HOUSING CONNECTION

Mortgage and Real Estate News That Matters

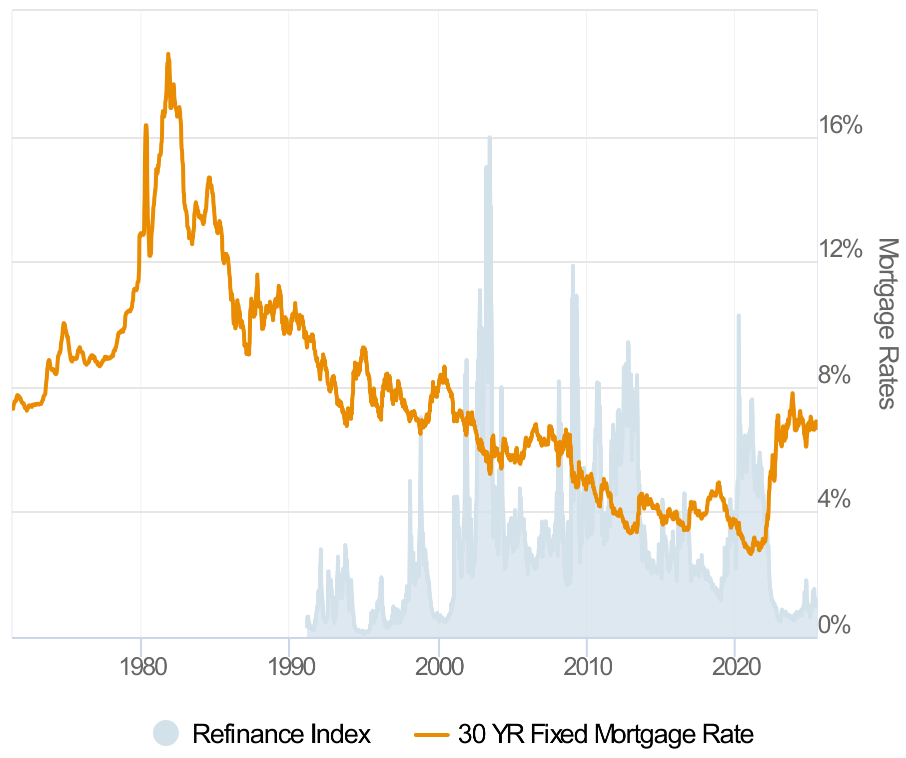
Mortgage Application Volume Barely Budges

The volume of mortgage applications ticked up last week for the first time in three weeks, but an uptick was the extent of it. The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of that volume, increased 0.2 percent on a seasonally adjusted basis from one week earlier and was 0.4 percent higher on an unadjusted basis. Over the previous two weeks the index had lost an aggregate of 8.0 percent.

The Refinance Index decreased 1 percent from the prior week and was 16 percent lower than the same week one year ago. The refinance share of mortgage activity decreased to 63.9 percent of total applications from 64.5 percent.

The Purchase Index gained 2 percent week over week on both an adjusted and an unadjusted basis. It was down 10 percent compared to the same week in 2020.

Refi Index vs 30yr Fixed



Purchase Index vs 30yr Fixed

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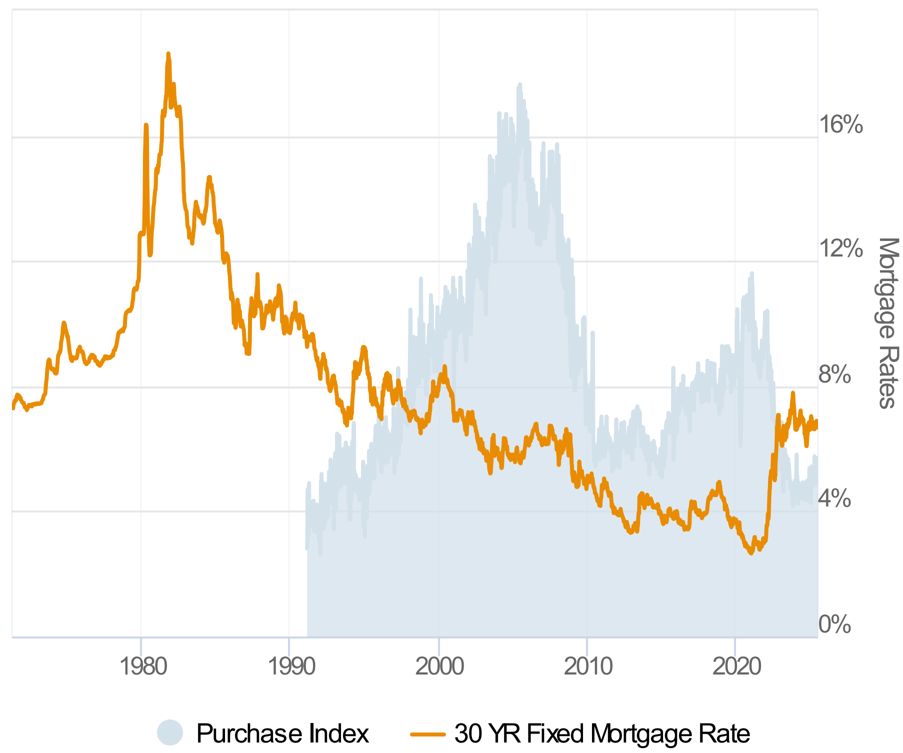

