



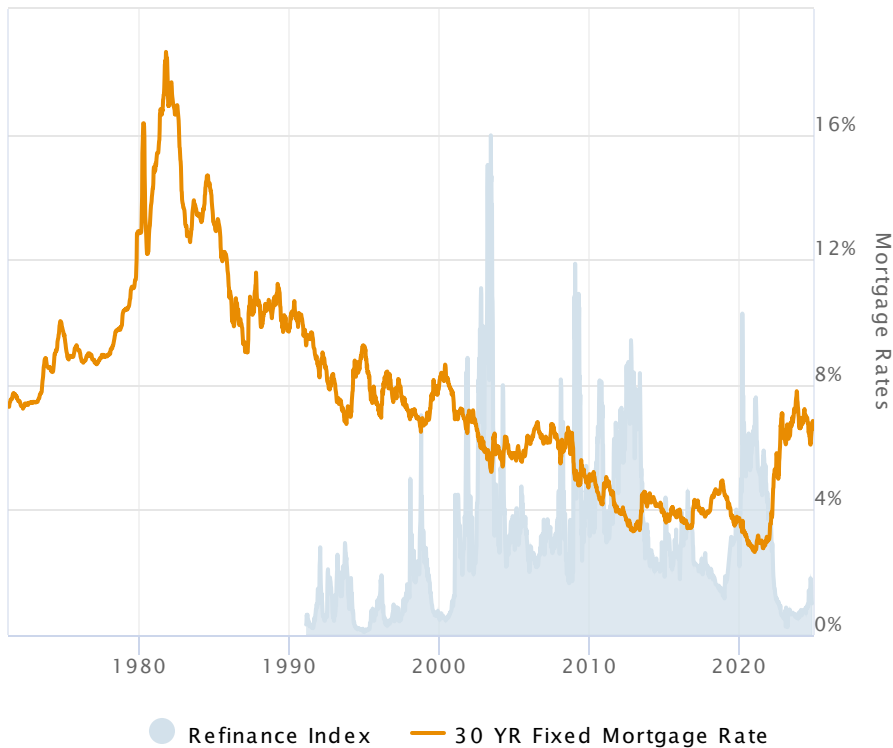
## First-Time Homebuyers are Shoring up Market

Interest rates, along with the distraction of a three-day weekend, further slowed the mortgage market last week. The Mortgage Bankers Association (MBA) reports that its Market Composite Index, a measure of mortgage loan application volume, decreased 5.2 percent on a seasonally adjusted basis from one week earlier and 16.0 percent compared with the previous week. The results include an adjustment for the Memorial Day holiday.

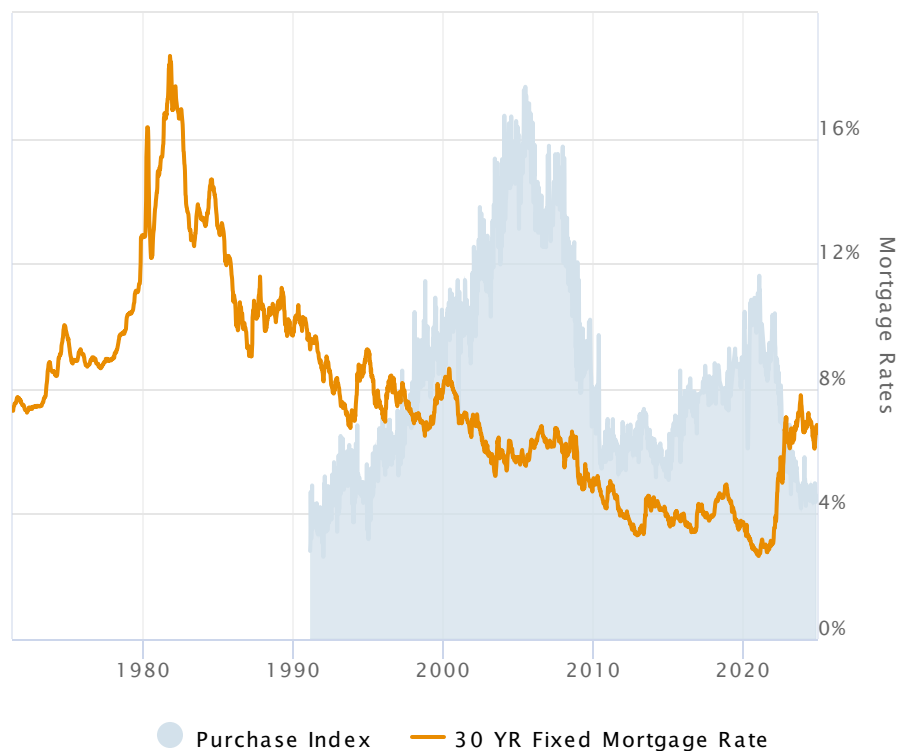
The Refinance Index decreased 7.0 percent and was 5.0 percent higher than the same week one year ago. The refinance share of mortgage activity decreased to 31.1 percent of total applications from 31.3 percent the previous week.



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The seasonally adjusted Purchase Index decreased 4.0 percent from one week earlier. The unadjusted Purchase Index was also down 16.0 percent compared with the previous week and 13.0 percent lower than the same week one year ago.+



“Mortgage rates moved slightly higher last week, with the 30-year conforming rate reaching 7.07 percent – its highest level since early May – despite incoming data indicating somewhat slower economic growth,” said Mike Fratantoni, MBA’s SVP and Chief Economist. “After adjusting for the Memorial Day holiday, both purchase and refinance application volumes were down, with purchase activity specifically 13 percent below last year’s level.”

Added Fratantoni, “Government purchase volume was down less, helped by growth in VA applications. The market is relying on first-time homebuyer demand, and many first-time buyers do use government lending programs.”

#### Highlights from the May 31 Mortgage Application Survey

- Loan sizes continued to shrink. The average loan was \$375,300, down from \$381,400 a week earlier. Loans for home purchases averaged \$429,800 compared to \$437,800.
- The FHA share of total applications increased to 13.2 percent from 12.7 percent and the VA share ticked up to 12.1 percent from 12.0 percent. USDA applications declined to 0.3 percent from the typical 0.4 percent share.
- Mortgage rates were mixed, but most changes were small. The 7.07 percent average contract interest rate for conforming 30-year fixed-rate mortgages (FRM) was up 2 basis points from the prior week with points increasing to 0.65 from 0.63.
- The rate for 30-year FRM with balances exceeding the conforming limit dipped to 7.21 percent from 7.22 percent. Points declined to 0.41 from 0.43.
- The rate for 30-year FRM backed by the FHA increased to 6.87 percent from 6.85 percent, with points increasing to 0.96 from 0.95.
- Fifteen-year FRM rates increased to 6.75 percent from 6.66 percent, Points eased to 0.63 from 0.69.
- The largest change last week was for adjustable-rate mortgages (ARMs). The average contract rate for 5/1 ARMs dropped by 31 basis points to 6.37 percent while points declined to 0.63 from 0.77. The ARM share of activity increased to 6.7 percent of total applications from 6.4 percent.