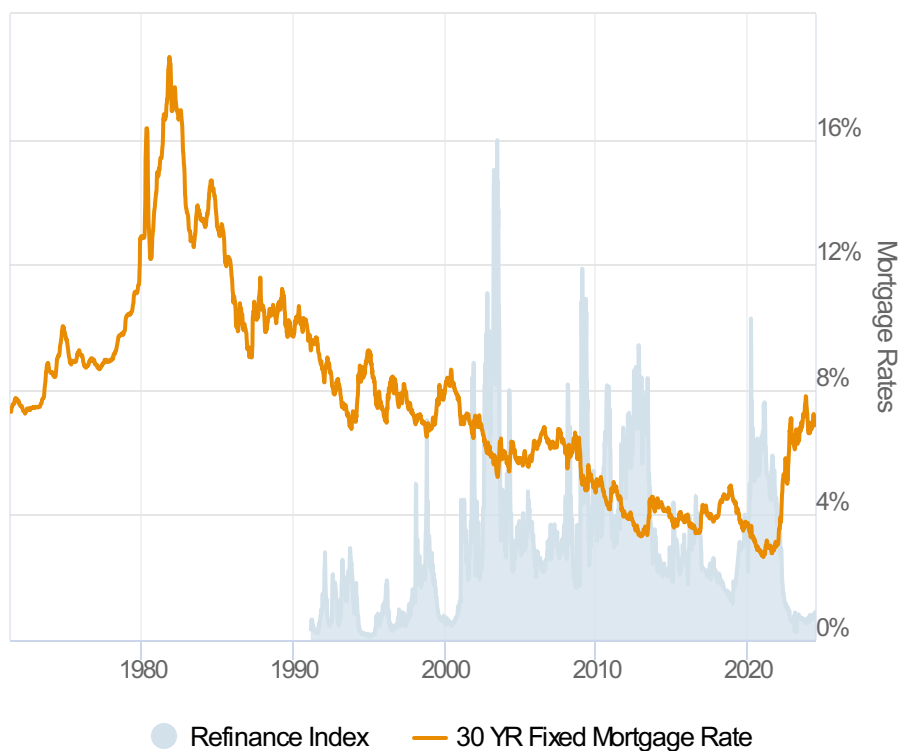




Refi Index Takes Advantage of Rate Drop

Lower interest rates gave a lift to refinancing activity for the second week but failed to do the same for those financing home purchases. The Mortgage Bankers Association said its Market Composite Index, a measure of mortgage loan application volume, **increased 0.5 percent on a seasonally adjusted basis** during the week ended May 10. On an unadjusted basis, the Index increased 0.3 percent compared with the previous week.

The Refinance Index rose 5.0 percent week-over-week and was 7.0 percent higher than the same week one year ago. Refinancing accounted for 32.0 percent of total applications, up from 30.6 percent the prior week.



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Applications for home purchase financing fell back 2.0 percent on both an adjusted and unadjusted basis. The unadjusted index was 14.0 percent lower than the same week in 2023.



“Treasury yields continued to move lower last week and mortgage rates declined for the second week in a row, with the 30-year fixed rate down 10 basis points to 7.08 percent, the lowest level since early April,” said Joel Kan, MBA’s Vice President and Deputy Chief Economist. “The decline in rates led to a small boost to refinance applications, including another strong week for VA refinances. However, the overall level of refinance activity remains low. **Purchase applications decreased, driven largely by a 9 percent drop in FHA purchase applications.** Conventional home purchase applications were down around one percent.

Added Kan, “While the downward move in rates benefits prospective homebuyers, mortgage rates are still much higher than they were a year ago, while for-sale inventory remains tight.”

Highlights from the MBA’s Weekly Mortgage Applications Survey

- Loan sizes relinquished their gains from the previous week. The average loan request declined to \$379,400 from \$385,600 while purchase loans dropped from \$443,200 to \$437,700.
- The FHA share of applications decreased to 12.4 percent from 12.9 percent and VA applications accounted for 12.7 percent of the total, a 1 percentage point uptick from the prior week. USDA applications appear stuck at 0.4 percent.
- The conforming 30-year fixed-rate mortgage (FRM) rate of 7.08 percent was accompanied by points that declined to 0.63 from 0.65.
- Jumbo 30-year FRM rates decreased to 7.22 percent from 7.31 percent. Points increased to 0.58 from 0.46.
- The average contract interest rate for a 30-year FRM backed by the FHA was 6.86 percent, down from 6.92 percent, with points increasing to 0.94 from 0.91.
- Fifteen-year FRM rates moved 1 basis point higher to 6.61 percent. Points grew to 0.65 from 0.59.
- The average contract interest rate for 5/1 adjustable-rate mortgages (ARMs) decreased to 6.56 percent from 6.60 percent, with points increasing to 0.66 from 0.65.
- The ARM share of activity decreased to 7.0 percent of total applications from 7.7 percent.