



ARM Loan Share Rises as Borrowers Seek Affordability

Rising interest rates continue to constrain mortgage borrowing. The Mortgage Bankers Association says its Market Composite Index, a measure of loan application volume, decreased 2.3 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index decreased 1.4 percent compared with the previous week. **The Refinance Index decreased 3.0 percent from the previous week** and was 1.0 percent lower than the same week one year ago. Refinancing accounted for 30.2 percent of applications, down from 30.8 percent the previous week.



Philip Bennett

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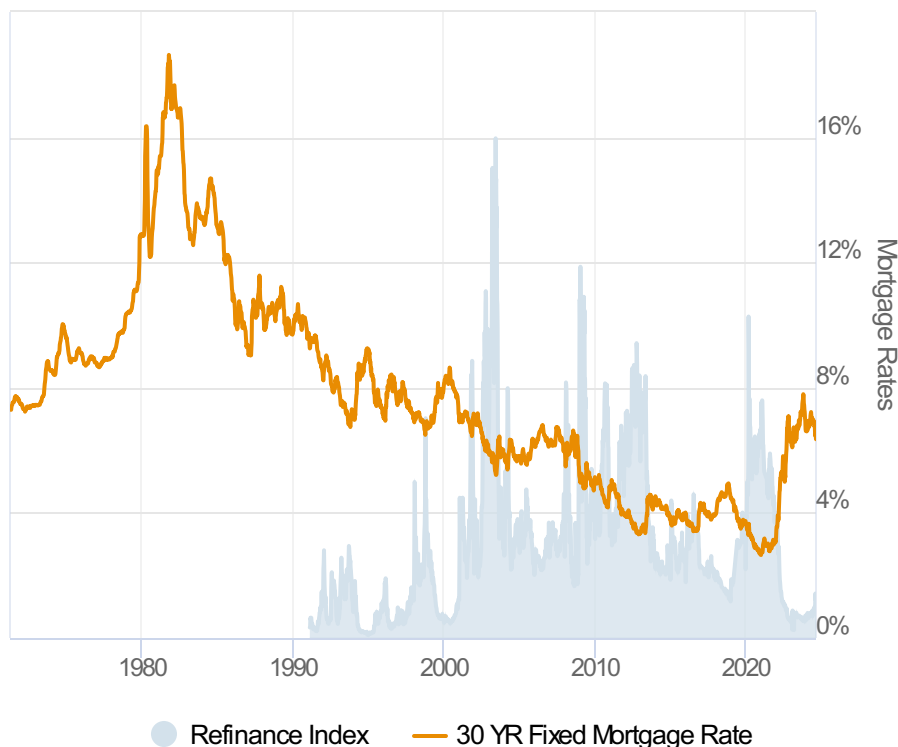
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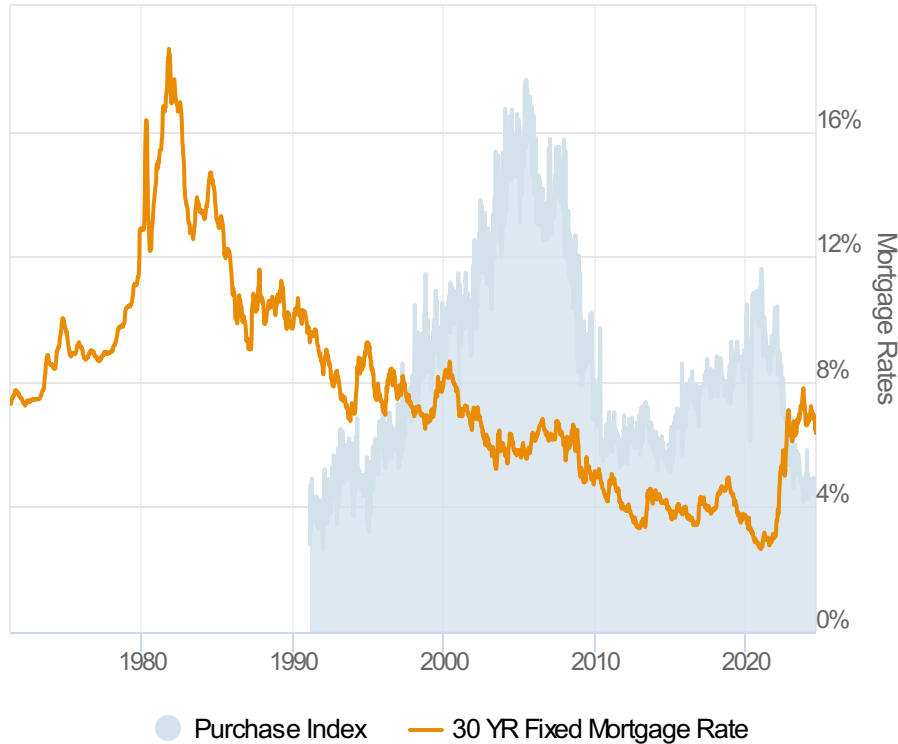
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The seasonally adjusted Purchase Index was down by 2.0 percent from the one week earlier. The unadjusted Purchase Index decreased 1.0 percent compared with the previous week and lagged the volume during the same week in 2023 by 14.0 percent.



“Inflation remains stubbornly high, and this trend is convincing markets that rates, including mortgage rates, are going to stay higher for longer. No doubt, this is a headwind for the housing and mortgage markets, with the 30-year fixed mortgage rate increasing to 7.29 percent last week, the highest level since

November 2023,” said Mike Fratantoni, MBA’s SVP and Chief Economist. “Application volume for both purchases and refinances declined over the week and remain well below last year’s pace. **One notable trend is that the ARM share has reached its highest level for the year at 7.8 percent.** Prospective homebuyers are looking for ways to improve affordability, and switching to an ARM is one means of doing that, with ARM rates in the mid-6 percent range for loans with an initial fixed period of 5 years.”

Other Highlights from MBA’s Weekly Mortgage Applications Survey.

- Loan sizes trended lower for the fifth straight week. The average loan size was \$375,200, down from \$381,900 while loans to purchase homes declined by \$1,900 to \$436,000.
- The FHA share of mortgage applications decreased to 12.7 percent from 12.8 percent and the VA share dipped to 11.3 percent from 11.7 percent, The USDA share of total applications was unchanged from the prior week at 0.4 percent.
- The 7.29 average contract interest rate for 30-year conforming fixed-rate mortgages (FRM) was 5 basis points higher than the prior week. Points dipped to 0.65 from 0.66.
- Thirty-year FRM with balances higher than the conforming limit of \$766,550 had a rate of 7.39 percent with 0.46 point. A week earlier the rate was 7.45 percent with 0.56 point.
- The average contract interest rate for FHA-backed 30-year FRM was 7.09 percent, up from 7.01 percent, with points increasing to 0.98 from 0.94.
- The rate for 15-year FRM dipped to 6.74 percent from 6.75 percent, with points decreasing to 0.63 from 0.64.
- The rate for 5/1 adjustable-rate mortgages (ARMs) decreased to 6.60 percent with 0.75 point from 6.64 percent, with 0.87 point and the ARM share of activity increased to 7.8 percent of total applications from 7.6 percent.

