

# Even With Lower Rates, Mortgage Applications Drop 9.8%

By: Jann Swanson | Thu, Jan 3 2019, 8:05 AM

The Mortgage Bankers Association (MBA) office was closed during Christmas Week and did not issue its usual summary of mortgage application activity for the week ended December 21. Its report for the week ended December 28 therefore covers changes to its volume indices since December 14. These changes include adjustments to account for the Christmas holiday.

MBA's Market Composite Index, a measure of total loan application volume, **decreased 9.8 percent** on a seasonally adjusted basis from two weeks earlier and was 46 percent lower on an unadjusted basis. The Refinancing Index declined by 12 percent and the seasonally adjusted Purchase Index was down 8 percent. On an unadjusted basis the Purchase Index lost 46 percent week-over-week and was 6 percent lower than during the same week in 2017.

## Refi Index vs 30yr Fixed

## Purchase Index vs 30yr Fixed

The average origination balance for loans was \$302,100. Purchase loans averaged \$309,900.

"Mortgage applications fell over the past two weeks - even as the 30-year fixed-rate mortgage decreased to **4.84 percent, its lowest since September 2018**. Investors continued to show a preference for safer U.S. Treasuries, as concerns over U.S. and global economic growth, along with uncertainty over the current government shutdown, drove rates lower," Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting said. "Even with lower borrowing costs, both purchase and refinance applications decreased over the two-week holiday period, as both conventional and government applications dropped. Part of the decline in mortgage applications was possibly because of the government shutdown, as concerns over delays in FHA application processing times likely contributed to the weakness in activity."

While the index changes were calculated relative to two weeks prior, information on the distribution of applications across mortgage products and changes in interest rates are presented relative to the previous week only.

The **refinance share** of mortgage activity decreased to 42.7 percent of total applications from 43.6 percent during the week ended December 21. The adjustable-rate mortgage (ARM) share of activity remained unchanged at 7.6 percent.

The **FHA share** of total applications increased to 10.0 percent from 9.7 percent the week prior and VA applications accounted for 11.0 percent compared to 10.1 percent. The USDA share ticked down from 0.7 percent to 0.6 percent.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRM) with origination balances at or below the conforming loan limit of \$453,100 **decreased to 4.84 percent** from 4.86 percent. Point dipped to 0.42 from 0.47 and the effective rate moved lower.

The only product for which the contract and effective rates rose last week was the jumbo 30-year FRM, loans with loan greater than the conforming rate. That contract rate jumped to 4.72 percent from 4.59 percent, with points increasing to 0.30 from 0.28.

FHA-backed 30-year FRM had an average rate of 4.86 percent with 0.54 point. The prior week the rate was 4.91 percent with 0.57 point. The effective rate also decreased.

The average contract interest rate for 15-year FRM declined 6 basis points to 4.25 percent. Points increased to 0.60 from 0.50 and the effective rate moved lower.

The average contract interest rate for 5/1 ARMs was 4.16 percent, down from 4.23 percent, with points decreasing to 0.34 from 0.36. The effective rate decreased from last week.

MBA's Weekly Mortgage Applications Survey has been conducted since 1990 and covers over 75 percent of all U.S. retail residential applications. Respondents include mortgage bankers, commercial banks and thrifts. Base period and value for all indexes is March 16, 1990=100 and interest rate information is based on loans with an 80 percent loan-to-value ratio and points that include the origination fee.

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