

Refi Applications Plunge to Two-Year Low as Rates Surge

By: Jann Swanson | Wed, Jan 26 2022, 8:33 AM

Even for a week containing a holiday, last week was a **bad** one. The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of mortgage loan application volume, **fell 7.1 percent** on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index decreased 6 percent compared to the previous week. The week ended January 21 started with the observance of Martin Luther King's birthday although MBA did not indicate it adjusted its data to account for it.

The **Refinance Index decreased 13 percent** from the previous week and was 53 percent lower than the same week one year ago. The refinance share of mortgage activity declined to 55.8 percent of total applications from 60.3 percent the previous week, the lowest for refinancing since Christmas week 2019.

The **Purchase Index dipped 2 percent** from one week earlier although it was 5 percent higher on an unadjusted. Purchase volume was 11 percent lower than the same week one year ago.

“All [mortgage rates](#) in MBA’s survey continued to climb, with the 30-year fixed rate rising for the fifth consecutive week to its highest level since March 2020. The 30-year fixed rate is now 77 basis points higher than it was a year ago,” said Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting. “Unsurprisingly, borrower demand for refinances subsided, with applications falling for the fourth straight week. After almost two years of lower rates, there are not many borrowers left who have an incentive to refinance. Of those who are still in the market for a refinance, these higher rates are proving much less attractive to them.”

Added Kan, “The decline in purchase activity was led by a 5 percent drop in **government** applications, compared to a modest less than one percent decline in conventional applications. The relative weakness in government purchase activity continues to contribute to higher loan sizes. The average purchase loan size was \$433,500, eclipsing the previous record of \$418,500 set two weeks ago.”

The **FHA share** of total applications decreased to 8.6 percent from 9.3 percent the previous week and the VA share of total applications dipped a tenth of a point to 9.9 percent. USDA applications account to 0.5 percent of the total, up from 0.4 percent. The increase in purchase mortgage balances helped drive the balance of all mortgages to \$362,7000 from \$346,800.

The average contract interest rate for **30-year fixed**-rate mortgages (FRM) with balances at or below the conforming limit of \$647,200 increased to **3.72** percent from 3.64 percent. Points declined to 0.43 from 0.45 and the effective rate rose to 3.85 percent.

The rate for **jumbo** 30-year FRM, loans with balances exceeding the conforming limit, rose 2 basis points to 3.56 percent while points decreased to 0.38 from 0.47, The effective ticked down to 3.66 percent.

Thirty-year FRM backed by the **FHA** had a rate of 3.69 percent with 0.61 point. The prior week the rate was 3.64 percent, with 0.44 point. The effective rate was 3.87 percent.

The rate for **15-year** FRM rose to 3.00 percent from 2.95 percent. Points moved from 0.39 from 0.43 and the effective rate increased to 3.10 percent.

Increases in [interest rates](#) helped push the share of adjustable-rate mortgages (ARMs) over 4 percent for the first time since March 2020. They represented 4.4 percent of applications compared to 3.8 percent a week earlier. The interest rate for 5/1 ARMs averaged 3.18 percent, up from 3.04 percent the prior week. Points rose 0.33 from 0.24 and the effective rate was 3.30 percent.

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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