

Mortgage Apps Reflect Seasonal Slowdown

By: Jann Swanson | Wed, Dec 18 2019, 8:08 AM

The volume of mortgage applications retreated this past week, giving back most of the gains scored during the week ended December 6 following the Thanksgiving week lull. The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of loan application volume, **decreased 5.0 percent on a seasonally adjusted basis** during the week ended December 13. On an unadjusted basis, the Index declined 6 percent.

The **Refinance Index was down 7 percent** but was 135 percent higher than the same week one year earlier. The refinance share of mortgage activity decreased to 62.2 percent of total applications from 62.4 percent the previous week.

There was a **2.0 percent loss in the seasonally adjusted Purchase Index**, 6.0 percent on an unadjusted basis. The Index was up 10 percent compared to its level during the same week in 2018.

Refi Index vs 30yr Fixed

Purchase Index vs 30yr Fixed

"Mortgage rates were mostly unchanged, even as a potential trade deal between the U.S. and China caused rates to inch forward at the end of last week," said Mike Fratantoni, MBA Senior Vice President and Chief Economist. "With rates showing little meaningful movement, both refinance and purchase activity took a step back. As we move into the slowest time of the year for home sales, **purchase application volume is declining but continues to outperform year-ago levels**, when rates were much higher. Purchase activity was 10 percent higher than a year ago."

Added Fratantoni, "2019 was another year of inadequate housing supply in relation to demand. The good news is that **the tide could be slowly turning for potential buyers**. Housing starts and permits rose strongly in November, and homebuilder confidence has surged to a level not seen since 1999."

The FHA **share of total applications** decreased to 13.7 percent from 13.9 percent the week prior while the VA share grew to 12.9 percent from 12.4 percent. The USDA loans accounted for 0.5 percent of applications, unchanged from the week before. The average loan size during the week was \$308,700 and purchase loans averaged \$328,200.

Interest rates, both contract and effective, were mixed. The average contract interest rate for 30-year fixed-rate mortgages (FRM) with origination balances at or below the conforming limit of \$484,350 was unchanged at 3.98 percent with 0.33 point. The effective rate increased from the previous week.

The average contract interest rate for **jumbo** 30-year FRM, loan with balances exceeding the conforming loan limit, increased to 3.96 percent from 3.90 percent. Points declined to 0.26 from 0.27 and the effective rate increased.

Thirty-year FRM backed by the **FHA** had a rate of 3.79 percent, unchanged from the prior week. Points climbed to 0.36 from 0.27 and the effective rate moved higher.

The rate for **15-year FRM** averaged 3.40 percent with 0.26 point. The previous week the rate was 3.37 percent with 0.30 point. The effective rate moved lower.

The average contract interest rate for **5/1 adjustable rate mortgages** (ARMs) decreased to 3.28 percent from 3.52 percent. Points dipped to 0.23 from 0.24 and the effective rate declined. The ARM share of activity declined from 5.0 to 4.6 percent of total applications.

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.

Because of the Christmas holiday on December 25, the results of MBA's application survey for the week ended December 20 will be released on Thursday December 26. MBA offices will be closed for the remainder of the holidays and results for weeks ending December 27, 2019 and January 3, 2020 will be released on January 8.

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