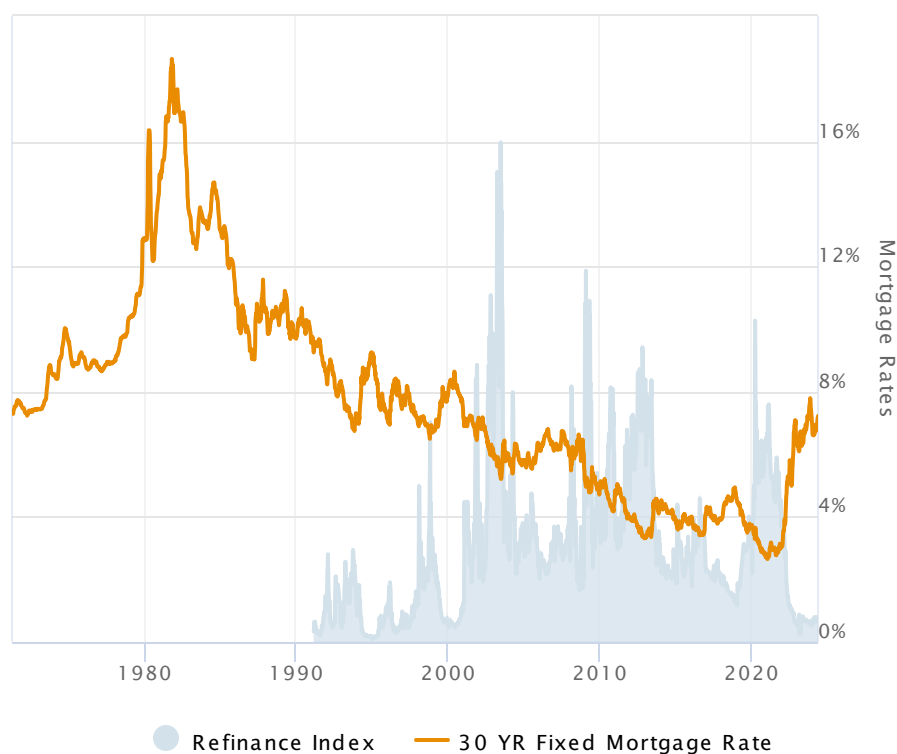




Mortgage Application Volume Deflated by Rising Rates

The volume of mortgage applications, which had risen by more than 6 percent the prior week lost nearly all those gains during the week ended May 12. The Mortgage Bankers Association said its Market Composite Index **decreased 5.7 percent** on a seasonally adjusted basis from one week earlier and 6 percent on an unadjusted basis.

The Refinance Index decreased 8 percent from the previous week and was 43 percent lower than the same week one year ago. Refinancing applications accounted for 27.4 percent of the total compared to 28.0 percent the previous week.



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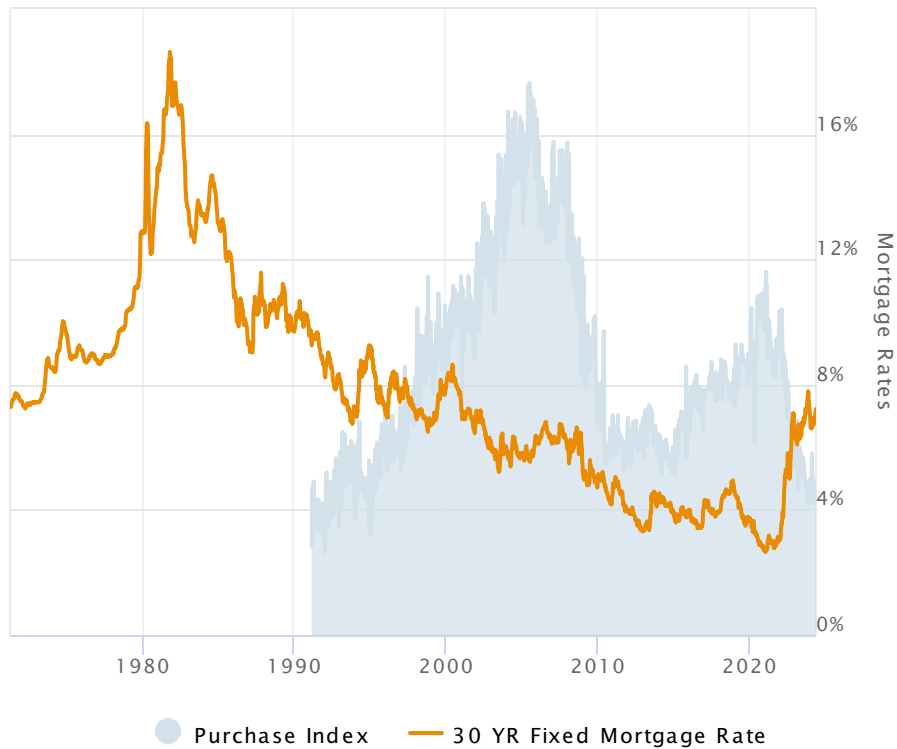
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The seasonally adjusted **Purchase Index** was **4.8 percent lower than the previous week** and 5 percent lower on an unadjusted basis. Purchase applications were down 26 percent year-over-year.



“Mortgage rates increased last week even as Treasury yields were essentially flat, with the spread between the two rates widening to 310 basis points,” Joel Kan, MBA’s Vice President and Deputy Chief Economist said. “Mortgage application activity slowed, as most mortgage rates in the survey increased, with the 30-year fixed rate jumping nine basis points to its highest level in two months at 6.57 percent.”

“Purchase applications decreased 5 percent to its slowest pace in a month, as buyers remain wary of this rate volatility, but also as for-sale inventory in many parts of the country remains scarce.

Kan added, “Refinance applications accounted for 27 percent of all applications and dropped almost 8 percent last week. Most borrowers have lower rates on their mortgages, **and those who are in the market are extremely rate sensitive.**”

Other Highlights from MBA’s Weekly Mortgage Application Survey

- The average size of mortgage loans decreased more than \$4,000 from the previous week to \$391,300. Purchase loans were slightly lower at \$440,400.
- The FHA share of applications was essentially unchanged at 12.0 percent and the VA share decreased to 12.2 percent from 12.9. USDA applications accounted for 0.4 percent of the total.
- While the average rate for conforming 30-year fixed-rate mortgages (FRM) jumped to 6.57 percent, points were unchanged at 0.61.
- The average rate for jumbo 30-year FRM increased to 6.46 percent from 6.33 percent, with points decreasing to 0.38 from 0.51.
- The rate for FHA-backed 30-year FRM moved lower, from 6.41 percent with 101 points to 6.39 percent with 0.97 point.
- Fifteen-year FRM had an average rate of 5.96 percent, 5 basis points higher than the prior week. Points increased to 0.68 from 0.58.
- The average 5/1 adjustable mortgage rate jumped to 5.71 percent from 5.35 percent and points increased to 1.1 from 0.79.
- The ARM share of activity decreased to 6.5 percent of total applications from a 6.8 percent share.

