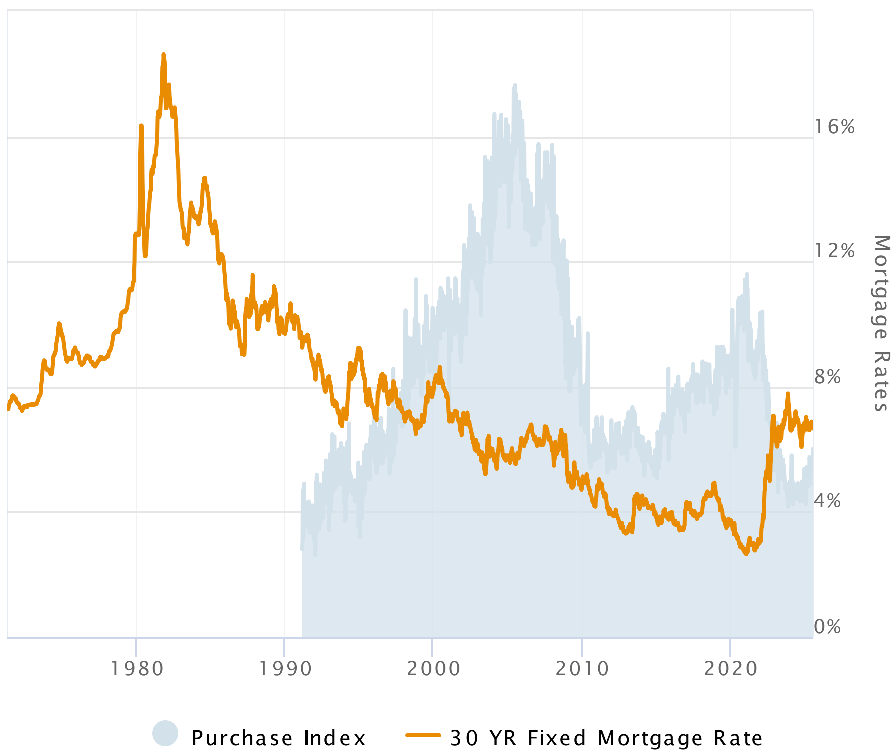
Application Volume Rose in Wake of Bank Turmoil, Falling Rates

Mortgage application volume increased for a second straight week as investors fled to the safety of government-guaranteed securities in the wake of three bank failures, and fears of depositor runs on several large regional banks.

The Mortgage Bankers Association (MBA) said its Market Composite Index, a gauge of loan application volume, rose 6.3 percent on a seasonally adjusted basis during the week ended March 10. The index was 7 percent higher before adjustment.

Joel Kan, MBA's Vice President and Deputy Chief Economist said, "Treasury yields declined late last week, as market concerns over bank closures and the potential for broader ripple effects triggered a flight to safety in Treasury bonds. This decline pushed mortgage rates for all loan types lower, with the 30-year fixed rate decreasing to 6.71 percent, Home-purchase applications increased for the second straight week but remained almost 40 percent below last year's pace. While lower rates should buoy housing demand, the financial market volatility may cause buyers to pause their decisions."



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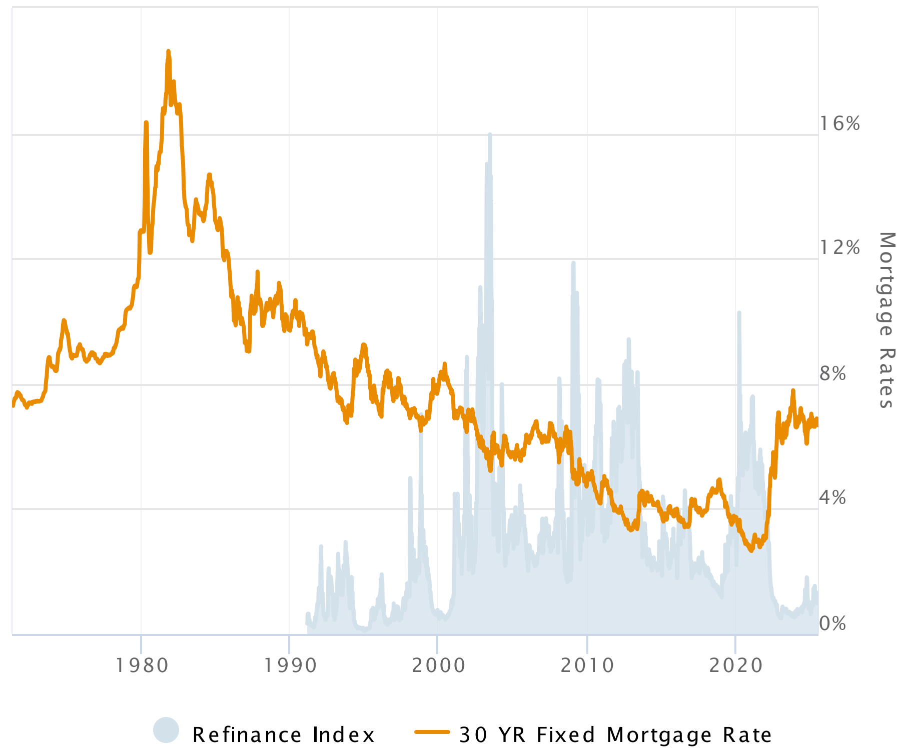
The Refinance Index increased 5 percent from the previous week but was 74 percent lower than the same week one year ago. The refinance share of total applications decreased to 28.2 percent s from 28.9 percent the previous week.



Kan noted that, while refinance activity was still well below that of a year earlier when it held a 48 percent market share, and rates are still more than 2 points higher, the dip did bring some borrowers back, as evidenced by the 5 percent increase in refinance applications last week.

The seasonally adjusted Purchase Index rose 7 percent week-over-week and was up 8 percent on a non-adjusted basis. It was 38 percent lower on an annual basis.

Additional Highlights from MBA's Weekly Mortgage Applications Survey

- The average loan size rose from $379,200 to $382,000. Purchase loan sizes increased by more than $5,000 to $430,800.
- The FHA share of total applications ticked up to 12.9 percent from 12.8 percent and the VA share decreased to 11.9 percent from 12.0 percent. The USDA share held constant at 0.5 percent.
- The 6.71 percent average rate for 30-year fixed-rate mortgages (FRM) with conforming loan balances was 8 basis points below the rate a week earlier. Points averaged 0.79, down from 0.80.
- Jumbo 30-year FRM had an average rate of 6.39 percent, a decline of 10 basis points. Points increased to 0.61 from 0.59.
- Bucking the trend, the rate for 30-year FRM with FHA backing rose, up 2 basis points to 6.58 although points did dip to 1.20 from 1.21.
- The average contract interest rate for 15-year FRM decreased to 6.14 percent with 0.77 point from 6.25 percent and 1.01 points.
- The rate for 5/1 adjustable-rate mortgages (ARMs) decreased to 5.69 percent from 5.75 percent. Points fell to 0.87 from 0.95. The adjustable-rate mortgage (ARM)BA share of activity decreased fractionally, to 8.5 percent of total applications.