A message from Marc Erickson:

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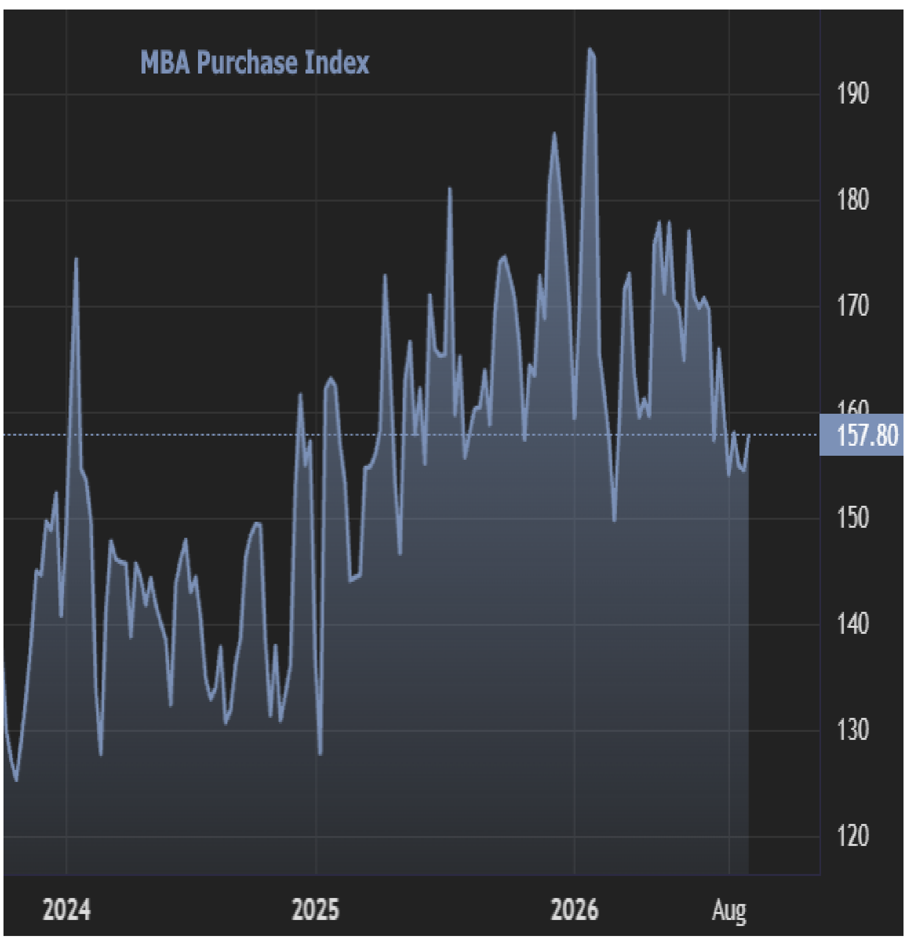
Mortgage Applications Rebound Modestly as ARM Share Hits Five-Week High

Mortgage application activity showed some signs of life last week, with a modest increase in purchase demand helping offset another decline in refinancing as mortgage rates reached their highest level in four weeks. The Mortgage Bankers Association (MBA) reported a **0.8% increase** in total application volume on a seasonally adjusted basis for the week ending August 28.

Purchase applications held down the fort, rising **2%** from the previous week on a seasonally adjusted basis. Activity was still **0.2% below** the same week one year ago, but the relatively stable year-over-year comparison suggests buyers are continuing to transact despite mortgage rates hovering near 7%.



Ehric Wolfe

REALTOR®, Coldwell Banker Realty

www.coloradowolfehomes.com
P: (970) 691-5299
ehric@coloradowolfehomes.com

3665 John F Kennedy Parkway
Fort Collins CO 80525

Marc Erickson

Mortgage Guide, Excel Financial Group, LLC

www.themortgagemarc.com
P: (720) 295-0704
M: (720) 295-0704

123 N College Avenue
Fort Collins CO 80524
1245157

Refinance demand moved in the opposite direction. The Refinance Index fell **1%** from the previous week and remained **19%** below year-ago levels. Refinances also represented a slightly smaller share of overall activity, slipping to **41.8%** from 42.0% the previous week.

"Mortgage rates reached their highest levels in four weeks as investors' **concerns about inflation** and **growing deficits push yields higher** across the globe," said Mike Fratantoni, MBA's SVP and Chief Economist.

There was another sign of borrowers adjusting to the rate environment. The adjustable-rate mortgage (ARM) share of activity climbed to **8.0%**, its highest level in five weeks, as the average rate for a 5/1 ARM fell to 5.94%. FHA loans accounted for a smaller share of applications, while the VA share increased noticeably from the previous week.

The average contract rate for a 30-year fixed mortgage increased to **6.79%** from 6.78%, while the rate for jumbo 30-year loans rose to **6.76%** from 6.73%. The 15-year fixed rate increased to **6.14%** from 6.10%, while the 5/1 ARM rate fell to **5.94%** from 5.98%.

Mortgage Rate Summary:

- **30yr Fixed:** 6.79% (from 6.78%) | **Points:** 0.65 (from 0.66)
- **15yr Fixed:** 6.14% (from 6.10%) | **Points:** 0.86 (from 0.90)
- **Jumbo 30yr:** 6.76% (from 6.73%) | **Points:** 0.40 (from 0.50)
- **FHA:** 6.49% (from 6.46%) | **Points:** 0.82 (unchanged)
- **5/1 ARM:** 5.94% (from 5.98%) | **Points:** 0.66 (from 0.88)