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Refinancing Wave Continues; Lenders May Have Capacity Restraints

The volume of mortgage applications continued to be shored up by refinancing during the week ended August 16, but **overall activity was down**. The Mortgage Bankers Association (MBA) said its Market Composite Index slipped 0.9 percent on a seasonally adjusted basis, perhaps not surprising after it soared 21.7 percent the previous week. On an unadjusted basis the Index fell by 2.0 percent following a 27 percent gain during the week ended August 9.

The **Refinance Index** managed a slight 0.4 percent gain from the previous week and was **180 percent higher than the same week one year ago**. That index had increased by a cumulative 42 percent over the previous two weeks. The refinance share of mortgage activity increased to 62.7 percent of total applications from 61.4 percent a week earlier.

The seasonally adjusted Purchase Index lost 4 percent week-over-week. The unadjusted **Purchase Index decreased 5 percent** compared with the previous week and was 5 percent higher than the same week one year ago.

Refi Index vs 30yr Fixed

Purchase Index vs 30yr Fixed

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

"In a week where worries over global economic growth drove U.S. Treasury yields 13 basis points lower, the 30-year fixed mortgage rate decreased just three basis points. As a result, the refinance index saw only a slight increase but remained at its highest level since July 2016," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "The small moves in rates and refinancing are potentially signs that lenders may be approaching capacity constraints as they continue to deal with the **largest wave of refinance activity in three years**. The refinance share of applications, at almost 63 percent, was also at its highest level since September 2016."

Added Kan, "Lower mortgage rates have yet to lead to a notable rise in homebuyer demand. Purchase applications fell more than 3 percent, but were still 5 percent higher than a year ago."

The **FHA share of total applications** increased to 9.7 percent from 9.5 percent the week prior and the VA share dipped to 11.6 percent from 12.2 percent. The USDA share of total applications was unchanged at 0.5 percent. The average loan balance was \$344,700 and purchase mortgages averaged \$323,500.

The **average contract interest rate** for 30-year fixed-rate mortgages (FRM) with origination balances at or below the conforming limit of \$484,350 decreased to 3.90 percent from 3.93 percent, with points remaining unchanged at 0.35. The effective rate decreased from the prior week.

Both the average contract interest rate and the effective rate for 30-year FRM with **jumbo** loan balances that exceeded the conforming limit were unchanged from the previous week. Contract rates averaged 3.88 percent with 0.24 point.

FHA and 15-year FRMs were outliers amidst the generally lower rates; contract and effective rates rose for each. The FHA-backed 30-year FRM had an average rate of 3.87 percent with 0.32 point compared to 3.81 percent with 0.29 point a week earlier. The rate for 15-year FRM increased to 3.30 percent from 3.28 percent, with points decreasing to 0.33 from 0.34.

The average contract interest rate for **5/1 adjustable rate mortgages** (ARMs) decreased to 3.35 percent from 3.43 percent, with points increasing to 0.41 from 0.35 and the effective rate declined. The ARM share of activity increased to 6.4 percent of total applications from 6.0 percent the previous week.

MBA's Weekly Mortgage Applications Survey been conducted since 1990 and covers over 75 percent of all U.S. retail residential applications Respondents include mortgage bankers, commercial banks and thrifts. Base period and value for all indexes is March 16, 1990=100 and interest rate information is based on loans with an 80 percent loan-to-value ratio and points that include the origination fee.