Mortgage Applications Responded to Lower Rates, But Things Are Already Changing

Mortgage applications jumped sharply last week, driven by lower rates and a rebound in refinance activity. According to MBA's Weekly Applications Survey for the week ending October 24, total volume rose 7.1% on a seasonally adjusted basis and 7% unadjusted.

The Refinance Index increased 9% from the previous week and is now 111% higher than the same week one year ago. Refi demand remains the primary engine of growth, with larger-balance borrowers especially responsive to rate drops.

It bears repeating that things look different in context. Specifically, while refi demand looks great compared to the past 2 years, we're just now getting up to levels that were considered "very slow" historically.

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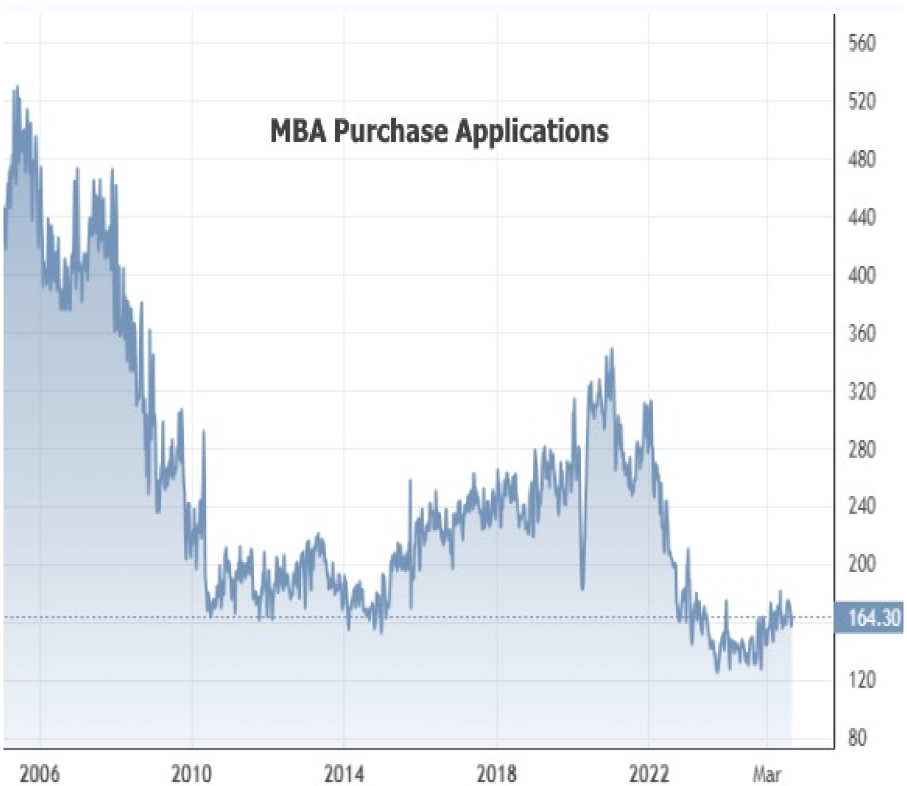
“Mortgage rates decreased for the fourth consecutive week, with the 30-year fixed rate down to 6.30 percent, its lowest level since September 2024. This recent decline in rates spurred the second consecutive week of increased refinance activity, driven mainly by conventional refinance applications,” said Joel Kan, MBA’s Vice President and Deputy Chief Economist. “The ARM share of applications, which had been trending higher, dipped below 10 percent last week, as lower rates prompted more borrowers to choose fixed-rate loans. Additionally, the average loan size of a refinance application remained elevated at $393,900, as borrowers with larger loan sizes continue to be sensitive to rate movements. Purchase applications increased compared to a holiday-shortened week across most loan types. However, USDA applications fell more than 26 percent, impacted by the ongoing government shutdown.”

Purchase applications rose 5% on a seasonally adjusted basis and 4% unadjusted, climbing 20% above the same week one year ago. Activity continues to improve versus 2024’s subdued levels, aided by easing rates and slightly better inventory conditions.

Here, too, we're barely crawling into the historically low range seen primarily between 2010 and 2014.



The refinance share of mortgage activity increased to 57.1% of total applications. The adjustable-rate mortgage (ARM) share declined to 8.9%. The FHA share fell to 20.5%, the VA share edged down to 13.4%, and the USDA share slipped to 0.2%.

Mortgage Rate Summary:

- **30yr Fixed:** 6.30% (from 6.37%) | **Points:** 0.58 (from 0.59)
- **15yr Fixed:** 5.67% (from 5.74%) | **Points:** 0.61 (from 0.67)
- **Jumbo 30yr:** 6.38% (from 6.39%) | **Points:** 0.34 (from 0.37)
- **FHA:** 6.12% (unchanged) | **Points:** 0.73 (from 0.72)
- **5/1 ARM:** 5.66% (from 5.55%) | **Points:** 0.51 (from 0.62)

Mortgage rates held near one-year lows through late October, keeping refinance demand active and improving affordability for some buyers. Over the past few days, however, rates moved back up following the press conference on the day of the Fed's rate cut.