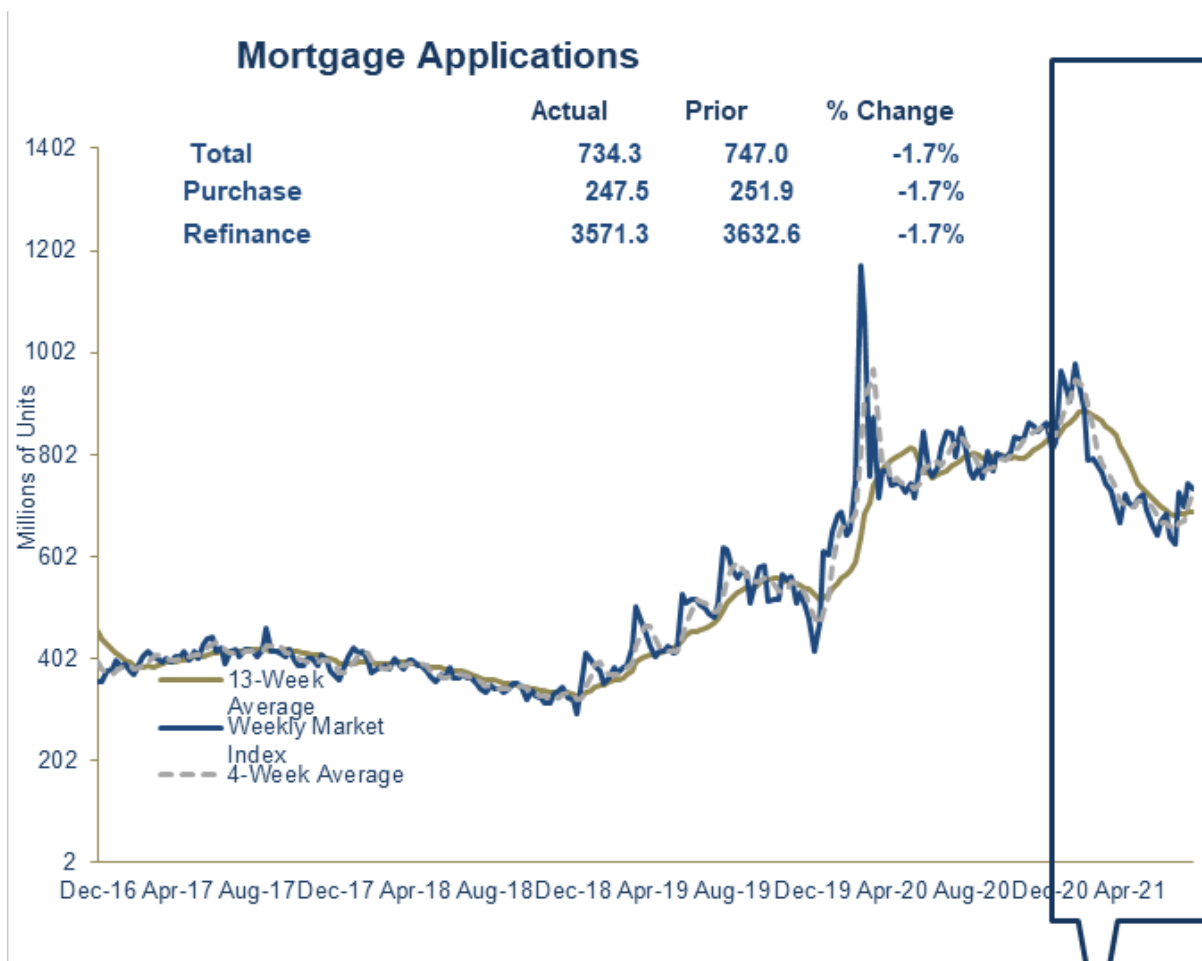
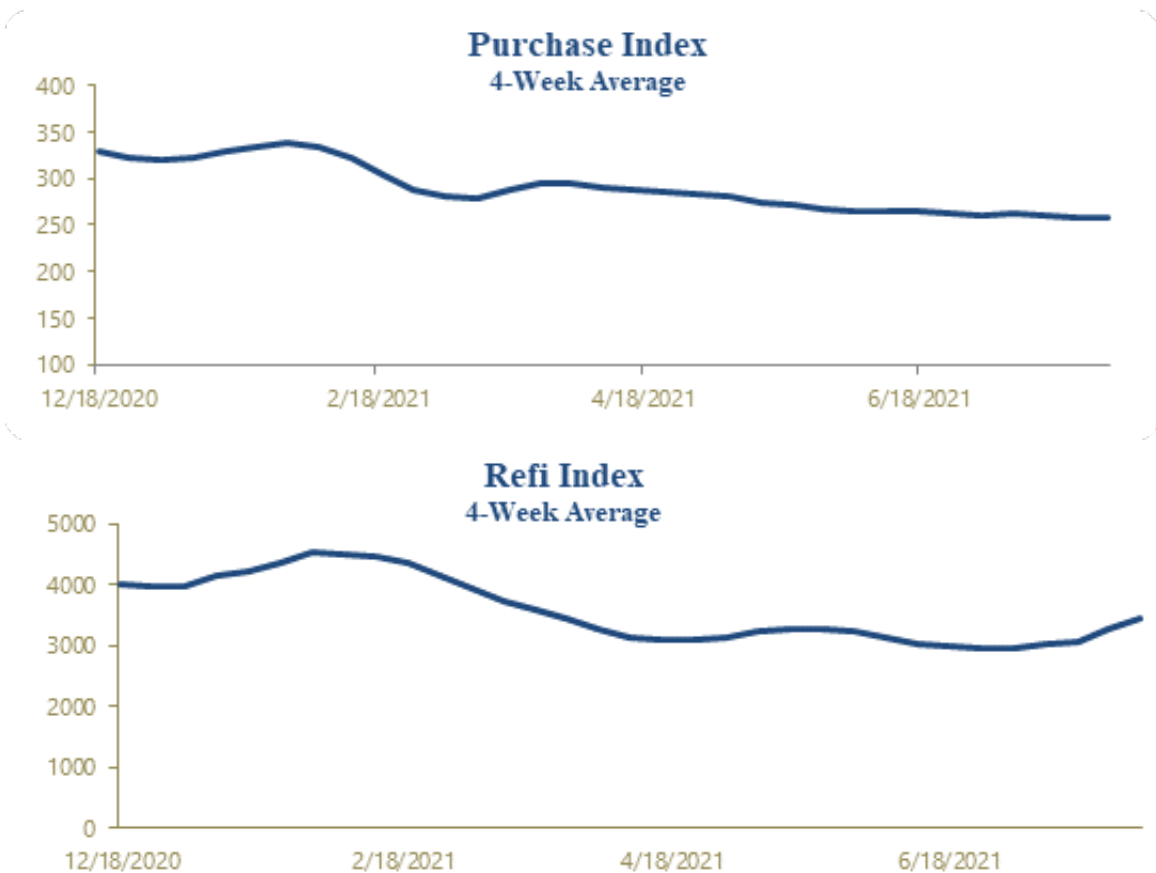


