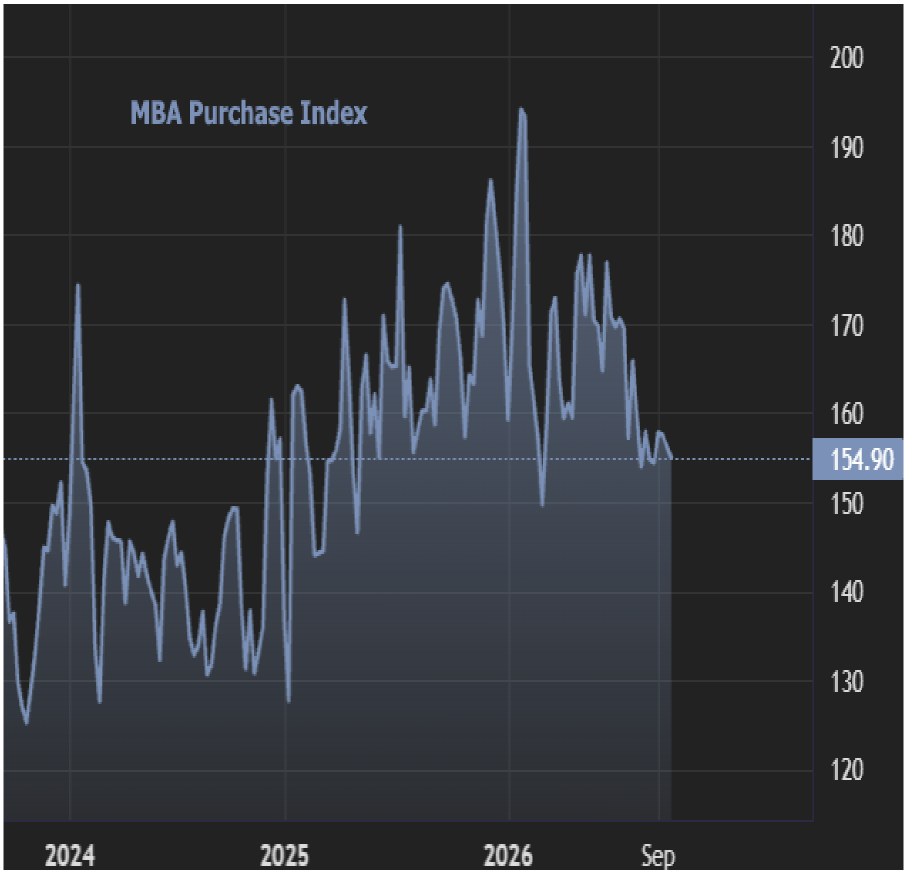
Refi Demand Logically Lower While Purchases Grind Sideways

Mortgage demand remained subdued last week as the 30-year fixed rate climbed above 7%. The Mortgage Bankers Association (MBA) reported a **1.5% decline** in total mortgage application volume for the week ending September 18, following a 4.1% drop the week before.

Purchase activity was the only saving grace. While technically 1% lower week-over-week, it has generally been moving sideways for the past few weeks.



Refinance demand was more sluggish. The Refinance Index declined another **3%** and was **62% lower** than a year earlier. MBA said the pace of refinancing has now reached its **slowest level since February 2025**, a reflection of how few existing borrowers can benefit from replacing their current mortgage with one carrying today's higher rate.

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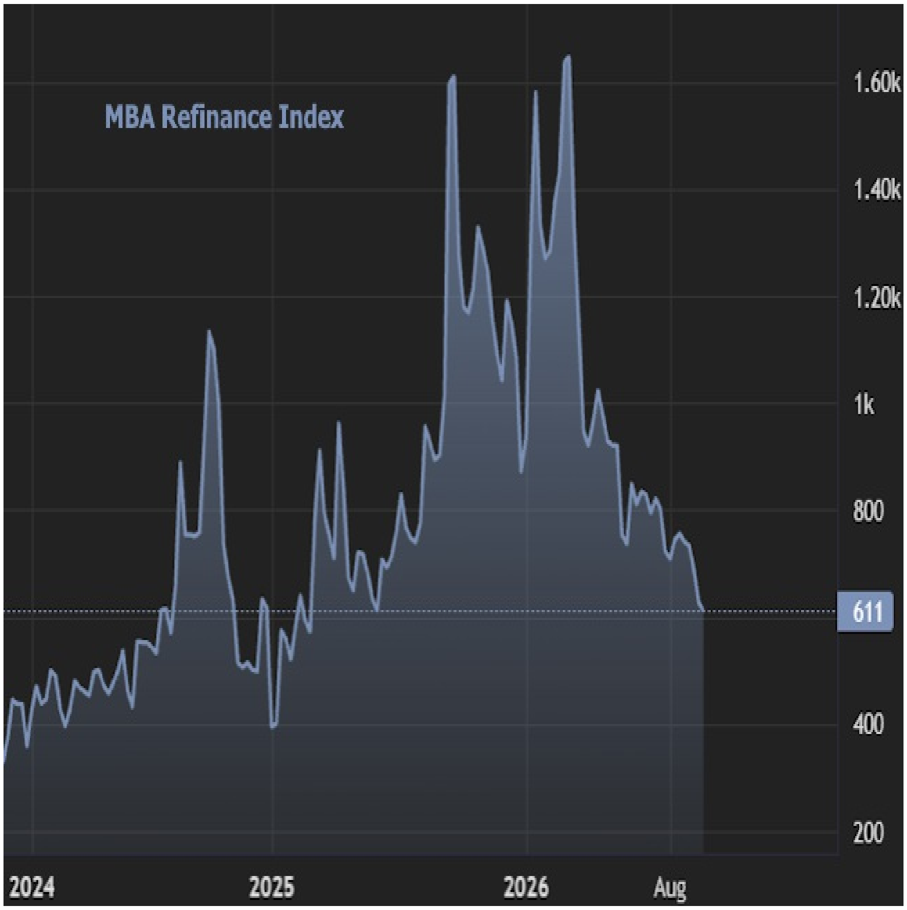

"Mortgage rates vaulted higher last week, with the 30-year fixed rate at 7.12 percent – the highest level since May 2024," said Mike Fratantoni, MBA's SVP and Chief Economist. He added that the higher fixed rates prompted more borrowers to consider adjustable-rate mortgages, even as both purchase and refinance applications continued to decline.

The shift toward ARMs was one of the more notable developments in the latest data. ARMs accounted for **9.8%** of application volume, up from 8.4% the week before. The average rate for a 5/1 ARM fell to 6.10%, putting it more than a full percentage point below the 30-year fixed rate. That spread is large enough to make the adjustable option more noticeable to borrowers facing 7% or higher fixed rates.

The average contract rate for a 30-year fixed mortgage rose to **7.12%** from 6.97%, while the rate for jumbo 30-year loans increased to **7.15%** from 7.03%. The 15-year fixed rate moved up to **6.43%** from 6.30%, while the 5/1 ARM rate fell to **6.10%** from 6.23%.

Mortgage Rate Summary:

- **30yr Fixed:** 7.12% (from 6.97%) | **Points:** 0.73 (from 0.72)
- **15yr Fixed:** 6.43% (from 6.30%) | **Points:** 1.15 (from 0.98)
- **Jumbo 30yr:** 7.15% (from 7.03%) | **Points:** 0.53 (from 0.59)
- **FHA:** 6.78% (from 6.62%) | **Points:** 0.96 (from 0.85)
- **5/1 ARM:** 6.10% (from 6.23%) | **Points:** 0.76 (from 0.99)

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