



Application Volume Plunges to 25 Year Low

There were two storms brewing last week and each contributed to driving mortgage applications to generational lows. The Mortgage Bankers Association (MBA) said the continuing rise in interest rates and the devastating hurricane that hit Florida and the Carolina's contributed to a double-digit decline in its indices that measure mortgage application volume. The Market Composite Index for the week ended September 30 was down 14.2 percent on a seasonally adjusted basis from one week earlier and 14 percent before adjustment.

The Refinance Index fell 18 percent from the previous week and was 86 percent lower than the same week one year ago. The refinance share of mortgage activity dipped to 29.0 percent from 30.2 percent the previous week.

The Purchase Index dropped by 13 percent week-over-week on both an adjusted and an unadjusted basis. It was down 37 percent from the same week in 2021.

MBA's Associate Vice President of Economic and Industry Forecasting, Joel Kan said, "Mortgage rates continued to climb last week, causing another pullback in overall application activity, which dropped to its slowest pace since 1997. The 30-year fixed rate hit 6.75 percent last week – the highest rate since 2006. The current rate has more than doubled over the past year and has increased 130 basis points in the past seven weeks alone. The steep increase in rates continued to halt refinance activity and is also impacting purchase applications, which have fallen 37 percent behind last year's pace. Additionally, the spreads between the conforming rate compared to jumbo loans widened again, and we saw the ARM share rise further to almost 12 percent of applications."

Added Kan, "There was also an impact from Hurricane Ian's arrival in Florida last week, which prompted widespread closings and evacuations. Applications in Florida fell 31 percent, compared to 14 percent overall, on a non-seasonally adjusted basis."

There were other highlights from MBA's Weekly Mortgage Application Survey.

- The size of loans declined for both purchases and refinancing. The former fell from \$411,700 to \$406,200 and the latter from \$369,400 to \$364,800.
- The FHA share of total applications increased to 13.2 percent from 12.5 percent the prior week while the VA and USDA shares were unchanged at 10.7 and 0.6 percent, respectively.
- The 6.75 percent average contract interest rate for conforming 30-year fixed-rate mortgages (FRM) was up 13 basis points week-over-week. Points decreased to 0.95 from 1.15.
- The rate for jumbo 30-year FRM was 6.14 percent, up from 6.01 percent the prior week. Points rose to 0.79 from 0.70.
- Thirty-year FHA-backed FRM had a rate of 6.60 percent with 1.51 point. The prior week's rate was 6.17 percent with 1.31 point.
- The average rate for 15-year fixed-rate mortgages increased to 5.96 percent from 5.70 percent, with points decreasing to 1.08 from 1.33.
- The rate for 5/1 adjustable-rate mortgages (ARMs) increased to 5.36 percent from 5.30 percent, with points decreasing to 1.02 from 1.28.
- The adjustable-rate mortgage (ARM) share of activity increased to 11.8 percent of total



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applications from 10.4 percent a week earlier.