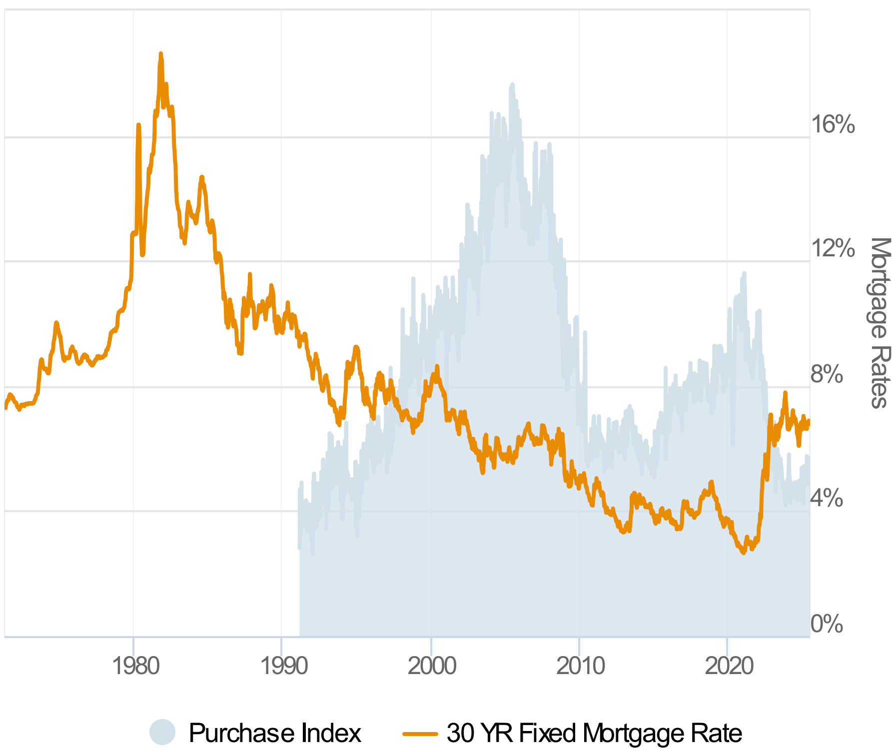
Mortgage and Real Estate News That Matters

Rates Down, Jobs Up, But Mortgage Applications Still Decline

The week preceding the Independence Day holiday saw a **further decline in mortgage applications for both home purchases and refinancing.** The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of mortgage loan application volume, decreased 1.8 percent on a seasonally adjusted basis during the week ended July 2 and was down 2 percent on an unadjusted basis.

The Refinance Index declined 2 percent from the previous week and was 8 percent lower than the same week one year ago. The refinance share of mortgage activity decreased to 61.6 percent of total applications from 61.9 percent the previous week.

The Purchase Index was 1 percent lower than the preceding week on both an adjusted and unadjusted basis. The volume was 14 percent lower than the same week one year ago.



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"Mortgage application activity fell for the second week in a row, reaching the lowest level since the beginning of 2020. Even as mortgage rates declined, with the 30-year fixed rate dropping 5 basis points to 3.15 percent, both purchase and refinance applications decreased," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "**Treasury yields have been volatile despite mostly positive economic news**, including last week's June jobs report, which showed ongoing improvements in the labor market. However, rates continued to move lower - especially late in the week. The 30-year fixed rate was 11 basis points lower than the same week a year ago, but many borrowers previously refinanced at even lower rates. Refinance applications have trended lower than 2020 levels for the past four months."

Added Kan, "Swift home-price growth across much of the country, driven by insufficient housing supply, is weighing on the purchase market and is pushing average loan amounts higher."

The FHA share of total applications increased to 9.8 percent from 9.5 percent and the VA share move to 10.8 percent from 10.5 percent the prior week. The USDA share of total applications was unchanged at 0.5 percent. The size of all loans dipped to $335,400 from $338,600 the previous week but the average size of a purchase mortgage rose $300 to $405,300.

The average contract interest rate for 30-year fixed-rate mortgages (FRM) with loan balances at or below the conforming limit of $548,250 decreased to 3.15 percent from 3.20 percent. Points dipped to 0.38 from 0.39 and the effective rate decreased to 3.26 percent.

The rate for jumbo 30-year FRM, loans with balances exceeding the conforming limit, declined 3 basis points to 3.20 percent while points moved from 0.33 to 0.28. The effective rate was 3.28 percent.

