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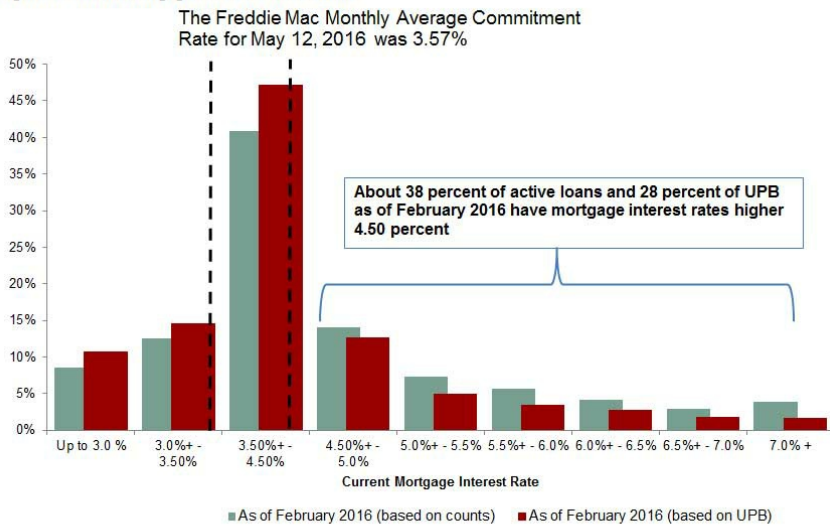
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Refinancing Dead Again?

With mortgage interest rates generally down since the end of last year CoreLogic's principal economist Molly Boesel took a crack this week at figuring out how much gas might be left in the refinancing engine. In her analysis she **added 100 basis points** to the current market rate as a measure of a current mortgage rate at which there begins to be an incentive for the borrower to refinance.

For the week of May 12, 2016, Freddie Mac reported an average 30-year mortgage rate of 3.57 percent (which as of June 2 had risen to 3.66 percent.) Using the first figure, the typical borrower would only begin to save money through refinancing if his or her existing mortgage had a rate of **4.57 percent or higher**.

Figure 1: Current Mortgage Rates of Active Loans



Source: CoreLogic

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The chart above shows the rates and unpaid principal balance (UPB) of the current mortgage pool. It shows most borrowers hold mortgages with rates under 4.50 percent, with **62 percent of mortgages** and 72 percent of UPB in this range. An additional 14 percent of borrowers and 13 percent of UPB have mortgage rates between 4.5 and 5.0 percent. If mortgage rates increase by 50 basis points this year, refinancing will be generally unappealing to those estimated 5.5 million borrowers. At a 100 basis point increase a total of

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	2.85%	-0.02	0.40
15 Yr. Fixed	2.40%	-0.02	0.40
30 Yr. Jumbo	3.27%	-0.03	0.00

Freddie Mac

30 Yr. Fixed	2.72%	-0.94	0.70
15 Yr. Fixed	2.28%	-0.87	0.60
5/1 ARM	2.85%	-0.54	0.30

Rates as of: 11/24

Market Data

	Price / Yield	Change
MBS UMBS 2.0	103.53	-0.03
MBS GNMA 2.0	104.13	0.00
10 YR Treasury	0.8734	-0.0116
30 YR Treasury	1.5960	-0.0160

Pricing as of: 11/25 1:41AM EST

Recent Housing Data

	Value	Change
Mortgage Apps	Nov 18 831.5	-0.29%
Building Permits	Sep 1.55M	+5.65%
Housing Starts	Sep 1.42M	-0.07%
New Home Sales	Sep 959K	-5.14%
Existing Home Sales	Oct 6.85M	+4.26%
Builder Confidence	Nov 90	+5.88%

Mortgage Educational Series

8 million or 21 percent will be unlikely to refinance. Boesel says that, if rates rise as predicted, there will certainly be a decline in refinancing volumes over the remainder of the year.

There remains a small share of outstanding mortgages with interest rates of about 300 basis points or more above the current market rate. Boesel speculates that these borrowers **have not refinanced for a reason**; perhaps because their outstanding balances are small or because they cannot qualify for a new loan.

Refinancing has been declared dead several times in the last few years, and the predicted drop in refinancing doesn't mean an end to new loans. She says that while at least 62 percent of borrowers most likely don't want to refinance out of their low mortgage rates, they still might want to tap into their equity to pay for remodeling, education expenses, or debt consolidation. It may be likely they will opt to keep their existing low first mortgages rates and instead of refinancing tap equity through a home equity loan. These have already started to stage a comeback in popularity over the last few years.

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