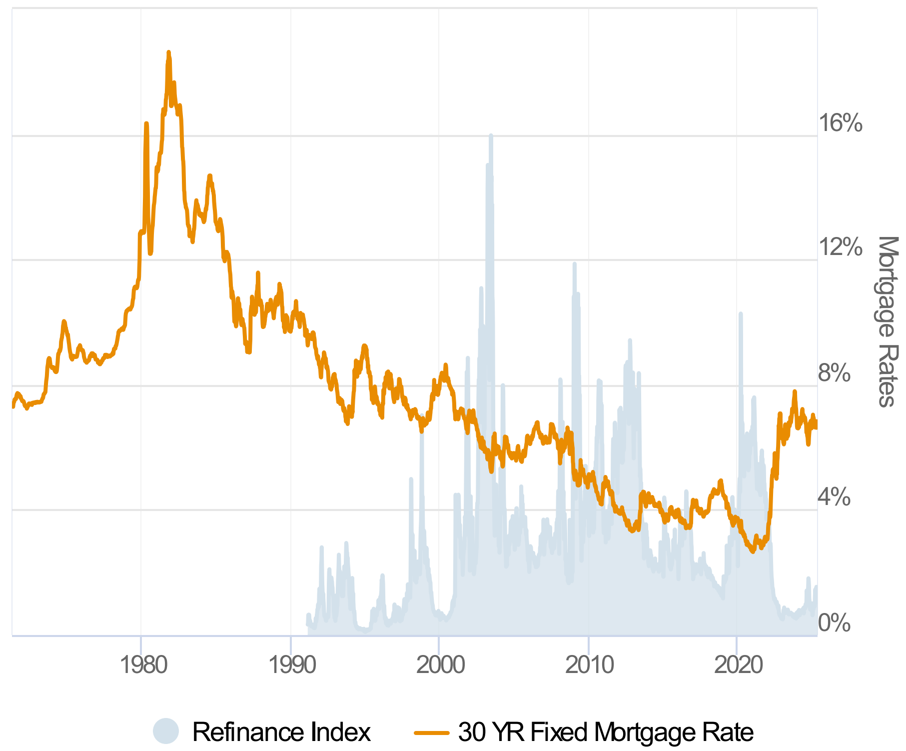
HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Mortgage Application Volume Struggling With Higher Rates

Mortgage interest rates rose again last week, reaching the highest level in nearly a quarter century and further sidelining mortgage borrowers. The Mortgage Bankers Association (MBA) reported that its Market Composite Index, a measure of loan application volume, **declined 4.2 percent on a seasonally adjusted basis from one week earlier and was 6 percent lower before adjustment.**

The Refinance Index decreased 3 percent from the previous week and was 35 percent lower than the same week one year ago although the refinance share of mortgage activity ticked up to 29.5 percent from 28.6 percent a week earlier.



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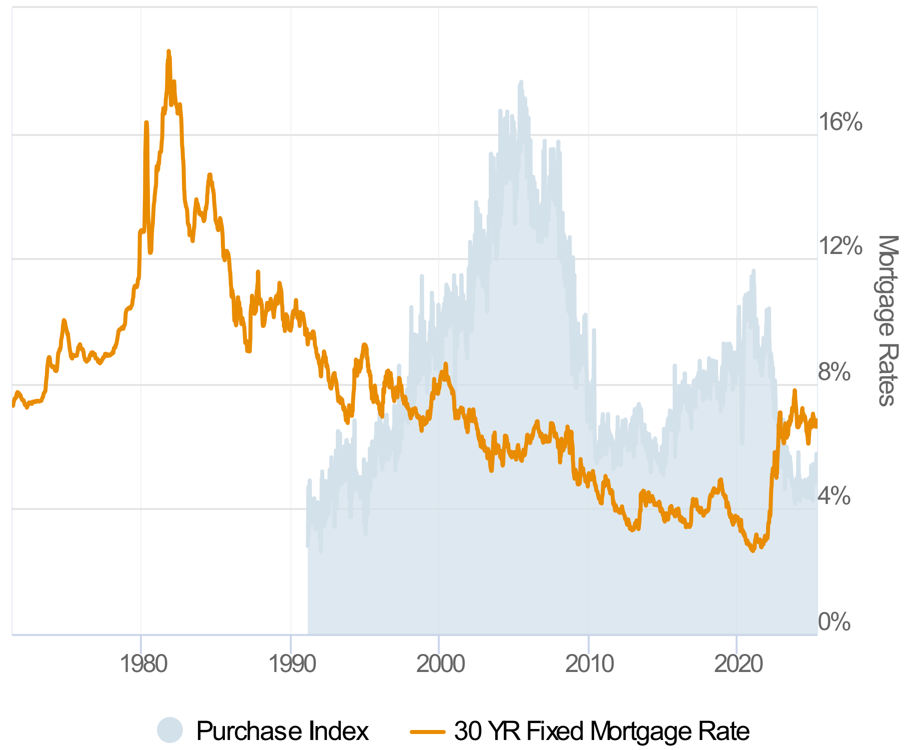
The seasonally adjusted **Purchase Index was down 5 percent** and the unadjusted version lost 7 percent compared with the previous week. Purchase applications were 30 percent lower than the same week one year ago.



"Treasury yields continued to spike last week as markets grappled with illiquidity and concerns that the resilient economy will keep inflation stubbornly high. This spike pushed mortgage rates higher last week, with the 30-year fixed rate increasing to 7.31 percent – **the highest level since December 2000**," said Joel Kan, MBA's Vice President and Deputy Chief Economist. "Applications for home purchase mortgages dropped to their lowest level since April 1995, as homebuyers withdrew from the market due to the elevated rate environment and the erosion of purchasing power. **Low housing supply is also keeping home prices high** in many markets, adding to the affordability hurdles buyers are facing."

Kan added, "The ARM share of applications increased to 7.6 percent, the highest level in five months, and the number of ARM applications picked up by 4 percent last week. Some homebuyers are looking to lower their monthly payments by accepting some interest rate risk after the initial fixed period."

Other Data Gathered from MBA's Weekly Mortgage Applications Survey

- Loan sizes, an indication of home price trends, continued to fall. The average loan size declined to $362,600 from $369,900 the prior week while the average size of loans for home purchase retreated to $407,700 from $417,200.
- The FHA share of total applications increased to 14.3 percent from 13.8 percent and the VA share fell to 11.6 percent from 11.8 percent. The USDA share of total applications increased to 0.5 percent from 0.4 percent the week prior.
- The 7.31 percent rate for conforming 30-year fixed-rate mortgages (FRM) was a 15-basis point increase from the previous week. Points moved to 0.78 from 0.68.
- The rate for jumbo 30-year FRM increased to 7.27 percent from 7.11 percent, with points increasing to 0.84 from 0.55.
- Thirty-year FRM backed by the FHA had an average rate of 7.09 percent, up from 6.93 percent, with points increasing to 1.20 from 1.17 percent.
- The rate for 15-year FRM increased by 15 basis points to 6.72 percent with points increasing to.1.06 from 0. 94.
- The adjustable-rate mortgage (ARM) share of application activity grew to 7.6 percent from 7.0 percent despite a 30-basis point increase in the average rate to 6.50 percent. Points dropped to 1.03 from 1.45.