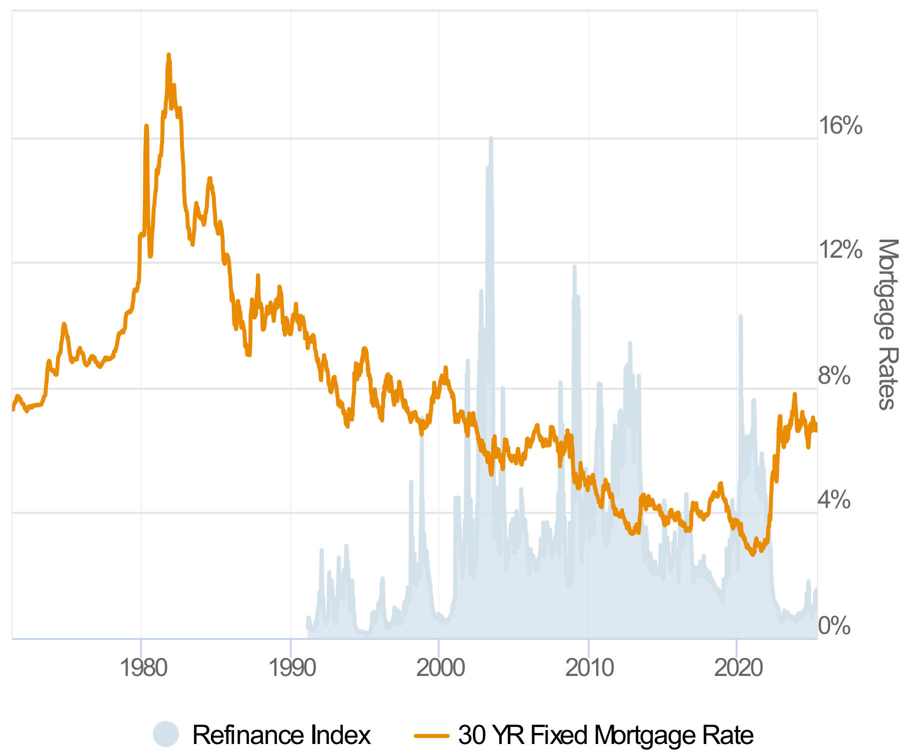
Mortgage Applications Decrease Again, Volatile Rates, Stagnant Inventories

The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of mortgage loan application volume, decreased 4.6 percent on a seasonally adjusted basis during the week ended May 19 and was 5 percent lower than the previous week on an unadjusted basis. It was the **second consecutive weekly decline.**

The **Refinance Index was down 5 percent** and was 44 percent lower than the same week one year ago. The refinance share of applications was unchanged at 27.4 percent.



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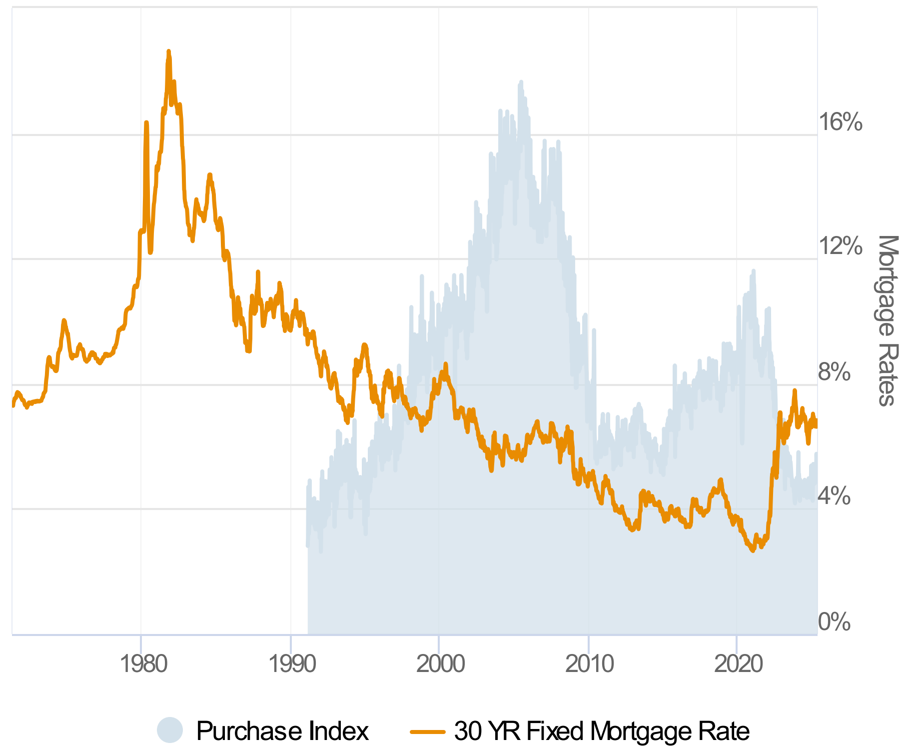
The seasonally adjusted **Purchase Index fell 4 percent**. The unadjusted version was 5 percent lower week-over-week and 30 percent lower on an annual basis.



"**Mortgage applications declined almost five percent last week as borrowers remained sensitive to higher rates**. The 30-year fixed rate increased to 6.69 percent, the highest level since March," said Joel Kan, MBA's Vice President and Deputy Chief Economist. "Since rates have been so volatile and for-sale inventory still scarce, we have yet to see sustained growth in purchase applications. Refinance activity remains limited, with the refinance index falling to its lowest level in two months and more than 40 percent below last year's pace."

Kan added, "Investors remained attuned to the uncertainty around the U.S. debt ceiling and communication from several Federal Reserve officials last week, which sent Treasury yields higher, along with mortgage rates. Economic data released over the past week have also pointed to a still-resilient economy. The housing market received **positive data on new residential construction – which is seen as a key solution** to the lack of housing inventory."

Other Highlights from MBA's Weekly Mortgage Applications Survey

- Loan sizes grew by around $2000 compared to the prior week. Purchase loans averaged $442,000 and the overall average was $393,600.
- The FHA share of total applications increased to 12.5 percent from 12.0 percent and the VA share ticked up to 12.5 percent from 12.2 percent. USDA applications accounted for 0.5 percent of the total.
- The average 6.69 percent contract interest rate for conforming 30-year fixed-rate mortgages (FRM) was 12 basis points higher than the previous week. Points increased to 0.66 from 0.61.
- The rate for jumbo 30-year FRM rose to 6.57 percent from 6.46 percent, with points increasing to 0.57 from 0.38.
- FHA-backed 30-year FRM had an average rate of 6.56 percent with 1.24 points. The prior week the rate was 6.39 percent, with 0.97 point.
- The rate for 15-year FRM increased by 19 basis points to 6.15 percent. Points averaged 0.72, up from 0.68.
- The average contract interest rate for 5/1 adjustable-rate mortgages (ARMs) was 2 basis points higher at 5.73 percent, with points increasing to 1.19 from 1.10.
- The ARM share of activity increased to 6.7 percent from 6.5 percent.