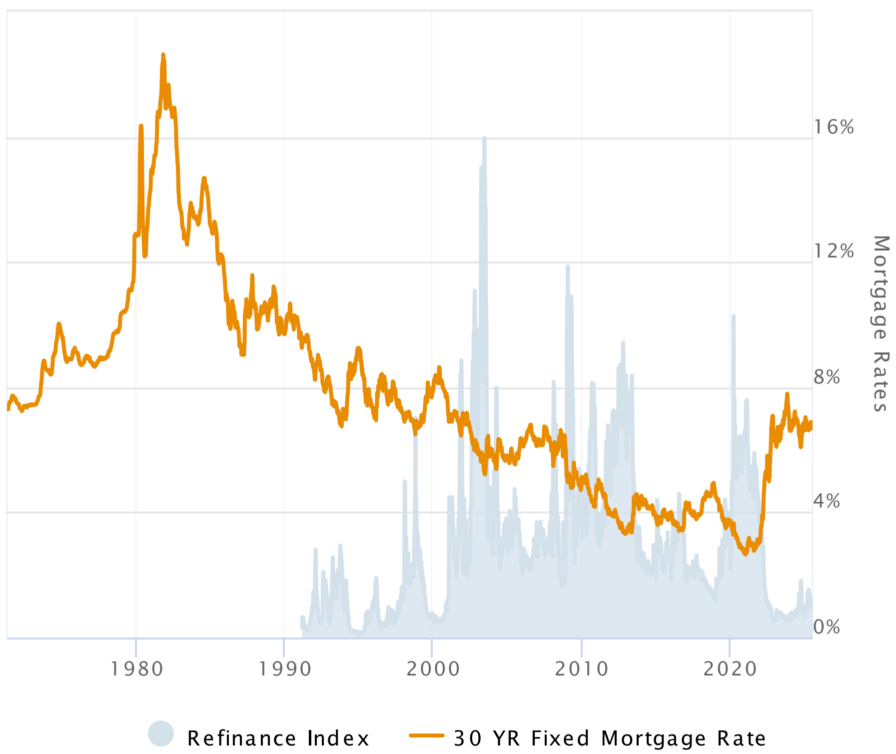
HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Higher Rates Push Application Volumes Lower

Mortgage application volume **edged slightly lower during the week ended September 24**, with purchase and finance applications sharing in the dip. The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of that volume, decreased 1.1 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index was 1 percent lower than the previous week.

The **Refinance Index was down 1 percent** from the previous week and was only fractionally higher than the same week one year ago. The refinance share of mortgage activity increased to 66.4 percent of total applications from 66.2 percent the previous week.

The seasonally adjusted **Purchase Index also declined by 1 percent** and was down 2 percent before adjustment. The Index was 12 percent lower than the same week one year ago.

