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The Mortgage Corner

MORTGAGE APPLICATIONS DOWN

The Mortgage Bankers Association (MBA) today released its Weekly Mortgage Applications Survey for the week ending February 17. The Market Composite Index — a measure of mortgage loan application volume – was 578.5, an increase of 0.8 percent on a seasonally adjusted basis from 574.1 one week earlier. On an unadjusted basis, the Index increased 3.4 percent compared with the previous week but was down 20 percent compared with the same week one year earlier.

The year-over-year decline in applications is part of the interest rate conundrum highlighted by former Fed Chairman Alan Greenspan. It is in spite of long-term rates remaining low, with the 10-year Benchmark Treasury Bond still below its highs reached in 2000, and so probably due to the decline in refinancing activity. Home purchases are still at all-time highs.

The seasonally-adjusted Purchase Index increased by 4.3 percent to 408.7 from 391.7 the previous week whereas the Refinance Index decreased by 4.0 percent to 1571.4 from 1636.7 one week earlier. Other seasonally adjusted index activity includes the Conventional Index, which increased 0.9 percent to 855.8 from 847.8 the previous week, and the Government Index, which decreased 1.4 percent to 116.2 from 117.8 the previous week.

The four week moving average for the seasonally-adjusted Market Index is down 3.3 percent to 599.7 from 620.2. The four week moving average is down 3.8 percent to 415.3 from 431.6 for the Purchase Index, while this average is down 2.9 percent to 1676.6 from 1727.2 for the Refinance Index.

The refinance share of mortgage activity decreased to 38.2 percent of total applications from 41.2 percent the previous week. The adjustable-rate mortgage (ARM) share of activity decreased to 29.1 percent of total applications from 29.6 percent the previous week.

This is mainly explained by the inverted Treasury Bond yield curve, in which short-term interest rates have climbed above long-term fixed rates. The demand for ARMS, whose indexes are tied to shorter-term interest rates, has declined from last year's high of 36 percent of total mortgage activity. These ARM indexes have risen in tandem with the Prime Rate, now 7.5 percent, which is 3.5 percent above its low of 3 percent in 2004.

The average contract interest rate for 30-year fixed-rate mortgages decreased to 6.22 percent from 6.25 percent, with points decreasing to 1.23 from 1.34 (including the origination fee) for 80 percent loan-to-value (LTV) ratio loans.

The average contract interest rate for 15-year fixed-rate mortgages decreased to 5.87 percent from 5.92 percent, with points increasing to 1.21 from 1.17 (including the origination fee) for 80 percent LTV loans.

The average contract interest rate for one-year ARMs increased to 5.60 percent from 5.52 percent, with points decreasing to 0.97 from 0.99 (including the origination fee) for 80 percent LTV loans.