

Mortgage Apps Buck Recent Trend Despite Huge Rate Jump

By: Jann Swanson | Wed, Jun 15 2022, 8:29 AM

Mortgage application volume increased during the week ended June 10 after four straight weeks of declines. However, the overall gains shown by data from the Mortgage Bankers Association's (MBA's) weekly Mortgage Applications Survey was only a resumption of application activity patterns two weeks earlier. The business week ended June 3 was shorted by the Memorial Day holiday.

MBA's Market Composite Index, a measure of loan application volume, increased 6.6 percent on a seasonally adjusted basis after declining 6a.5 percent the previous week. On an unadjusted basis, the Index increased 17 percent, identical to its decline the previous week.

The Refinance Index increased 4 percent from the previous week but was 76 percent lower than the same week in 2021. The seasonally adjusted Purchase Index rose 8 percent from one week earlier and was up 18 percent on an unadjusted basis. The Index remains down 16 percent from the same week one year ago. The last time the Purchase Index rose year-over-year was in May 2021.

According to Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting, "Mortgage rates increased for all loan types, with the 30-year fixed rate last week jumping 25 basis points to 5.65 percent – the highest level since 2008. Mortgage rates followed Treasury yields up in response to higher-than-expected inflation and anticipation that the Federal Reserve will need to raise rates at a faster pace. Despite the increase in rates, application activity rebounded following the Memorial Day holiday week but remained 0.29 percent below pre-holiday levels. With mortgage rates well above 5 percent, refinance activity continues to run more than 70 percent lower than last year."

Added Kan, "Purchase applications were down more than 15 percent compared to last year, as ongoing inventory shortages and affordability challenges have cooled demand, coinciding with the rapid jump in mortgage rates."

Other highlights from MBA's survey data:

- The refinance share of mortgage activity decreased to 31.7 percent of total applications from 32.2 percent the previous week.
- FHA mortgages had a 11.8 percent share of total applications compared to 11.3 percent the previous week and the VA share rose to 11.7 percent from 11.4 percent. The USDA share of total applications increased from 0.5 to 0.6 percent, the highest share in recent memory.
- The average contract interest rate for conforming 30-year fixed-rate mortgages (FRM) was 5.65 percent with 0.71 point, increasing from 5.40 percent and 0.60 point the prior week.
- Jumbo 30-year FRM rates rose from an average of 4.99 percent to 5.25 percent. Points jumped to 0.54 from 0.44.
- There was a 6-basis point increase in the average rate for 30-year FRM to 5.35 percent. Points increased to 1.00 from 0.79.
- The share of applications for adjustable-rate mortgages (ARMs) dipped to 8.1 percent from 8.2 percent.
- The average contract interest rate for 5/1 ARMs was 4.57 percent with 0.8 point. The prior week it was 4.51 percent with 0.68 point.

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