

# Lower Rates Stoked Refinancing During Post Holiday Week

By: Jann Swanson | Wed, Dec 8 2021, 10:52 AM

The combination of **lower rates and a post-holiday business week** made mortgage application activity during the week ended December 3 more than a little uneven. The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of mortgage loan application volume, rose 2.0 percent on a seasonally adjusted basis from the week ended November 26, continuing the metronomic week-to-week swings that have been in place since early October. On an unadjusted basis, the Index increased 45 percent compared with Thanksgiving week.

**The Refinance Index increased 9 percent** from the previous week and was 37 percent lower than the same week one year ago. The refinance share of mortgage activity increased to 63.9 percent of total applications, the highest share since October 8, from 59.4 percent the previous week.

**The seasonally adjusted Purchase Index fell 5 percent** from the prior week but rose 28 percent on an unadjusted basis. It was down 8 percent year-over-year.

Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting commented, "Mortgage rates declined for the first time in a month, prompting a pickup in refinancing, with government refinances increasing more than 20 percent over the week. While the 30-year fixed mortgage rate and 15-year fixed mortgage rate both declined only one basis point, the FHA rate fell 7 basis points, driving the surge in government refinances.

Borrowers are continuing to act on these opportunities, but if rates trend higher as MBA is forecasting, **the window of opportunity to refinance will continue to get smaller**," he said. "The purchase market was slower last week, with applications falling after four consecutive increases. Activity is still close to the highest level since March 2021, which is a positive sign as the year comes to an end. Purchase activity continues to be constrained by a lack of inventory, combined with rapid rates of home-price appreciation and mortgage rates higher than in 2020."

FHA's **share of total applications** increased a full point to 9.9 percent last week and the VA share rose to 10.7 percent from 10.0 percent. The USDA share was unchanged at 0.5 percent. The origination balances of loans declined week over week. The average was \$334,000,

down from \$351,400, and purchase loans averaged \$397,200 compared to \$414,700 the prior week.

The average contract interest rate for 30-year fixed-rate mortgages (FRM) with balances at or below the conforming limit of \$548,250 was 3.30 percent, 1 basis point lower than the prior week. Points moved to 0.39 from 0.43 and the effective rate declined to 3.41 percent.

The **average contract interest rate** for jumbo 30-year FRM, loans with balances exceeding the conforming limit, increased to 3.33 percent from 3.27 percent, with points decreasing to 0.30 from 0.35. The effective rate increased to 3.42 percent.

The 7-basis point decline in FHA-backed 30-year FRM brought the rate down to 3.35 percent, with points decreasing to 0.32 from 0.35. The effective rate fell to 3.44 percent.

Fifteen 15-year FRM had an average rate of 2.62 percent compared to 2.63 percent. Points were unchanged at 0.31 but the effective rate did dip to 2.70 percent.

The average contract interest rate for 5/1 adjustable-rate mortgages (ARM) jumped to 2.98 percent from 2.48 percent, with points decreasing to 0.21 from 0.27. The effective rate increased to 3.06. The ARM share of activity dropped from 3.6 percent to 3.0 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.

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