



Economic Data Cools Rates, Boosts Application Volume

Lower interest rates allowed mortgage activity to rise modestly during the week ended May 3. It was the first increase in three weeks. The Mortgage Bankers Association said its Market Composite Index, a measure of the volume of mortgage applications, rose 2.0 percent on a seasonally adjusted basis compared to the prior week and 3.0 percent before adjustment.

Alan Holom

SVP, Stockman Bank

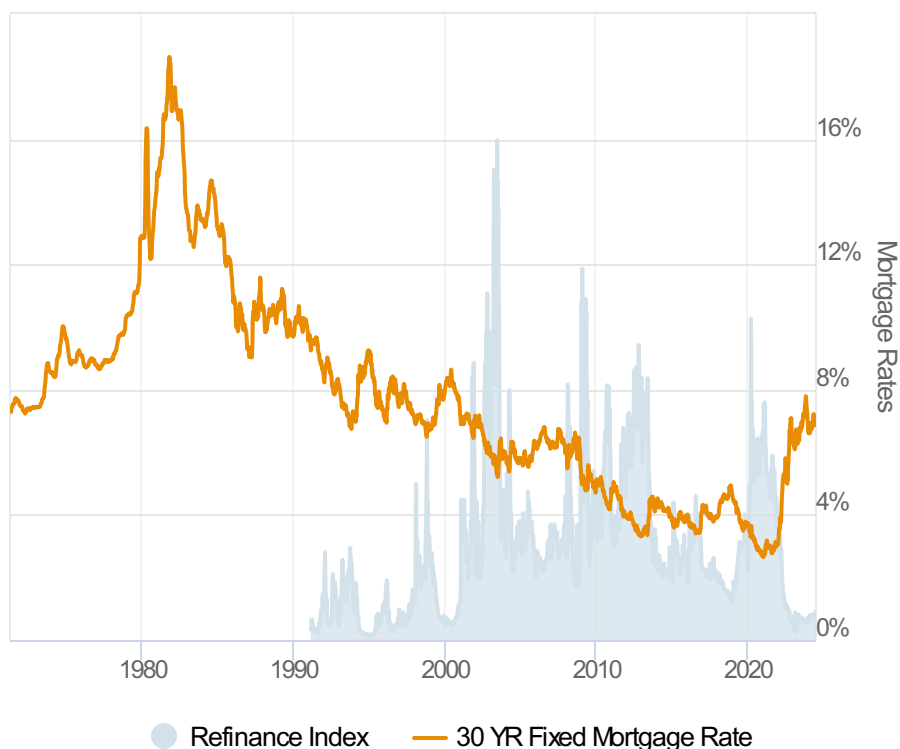
www.stockmanbank.com

P: (406) 234-8438

2700 King Ave

Billings MT 59102

The **Refinance Index** increased **5.0 percent** from the prior week but was 6.0 percent lower than the same week one year ago. The refinance share of mortgage activity increased to 30.6 percent of total applications from 30.2 percent the week before.



The Purchase Index ticked up 2.0 percent on both an adjusted and unadjusted basis but was still 17.0 percent lower than the same week in 2023.



“Treasury rates and mortgage rates fell last week on the news of a slowing job market, with wage growth at the slowest pace since 2021, and the **Federal Reserve’s announced plans to ease quantitative tightening in June and to maintain its view that another rate hike is unlikely.** The conventional 30-year rate dropped 11 basis points, and the FHA rate fell 17 basis points to 6.92 percent, back below 7 percent for the first time in three weeks,” said Mike Fratantoni, MBA’s Senior Vice President and Chief Economist. “Mortgage applications increased for the first time in three weeks, with refinances up 5.0 percent. Even with the increase, which included a 29 percent jump in VA refinances, refinance application volume remains about 6 percent below last year’s already low levels.”

Fratantoni added, “Driven by a 5 percent gain in FHA applications, purchase activity was up 2 percent. First-time homebuyers account for roughly half of purchase loans, and the government lending programs are an important source of financing for these homebuyers. The gain in FHA activity is a sign that this segment of the market is active.”

Other Highlights from MBA’s Weekly Mortgage Application Survey

- After declining for four straight weeks, loan sizes jumped higher. The average loan was \$385,600, up from \$375,200 while the size of a purchase loan rose \$436,000 to \$443,200.
- The FHA share of total applications increased to 12.9 percent from 12.7 percent and the VA share increased to 11.7 percent from 11.3 percent. USDA applications retained the usual 0.4 percent market share.
- The 11-basis point decline in the conforming 30-year fixed-rate mortgage (FRM) rate brought it down to 7.18 percent. Points were unchanged at 0.65.
- Jumbo 30-year FRM had a rate of 7.31 percent compared to 7.39 percent. Points remained at 0.46.
- The average rate for 30-year FRM backed by the FHA dropped to 6.92 percent from 7.09 percent, with points decreasing to 0.91 from 0.98.
- Fifteen-year FRM rates averaged 6.60 percent with 0.59 point. The prior week the average was 6.74 percent and 0.63 point.
- The rate for 5/1 adjustable-rate mortgages (ARMs) was unchanged at 6.60 percent, with points decreasing to 0.65 from 0.75.
- ARM applications accounted for 7.7 percent of the total compared to 7.8 percent a week previous.

