HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Mortgage Application Volume at Three-Month Low

Mortgage applications declined by the largest margin in three months during the week ended October 1. The Mortgage Bankers Association said its Market Composite Index, a measure of mortgage application volume, decreased 6.9 percent on a seasonally adjusted basis from one week earlier. It was the biggest decline since an identical loss during the week ended June 25. On an unadjusted basis, the Index was down 7 percent compared with the previous week.

The Refinance Index accounted for the loss, **dropping 10 percent compared to the previous week** and was 16 percent lower than the same week one year ago. The refinance share of mortgage activity decreased to 64.5 percent of total applications from 66.4 percent the previous week.

Purchasing was also down, but to a much lower extent. Both the seasonally adjusted and the unadjusted Purchase Indices dipped by 2 percent and volume was 13 percent lower than the same week one year ago.

"Mortgage applications to refinance dropped almost 10 percent last week to the lowest level in three months, as the 30-year fixed rate increased to 3.14 percent - the highest since July. Higher rates are reducing borrowers' incentive to refinance, as declines were seen across all loan types," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Purchase activity also fell, driven by a drop in conventional loan applications. Government purchase applications were up over 1 percent, but that was still not enough to bring down the average loan balance of $410,000. With home-price appreciation and sales prices remaining very elevated, applications for higher balance, conventional loans still dominate the mix of activity."

The FHA **share of total applications** increased to 10.5 percent from 10.4 percent the previous week, the VA share ticked up to 10.3 percent from 10.2 percent, and the USDA share was 0.5 percent compared to 0.4 percent. The average balance of loans was $338,900, down from $344,500 a week earlier. The balance of purchase loans increased to $410,500 from $410,300.

Rates for fixed rate mortgages (FRMs) increased across the board. The average contract interest rate for 30-year fixed-rate FRM with origination balances at or below the conforming limit of $548,250 increased to 3.14 percent from 3.10 percent, with points increasing to 0.35 from 0.34. The effective rate increased to 3.24 percent.

Jumbo 30-year FRM, loans with balances exceeding the conforming limit, had an average rate of 3.20 percent compared to 3.14 percent the week before. Points dropped to 0.27 from 0.33 and the effective rate rose to 3.28 percent.

The average rate for 30-year FRM backed by the FHA increased to 3.12 percent with 0.31 point from 3.09 percent 0.25 point. The effective rate was 3.21 percent.

Fifteen year FRM rates rose an average of 2 basis points to 2.45 percent. Points decreased to 0.24 from 0.29 and the effective rate increased to 2.51 percent.

The average contract interest rate for 5/1 adjustable rate mortgages (ARMs) decreased to 2.54 percent from 2.77 percent, with points unchanged at 0.16. The effective rate decreased to 2.59 percent. ARMs had a 3.4 percent share of total applications, unchanged from the prior week.

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

EQUAL HOUSING LENDER

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.

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 puts the percentage of all mortgage loans remaining in forbearance at 2.96 percent during the week ended September 26. This is a 7 basis point reduction from the previous week. According to MBA's estimate, 1.4 million homeowners are in forbearance plans with 12.4 percent in the initial forbearance plan stage, while 78.7 percent are in a forbearance extension and 8.9 percent have re-entered the program.

The share of Fannie Mae and Freddie Mac loans in forbearance decreased 6 basis points to 1.38 percent of the combined portfolios. Ginnie Mae (VA and FHA) loans declined 7 basis points to 3.35 percent, and the forbearance share for portfolio loans and private-label securities (PLS) dropped 14 basis points to 6.77 percent. The percentage of loans in forbearance serviced by independent mortgage bank (IMB) servicers decreased 5 basis points from the previous week to 3.19 percent and there was a 13 basis point decline in forborne loans in depository servicers' portfolios to 2.93 percent.

"The share of loans in forbearance declined at a faster rate last week, dropping by 7 basis points, as exits increased and new requests and re-entries declined," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "While 1.4 million homeowners remained in forbearance as of September 26th, **this number is expected to drop sharply over the next few weeks** as many are reaching the 18-month expiration point of their forbearance terms. Most borrowers exiting forbearance through a workout are opting for a deferral plan, which allows them to resume their original payment, while moving the forborne amount to the end of the loan."

Added Fratantoni, "Although call volume dropped in the last week of September, we expect that servicers will be very busy through October."

MBA's latest Forbearance and Call Volume Survey covers the period from September 20 through September 26, 2021 and represents 74 percent of the 38 million loan first-mortgage servicing market.

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.