



## Mortgage demand dipped as the Fed announced interest rate hike

Purchase applications neared 2015 lows and refi demand hit lowest level since August 2000: MBA

Potential homebuyers stayed on the sidelines for mortgages amid the **Federal Reserve's** announcement of another interest rate hike.

The **Mortgage Bankers Association** (MBA) survey shows that the mortgage composite index for the week ending Nov. 4 declined 0.1% from the previous week. Mortgage loan application volume plummeted 70.3% compared to the same period in 2021.

The survey, conducted weekly since 1990, covers 75% of all U.S. retail residential mortgage applications.

The seasonally adjusted purchase index increased 1% from the prior week, the first rise after six weeks of declines, but remained close to 2015 lows, said the MBA. The index dropped 41.4% compared to a year ago.

The MBA attributed the low demand for purchase mortgages to homebuyers remaining sidelined by higher mortgage rates and ongoing economic uncertainty.

"Mortgage rates edged higher last week following news that the Federal Reserve will continue raising short-term rates to combat high inflation," Joel Kan, MBA's vice president and deputy chief economist, said in a statement. "The 30-year fixed rate remained above 7% for the third consecutive week, with increases for most loan types.

The refinance index dropped 4% from the previous week, hitting its lowest level since August 2000. The index was 87% lower than the same period in 2021.

The Fed raised interest rates by 75 basis points on November 3 in its sixth hike this year. The recent hikes were done in a bid to tame inflation, which hit 8.2% over the last 12 months. Industry economists and analysts forecast mortgage rates to rise in the coming months, with another interest rate hike expected in December.

The MBA survey shows that the average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$647,200 or less) rose to 7.14% from the previous week's 7.06%. A different index measures Tuesday's rates higher at 7.21%, according to **Mortgage News Daily**.

Rates also increased for 5/1 ARMs, marginally rising to 6.40% from 6.37% the week prior. However, rates for jumbo loan balances (greater than \$647,200) decreased slightly to 6.50% from 6.55% during the same period.

At 28.1%, last week's refis share of total applications was below 30% for the sixth straight week — down from 28.6% the week prior. The adjustable-rate mortgage (ARM) share of activity rose to 12% of total applications.

The **FHA** share of total applications decreased slightly to 13.4% from 13.5% the week prior. The **VA** share remained unchanged at 10.3%, as did the **USDA** share at 0.5% during the same period.