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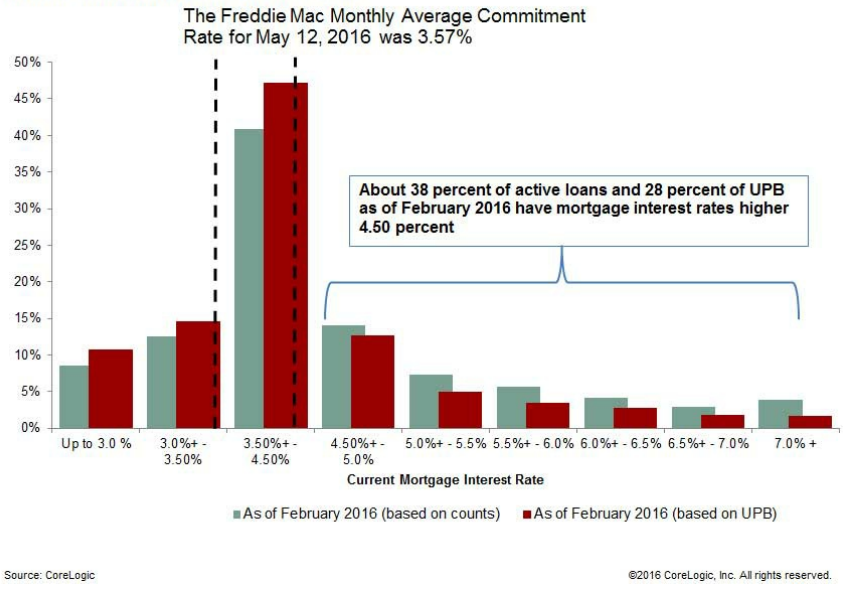
Refinancing Dead Again?

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



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.34%	+0.01	0.00
15YR Fixed	6.89%	0.00	0.00
30YR FHA	6.96%	+0.01	0.00
30YR Jumbo	7.45%	+0.01	0.00
7/6 SOFR	6.83%	+0.02	0.00
30YR VA	6.97%	0.00	0.00

Rates as of: 11/23

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.72	+0.17
10 YR Treasury	4.8914	-0.0548
30 YR Treasury	5.2789	-0.0295

Pricing as of: 11/24 12:10PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 11	199.8	-2.35%
Building Permits	Oct	1.3M	-7.5%
Housing Starts	Oct	1.31M	+7.21%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Oct	63	-4.69%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Nov	25	-13.79%

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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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