Thirty-year FRM backed by the FHA had a contract rate of 3.17 percent with 0.32 point. The previous week the rate was 3.19 percent with 0.34 point. The effective rate decreased to 3.26 percent.

The rate for 15-year FRM decreased to 2.52 percent from 2.56 percent, and points were down to 0.23 from 0.37. The effective rate was 2.58 percent.

There was a 4 basis point decrease in the rate for 5/1 adjustable rate mortgages (ARMs) to 2.94 percent with points increasing to 0.34 from 0.23. The effective rate was unchanged at 3.07 percent. The ARM share of activity decreased to 3.3 percent of total applications from 3.6 percent a week earlier.

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.

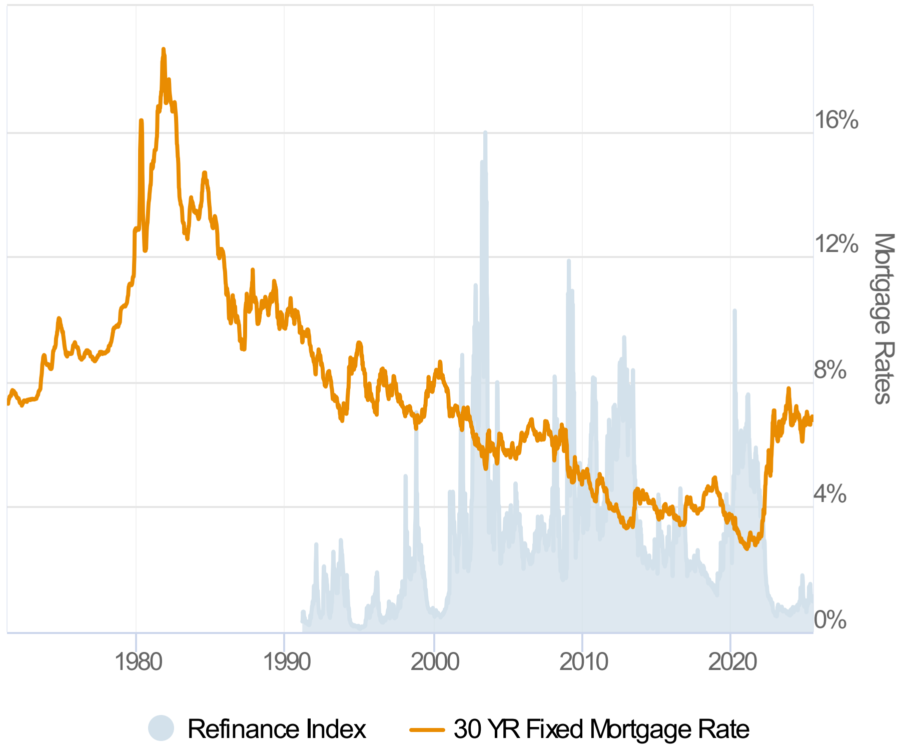
MBA's latest Forbearance and Call Volume Survey puts the total number of loans now in forbearance at 3.87 percent of active mortgages, down by 4 basis points from the previous week. MBA estimates that, as of June 27, there were 1.9 million loans in forbearance plans. Just under 10.8 percent are in their initial term, 82.9 percent are in an extension, and the remaining 6.3 percent are forbearance re-entries.

The share of both GSE (Fannie Mae and Freddie Mac) loans and Ginnie Mae (FHA and VA) loans decreased 3 basis points to 1.99 percent and 5.10 percent, respectively. The forbearance share for portfolio loans and private-label securities (PLS) fell 5 basis points to 7.92 percent. Four percent of loans serviced by independent mortgage bank (IMB) servicers are in forbearance, down 3 basis points week-over-week, and the depository servicers share also declined 3 basis points to 4.11 percent.

"For the first time since last March, the share of Fannie Mae and Freddie Mac **loans in forbearance dropped below 2 percent.** The share in every investor type and almost every loan category dropped as well, bringing the number of homeowners in forbearance below 2 million," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "The rate of forbearance exits and new forbearance requests remained at low levels, but we expect the pace of exits to increase with reporting next week for the beginning of July."

Added Fratantoni, "Strong job growth in June should provide a springboard for further improvements in the forbearance numbers over the next month."

MBA's latest Forbearance and Call Volume Survey covers the period from June 21 through June 27 2021, and represents 74 percent of the 37 million first-mortgages in servicer portfolios.


16%
12%
8%
4%
0%
Mortgage Rates
1980
1990
2000
2010
2020
Refinance Index
30 YR Fixed Mortgage Rate