04.Aug.2021

Mortgage Apps: Surprise Decline, Despite Rate Drop

Bottom Line: Mortgage applications for purchases and refis were lower last week, despite the average 30-year fixed-rate mortgage falling below 3%. While this is surprising, it is too early to suggest we might be seeing "burnout," where most borrowers with an incentive to borrow at these rates already did so in previous periods when rates matched these levels. Still, this bears watching going forward. On the purchase side, housing activity has clearly decelerated. It appears it will take a move towards or below 2.75% on the 30-year mortgage to improve affordability again after such strong gains in home prices. Overall, the medium-term trend remains concerning for purchase applications. The refi index also remains in a medium-term downtrend but was showing signs of improving until last week.





The MBA Mortgage Applications Index FELL by 1.7% during the week ended July 30 to 734.3, modestly above its 13 week average of 690.5 but 8.1% BELOW its year-ago level.

The Purchase Index FELL by 1.7% to 247.5, modestly below its 13 week average of 262.0 and 17.7% BELOW its year-ago level.

The Refinance Index FELL by 1.7% to 3,571. With this decline, refinancing activity is sharply above its 13 week average of 3,182 but 3.2% BELOW its year-ago level.

Contract Mortgage Rates FELL with the 30-year fixed rate declining by 4 bps to 2.97% and the 15-year fixed rate declining by 3 bps to 2.33%. Current coupon yields in the secondary market were down -5 bps last week, closing at 1.68%, and were down -3 bps this week through Tuesday.

Key findings of MBA's Forbearance and Call Volume Survey - July 19 to July 25, 2021

- Total loans in forbearance decreased by 1 basis point relative to the prior week: from 3.48% to 3.47%.
 - By investor type, the share of Ginnie Mae loans in forbearance

