

MBA Forecasts Record Purchase Volume This Year

By: Jann Swanson | Fri, Apr 23 2021, 10:33 AM

The Mortgage Bankers Association (MBA) is **predicting a banner year for purchase mortgage originations**. The Association's chief economist and senior vice president Mike Fratantoni told attendees at MBA's Spring Conference and Expo that those originations are on track to grow 16.4 percent this year, setting a probable new record at \$1.67 trillion. Refinancing will, however, drag overall origination volume down from last year's record \$3.83 trillion to \$3.28 trillion, a 14 percent decline. That would still be the **third highest volume ever**.

"The housing market is incredibly strong this year, with robust housing demand in nearly every part of the country, driven by the improving economy, households seeking more indoor and outdoor space, millennials reaching their prime homebuying years, and still low mortgage rates," Fratantoni said. "A lack of supply is the biggest hurdle to an even larger increase in home sales. The widening imbalance of supply and demand is driving up home-price growth and eroding affordability - especially for entry-level buyers."

Mortgage rates are expected to continue rising to around 3.7 percent, contributing to a further slowdown in refinance demand. Refinance originations are expected to fall by 33 percent to \$1.62 trillion.

"Refinance volume has already trailed off because of the steep climb in mortgage rates since January," said Fratantoni. **"Mortgage lenders should continue to prepare for the transition to a strong purchase market** and slowing refinance activity."

The economist predicted that the recent enactment of the American Rescue Plan and the ongoing vaccine rollout will provide a boost to the economy, households, and businesses throughout the summer. He expects the GDP to grow 6.5 percent this year after contracting by 2.4 percent during the pandemic in 2020.

"The economy will continue to recover, with rapid job growth, particularly in the hardest-hit, service sectors of the economy," said Fratantoni. "The job growth is certainly positive, but this environment sets the stage for higher mortgage rates and faster inflation. However, if housing inventory levels improve and help to keep affordability in check, **home sales should remain strong into 2022.**"

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