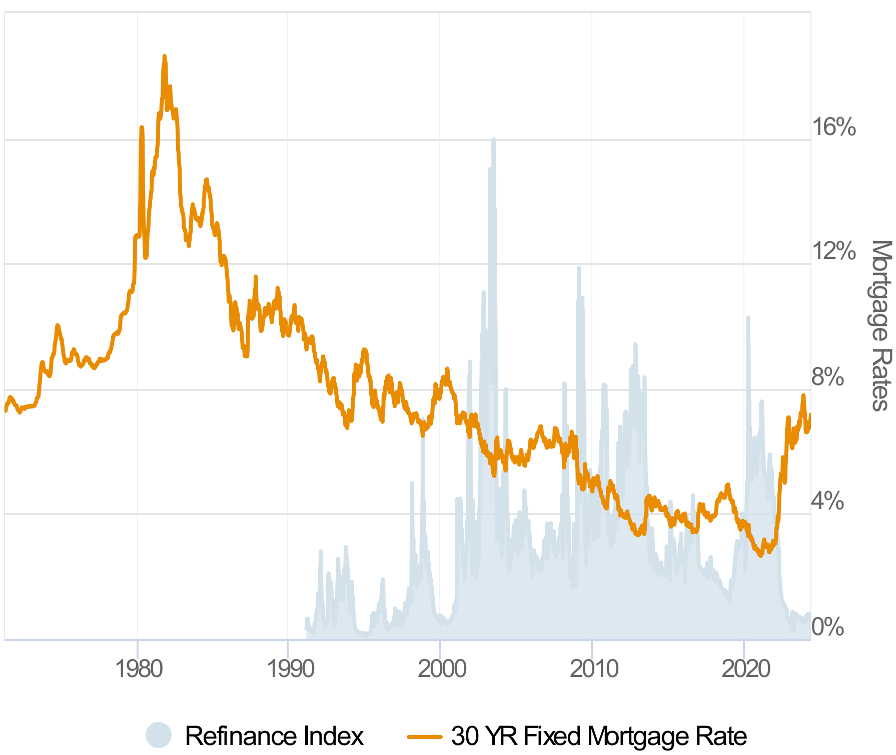
Mortgage Application Volume Bounces Back, Refi Share up 20%

Mortgage application volume during the week ended July 9 featured the **largest weekly increase since the first full week of 2021.** The Mortgage Bankers Association (MBA)said its Market Composite Index, a measure of that volume, rose 16.0 percent on a seasonally adjusted basis. Like the week ended January 8, last week's number represented a bounce-back from a major national holiday, but declining interest rates probably also played a role. The increase before seasonal adjustment was 7.0 percent.

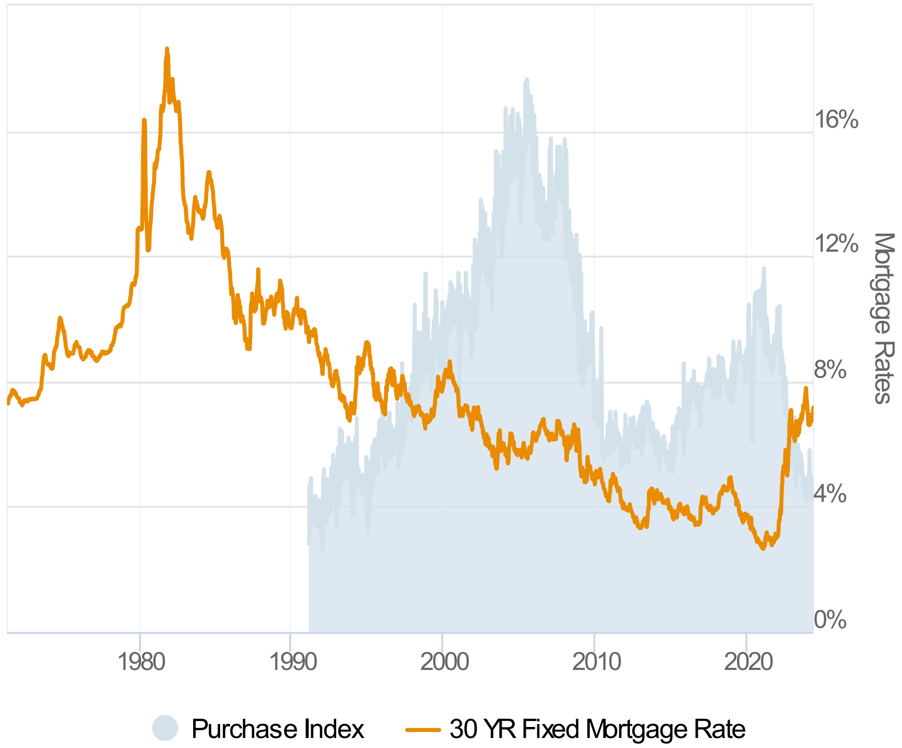
The Refinance Index increased 20 percent from the previous week but was 29 percent lower than the same week one year ago. The refinance share of mortgage activity increased to 64.1 percent of total applications from 61.6 percent the previous week, the highest share for refinancing since Mar 5.

