Mortgage Volume Bounced Back With Last Week's Lower Rates

By: Jann Swanson | Wed, Sep 9 2020, 8:11 AM

The volume of mortgage applications reversed direction last week, **pulling out a small gain after three straight weeks of declines.** The Mortgage Bankers Association's (MBA's) Weekly Mortgage Applications Survey for the week ending September 4, was up 2.9 percent on a seasonally adjusted basis and 2.0 percent unadjusted compared to the previous week.

The Refinancing Index, which had fallen a cumulative 18 percentage points over the previous three weeks, gained 3 percent and its share of mortgage activity rose to 63.1 percent from 62.5 percent of applications. The Refinancing Index was **60 percent higher than the same week in 2019**, but that week had included the Labor Day holiday.

The seasonally adjusted Purchase Index increased 3 percent from one week earlier and was 0.2 percent higher on an unadjusted basis. The Purchase Index has **moved higher in four of the last five weeks** and was 40 percent higher than the same week one year ago.

"Mortgage rates declined last week, with a noteworthy 5-basis-point decrease in the 15-year fixed rate to a new record low of 2.62 percent. The **drop in rates led to a rebound in refinancing activity**, driven mainly by borrowers applying for conventional loans," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Purchase applications were 40 percent higher than the same week last year, but the increase is skewed higher by being compared to Labor Day 2019. Nevertheless, there continues to be resiliency in the purchase market. Applications were up almost 3 percent on a weekly basis and the average loan size continued to increase, hitting a survey high at $368,600."

Added Kan, "Highlighting the **strong overall demand** for buying a home, conventional, VA and FHA purchase applications all increased last week."

The FHA and the USDA shares of total applications were unchanged at 10.2 percent and 0.6 percent, respectively while the VA share dipped to 11.2 percent from 11.4 percent the prior week. The average origination balance of mortgage loans declined by $3,000 to $323,200 while the origination balance of purchase mortgages rose from $368,000 to $368,600.

Average interest rates, both contract and effective, were all lower than a week earlier. The average contract interest rate for 30-year fixed-rate mortgages (FRM) with loan balances at or below the $510,400 conforming limit decreased to 3.07 percent from 3.08 percent with points remaining unchanged at 0.36.

The rate for **jumbo** 30-year FRM, loans with balances exceeding the conforming limit was 3.40 percent with 0.31 point. The prior week the rate was 3.41 percent with 0.38 point.

Thirty-year FRM backed by the **FHA** had an average rate of 3.16 percent, down 3 basis points from the prior week. Points increased to 0.42 from 0.34.

The average contract interest rate for **15-year** FRM decreased to 2.62 percent from 2.67 percent. Points dropped to 0.33 from 0.36.

The average contract interest rate for **5/1 adjustable rate mortgages** (ARMs) decreased to 2.99 percent from 3.08 percent, with points increasing to 0.58 from 0.43. The ARM share of activity decreased from 2.6 percent to 2.2 percent of total applications.

MBA's Weekly Mortgage Applications Survey has 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.

MBA's latest Forbearance and Call Volume Survey showed another small decrease in the percentage of loans in forbearance plans, from 7.20 percent to 7.16 percent as of August 30. According to MBA's estimate, 3.6 million homeowners are in forbearance plans.

The share of Fannie Mae and Freddie Mac (GSE) **loans in forbearance dropped for the 13th week in a row to 4.80 percent - an 8-basis-point improvement.** The share of Ginnie Mae (FHA/VA) loans rose for the second consecutive week, a 4-basis point increase to 9.62 percent. The forbearance share for portfolio loans and private-label securities (PLS) decreased 1 basis point to 10.43 percent.

By stage, 35.76 percent of total loans in forbearance are in their initial forbearance term while 63.29 percent are in an extension. The remaining 0.94 percent are forbearance re-entries.

Depository servicers' portfolios had 7.40 percent of loans in forbearance, down 9 basis points while the percentage of loans in independent mortgage bank (IMB) servicer portfolios remained unchanged at 7.41 percent.

"The share of Ginnie Mae loans in forbearance increased again this week, as the current economic crisis continues to disproportionately impact borrowers with FHA and VA loans. As a result, IMB servicers, which have roughly one-third of their portfolio with Ginnie Mae, had a forbearance share that was unchanged, while depositories, which have a larger share of GSE and portfolio loans, saw a decrease," said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. "The labor market continued to heal in August, with strong job growth and a large decline in the unemployment rate. However, the economy still faces an uphill climb and remains far away from full employment. High unemployment, and jobless claims consistently around 1 million a week, continue to cause financial strain for some borrowers - and especially for those who work in industries hardest hit by the pandemic."

MBA's latest Forbearance and Call Volume Survey covers the period from August 24 through August 30 and represents 75 percent of the first-mortgage servicing market (37.3 million loans).

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