



Last Week's Refinancing Surge Quickly Fades

Two weeks ago, we saw a sudden surge in refinancing activity. The Mortgage Bankers Association (MBA) reported that, during the week ended August 9, its Refinancing Index soared by almost 35 percent, reaching its highest level in over two years, and refinancing represented nearly half of all mortgage applications that week.

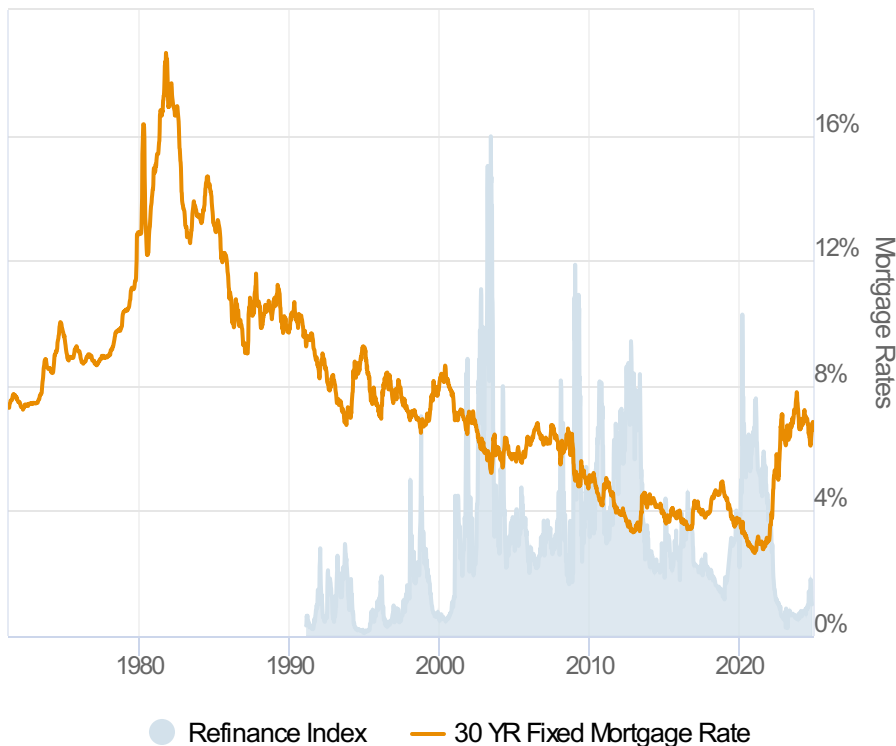
A bubble? Perhaps, but a short-lived one. **The “bubble” didn’t pop this week, but it did deflate.** Even as mortgage rates eased for the third week, the volume of refinancing applications, as well as mortgage activity in general, retreated.

The Market Composite Index, MBA’s measure of m application volume, decreased 10.1 percent on a seasonally adjusted basis. On an unadjusted basis, **the Index was down 11.0 percent compared with the previous week.**

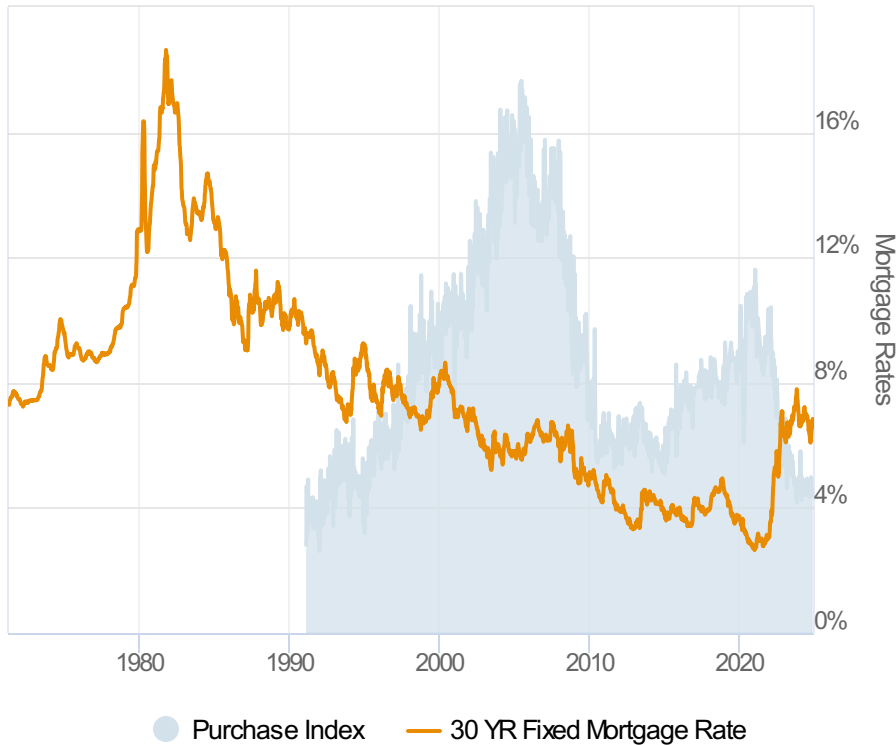
The Refinance Index plunged by 15.0 percent compared to the previous week but was still 90 percent higher than the same week one year ago. The refinance share of mortgage activity decreased to 46.3 percent of total applications from 48.6 percent.



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The seasonally adjusted **Purchase Index** was **5.0 percent lower than the prior week** and was down 7.0 percent on an unadjusted basis. Purchase applications were 8.0 percent below those in the same week in 2023.



“Both mortgage rates and mortgage applications have now stabilized after a few weeks of financial market volatility, which led to a quick drop in mortgage rates. The 30-year fixed mortgage rate declin(ed) for the third consecutive week to 6.5 percent, the lowest since May 2023,” said Joel Kan, MBA’s Vice President and Deputy Chief Economist. “The level of refinance applications remains 23 percent higher than a month ago and **the past two weeks have seen the strongest weekly readings since 2022, as borrowers have sought lower rates.** FHA refinance applications bucked the trend and increased for the sixth straight week.”

Added Kan, “Purchase applications also declined last week, reaching the lowest level since February 2024. Home sales have slowed despite rising inventory levels. Even with lower mortgage rates, potential buyers might be more selective now that there are more options.”

Highlights from MBA’s Weekly Mortgage Application Survey

- There was some bubbling in loan sizes two weeks ago as well, undoubtedly due to the large numbers of refinances. The average size of loans overall spiked to \$403,000 but settled back this past week to \$376,200. Purchase loans have fluctuated within a \$2,000 range over the past five weeks. The most recent average was \$426,300.
- The FHA share of total applications increased to 15.6 percent from 13.5 and the VA share decreased to 15.3 percent from 16.8 percent. USDA loans accounted for 0.4 percent of total applications.
- The 6.5 percent average contract interest rate for conforming 30-year fixed-rate mortgages (FRMs) was a 4-basis point decline from the prior week. Points increased to 0.60 from 0.57.
- The rate for jumbo 30-year FRMs decreased to 6.68 percent from 6.78 percent, with points increasing to 0.56 from 0.37.
- FHA-backed 30-year FRM had an average rate of 6.42 percent with 0.78 point. The prior week the rate was 6.49 percent with 0.77 point.
- There was an average increase of 8 basis points in the rate for 15-year FRM e-mortgages to 6.04 percent. Points rose to 0.71 from 0.65.
- The average contract interest rate for 5/1 adjustable-rate mortgages (ARMs) increased to 6.25 percent from 6.04 percent, with points dropping to 0.57 from 0.87.
- The ARM share of total applications fell to 5.5 percent from 7.3 percent.

