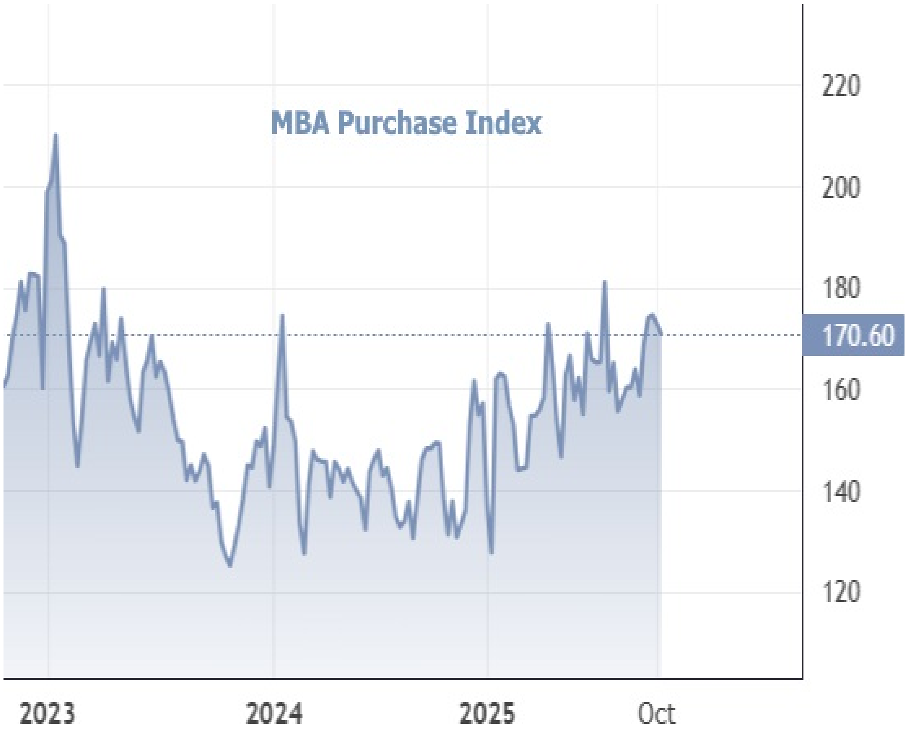
Refi Demand Ebbs Gradually As Rates Remain Rangebound

Mortgage application activity declined again last week as refi demand continues pulling back after the surge in mid September. According to MBA's Weekly Applications Survey for the week ending October 3, total volume fell 4.7% on a seasonally adjusted basis and 5% unadjusted.

The Refinance Index decreased 8% from the previous week but remains 18% higher than the same week one year ago. Refinancing activity pulled back broadly across conventional and VA segments after climbing to multi-year highs in September. This is a logical move considering rates were at long-term lows in mid-September and then rose sharply to the present range on September 17/18.

"With mortgage rates on fixed-rate loans little changed last week, refinance application activity generally declined, with the exception of a modest increase for FHA refinance applications," said Mike Fratantoni, MBA's SVP and Chief Economist. "Refinance volume remains somewhat elevated relative to levels of a month ago. Purchase activity declined by about 1 percent for the week but continues to show moderate growth on an annual basis, and stronger growth for FHA loans, favored by first-time homebuyers."

Purchase applications slipped 1% on both a seasonally adjusted and unadjusted basis but were still 14% stronger than a year ago.



The refinance share of mortgage activity decreased to 53.3% of total applications. The adjustable-rate mortgage (ARM) share increased to 9.5%. The FHA share rose to 18.5%, while the VA share edged up to 16.3%.

Mortgage Rate Summary:

- **30yr Fixed:** 6.43% (from 6.46%) | **Points:** 0.60 (from 0.61)
- **15yr Fixed:** 5.77% (from 5.76%) | **Points:** 0.79 (from 0.68)
- **Jumbo 30yr:** 6.60% (from 6.54%) | **Points:** 0.44 (from 0.40)
- **FHA:** 6.19% (from 6.24%) | **Points:** 0.73 (from 0.76)
- **5/1 ARM:** 5.49% (from 5.74%) | **Points:** 0.74 (from 0.46)