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Mortgage Apps Find Little Inspiration in Low Rates

In a week when rates continued holding near multi-year lows, mortgage application activity increased, but the gain during the week ended April 15 was minimal, **especially** compared to the strong numbers a week earlier. Unsurprisingly, refinance demand continued to do the heavy lifting. Purchase mortgage applications, which had surged during the week ended April 8, dropped again into negative territory.

The Mortgage Bankers Association (MBA) said its Market Composite Index, a measure of mortgage application volume, was **up 1.3 percent** on a seasonally adjusted basis from the week before and rose 2.0 percent on an unadjusted basis. The Refinance Index was up 3 percent and applications for refinancing made up 55.4 percent of all applications received compared to a 54.9 percent share the previous week.

The **seasonally adjusted Purchase Index** retreated 1 percent but was 1 percent higher on an unadjusted basis and was 17 percent higher than during the same week in 2015.

Refi Index vs 30yr Fixed

Purchase Index vs 30yr Fixed

Of total applications 10.6 percent were for **FHA backed** loans, down from 10.8 percent the previous week. The VA share increased to 12.6 percent from 11.9 percent and the USDA share was unchanged at 0.8 percent.

Rate changes were mostly small but in two cases decreases drove products to **three-year lows**. The average contract interest rate for 30-year fixed-rate mortgages (FRM) with conforming loan balances (\$417,000 or less) ticked up one basis point and points rose from 0.32 to 0.33. The effective rate was also up.

Jumbo 30-year FRM (loan balances greater than \$417,000) had an average rate of 3.77 percent, up from the previous 3.74 percent. Points dropped to 0.25 from 0.31 but the effective rate was still higher than a week earlier.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/22

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
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%

Housing News Update

The interest rate for FHA-backed loans dipped by 2 basis points to 3.64 percent, the lowest rate since May 2013, Points increased to 0.32 from 0.29 and the effective rate was down.

	Value	Change
Builder Confidence	Mar 51	+6.25%

The largest rate change was for **15-year** FRM. The average contract rate fell from 3.10 percent to 3.06 percent, also the lowest since May 2013. Points declined to 0.32 from 0.37 and the effective rate was also lower than the week before.

The adjustable-rate mortgage (**ARM**) share of application activity remained unchanged at 5.0 percent of total applications. The average contract interest rate for 5/1 ARMs decreased to 2.91 percent with 0.26 point from 2.94 percent with 0.20 point and the effective rate was unchanged.

The MBA derives application and rate information from its Weekly Mortgage Application Survey which covers over 75 percent of all U.S. retail residential mortgage applications. The survey has been conducted since 1990 with respondents that include mortgage bankers, commercial banks and thrifts. Base period and value for all indexes is March 16, 1990=100 and rate information is based on loans with an 80 percent loan-to-value ratio and points that include the origination fee.

Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its “Proposed Criteria for Evaluating Home Buyer Contract Forms” on Tuesday. The 15 criteria focus on the contracts’ form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document’s expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker’s compensation clearly stated and that the buyer broker can’t receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker’s commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

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