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Mortgage demand from homebuyers gets a boost as interest rates continue to fall

Story by Diana Olick • 2d

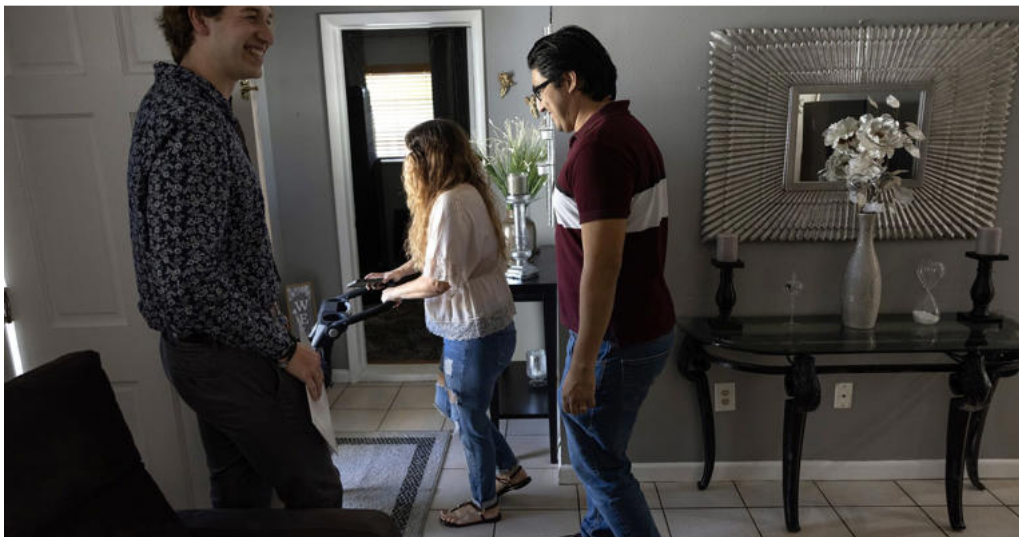
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- The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less) decreased to 7.37% last week from 7.41% the previous week.
- Mortgage applications to purchase a home increased 5% for the week but were still 19% lower than the same week one year ago.



Ryan Ratliff (L), Real Estate Sales Associate with Re/Max Advance Realty, shows Ryan Paredes (R) and Ariadna Paredes a home for sale on April 20, 2023 in Cutler Bay, Florida.
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Mortgage rates fell last week for the fourth time in five weeks, and homebuyers appear to be responding. Demand from current homeowners to refinance, however, fell sharply.

That left total mortgage application volume essentially flat last week, up just 0.3% from the previous week, according to the Mortgage Bankers Association's seasonally adjusted index.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less) decreased to 7.37% from 7.41%, with points increasing to 0.64 from 0.62 (including the origination fee) for loans with a 20% down payment.

Mortgage applications to purchase a home rose 5% for the week but were still 19% lower than the same week one year ago.

"Rates have declined more than 50 basis points over the past six weeks, which has helped to spur a small increase in purchase applications," said Joel Kan, an MBA economist. "The purchase market remains depressed because of the ongoing, low supply of existing homes on the market."

Applications to refinance a home loan plunged 9% for the week and were just 1% higher than the same week one year ago. The refinance share of mortgage activity decreased to 30.6% of total applications from 32.4% the previous week.

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Mortgage rates are now 88 basis points higher than they were a year ago, but most current homeowners refinanced when rates were at record lows two years ago. As a result, there are very few who can now benefit from a refinance.

Rates have not done much this week and, in fact, on five of the past six business days, the average 30-year fixed rate has moved by less than 0.02% by the end of the day, according to Matthew Graham, chief operating officer at Mortgage News Daily.

"Conveniently, most of the gentle moves have been in a friendly direction," Graham said. "With rates already at two-month lows last week, the result is gentle descent to slightly lower two-month lows."

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