



## Tom Payne

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## Refi Apps Surge, Thanks to Timing

A slight downturn in mortgage interest rates during the week ended August 5 was more than matched by a surge in mortgage activity. Once again it was refinancing that drove most of the across-the-board increase in application volume as measured by the Mortgage Bankers Association (MBA) Market Composite Index.

The Composite index **increased 7.1 percent** on a seasonally adjusted basis from the week ended July 29 and 7.0 percent on an unadjusted basis. It was the first time the adjusted index had gained ground since the week ended July 8.

The **Refinancing** Index jumped 10 percent from the previous week and the share of applications that were for refinancing advanced from 60.7 percent a week earlier to 62.4 percent. The Conventional Refinance Index was up 6 percent and the Government Refinance Index jumped **27 percent**.

"It might seem like refi apps increased more than is justified by the drop in rates, but it actually makes fairly good sense if we break down the timing," notes Mortgage News Daily's Matt Graham. "At the end of July, rates dropped at the end of the week, in response to Wednesday afternoon's Fed Announcement. That only left 2 days for rates to impact refi numbers, thus setting a lower bar for this week's numbers. With rates near recent lows on August 1st--especially government rates--and the employment report on Friday being a well-known source of volatility, there was **plenty of motivation** to get those apps in."

Applications for purchase mortgages also rose. The seasonally adjusted Purchase Index was up 3 percent from the previous week and unadjusted it was up 2 percent for the week and was 13 percent higher than during the same week in 2015.

### Refi Index vs 30yr Fixed

### Purchase Index vs 30yr Fixed

The **FHA share** of total applications increased to 10.0 percent from 9.4 percent the previous week and the **VA share** rose to 13.0 percent from 12.1 percent. **USDA applications** had a 0.6 percent share compared to 0.7 percent a week earlier.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
<b>Mortgage Bankers Assoc.</b>			
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

While most contract interest rates eased back, the **changes were small**. The effective rate declined for all except the jumbo 30-year fixed rate mortgage (FRM). 

	Value	Change
Builder Confidence	Mar 51	+6.25%

The average contract interest rate for **30-year FRM** with conforming loan balances (\$417,000 or less) decreased to 3.65 percent from 3.67 percent. Points increased to 0.34 from 0.30

The **jumbo** 30-year FRM (loans with balances greater than \$417,000) decreased to 3.64 percent from 3.65 percent. Points rose from 0.24 to 0.31.

The average contract interest rate for 30-year FRM backed by the **FHA** was 3.52 with .033 point. The prior week the rate was 3.54 percent, with 0.32 point.

The **15-year** FRM rate remained unchanged at 2.93 percent. Points decreased to 0.34 from 0.36

The share of applications that were for adjustable rate mortgages (**ARMs**) remained frozen at 4.7 percent for the fourth consecutive week. The average contract interest rate for 5/1 ARMs decreased 9 basis points to 2.81 percent with points increasing to 0.32 from 0.24.

MBA's data is derived from its Weekly Mortgage Applications Survey which has been conducted since 1990. The survey covers over 75 percent of all U.S. retail residential mortgage applications with respondents that include mortgage bankers, commercial banks and thrifts. Base period and value for all indexes is March 16, 1990=100 and interest rate data assumes a mortgage 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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