

Purchase Volume Continues Higher Despite Rising Rates

By: Jann Swanson | Wed, Apr 17 2019, 8:17 AM

It would appear that Refis' time in the sun is listing back towards purchases, as **mortgage rates increased for the second straight week and application volume retreated further**. The Mortgage Bankers Association's Market Composite Index, a measure of that volume, decreased 3.5 percent on a seasonally adjusted basis from the week ended April 5. On an unadjusted basis, the Index was down 3 percent. The Refinance Index decreased 8 percent from the previous week and the share of applications that were for refinancing dropped from 44.1 percent down to 41.5 percent. Falling interest rates had driven the refinancing share over 47 percent at the end of March.

Meanwhile the volume of purchase applications continues to grow, up 1 percent from the previous week on a seasonally adjusted basis and 2 percent unadjusted. The unadjusted index was 7 percent higher than during the same week in 2018. It was the **sixth consecutive week** that purchase applications moved higher.

Refi Index vs 30yr Fixed

Purchase Index vs 30yr Fixed

"Mortgage applications decreased over the week, driven by a decline in refinances. With mortgage rates up for the second week in a row, it's **no surprise that refinancings slid 8 percent** and average loan sizes dropped back closer to normal levels," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Purchase activity remained strong and increased slightly, reaching its highest level since April 2010. The spring buying season continues to be robust, with activity more than 7 percent higher than a year ago and up year-over-year for the ninth straight week."

As Kan pointed out, loans declined in size last week. Overall they fell from \$352,100 to \$333,100 while purchase loans averaged \$335,100, \$1,000 less than the prior week.

The FHA **share of total applications** ticked down to 9.4 percent from 9.6 percent and the VA share rose to 11.6 percent from 11.1 percent. The USDA share of total applications remained unchanged at 0.6 percent.

Interest rates, both contract and effective, increased for all loan types. The average contract interest rate for 30-year fixed-rate mortgages (FRM) with origination balances at or below the conforming limit of \$484,350 increased to 4.44 percent from 4.40 percent. Points dropped to 0.42 from 0.47.

The average rate for **jumbo 30-year FRM**, loan with balances greater than \$484,350, was 4.33 percent with 0.23 point. The previous week the average was 4.28 percent, with 0.28 point.

The rate for 30-year FRM backed by the **FHA** increased to 4.43 percent from 4.42 percent. Points rose to 0.56 from 0.48.

Fifteen-year FRM had a rate during the week averaging 3.84 percent with 0.45 point. During the week ended April 5 the rate was 3.83 percent with 0.42 point.

The average contract interest rate for **5/1 adjustable rate mortgages (ARMs)** increased to 3.88 percent, up 10 basis points from the previous week, while points declined to 0.19 from 0.26. The ARM share of activity fell back to 6.6 percent of total applications from 7.6 percent the prior week.

MBA's Weekly Mortgage Applications Survey 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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