



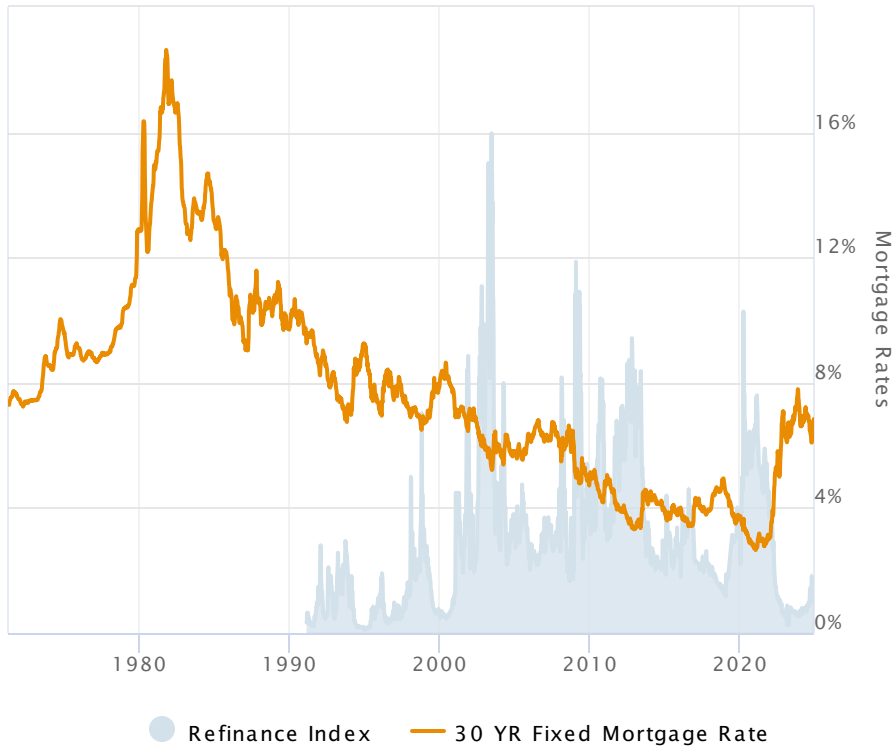
Alan Holom
SVP, Stockman Bank
www.stockmanbank.com
P: (406) 234-8438
2700 King Ave
Billings MT 59102

Higher Rates Suppress Mortgage Application Volume

Mortgage applications declined slightly on a seasonally adjusted basis last week but plummeted on an unadjusted basis during the July 4th week. The week's results include an additional adjustment to account for the holiday.

The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of mortgage loan application volume, decreased 0.2 percent on a seasonally adjusted basis from one week earlier but lost 20.0 percent before adjustment.

The Refinance Index decreased 2.0 percent from the previous week but was 28.0 percent higher than the same week one year ago. The refinance share of mortgage activity decreased to 34.9 percent of total applications from the previous 35.7 percent.



● Refinance Index — 30 YR Fixed Mortgage Rate

The seasonally adjusted Purchase Index managed a 1.0 percent gain while the unadjusted Purchase Index dropped 19.0 percent. The purchase index was 13.0 percent lower than the same week one year ago.



“The recent uptick in mortgage rates has slowed demand. Mortgage applications were essentially flat last week, as mortgage rates remained around 7 percent,” said Joel Kan, MBA’s Vice President and Deputy Chief Economist. “Purchase activity picked up slightly, driven primarily by increases in FHA and VA applications. Refinance applications decreased for the fourth consecutive week, in line with higher rates. **Although home equity gains have been significant in recent years, most borrowers do not have much of an incentive to refinance at current rates.**”

Data from MBA’s Weekly Mortgage Applications Survey

- Loan sizes dropped again last week. The average loan was \$369,900, a \$5,000 decline from the prior week’s average loan request. Purchase loan sizes decreased even more, from \$434,200 to \$425,100.
- The FHA share of total applications decreased to 12.5 percent from 13.1 percent while the VA share grew to 13.7 percent from 12.9 percent. USDA’s share of total applications moved from 0.3 to 0.4 percent.
- The average contract interest rate for 30-year fixed-rate mortgages (FRM) with loan balances below the conforming limit dipped to 7.00 percent from 7.03 percent, with points decreasing to 0.60 from 0.62.
- Jumbo 30-year FRMs moved an average of 2 basis points higher to 7.13 percent. Points declined to 0.38 from 0.50.
- The FHA-backed 30-year mortgage rate averaged 6.87 percent compared to 6.90 percent, with points decreasing to 0.92 from 0.95.
- Fifteen-year FRM had an average rate of 6.63 percent with 0.61 point. The prior week that rate was 6.56 percent with 0.54 point.
- The cost of adjustable-rate mortgages (ARMs) fell last week with the 5/1 ARM at 6.22 percent with 0.6 point compared to 6.38 percent with 0.54 point the prior week.
- The ARM share of applications increased to 6.2 percent from a 6.0 percent share in each of the two previous weeks.