"Mortgage rates reached their highest level since June 2021, but **application activity changed little this week.** An increase in home purchase applications offset a slight decline in refinances," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "The increase in purchase applications was welcome news, but was primarily driven by a 2 percent gain in conventional purchase applications, which kept the average loan size elevated."

Added Kan, "The 30-year fixed rate reached 3.18 percent last week and has risen 15 basis points over the past month, resulting in an 11 percent drop in refinance applications during this time. Government refinance applications fell over 3 percent last week, driven by a decline in FHA refinances and an 8-basis point increase in the average FHA mortgage rate. We continue to expect weakening refinance activity as rates move higher and borrowers see less of a rate incentive."

The FHA share of total applications decreased to 10.2 percent from 10.5 percent the previous week and the VA and USDA shares dipped 0.1 point to 10.2 percent and 0.4 percent, respectively. The average size of a loan was $341,400, up slightly from $338,900 a week earlier while the average size of a purchase mortgage fell by $1,100 to $409,400.

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 3.18 percent from 3.14 percent, with points rising to 0.37 from 0.35. The effective rate was 3.29 percent.

The rate for jumbo 30-year FRM, loans with balances greater than the conforming limit, was 2 basis points higher at an average of 3.22 percent. Points increased to 0.29 from 0.27 and the effective rate was 3.30 percent.

Thirty-year FRM backed by the FHA had a rate of 3.20 percent, an 8 basis point increase. Points were unchanged at.0.31 and the effective rate grew to 3.29 percent

The average contract interest rate for 15-year fixed-rate mortgages was 2.48 percent with 0.29 point. The prior week the rate was 2.45 percent with 0.24 point. The effective rate was 2.56 percent.

The average contract interest rate for 5/1 adjustable rate mortgages (ARMs) jumped from 2.54 percent to 3.08 percent, with points increasing to 0.26 from 0.16. The effective rate was 3.17 percent. The ARM share of activity was unchanged at 3.4 percent.

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 reports a 27 basis point decline in the percentage of loans in forbearance. As of October 3, the survey found **2.62 percent of active mortgages in forbearance plans, representing 1.3 million homeowners.** Of these loans, 13.3 percent were in the initial forbearance plan stage, 77.5 percent were in a forbearance extension, and 9.2 percent are forbearance re-entries.

The share of Fannie Mae and Freddie Mac loans in forbearance decreased 17 basis points to 1.21 percent. The share of Ginnie Mae (FHA and VA) loans dropped 41 basis points to 2.94 percent, and the forbearance share for portfolio loans and private-label securities (PLS) declined 35 basis points to 6.42 percent. The percentage of forborne loans serviced by independent mortgage bank (IMB) servicers was down 37 basis points relative to the prior week to 2.82 percent, and the percentage of loans in forbearance for depository servicers decreased 24 basis points to 2.69 percent.

"Many borrowers reached the expiration of their forbearance term as we entered October. The pace of exits climbed to the fastest pace in over a year, and the share of loans in forbearance declined at the fastest rate since last October, dropping by 27 basis points. The decline was the largest for Ginnie Mae and portfolio/PLS loans," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "Payment performance has remained steady for those who have exited forbearance and into a workout since 2020, with more than 85 percent of those borrowers current as of October. It also continues to be striking that so many homeowners in forbearance have continued to make their payments. Almost 16 percent of borrowers in forbearance as of October 3rd were current."

Added Fratantoni, "Job growth was weaker than expected in September, reflecting the challenges from the Delta variant, ongoing supply-chain issues, and the resulting slowdowns in workplace and school re-openings. However, the drop in the unemployment rate, rising wages, and **abundant job openings will continue to help support the housing market**, including helping borrowers exit forbearance successfully in the weeks ahead."

MBA's latest Forbearance and Call Volume Survey covers the period from September 27 through October 3 and represents 73 percent of the first-mortgage servicing market of 36.5 million loans.