



No Surprise: Last Week's Higher Rates Hit Refinance Demand

Mortgage applications fell sharply last week as higher borrowing costs continued to pressure refinance demand, while purchase activity showed a bit more resilience. The Mortgage Bankers Association (MBA) reported an **8.5% decrease** in total application volume on a seasonally adjusted basis for the week ending May 22.

The decline was driven largely by a steep drop in refinance activity. The Refinance Index fell **18%** from the previous week, though refinance demand remained **19%** higher than the same period one year ago.

Ian Overcarsh

Mortgage Banker, First National Bank

www.fnb-online.com/.../overcarshi

M: (704) 650-1922

overcarshi@fnb-corp.com

401 S. Graham Street

Charlotte NC 28202

1065792



Purchase activity held relatively steady despite the rate environment. The seasonally adjusted Purchase Index slipped just **0.4%** week over week and remained **5%** above year-ago levels.



The average 30-year fixed mortgage rate increased to **6.65%** from 6.56%, reaching its highest level since August 2025. MBA's Joel Kan notes the steady climb in rates over the past five weeks pushed many borrowers out of the refinance market.

Additionally, Kan said refinance activity weakened across nearly every category last week, noting that "conventional refinances were down 14 percent, along with an 18 percent decrease for FHA applications and a 34 percent decrease for VA applications." He added that refinances accounted for just **37.5%** of total mortgage activity, "the lowest share since June 2025."

Looking ahead to next week's data, it **wouldn't be a surprise to see a rebound** given the relatively strong recovery in mortgage rates (now at their lowest daily levels in more than 2 weeks).

Purchase demand, meanwhile, "still ran at a stronger pace than last year's pace," according to Kan. He also noted that the average purchase loan size reached a new survey high of **\$473,600**, as "borrowers with smaller loan sizes were less active given the higher rate environment and its negative impact on their purchasing power."

Application composition shifted lower across most government-backed segments. ARM share declined to **9.4%** from 9.6% the previous week, while FHA share slipped to **17.2%** from 17.9%. VA share decreased to **13.2%** from 14.4%, while USDA share edged up to **0.5%** from 0.4%.

Mortgage Rate Summary:

- **30yr Fixed:** 6.65% (from 6.56%) | **Points:** 0.65 (from 0.60)
- **15yr Fixed:** 5.97% (from 5.93%) | **Points:** 0.84 (from 0.73)
- **Jumbo 30yr:** 6.68% (from 6.58%) | **Points:** 0.42 (from 0.38)
- **FHA:** 6.31% (from 6.24%) | **Points:** 0.79 (from 0.67)
- **5/1 ARM:** 5.81% (from 5.76%) | **Points:** 0.82 (from 0.85)