The seasonally adjusted **Purchase Index increased 8.0 percent** from one week earlier but was down 13.0 percent before adjustment and was 29 percent lower than the same week one year ago.



Jason Wood
Mortgage Advisor & VA Loan Specialist, VA Loan Guy - American Mortgage Network
www.valoanguy.us
P: (760) 350-3989
M: (760) 217-0820
1185 LINDA VISTA DR
SAN MARCOS CA 92078
317293

VA Loan Guy



"Overall applications climbed last week, driven heavily by increased refinancing as rates dipped again. Treasury yields have trended lower over the past month as investors remained concerned about the COVID-19 variant and slowing economic growth," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Mortgage rates fell for the second consecutive week as a result, with the 30-year fixed rate hitting 3.09 percent, its lowest level since February 2021. Refinance applications increased over 20 percent last week after adjusting for the July 4th holiday, aided by a 23 percent increase in conventional refinance applications. Also, there may have been a **delayed spillover of applications from the previous week,** when rates also decreased but there was not much of response in terms of refinance applications."

Kan added: "Purchase applications increased last week, but average loan sizes decreased to their lowest level since January 2021. We continue to see ebbs and flows as housing demand remains strong but for-sale inventory remains low. However, lower rates may be helping some home buyers close on their purchases, especially first-time home buyers. The year-over-year comparisons were down significantly for both purchase and refinance applications, as they were relative to a non-holiday week in 2020."

The FHA **share of total applications** decreased to 9.5 percent from 9.8 percent and the VA share fell to 10.3 percent from 10.8 percent. The USDA share was unchanged at 0.5 percent. The average balance of all loans rose from $335,400 to $345,900, but purchase mortgage balances dropped to $398,600 from $405,300.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRM) with conforming loan balances of $548,250 or less decreased to 3.09 percent from 3.15 percent, with points decreasing to 0.37 from 0.38. The effective rate declined to 3.20 percent.

The rate for jumbo 30-year FRM, loans with balances that exceed the conforming limit, decreased to 3.16 percent from 3.20 percent, with points decreasing to 0.27 from 0.28. The effective rate moved down to 3.23 percent.

Thirty-year FRM backed by the FHA had an average rate of 3.15 percent, down from 3.17 percent the prior week. Points decreased to 0.29 from 0.32 and the effective rate declined to 3.23 percent.

The contract rate for 15-year fixed-rate mortgages was 2.48 percent with 0.32 point. The previous week it was 2.52 percent, with 0.23 point. The effective rate dipped to 2.56 percent.

The average contract interest rate for 5/1 adjustable-rate mortgages (ARMs) increased to 3.02 percent from 2.94 percent, with points decreasing to 0.32 from 0.34. The effective rate increased to 3.13 percent. The ARM share of activity increased to 3.5 percent of total applications from 3.3 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.

According to MBA's latest Forbearance and Call Volume Survey, **the total number of loans in forbearance decreased by 11 basis points** to 3.76 percent of servicers' portfolio volume as of July 4, 2021. According to MBA's estimate, 1.9 million homeowners remain in forbearance plans. Of those, 10.8 percent are in their initial plan stage, while 82.7 percent are in a forbearance extension. The remaining 6.5 percent are program re-entries.

The share of Fannie Mae and Freddie Mac loans in forbearance decreased 8 basis points to 1.91 percent and Ginnie Mae (FHA and VA) loans fell 32 basis points to 4.78 percent. Those loans serviced for bank portfolios and private-label securities (PLS) increased 2 basis points to 7.94 percent. The percentage of forborne loans serviced by independent mortgage bank (IMB) servicers and by depository servicers both dropped 13 basis points to 3.87 percent and 3.98 percent, respectively.

"Forbearance exits increased in the week of the July 4th holiday to the **fastest pace since early April,**" said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "New requests stayed very low, resulting in a large drop in the share of loans in forbearance, particularly for Ginnie Mae loans, which also continue to be impacted by buyouts of delinquent loans. These loans are tracked as portfolio loans after a buyout."

Added Fratantoni, "The mortgage delinquency rate across the entire servicing portfolio declined in June compared to May. However, the delinquency rate slightly increased for homeowners who have completed a workout. Borrowers who are exiting forbearance now are likely to have been in relief for over a year, with almost 60 percent of borrowers in forbearance extensions of longer than 12 months. These borrowers may face more challenges getting back to making regular payments."

MBA's latest Forbearance and Call Volume Survey covers the period from June 28 through July 4, 2021 and represents 74 percent of the 36.9 million loans in the first-mortgage servicing market.