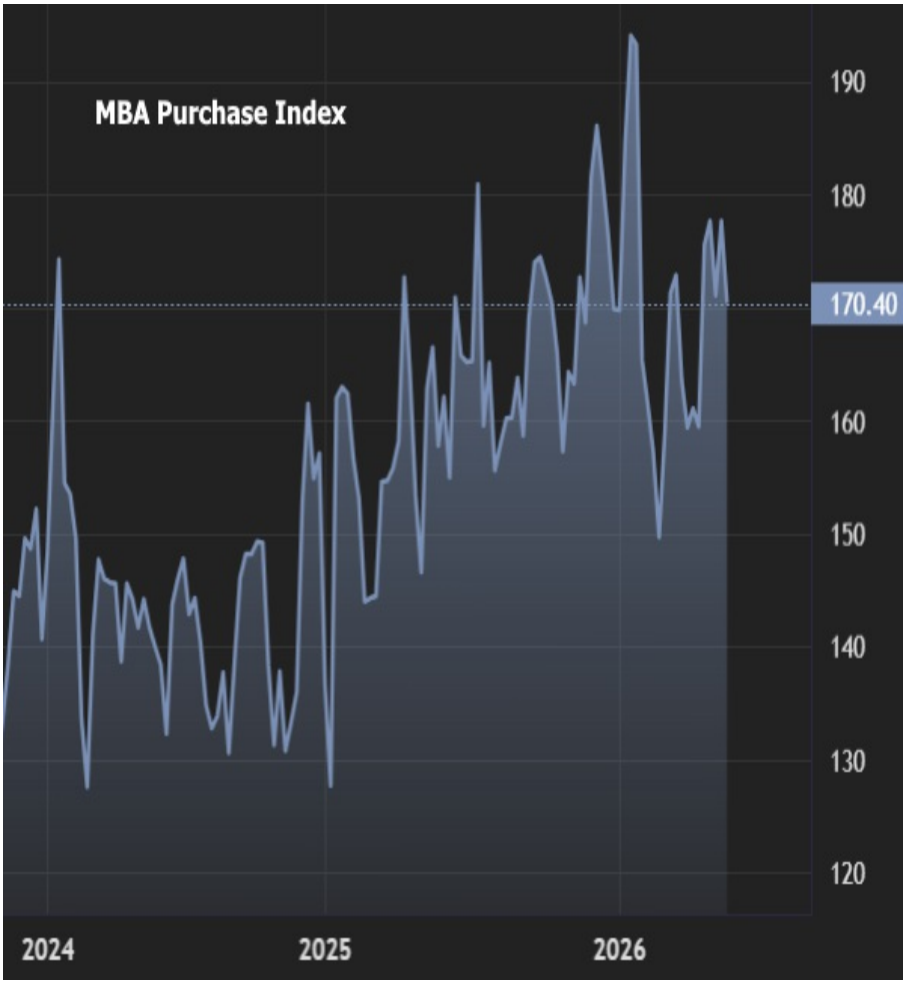
HOUSING CONNECTION
Mortgage and Real Estate News That Matters

# Borrowers Shift Toward ARMs as Fixed Rates Climb

Mortgage applications pulled back last week as rising rates weighed on homebuyer demand, while refinance activity remained largely flat. The Mortgage Bankers Association (MBA) reported a **2.3% decrease** in total application volume on a seasonally adjusted basis for the week ending May 15.

The decline was driven primarily by softer purchase activity. The seasonally adjusted Purchase Index fell **4%** from the prior week, though purchase demand remained **8%** higher than the same week one year ago.




Refinance activity was mostly unchanged despite the rise in rates. The Refinance Index dipped just **0.1%** week over week but remained **35%** above year-ago levels.

