

National Mortgage News

Government mortgage activity a bright spot in slow market

By [Spencer Lee](#) September 14, 2022, 10:13 a.m. EDT 3 Min Read

Rising interest rates continued to drive mortgage activity lower last week, even as originations in the lower-priced end of the market gained steam, according to the Mortgage Bankers Association.

The MBA's Market Composite Index, a measure of weekly loan volume based on surveys of association members, inched down a seasonally adjusted 1.2% over the Labor Day week ending Sept. 9, with the pace of both refinances and purchase activity slowing. Compared to the same week a year ago, activity came in 25% lower.

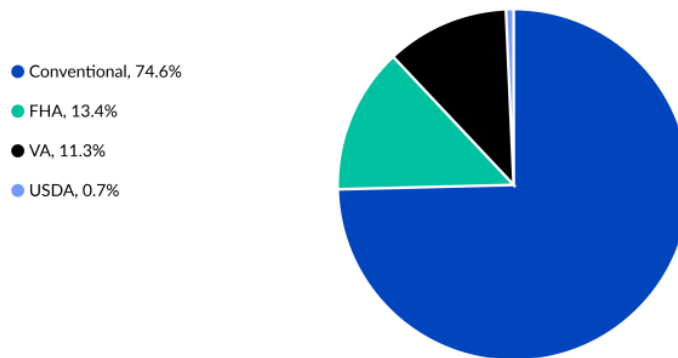
"Higher mortgage rates have pushed refinance activity down more than 80% from last year and have contributed to more homebuyers staying on the sidelines," said Joel Kan, MBA's associate vice president of economic and industry forecasting, in a press release.

The Refinance Index fell 4% [week over week](#) and is now 83% off its level of a year ago. The share of refinance activity relative to total applications also decreased to 30.2% from 30.7% a week earlier.

Meanwhile, the MBA's seasonally adjusted Purchase Index came in flat, posting a muted 0.2% decline. Purchase numbers landed 29% below volumes from the same week in 2021.

The fifth consecutive decrease in the composite index, which was already at its lowest since at least 2009, came despite signs of growing interest in government-sponsored loan programs. "Government loans, which tend to be favored by [first-time buyers](#), bucked this trend and increased over the week, driven mainly by VA and USDA lending activity," Kan said.

Applications by loan type



Source: Mortgage Bankers Association data for week ending Sept. 9, 2022

The uptick in federal-agency backed lending led the seasonally adjusted Government Index to rise 0.2% on a weekly basis, with both purchases and refinances higher. At the same time, applications coming from these programs grabbed a larger share of the overall lending pool, as early signals of [price pullbacks for purchases](#) emerge throughout the country.

Federal Housing Administration-backed applications accounted for 13.4% of activity up from 13.3% seven days prior. The share of loans guaranteed by the Department of Veterans Affairs shot up to 11.3% from 10.8% week over week, while applications coming for the U.S. Department of Agriculture program made up 0.7% of activity, up from 0.6% a week earlier.

The upturn in government loans also caused purchase-loan sizes to shrink from the previous week, with the average amount pulling back 1.5% to \$405,000 from \$411,300. The mean refinance loan, though, finished 2.2% higher, rising to \$275,200 from \$269,300. The overall average stood at \$365,700, 0.5% below the previous week's \$367,600.

Meanwhile, with interest rates surging among MBA lenders across loan categories, a larger share of borrowers turned to [adjustable-rate mortgages](#), which accounted for 9.1% of activity, up from 8.5% seven days prior.

"The 30-year fixed mortgage rate hit the 6% mark for the first time since 2008 – rising to 6.01% – which is essentially double what it was a year ago," Kan said.

A week earlier, the contract average for the 30-year loans with balances below the conforming amount of \$647,200 had come in at 5.94%. Points decreased to 0.76 from 0.79 for 80% loan-to-value ratio loans.

The average contract interest rate for 30-year jumbo loans with balances above the conforming limit jumped 10 basis points to 5.56% from 5.46%. Points decreased to 0.39 from 0.4 for 80% LTV loans.

The contract rate for 30-year FHA-backed mortgages also climbed 10 basis points higher to average 5.71% from 5.61% seven days earlier, with points increasing to 1.12 from 1.06.

At the same time, the contract fixed rate of the 15-year mortgage averaged 5.3%, an increase of 7 basis points from 5.23% a week earlier, with points increasing to 0.89 from 0.86.

The interest rate for adjustable mortgages also headed higher, with the 5/1 ARM average increasing to 4.83% from 4.81%. Points decreased to 0.52 from 0.88.