

The Mortgage Corner

Mortgage Applications On Rise

The Mortgage Bankers Association (MBA) today released its Weekly Mortgage Applications Survey for the week ending January 20. The Market Composite Index — a measure of mortgage loan application volume was 660.5 -- an increase of 7.7 percent on a seasonally adjusted basis from 613.3 one week earlier. On an unadjusted basis, the Index decreased 0.2 percent compared with the previous week and was down 0.4 percent compared with the same week one year earlier.

The reasons for increased mortgage originations included a slight drop in interest rates and surging real estate sales. Both existing and new-home sales set records in 2005 with 7.07 million existing-homes sold and 1.28 new-home sales. The 13 percent rise in home prices also contributed to the increased applications, as mortgage volume is measured in dollar volume of loans originated.

The seasonally-adjusted Purchase Index increased by 6.7 percent to 473.7 from 443.9 the previous week whereas the Refinance Index increased by 7.8 percent to 1773.9 from 1645.2 one week earlier. Other seasonally adjusted index activity includes the Conventional Index, which increased 7.1 percent to 982.6 from 917.1 the previous week, and the Government Index, which increased 15.9 percent to 123.4 from 106.5 the previous week.

The four week moving average for the seasonally-adjusted Market Index is up 4.6 percent to 605.0 from 578.4. The four week moving average is up 2.3 percent to 448.3 from 438.1 for the Purchase Index while this average is up 8.9 percent to 1570.0 from 1441.3 for the Refinance Index.

The refinance share of mortgage activity decreased to 42.8 percent of total applications from 44.0 percent the previous week. The adjustable-rate mortgage (ARM) share of activity decreased to 29.5 percent of total applications from 30.6 percent the previous week.

What will 2006 look like? The National Association of Realtor's chief economist David Lereah predicts a 5-10 percent drop in home sales, but prices should hold firm, while fixed interest rates will rise no more than 0.25 percent. If interest rates do rise only modestly, the refinance market may take up some of the purchase mortgage slack, as it did in 2004-05. Interest rates tend to track more closely with mortgage applications than real estate sales, in any event.

The average contract interest rate for 30-year fixed-rate mortgages decreased to 6.04 percent from 6.07 percent on week earlier, with points increasing to 1.24 from 1.23 (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 5.66 percent from 5.64 percent, with points decreasing to 1.14 from 1.23 (including the origination fee) for 80 percent LTV loans.

The average contract interest rate for one-year ARMs increased to 5.44 percent from 5.39 percent one week earlier, with points increasing to 0.95 from 0.92 (including the origination fee) for 80 percent LTV loans.

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