HOUSING CONNECTION

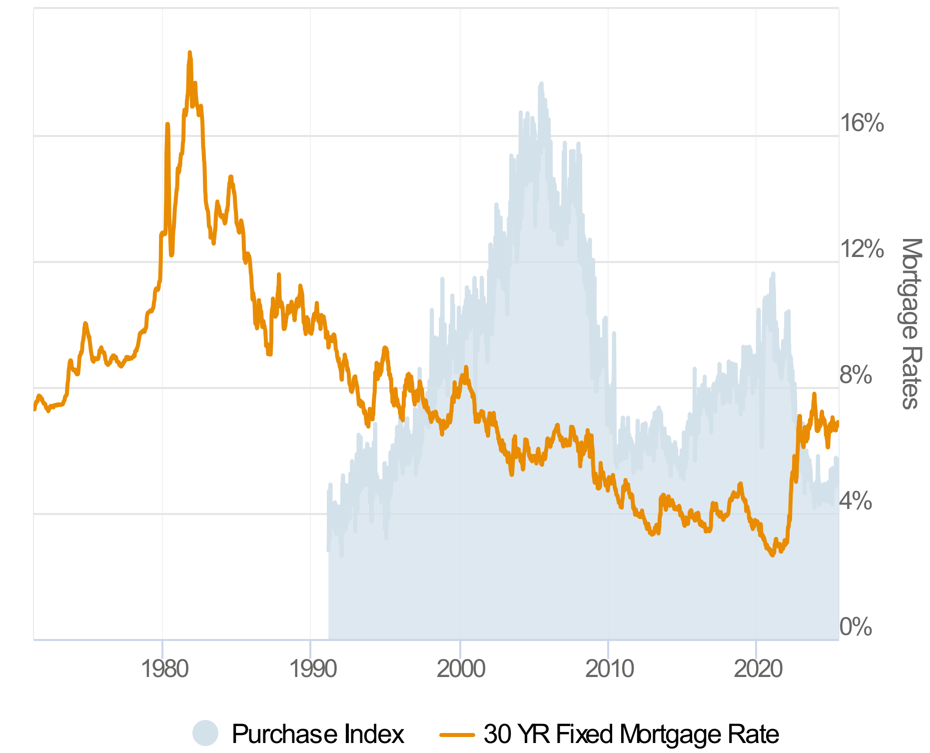
Mortgage and Real Estate News That Matters

Purchase Mortgage Volume Continues to Weaken

After a strong showing during the week ended July 9, mortgage application volume pulled back. The Mortgage Bankers Association's (MBA) Market Composite Index, a measure of that volume, **decreased 4.0 percent** on a seasonally adjusted basis during the week ended July 16 although it was 20 percent higher than the prior week before adjustment.

The Refinance Index decreased 3 percent from the previous week and was 18 percent lower than the same week one year ago, but the refinancing share of total applications grew to 64.9 percent of total applications from 64.1 percent the previous week.

The seasonally adjusted Purchase Index decreased 6 percent but was 17 percent higher on an unadjusted basis from the previous week and 18 percent lower than the same week in 2020.



"The 10-year Treasury yield dropped sharply last week, in part due to investors becoming more concerned about the spread of COVID variants and their impact on global economic growth. There were mixed changes in mortgage rates as a result, with the 30-year fixed rate increasing slightly to 3.11 percent after two weeks of declines. Other surveyed rates moved lower, with the 15-year fixed rate loan, used by around 20 percent of refinance borrowers, decreasing to 2.46 percent - the lowest level since January 2021," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "On a seasonally adjusted basis compared to the July 4th holiday week, mortgage applications were lower across the board, with purchase applications back to near their lowest levels since May 2020. Limited inventory and higher prices are keeping some prospective homebuyers out of the market. Refinance activity fell over the week, but because rates have stayed relatively low, **the pace of applications was close to its highest level since early May 2021**."

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The FHA **share of applications** increased to 9.6 percent from 9.5 percent the previous week and the VA share rose to 10.5 percent from 10.3 percent. The USDA share was unchanged at 0.5 percent. The average size of a loan decreased to $343,800 from $345,900 while the size of a purchase loan was $401,300, up from $398,600.

As Kan said, rates were mixed, with the average for 30-year fixed-rate mortgages (FRM) with conforming loan balances of $548,250 or less up 2 basis points to 3.11 percent with points increasing to 0.43 from 0.37. The effective rate increased to 3.23 percent

The rate for **jumbo** 30-year FRM, loans with balances exceeding the conforming limit, decreased to 3.13 percent from 3.16 percent, with points increasing to 0.32 from 0.27. The effective rate fell to 3.22 percent.

Thirty-year FRM backed by the **FHA** had an average rate of 3.08 percent down from 3.15 percent, with points increasing to 0.31 from 0.29. The effective rate was 3.17 percent.

The rate for **15-year** FRM was 2.46 percent with 0.30 point, down from 2.48 percent, with 0.32 point the week before. The effective rate was 2.54

The most significant change was in 5/1 adjustable rate mortgages (ARMs), a 28 basis point decline to 2.74 percent and a drop in points from 0.32 to 0.19. The effective rate was 2.8 percent. The adjustable-rate mortgage (ARM) share of activity decreased to 3.3 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 latest Forbearance and Call Volume Survey put the total number of loans in forbearance at 3.50 percent of servicer portfolio volume, down 26 basis points from the prior week. As of July 11, MBA estimates that 1.75 million homeowners are in forbearance plans. By stage, 9.8 percent of total loans in forbearance are in the initial forbearance plan stage, while 83.4 percent are in a forbearance extension. The remaining 6.8 percent are forbearance re-entries.

The share of Fannie Mae and Freddie Mac loans in forbearance decreased 8 basis points to 1.83 percent of those portfolios. **There was a 43 basis point decline in Ginnie Mae (FHA and VA) loans in forbearance to 4.36 percent**, while the forbearance share for portfolio loans and private-label securities (PLS) decreased 61 basis points to 7.33 percent. The percentage of loans in forbearance by independent mortgage bank (IMB) servicers decreased 19 basis points to 3.68 percent, and the percentage of forborne loans in depository servicers' portfolios was down 36 basis points to 3.62 percent.

"Forbearance exits edged up again last week and new forbearance requests dropped to their lowest level since last March, leading to the largest weekly drop in the forbearance share since last October and the 20th consecutive week of declines," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "The forbearance share decreased for every investor and servicer category."

Added Fratantoni, "The latest economic data regarding the job market and consumer spending continue to show a robust pace of economic recovery, which is supporting further improvements in the forbearance numbers as more homeowners are able to resume their payments."

MBA's latest Forbearance and Call Volume Survey covers the period from July 5 through July 11, 2021 and represents 74 percent of the 36.9 million loans in the servicing market.