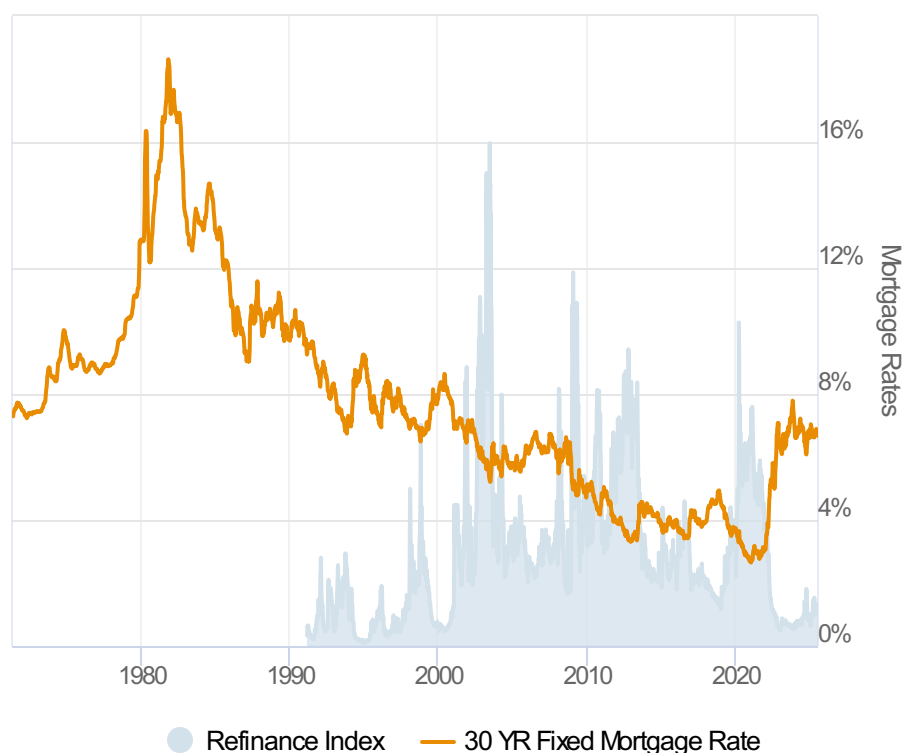




Rate Volatility Continues to Roil Application Volume

The volume of mortgage applications fell again last week, dragged lower by refinancing which had its largest week-over-week decline since mid-May. The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of that volume, decreased 3.7 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index fell 5 percent.

The Refinance Index plunged by 8 percent and was 83 percent lower than the same week one year ago. The refinance share of mortgage activity decreased to 30.3 percent of total applications from 31.1 percent the previous week.



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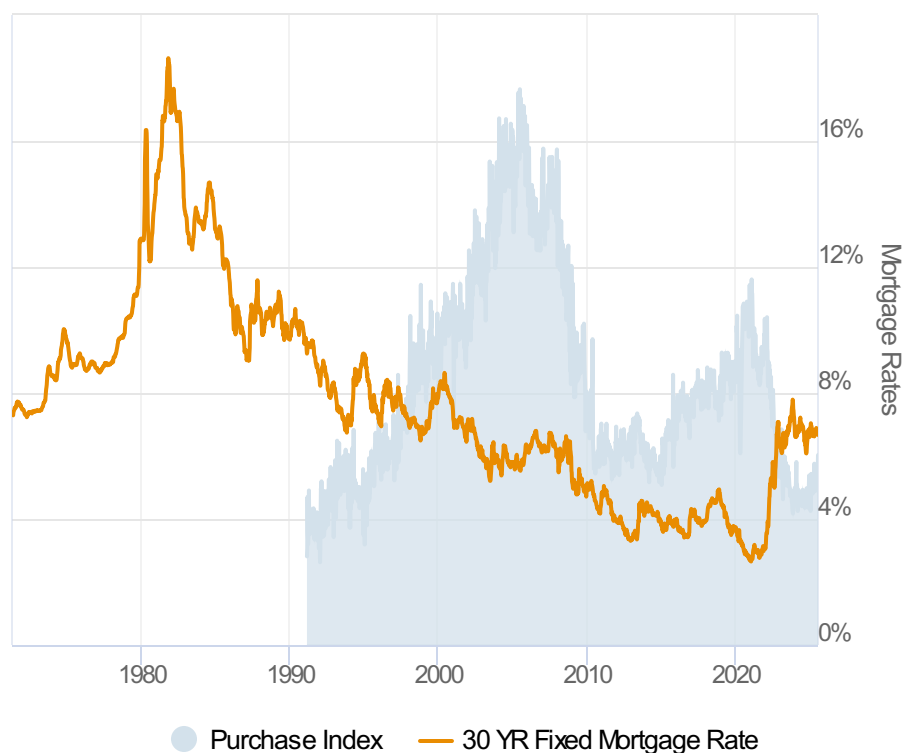
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The seasonally adjusted **Purchase Index** decreased 2 percent and the **unadjusted version** was down 4 percent from the prior week. That index was 23 percent below its level during the same week in 2021.



Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting, said rate volatility is responsible for the volume declines. "Mortgage rates and Treasury yields rose last week as Federal Reserve officials indicated that short-term rates would stay higher for longer.

"Mortgage rates have been volatile over the past month," he said, "**bouncing between 5.4 percent and 5.8 percent**. In another sign that market volatility has picked up, the average rate on a jumbo loan was 5.32 percent, 48 basis points lower than for a conforming loan. This spread reached a high of over 50 basis points in July – and had narrowed – before now widening again."

Added Kan, "Application volume dropped and remained at a multi-decade low last week, led by an 8 percent decline in refinance applications, which now make up only 30 percent of all applications. Purchase applications have declined in eight of the last nine weeks, as demand continues to shrink due to higher rates and a weaker economic outlook. However, **rising inventories and slower home-price growth could potentially bring some buyers back** into the market later this year."

Other findings from MBA's Weekly Mortgage Applications Survey for the week ended August 26:

- The FHA share of total applications increased to 13.0 percent from 12.5 percent while the VA share slipped to 11.1 percent from 11.6 percent and the USDA share dropped back to 0.6 percent from 0.7 percent the previous week.
- Loan sizes increased for the first time in three weeks. The size of all loans rose from \$363,700 to \$368,900 and purchase loans grew from \$406,400 to \$409,100.
- The rate for 30-year fixed-rate mortgages (FRM) increased for the second week in a row, rising to 5.80 percent from 5.65 percent, its highest level since mid-July. Points rose to 0.71 from 0.68.
- The rate for jumbo 30-year FRM increased to 5.32 percent from 5.28 percent, with points decreasing to 0.48 from 0.58.
- Thirty-year FRM with FHA backing had a contract rate of 5.57 percent with 1.09 point. The prior week the rate was 5.43 percent with 1.10 point.
- The average contract interest rate for 5/1 adjustable-rate mortgages (ARMs) decreased to 4.78 percent from 4.81 percent with points decreasing to 0.61 from 0.74.
- The ARM share jumped 2 percentage points to 8.5 percent of total applications.