Alfonso Ruano
Broker/Owner, TIME Lending
https://www.timelending.net/
**M:** (323) 637-5166
1410533

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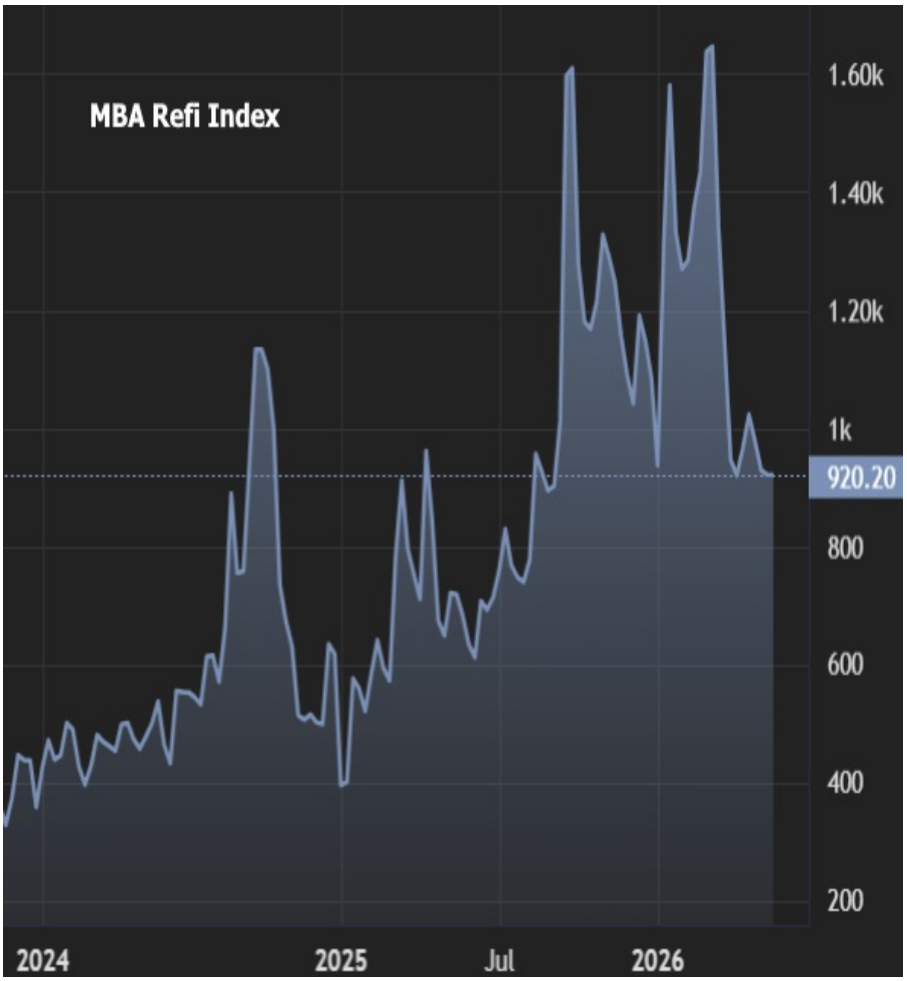


The average 30-year fixed mortgage rate increased to **6.56%** from 6.46%, reaching its highest level in seven weeks. According to MBA, concerns surrounding inflation, higher fuel costs, and growing worries over global public debt helped push Treasury yields — and mortgage rates — higher during the week.

MBA's Joel Kan said, "Overall applications were down to the lowest level in five weeks as purchase borrowers pulled back across conventional and government loan types. Refinance applications were essentially unchanged, with a decline in government refinances and an increase in conventional refinancing, likely as the increase in rates came late in the week."

Kan also noted that adjustable-rate mortgages gained traction as borrowers looked for lower-rate alternatives. ARM loans accounted for nearly 10% of total applications, the highest share since October 2025, with the average ARM rate sitting roughly 80 basis points below the 30-year fixed rate.

Application composition shifted modestly, with refinance share increasing to **41.9%** from 40.8% the previous week. ARM share rose to **9.6%**, while FHA share held steady at **17.9%**. VA share slipped to **14.4%** from 14.9%, and USDA share edged down to **0.4%** from 0.5%.

Mortgage Rate Summary:

- **30yr Fixed:** 6.56% (from 6.46%) | **Points:** 0.60 (from 0.63)
- **15yr Fixed:** 5.93% (from 5.83%) | **Points:** 0.73 (from 0.68)
- **Jumbo 30yr:** 6.58% (from 6.48%) | **Points:** 0.38 (from 0.55)
- **FHA:** 6.24% (from 6.16%) | **Points:** 0.67 (from 0.75)
- **5/1 ARM:** 5.76% (from 5.70%) | **Points:** 0.85 (from 0.86)

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