

Refinance Volume Drops; Purchase Loans Holding Steady

By: Jann Swanson | Wed, Dec 15 2021, 10:35 AM

Mortgage application volume moved lower last week. The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of that volume, fell 4.0 percent on a seasonally adjusted basis during the week ended December 10 and 6 percent without adjustment.

The **Refinance Index declined 6 percent** week-over-week and was 41 percent lower than the same week one year ago. The refinance share of mortgage activity decreased to 63.3 percent of total applications from 63.9 percent the previous week.

The seasonally adjusted **Purchase Index gained 1 percent** but was 4 percent lower on an unadjusted basis than the prior week and 9 percent lower than during the same week in 2020.

Refi Index vs 30yr Fixed

Purchase Index vs 30yr Fixed

"Applications to refinance fell over the week, despite the 30-year fixed rate remaining at 3.30 percent," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "With rates more than 40 basis points higher than last year, applications were down 41 percent on an annual basis. **Fewer homeowners have a strong incentive to refinance at current rates.**

"Purchase activity increased slightly, as a 1.7 percent rise in conventional applications offset a 1.6 percent decline in applications for government loans," he continued. "The strength in conventional purchase activity continues to support higher loan balances, which moved back over \$400,000. Housing demand remains strong as the year comes to an end amidst tight inventory and steep home-price growth."

The FHA **share of total applications** decreased to 9.6 percent from 9.9 percent and the VA share ticked down 0.1 point to 10.6 percent. The USDA share of total applications was unchanged from 0.5 percent. Loan amounts for the week averaged \$341,100 compared to \$334,000 a week earlier. Purchase mortgage balances increased to \$406,800 from \$397,200.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRM) with balances at or below the conforming limit of \$548,250 was unchanged at 3.30 percent with 0.39 point. The effective rate remained at 3.41 percent.

Jumbo 30-year FRM, loans with balances exceeding the conforming limit, had a rate of 3.32 percent, down 1 basis point from the previous week. Points were flat at 0.30 and the effective rate was lowered to 3.40 percent.

The rate for 30-year FRM backed by the FHA rose to 3.37 percent from 3.35 percent and points to 0.34 from 0.32. The effective rate was 3.46 percent.

Fifteen-year FRM rates dropped to 2.58 percent with 0.34 point from 2.62 percent with 0.31. The effective rate decreased to 2.66 percent.

The average contract interest rate for 5/1 adjustable-rate mortgages (ARMs) decreased to 2.75 percent from 2.98 percent, with points increasing to 0.28 from 0.21. The effective rate decreased to 2.85 percent. The ARM share of applications increased from 3.0 percent to prior week to 3.4 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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