The Mortgage Corner

PENDING HOME SALES CONTINUE DECLINE
PURCHASE MORTGAGE APPLICATIONS INCREASE

Pending home sales, a forward-looking indicator, show sales closed in April are likely to remain soft, with some drag possible in May as well, according to the National Association of Realtors.

The Pending Home Sales Index, based on contracts signed in March, registered 104.3 down 10.5 percent from March 2006 when it was 116.5, and is 4.9 percent below an upwardly revised February index of 109.7. The index is the lowest since a reading of 103.5 in March 2003, coincidentally, the middle of the housing boom.

David Lereah, NAR's chief economist, expected the decline. "Although the weather improved in March, we're starting to see the effects of a decline in subprime lending and tighter lending standards," he said. "Home sales will be relatively sluggish in the second quarter, but a modest uptrend should resume during the second half of this year. "We're fortunate to have a positive economic backdrop now with job growth and low mortgage interest rates to provide opportunities for buyers who've been on the sidelines or were unable to get into the market during the boom, especially with inventories favoring buyers."

The index is a leading indicator for the housing sector, based on pending sales of existing homes. A sale is listed as pending when the contract has been signed but the transaction has not closed, though the sale usually is finalized within one or two months of signing.
An index of 100 is equal to the average level of contract activity during 2001, the first year to be examined as well as the first of five consecutive record years for existing-home sales. There is a closer relationship between annual changes in the index and actual market performance than with month-to-month comparisons. As the relatively new index matures and seasonal adjustment factors are refined, the month-to-month comparisons will become more meaningful over time.

The PHSI in the West rose 1.6 percent in March to 104.0 but was 8.6 percent below a year ago. The index in the Northeast fell 4.9 percent from February to 94.2 and was 14.0 percent below March 2006. The index in the Midwest dropped 6.9 percent in March to 95.9 and was 9.5 percent lower than a year earlier. In the South, the index fell 7.1

percent from February to 115.2 and was 10.6 percent below March 2006.

The Mortgage Bankers Association (MBA) today released its Weekly Mortgage Applications Survey for the week ending April 27, 2007. The Market Composite Index, a measure of mortgage loan application volume, was 657.2, an increase of 0.6 percent on a seasonally adjusted basis from 653.3 one week earlier. On an unadjusted basis, the Index increased 1.4 percent compared with the previous week and was up 9.4 percent compared with the same week one year earlier.

The Refinance Index decreased 3.2 percent to 2015.8 from 2081.6 the previous week and the seasonally adjusted Purchase Index increased 4 percent to 427.3 from 411 one week earlier. The seasonally adjusted Conventional Index increased 0.9 percent to 972.3 from 964.1 the previous week, and the seasonally adjusted Government Index decreased 2.4 percent to 131.8 from 135.1 the previous week.

The four week moving average for the seasonally adjusted Market Index is up 0.3 percent to 646.9 from 645. The four week moving average is up 1.5 percent to 412.2 from 406 for the Purchase Index, while this average is down 1 percent to 2030.2 from 2050.8 for the Refinance Index.

The refinance share of mortgage activity decreased to 41.5 percent of total applications from 43.4 percent the previous week. The adjustable-rate mortgage (ARM) share of activity decreased to 17.9 from 18.3 percent of total applications from the previous week.
The average contract interest rate for 30-year fixed-rate mortgages increased to 6.14 percent from 6.13 percent, with points decreasing to 1.31 from 1.32 (including the origination fee) for 80 percent loan-to-value (LTV) ratio loans.

The average contract interest rate for 15-year fixed-rate mortgages increased to 5.83 from 5.82 percent, with points decreasing to 1.25 from 1.27 (including the origination fee) for 80 percent LTV loans.