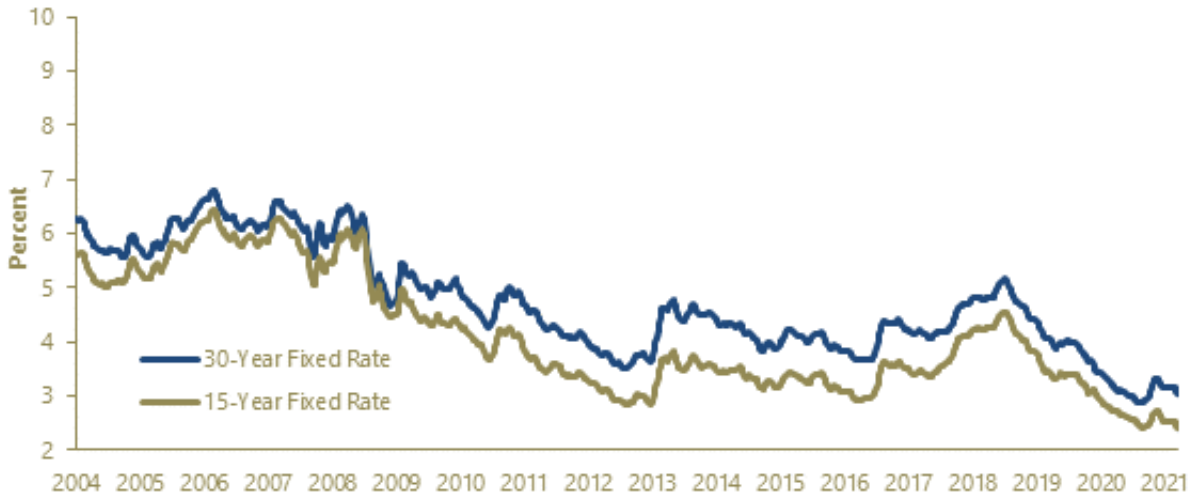
- decreased relative to the prior week: from 4.35% to 4.30%.
 - The share of Fannie Mae and Freddie Mac loans in forbearance decreased relative to the prior week: from 1.81% to 1.79%.
 - The share of other loans (e.g., portfolio and PLS loans) in forbearance increased relative to the prior week: from 7.38% to 7.44%.
- By stage, 10.0% of total loans in forbearance are in the initial forbearance plan stage, while 82.8% are in a forbearance extension. The remaining 7.2% are forbearance re-entries.
- Total weekly forbearance requests as a percent of servicing portfolio volume (#) increased relative to the prior week: from 0.04% to 0.06%.
- Of the cumulative forbearance exits for the period from June 1, 2020, through July 25, 2021:
 - 28.1% resulted in a loan deferral/partial claim.
 - 23.1% represented borrowers who continued to make their monthly payments during their forbearance period.
 - 15.6% represented borrowers who did not make all of their monthly payments and exited forbearance without a loss mitigation plan in place yet.
 - 13.4% resulted in reinstatements, in which past-due amounts are paid back when exiting forbearance.
 - 10.8% resulted in a loan modification or trial loan modification.
 - 7.5% resulted in loans paid off through either a refinance or by selling the home.
 - The remaining 1.5% resulted in repayment plans, short sales, deed-in-lieu or other reasons.
 - Weekly servicer call center volume:
 - As a percent of servicing portfolio volume (#), calls decreased relative to the prior week: from 7.8% to 5.5%.
 - Average speed to answer decreased from 1.1 minutes to 0.8 minutes.
 - Abandonment rates decreased from 4.1% to 3.4%.
 - Average call length increased from 7.7 minutes to 7.8 minutes.
- Loans in forbearance as a share of servicing portfolio volume (#) as of July 25, 2021:
 - Total: 3.47% (previous week: 3.48%)
 - IMBs: 3.67% (previous week: 3.68%)
 - Depositories: 3.59% (previous week: 3.61%)

MBA's latest Forbearance and Call Volume Survey covers the period from July 19 through July 25, 2021, and represents 74% of the first-mortgage servicing market (36.9 million loans).

Mortgage Interest Rates

4-Week Average

30-Year Fixed Rate, 15-Year Fixed Rate



Purchase Index vs. Existing Home Sales



Refinancing Index vs Mortgage Rate

4-Week Average



	30-Jul	23-Jul	16-Jul	9-Jul	2-Jul	25-Jun	18-Jun	11-Jun	4-Jun	13 Wk Avg	Year Ago
Market Index	734.3	747.0	698.3	727.5	627.0	638.8	686.4	672.4	645.4	690.5	798.8
Percent Change	-1.7	7.0	-4.0	16.0	-1.8	-6.9	2.1	4.2	-3.1	6.3	-8.1
<i>Non-seasonally Adj. % Chg</i>	<i>-1.7</i>	<i>6.8</i>	<i>20.0</i>	<i>-7.3</i>						<i>7.3</i>	<i>-8.4</i>
Purchase Index	247.5	251.9	255.8	273.3	252.4	255.2	268.0	266.3	262.1	262.0	300.7
Percent Change	-1.7	-1.5	-6.4	8.3	-1.1	-4.8	0.6	1.6	0.3	-5.5	-17.7
Refinancing Index	3,571	3,633	3,268	3,362	2,791	2,857	3,110	3,027	2,869	3,182	3,688
Percent Change	-1.7	11.2	-2.8	20.4	-2.3	-8.2	2.8	5.5	-5.1	12.2	-3.2
Refinance % of Total	67.6	67.5	64.9	64.1	61.6	61.9	62.5	61.7	60.4	63.0	63.9
	0.1	4.0	1.2	4.1	-0.5	-1.0	1.3	2.2	-1.5	7.2	5.8
% of ARMs	3.4	3.5	3.3	3.5	3.3	3.6	3.9	3.8	3.9	3.7	3.1
30-Year Fixed Rate	2.97	3.01	3.11	3.09	3.15	3.20	3.18	3.11	3.15	3.12	3.14
15-Year Fixed Rate	2.33	2.36	2.46	2.48	2.52	2.56	2.58	2.49	2.52	2.49	2.73
5-Year ARM on 30-Year	2.93	2.81	2.74	3.02	2.94	2.98	2.69	2.69	2.54	2.76	3.09

Source: Mortgage Bankers Association via Bloomberg. Our calculations.

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August 4, 2021

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