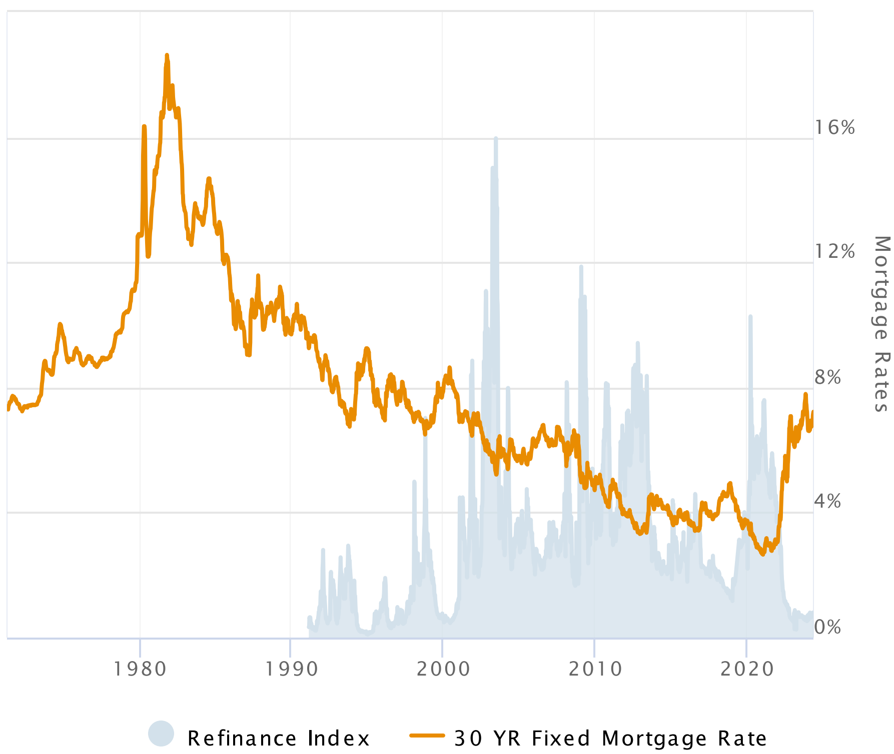
HOUSING CONNECTION

Mortgage and Real Estate News That Matters

Mortgage Application Volume Remains at 22-year Low

The Mortgage Bankers Association, (MBA) says its Weekly Mortgage Application Survey for the week ended August 19 shows the volume of mortgage applications slipping another notch. MBA's Market Composite Index decreased 1.2 percent on a seasonally adjusted basis from one week earlier and 3 percent on an unadjusted basis.

The **Refinance Index decreased 3 percent** from the previous week and was 83 percent lower than the same week one year ago. The refinance share of total applications was 31.1 percent compared to 31.2 percent the previous week.



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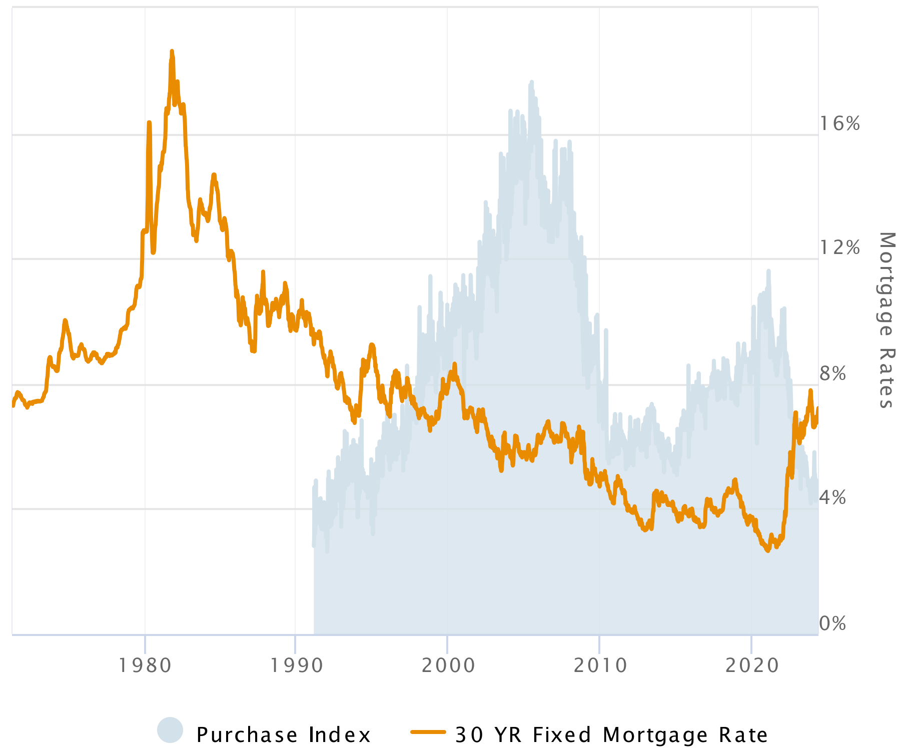
The seasonally adjusted **Purchase Index lost 1 percent** and the unadjusted version declined 2 percent from the prior week. Purchase volume was down 21 percent year-over-year.



"Mortgage applications continued to remain at a 22-year low, **held down by significantly reduced refinancing demand and weak home purchase activity**" according to Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Last week's purchase results varied, with conventional applications declining 2 percent and government applications increasing 4 percent, which is potentially a sign of more first-time homebuyer activity.

"The average purchase loan size continued to trend lower, as purchase activity at the high end of the market is weakening," Kan said. "Mortgage rates increased for all loan types last week, with the benchmark 30-year fixed rate jumping 20 basis points to 5.65 percent – the highest in nearly a month. **The spread between conforming fixed-rate loans and ARM loans narrowed to 84 basis points from over 100 basis points the prior week.** This movement made fixed rate loans relatively more attractive than ARMs, thereby reducing the ARM share further from highs seen earlier this year."

Other highlights from MBA's weekly report:

- The FHA share of total applications grew to 12.5 percent from 12.0 percent and the VA share rose to 11.6 percent from 11.2 percent. USDA's share ticked up to 0.7 percent from 0.6 percent the week prior.
- The average loan size dipped to $363,700 from $367,400 while purchase loans averaged $406,400, down from $410,900. Purchase loan size has decreased steadily since mid-March when it peaked over $460,000.
- The 20-basis point jump in the conforming 30-year fixed-rate mortgages (FRM) rate noted by Kan was accompanied by an increase in points from 0.57 to 0.68.
- The rate for jumbo 30-year FRM rose 14 basis points to 5.28 percent. Points moved to 0.58 from 0.33.
- Thirty-year FRM guaranteed by FHA had an average rate of 5.43 percent compared to 5.38 percent the prior week. Points increased to 1.10 from 1.01.
- The share of adjustable-rate mortgage (ARM) applications slipped to 6.5 percent of the total from 7.0 percent a week earlier with the surge in short term rates noted above. The 5/1 ARM rate averaged 4.81 percent, up from 4.43 percent and points jumped to 0.74 from 0.43.