A message from Marc Erickson:
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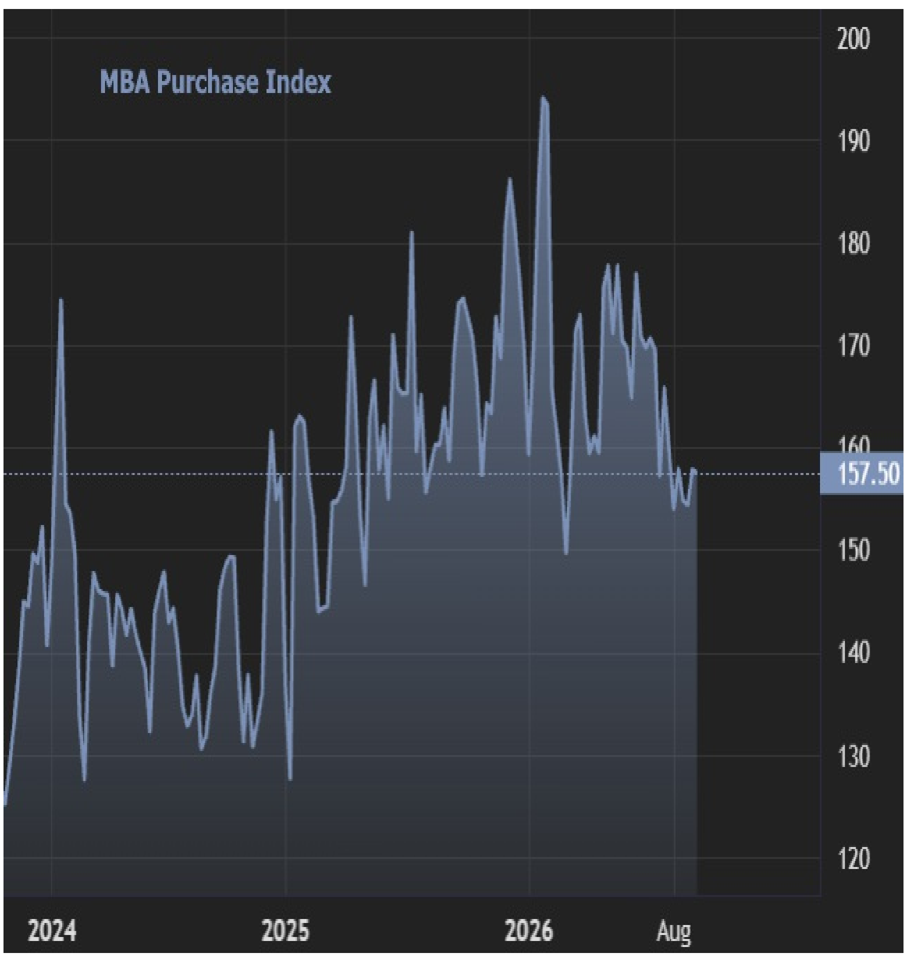
Refi Demand Declining Even Before Most Recent Rate Spike

Mortgage application activity pulled back last week, with a sharp decline in refinancing more than offsetting relatively stable purchase demand as mortgage rates moved higher. The Mortgage Bankers Association (MBA) reported a **2.7% decrease** in total application volume on a seasonally adjusted basis for the week ending September 4.

Purchase applications were little changed, slipping just **0.2%** from the previous week on a seasonally adjusted basis. On an unadjusted basis, purchase activity fell 3%, but remained **4% higher** than the same week one year ago, earning it's spot as the one positive note for this week's report.



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Refinancing was a different story. The Refinance Index fell **6%** from the previous week and was **25% below** year-ago levels, reaching its slowest weekly pace since May 2025. Refinances also accounted for a smaller portion of overall mortgage activity, with the refinance share falling to **40.9%** from 41.8% the previous week. Notably, this data was collected before this week's sharpest rate spikes, so this trend will likely accelerate next week.

"Mortgage rates moved higher last week, driven by ongoing investor concerns over inflation and the federal budget deficit," said Joel Kan, MBA's Vice President and Deputy Chief Economist. Kan noted that the 30-year fixed rate reached 6.85%, its highest level since June 2025 and 36 basis points above the same time last year.

Borrowers also continued looking for alternatives to the higher fixed-rate environment. The adjustable-rate mortgage (ARM) share of activity climbed to **8.5%**, its highest level since June. The average rate for a 5/1 ARM fell to 5.82%, widening the gap with the 30-year fixed rate to more than a full percentage point.

The FHA share of total applications increased to **17.2%** from 15.9% the previous week, while the VA share declined to 12.0% from 13.6%. The USDA share held steady at 0.5%.

The average contract rate for a 30-year fixed mortgage increased to **6.85%** from 6.79%, while the rate for jumbo 30-year loans edged down to **6.74%** from 6.76%. The 15-year fixed rate increased to **6.17%** from 6.14%, while the 5/1 ARM rate fell to **5.82%** from 5.94%.

Mortgage Rate Summary:
- **30yr Fixed:** 6.85% (from 6.79%) | **Points:** 0.67 (from 0.65)
- **15yr Fixed:** 6.17% (from 6.14%) | **Points:** 0.93 (from 0.86)
- **Jumbo 30yr:** 6.74% (from 6.76%) | **Points:** 0.63 (from 0.40)
- **FHA:** 6.53% (from 6.49%) | **Points:** 0.86 (from 0.82)
- **5/1 ARM:** 5.82% (from 5.94%) | **Points:** 0.84 (from 0.66)