Rates, Construction Stats Showing Hopeful Signs for New Year

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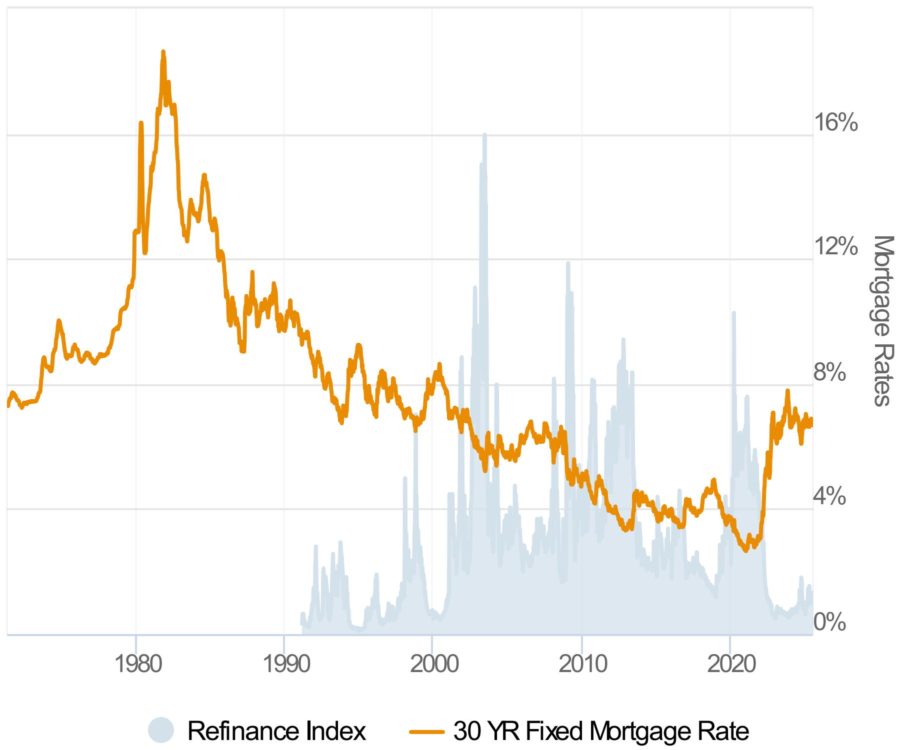
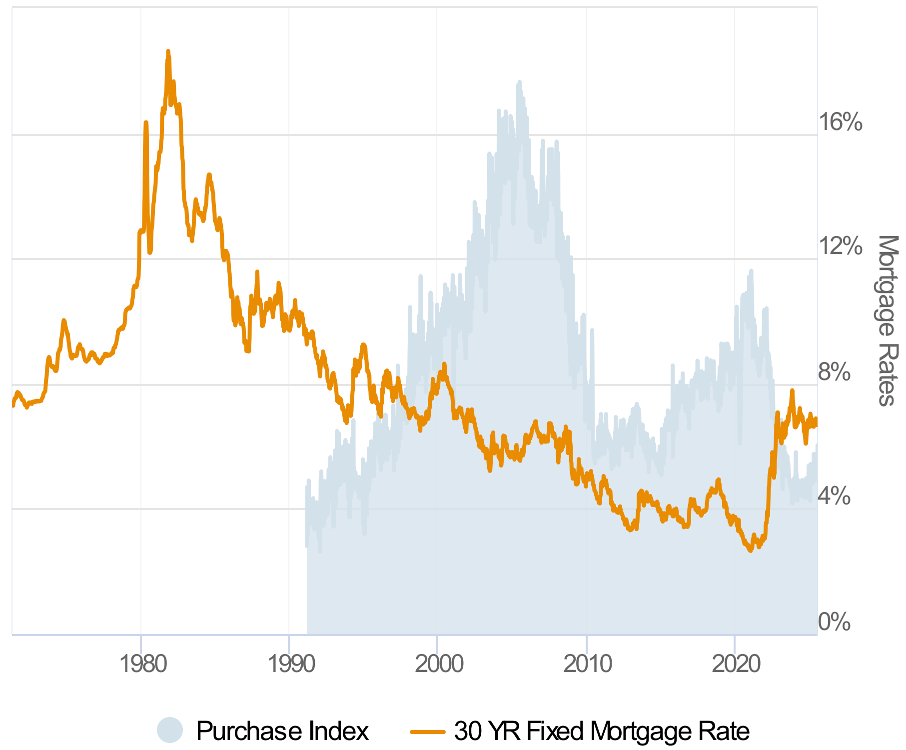
Mortgage activity took the usual hit over the last two weeks as the country celebrated a variety of religious and secular holidays. The Mortgage Brokers Association (MBA) was closed during Christmas Week, so this morning's report encapsulates the **December 18 to December 29** period.

MBA said its Market Composite Index, a measure of mortgage loan application volume, declined 9.4 percent on a seasonally adjusted basis compared to two weeks earlier. On an unadjusted basis, the Index decreased 38 percent.

The unadjusted **Refinance Index fell 43 percent** below its prior reported level but was 15 percent higher than the same week one year ago. The refinance share of mortgage activity accounted for 36.3 percent of total applications. The previously reported share was 39.4 percent.



The seasonally adjusted **Purchase Index declined by 5 percent** over the holiday period while the unadjusted Purchase Index fell 34 percent. The Index was down by 12 percent year-over-year.



Loan sizes, somewhat of a proxy for home prices, continued to trend lower. The average loan was $356,500 compared to $360,100 before the holidays. Purchase loans averaged $407,200, down from $416,000.

Markets continued to digest the impact of slowing inflation and potential rate cuts from the Federal Reserve, helping mortgage rates to stay at levels close to the lowest since mid-2023. The 30-year fixed mortgage rate edged higher last week and ended 2023 at 6.76 percent, over a percentage point lower than its recent peak of 7.9 percent in October 2023," said Joel Kan, MBA's Vice President and Deputy Chief Economist. "**The recent decline in rates has given the housing market some cause for optimism going into 2024**, but purchase applications have not yet picked up in response, with the overall level of purchase activity 12 percent lower than a year ago. Refinance applications were still at very low levels, but were 15 percent higher than a year ago."

Added Kan, "The housing market has been hampered by a limited supply of homes for sale, but the recent strength in new residential construction will continue to help ease inventory shortages in the months in come."

The following data, gleaned from MBA's Weekly Mortgage Application Survey, reflects changes from the week ended December 22.

- The FHA share of total applications decreased to 14.5 percent from 15.0 percent and the VA share dropped to 14.6 percent from 17.3 percent. USDA loan applications accounted for 0.5 percent of the total.
- The average contract interest rate for conforming 30-year fixed-rate mortgages (FRMs) rose 5 basis points to 6.76 percent with points increasing to 0.61 from 0.55.
- Thirty-year FRM with jumbo loan balances had a rate of 6.86 percent, up from 6.85 percent. Points increased to 0.41 from 0.34.
- The rate for 30-year FRM backed by the FHA ticked up 1 basis point to 6.51 percent with points increasing to 0.86 from 0.73.
- The contract rate for 15-year FRM was 6.26 percent with 0.73 point. The prior week the rate was 6.41 percent with 0.50 point.
- The average interest rate for 5/1 adjustable-rate mortgages (ARMs) decreased to 5.71 percent from 6.26 percent. Points were unchanged at 0.59.
- The adjustable-rate mortgage (ARM) share of activity decreased to 6.0 percent of total applications from 6.3 percent the prior week and 10.7 percent at the end of October when mortgage rates peaked.