



Jeff Schlesinger

Mortgage Banker, Priority Financial Network

NMLS 316097 CABRE 01738366

5016 N Parkway Calabasas Suite 200 Calabasas, CA 91302

Office: (818) 936-3899

Mobile: (818) 522-4757

Jeff@JeffSchlesinger.com

[View My Website](#)

Refinancing Share Tumbles to 7-1/2 Year Low

Mortgage activity increased during the week ended February 3, with applications for both purchase and refinance mortgages pulling in **small gains**. The Mortgage Bankers Association's (MBA's) Market Composite Index, a measure of application volume rose 2.3 percent, on a seasonally adjusted basis, compared to the week ended January 27 and was 6.0 percent higher before adjustment.

The **Refinance** Index gained 2 percent compared to the previous week and the share of mortgage activity decreased from 49.4 percent a week earlier to 47.9. It was the smallest share of refinancing since June 2009.

The seasonally adjusted **Purchase** Index added 2 percent from week-earlier levels and was up 9 percent unadjusted. The index was 4 percent higher than during the same week in 2016.

Refi Index vs 30yr Fixed

Purchase Index vs 30yr Fixed

The **FHA share** of total applications decreased to 11.9 percent from 12.1 percent the previous week and the **VA share** rose to 12.7 percent from 12.4 percent. The **USDA share** of total applications was unchanged at 0.9 percent.

In most cases interest **rates** were slightly lower than during the prior week. The average contract interest rate for 30-year fixed-rate mortgages (FRM) with conforming loan balances (\$424,000 or less) decreased to 4.35 percent from 4.39 percent. Points were unchanged at .34 and the effective rate was down.

The contract rate for 30-year FRM with **jumbo** loan balances (greater than \$424,000) decreased to 4.27 percent from 4.32 percent. Points averaged 0.31, down from 0.34 the previous week and the effective rate dropped as well.

Thirty-year FRM backed by the **FHA** had an average rate of 4.16 percent with 0.37 point. The prior week the rate was 4.16 percent with .35 point. The effective rate was unchanged.

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%
Builder Confidence	Mar	51	+6.25%

There was a decline of 6 basis points in the contract interest rate of **15-year** FRM, to an average rate of 3.55 percent. Points ticked up to 0.34 from 0.33 but the effective rate was lower than the prior week's average.

Applications for adjustable-rate mortgage (**ARM**) increased to their largest share since January 2016, 6.9 percent, from a 6.4 percent share the previous week. The average interest rate for 5/1 ARMs was also up, averaging 3.39 percent compared to 3.33 percent. Points eased to 0.18 from 0.22 and the effective rate was higher.

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

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Jeff Schlesinger

