

Mortgage Application Volume Retains Most of Last Week's Gains

By: Jann Swanson | Wed, Jan 22 2020, 8:04 AM

The volume of mortgage applications submitted during the week ended January 17 slowed after a strong performance - a 30.2 percent increase - the prior week, **but it was only a small decline**. The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of that volume, ticked down 1.2 percent on a seasonally adjusted basis while gaining 0.4 percent unadjusted.

Refinancing remained at a high level. The Refinancing Index, while down 2 percent on a week-over-week basis following a 43 percent surge during the week ended January 10, **maintained a 116 percent edge over the same week in 2019**. The percentage of all applications that were for refinancing dipped to 61.6 percent of total applications from 62.9 percent the previous week

The seasonally adjusted **Purchase Index decreased 2 percent** from one week earlier but applications for purchase mortgages were 4 percent higher than the previous week on an unadjusted basis and 8 percent higher than the same week one year ago.

Refi Index vs 30yr Fixed

Purchase Index vs 30yr Fixed

"Mortgage applications dipped slightly last week after two weeks of healthy increases, but even with a slight decline, the total pace of applications remains at an elevated level. The purchase market has started 2020 on a strong note, running 8 percent higher than the same week a year ago," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Refinance applications remained near the highest level since October 2019, as the 30-year fixed rate was unchanged at 3.87 percent, while the 15-year fixed rate decreased to its lowest level since November 2016. Even with more positive developments surrounding the U.S. and China trade negotiations and healthy retail sales data, investors seemed cautious and maintained their demand for safer U.S. Treasuries, which kept yields lower. Our expectation is that rates will stay along this same narrow range."

The FHA **share of total applications** decreased to 11.3 percent from 12.7 percent the previous week and the VA share increased to 13.8 percent from 12.1 percent. The USDA share of total applications was unchanged from 0.5 percent the prior week.

The average loan balance for all loans increased from \$316,100 to \$317,400 and for home purchase rose from \$326,900 to \$334,100.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRM) with loan balances at or below the conforming limit of \$510,400 was unchanged at 3.87 percent. Points decreased to 0.27 from 0.32 and the effective rate moved lower.

The contract rate for **jumbo** 30-year FRM, loans with balances exceeding the conforming limit, moved higher by 4 basis points to 3.87 percent. Points dipped to 0.21 from 0.24 and the effective rate increased from the prior week.

Thirty-year FRM with **FHA** backing had a contract rate that averaged 3.78 percent, unchanged from the previous week. Points averaged 0.25 compared to 0.30 a week earlier and the effective rate declined.

The average contract interest rate for **15-year FRM** decreased to the lowest level since November 2016, 3.25 percent, a 5-basis point decline. Points fell 0.22 from 0.27 and the effective rate was lower.

The average contract interest rate for **5/1 adjustable rate mortgages (ARMs)** was 3.29 percent, down from 3.35 percent the previous week. Points grew to 0.25 from 0.11 and the effective rate was lower. ARMs accounted for a 4.6 percent share of all applications, up from 4.5 percent a week earlier.

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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