

Rates Pushing Back on Refi Volumes

By: Jann Swanson | Mbn, Dec 13 2021, 11:48 AM

Black Knight reports that rate locks, as measured by the company's Market Volume Index, declined 4.7 percent from October to November. Those for refinancing **dropped by 9.7 percent even as interest rates remained fairly stable** while purchase locks were down 3.9 percent. The total index, at 240, is 20.1 percent lower than in November 2020.

The year-over-year changes are lop-sided. Purchase locks in November decreased 12.6 percent while refinancing fell 65 percent compared to November 2020, a point at which interest rates on the various loan products were 31 to 58 basis points (bps) lower. **Forty-five percent of originations in November 2021 were for refinancing as both rate and term and cash-out volume fell.**

The company's *Originations Mortgage Monitor* notes, "With interest rates climbing and more than \$9 trillion in tappable equity, the dynamics of the refinance market are shifting toward cash-out lending. This shift tends to happen in any rising rate environment, but it is especially significant now, at a time when average mortgage debt, at just over 45 percent, is at its lowest level in more than 20 years."

Conforming loans continue to dominate the market with 65.9 percent of origination activity followed by non-conforming loans at 14.4 percent. Government backed products, FHA, VA, and USDA had shares of 10.5, 8.4, and 0.8 percent, respectively. **All products but non-conforming lost market share during the month.** That product grew by 58 bps for the month and 564 bps on an annual basis.

Credit scores have been stable in recent months and averaged around 730 for purchase loans and both types of refinancing in November. Refinance scores have declined by numbers in the high teens over the last year.

The pull-through rate, the percentage of loan applications that are ultimately funded, was at 82.4 percent for purchase loans and 73.4 percent for refinancing. Both scores worsened compared to October, down 142 bps and 299 bps, respectively. The pull-through for purchasing has also fallen 237 bps and refinancing by 847 bps year-over-year.

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