

Mortgage Apps Surge as Borrowers Return in Drove, Rates Drop

By: Jann Swanson | Wed, Jan 9 2019, 8:16 AM

Even though the week ended January 4 was shortened by the New Year's holiday **mortgage application volume rebounded strongly**. The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of application volume, was up 23.5 percent on a seasonally adjusted basis compared to the previous week and 68 percent on an unadjusted basis. The week's results include an adjustment for the New Year's Day holiday.

Refinancing activity came in hot; the Refinance Index rose 35 percent and the refinance share of mortgage activity increased to its highest level since last February, 45.8 percent. The previous week the refinancing share was 42.7 percent.

The seasonally adjusted Purchase Index was up 17 percent from one week earlier. The unadjusted version gained 59 percent week-over-week was 4 percent higher than the same week one year ago.

Refi Index vs 30yr Fixed

Purchase Index vs 30yr Fixed

"Mortgage rates fell across the board last week and applications rebounded sharply, after what was a slower than usual holiday period. The 30-year fixed-rate mortgage declined 10 basis points to 4.74 percent, the lowest since April 2018, and other loan types saw rate decreases of between 9 and 20 basis points," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. **"This drop in rates spurred a flurry of refinance activity** - particularly for borrowers with larger loans - and pushed the average loan size on refinance applications to the highest in the survey (at \$339,800). The surge in refinance activity also brought the refinance index to its highest level since last July."

Added Kan, **"Purchase applications had their strongest week in a month**, finishing over four percent higher than a year ago, as both conventional and government purchase activity bounced back with solid gains after a sluggish holiday season."

The FHA **share of total applications** increased to 10.3 percent from 10.0 percent, VA applications made their best showing since March 2017, gaining 0.6 percentage point to 11.6 percent. The USDA share of total applications was unchanged at 0.6 percent. The average size of all loans was \$318,400 and purchase loans averaged \$300,300.

Both **contract and effective rates moved lower** during the week. The average contract interest rate for 30-year fixed-rate mortgages (FRM) with origination balances at or below the new conforming loan limit of \$484,350 decreased to its lowest level since April 2018, 4.74 percent, down 10 basis points from the week ended December 28. Points increased to 0.47 from 0.42.

The **jumbo** version of the 30-year FRM, loans with balances exceeding the conforming limit, had an average rate of 4.52 percent with 0.28 point. The prior week the average rate was 4.72 percent with 0.30 point.

Thirty-year FRM backed by the **FHA** decreased to the lowest level since April 2018, 4.70 percent, from 4.86 percent. Points retreated to 0.47 from 0.54.

Rates for **15-year FRM** were also the lowest since last April, 4.16 percent with 0.35 point. The previous week the rate was 4.25 percent with 0.60 point.

The adjustable rate mortgage (**ARM**) share of applications, 8.4 percent, was the highest since April 2017 and a sizeable increase from 7.6 percent the week before. The average contract interest rate for 5/1 ARMs dropped to its lowest since last August, 4.05 percent from 4.16 percent, with points decreasing to 0.32 from 0.34.

MBA's Weekly Mortgage Applications Survey has been conducted since 1990 and covers over 75 percent of all U.S. retail residential mortgage 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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