

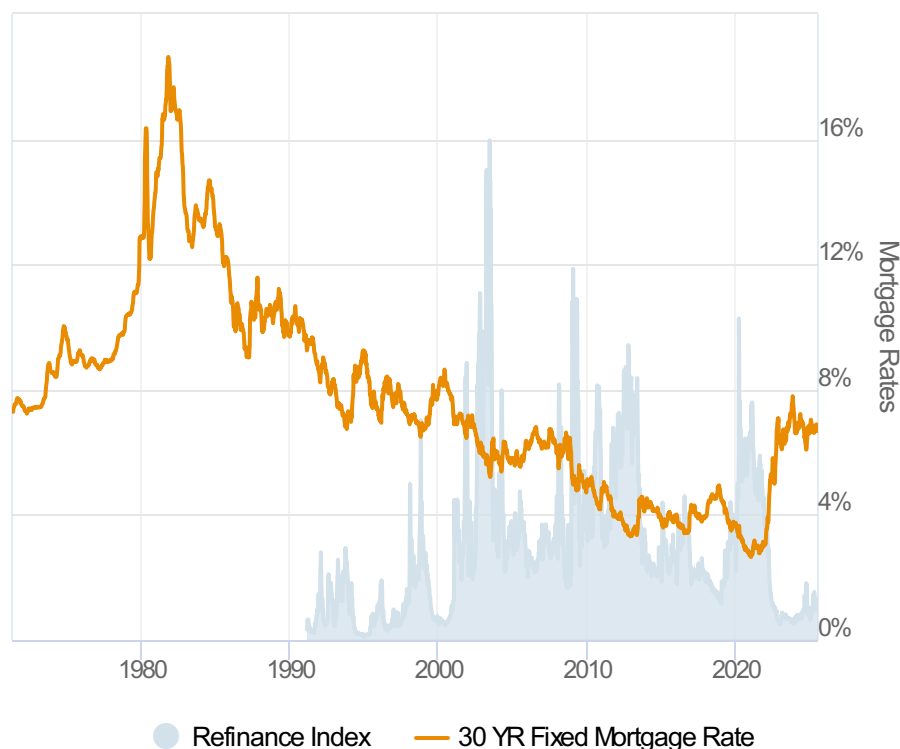


Rates Drive Increase in ARM Application Volume

A reduction in adjustable mortgage rates led some cost-stressed borrowers to forsake fixed-rate security and drove mortgage application volume up slightly during the week ended October 6.

The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of that volume, increased 0.6 percent on a seasonally adjusted basis after a 6.0 percent drop a week earlier. On an unadjusted basis, the Index increased 1.0 percent.

The Refinance Index rose 0.3 percent compared to the prior week and was 9.0 percent lower than the same week one year ago. The refinance share of mortgage activity dipped to 31.6 percent of total applications from 31.7 percent.



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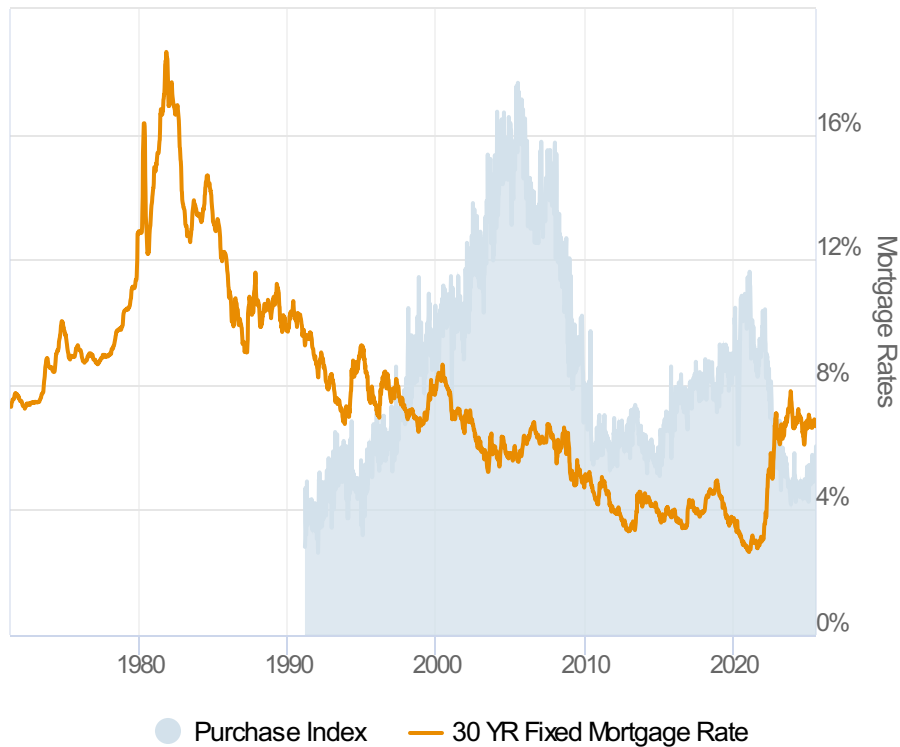
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The Purchase Index was 1 percent higher than a week earlier on both a seasonally adjusted and an unadjusted basis. It was 19 percent below its level during the same week in 2023.



“While most mortgage rates increased last week, rates on ARMs declined, leading to an increase in ARM volume and an increase in overall applications. **The level of ARM applications increased by 15 percent over the week, bringing the ARM share up to 9.2 percent of all applications**, the highest share since November 2022. The yield curve has become less inverted in recent weeks and ARM pricing has certainly improved,” said Joel Kan, MBA’s Vice President and Deputy Chief Economist. “The 30-year fixed mortgage rate is at 7.67 percent – the highest level since 2000 and 40 basis points higher than a month ago. Application activity remains depressed and close to multi-decade lows, with purchase applications still almost 20 percent behind last year’s pace. Refinance applications also continue to be limited, and the average loan size has fallen to its lowest level since 2017.”

Other data from MBA’s Weekly Mortgage Application Survey

- While loan sizes remain low, they did increase for the first time in four weeks. The average size rose \$1,500 to \$365,900 while purchase loans increased from \$46,200 to \$421,600.
- The FHA share of total applications decreased to 14.4 percent from 14.5 percent and the VA share ticked up to 10.2 percent from 10.1 percent. USDA loans maintained a 0.5 percent share.
- The 7.67 percent average contract interest rate for conforming 30-year fixed-rate mortgages (FRM) was up from 7.53 percent the prior week. Points declined to 0.75 from 0.80.
- The rate for jumbo 30-year FRM increased to 7.70 percent from 7.51 percent, with points decreasing to 0.57 from 0.74.
- Thirty-year FRM backed by the FHA had a rate of 7.40 percent with 1.08 points. The prior week the rate was 7.29 percent, with 1.01 points.
- The rate for 15-year FRM increased by 11 basis points to 6.97 percent. Points averaged 1.18 compared to 1.14.
- The average contract interest rate for 5/1 ARMs fell to 6.33 percent from 6.49 percent, with points decreasing to 0.90 from 1.21.