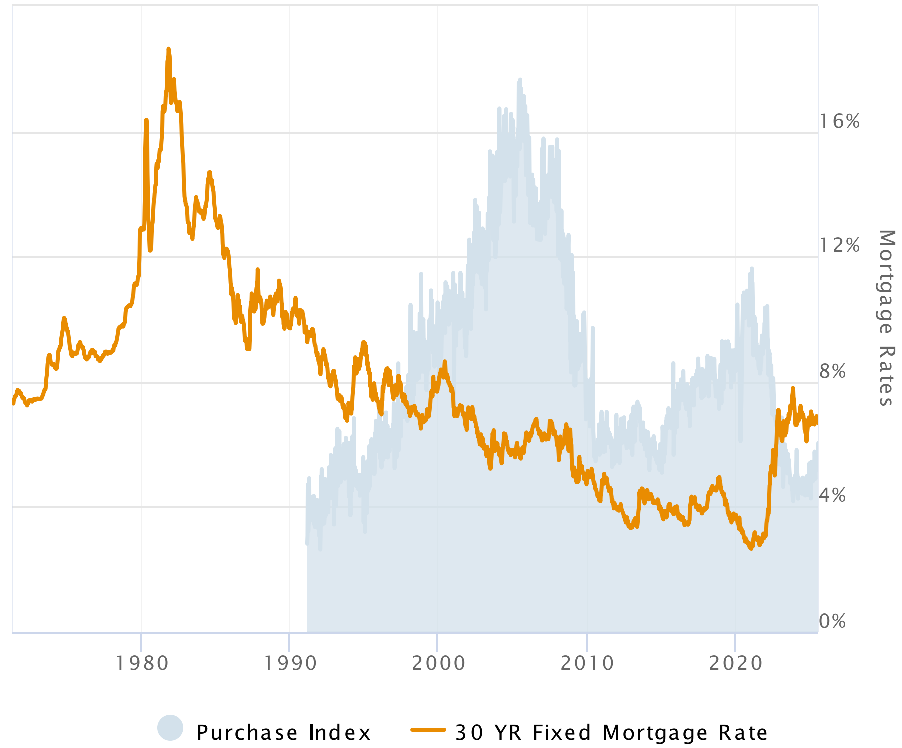


Jason Wood

Mortgage Advisor & VA Loan Specialist, VA Loan Guy

www.valoanguyusa.com
P: (760) 350-3989
M: (760) 217-0820

2714 Loker Ave. W.
Carlsbad CA 92010___
317293



"Increased optimism about the strength of the economy pushed Treasury yields higher following last week's FOMC meeting. Mortgage rates in response rose across all loan types, with the benchmark 30-year fixed-rate reaching its highest level since early July 2021," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "The increase in rates - mostly later in the week - led to a decrease in both purchase and refinance applications, with a prominent decline in government loan applications. Conventional loan applications increased, driven by a rise in conventional refinances. This was perhaps a sign that some borrowers reacted to higher rates and decided to refinance."

Added Kan, "With home-price appreciation continuing to run hot, increasing more than 19 percent annually in July, applications for larger loan amounts continue to outpace lower-balance loans. The average loan size for a purchase application reached $410,300, its highest level since May 2021."

The FHA share of total applications decreased to 10.4 percent from 11.5 percent the previous week and the VA share dipped to 10.2 percent from 10.4 percent. USDA loans accounted for 0.4 percent of the total, down from 0.5 percent. The average size of a loan increased from $333,200 the previous week to $344,500 and the new high in purchase loans marked a $14,000 increase from the week ended September 17.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRM) with balances at or below the conforming limit of $548,250 increased to 3.10 percent from 3.03 percent, with points moving to 0.34 from 0.30. The effective rate increased to 3.20 percent.

The rate for 30-year jumbo FRMs, loans with balances exceeding the conforming limit, increased from 3.11 percent to 3.14 percent with points rising to 0.33 from 0.25. The effective rate was 3.24 percent.

FHA-backed 30-year FRM had an average rate of 3.09 percent, up from 3.07 percent. Points were unchanged at 0.25 and the effective rate increased to 3.16 percent.

Fifteen-year FRM rates averaged 2.43 percent with 0.29 point. The prior week the average was 2.34 percent with 0.24 point. The effective rate increased to 2.50 percent.

The rate for 5/1 adjustable rate mortgages (ARMs) rose by an average of 26 basis points to 2.77 percent. Points increased to 0.16 from 0.12 and the effective rate was 2.83 percent. The ARM share of activity increased to 3.4 percent of total applications from 2.9 percent the week before.

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 latest Forbearance and Call Volume Survey, the **total number of loans now in forbearance declined by 4 basis points** over the prior week to 2.96 percent of active loans. MBA puts the number of forbearance plans at 1.5 million loans, 12.0 percent of which were in their initial terms while 29.4 percent were in a forbearance extension. The remaining 8.7 percent were re-entries to the program.

Among GSE loans (Fannie Mae and Freddie Mac), 1.44 percent remained in forbearance, down from 1.47 percent the previous period. The share of Ginnie Mae (VA and FHA) loans increased by 3 basis points to 3.42 percent, and the forbearance share for portfolio loans and private-label securities (PLS) decreased 4 basis points to 6.91 percent.

The percentage of loans in forbearance serviced by independent mortgage bank (IMB) servicers decreased 1 basis point to 3.24 percent and those serviced by depository servicers decreased 4 basis points to 3.06 percent.

"The share of loans in forbearance continued to decrease last week, dropping below 3 percent for the first time since March 2020," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "However, there was a slight increase in the forbearance share for Ginnie Mae loans, and this increase was seen for both depository and IMB servicers. New forbearance requests and re-entries continue to run at a higher rate for Ginnie Mae loans as well as for portfolio and PLS loans, which include many delinquent FHA, VA, and USDA loans that have been bought out of Ginnie Mae pools."

MBA's latest Forbearance and Call Volume Survey covers the period from September 13 through September 19, 2021, and represents 74 percent of the 36.8 million loans in the first-mortgage servicing market.