Epic Refi Boom Gets Even Crazier as Rates Crush All-Time Lows

By: Jann Swanson | Wed, Mar 4 2020, 8:33 AM

Interest rates fell along with the stock market last week as fears about the economic impact of COVID-19 sent investors fleeing to the safety of U.S. Treasuries. Applications for refinancing surged again, but purchase applications did not respond to the lower rates.

The Mortgage Bankers Association's (MBA) Market Composite Index jumped 15.1 percent on a seasonally adjusted basis during the week which ended February 28. The results for the prior week had included an adjustment to account for the Presidents' Day holiday. On an unadjusted basis the Index rose 29 percent.

The Refinance Index increased 26 percent from the previous week and was 224 percent higher than the same week one year ago. The refinance share of mortgage activity increased to 66.2 percent of total applications from 60.8 percent the previous week. Refinancing has accounted for more than 60 percent of mortgage applications since the second week of the year.

While it gained 11 percent before adjustment, the seasonally adjusted **Purchase Index decreased 3 percent** from one week earlier. Purchase applications remained 10 percent higher than a year earlier for the third consecutive week.

Refi Index vs 30yr Fixed

Purchase Index vs 30yr Fixed

"The 30-year fixed rate mortgage **dropped to its lowest level in more than seven years last week**, amidst increasing concerns regarding the economic impact from the spread of the coronavirus, as well as the tremendous financial market volatility. Refinance demand jumped as a result, with conventional refinance applications increasing more than 30 percent," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "Given the further drop in Treasury rates this week, we expect refinance activity will increase even more until fears subside and rates stabilize."

Added Fratantoni, "We are now at the start of the spring homebuying season. While purchase applications were down a bit for the week, they are still up about 10 percent from a year ago. The next few weeks are key in whether these low mortgage rates bring in more buyers, **or if economic uncertainty causes some home shoppers to temporarily delay their search.**"

The FHA share of total applications decreased to 9.3 percent from 10.5 percent the previous week and the VA share fell to 10.5 percent from 11.8 percent. The USDA share of total applications decreased to 0.4 percent from 0.5 percent. The average size of a loan increased from $332,000 to $359,300 and purchase loans rose to $349,400 from $347,800.

There were **significant reductions in the interest rates** for most products during the week and all effective rates declined. The average contract interest rate for 30-year fixed-rate mortgages (FRM) with origination balances at or below the conforming limit of $510,400 dropped from 3.73 percent to 3.57 percent while points dipped to 0.26 from 0.27.

The average contract interest rate for **jumbo** 30-year FRM, loans with balances exceeding the conforming limit, was unchanged at 3.72 percent. Points, however, decreased from 0.23 to 0.20. The **FHA**-backed 30-year FRM had an average rate of 3.74 percent, down 10 basis points week-over week. Points decreased to 0.25 from 0.26.

Fifteen-year FRM had an average rate of 3.03 percent with 0.24 point. The prior week the rate was 3.18 with 0.24 point.

The average contract interest rate for **5/1 adjustable** rate mortgages (ARMs) decreased to 3.12 percent from 3.21 percent, with points decreasing to 0.14 from 0.28. The ARM share of activity increased to 6.4 percent of total applications from 5.3 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.

View this Article: https://www.mortgagenewsdaily.com/news/03042020-application-volume