

Mortgage application activity jumps 10% to begin new year

By [Spencer Lee](#) January 10, 2024, 12:27 p.m. EST 3 Min Read

Borrowers gave the home lending market a boost to start 2024, with mortgage application volumes rising by almost 10% in the first full week.

The Mortgage Bankers Association's Market Composite Index, a measure of weekly application volume based on surveys of the trade group's members, increased a seasonally adjusted 9.9% for the seven-day period ending Jan. 5. Data was adjusted to account for the new-year holiday.

One week earlier, the index posted a fall of 9.4% over the final 14 days of 2023. On an annual basis, seasonally adjusted activity approached closer to the numbers of a year earlier, but was still 2.1% lower.

Both purchases and refinances finished higher, even though mortgage rates climbed higher for the second week in a row, tempering some of the rapid decline they experienced for much of December.

"The increase in purchase and refinance applications for both conventional and government loans is promising to start the year but was likely due to some catch-up in activity after the holiday season and year-end rate declines," said Joel Kan, MBA vice president and deputy chief economist, in a press release.

"Mortgage rates and applications have been volatile in recent weeks and overall activity remains low," Kan added.

Investors appeared to reevaluate some of their initial enthusiasm over pivots in Federal Reserve policy to come in 2024, helping drive rates higher. The contract average of the 30-year fixed-rate mortgage with conforming balances that make them eligible for sale to Fannie Mae and Freddie Mac increased 5 basis points to 6.81% compared to 6.76% seven days earlier. Borrowers typically used 0.61 in points for 80% loan-to-value ratio applications, the same as in the previous week.

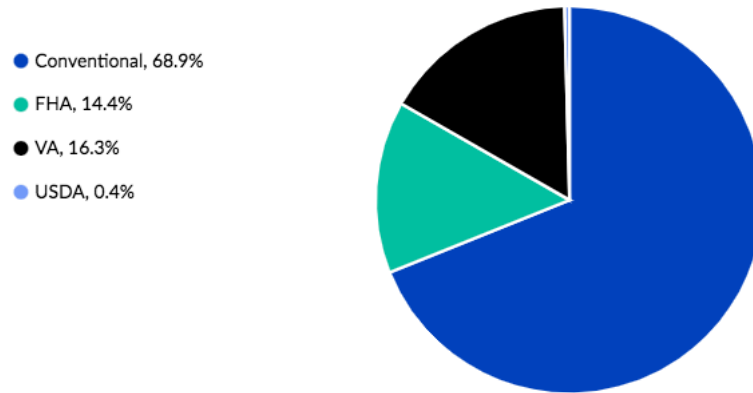
Last week's survey was the first to include higher conforming balance amounts, which increased at the beginning of the year to a minimum of \$766,550 for single-family homes. In areas deemed high cost by the Federal Housing Finance Agency, conforming limits are now \$1,149,825.

The Refinance Index leaped 18.8% from the prior survey and reversed its end-of-year drop, with both conventional and government-backed activity surging. Activity also came in 6.8% higher year-over-year. Relative to overall activity, refinances also grew to a 38.3% share, up from 36.3% the previous week.

At the same time, the seasonally adjusted Purchase Index also increased, but by a more muted 5.6%. Volumes came in 6.8% below levels of a year ago. Recent activity has been buoyed, in part, by listings returning to the market, according to data from Redfin.

The average purchase-application size in MBA's survey also decreased to its smallest amount since early December and among the lowest in the past year, finishing at \$402,900, possibly pointing to interest in the more affordable end of the market.

Applications by loan type



Source: Mortgage Bankers Association data for week ending Jan 5, 2024

Corresponding to the shrinking purchase amount, the Government Index rose 15.1% week over week, outpacing the overall market and nabbing a larger share of volume. While the portion of applications coming through the Federal Housing Administration inched down to 14.4% from 14.5%, loans backed by the Department of Veterans Affairs expanded to a 16.3% share from 14.6% in the last weekly survey. U.S. Department of Agriculture-guaranteed mortgages decreased to 0.4% of all activity compared to 0.5% seven days earlier.

Meanwhile, mortgage rates increased across all categories tracked by the MBA, with the 30-year contract jumbo fixed average also rising 12 basis points to 6.98% from 6.86% week over week. Points increased to 0.43 from 0.41 for 80% LTV loans.

The average rate for the 30-year FHA-backed fixed mortgage among MBA members came in at 6.56% compared to 6.51% in the prior survey. Borrower points slipped back to 0.84 from 0.86 the prior week.

The contract fixed 15-year mortgage rate averaged 6.41%, jumping from 6.26%. Points used by borrowers decreased to 0.55 compared to 0.73 seven days earlier.

The 5/1 adjustable-rate mortgage, which starts fixed for 60 months before becoming variable, clocked in with an average of 6.17%, taking a 46 basis point leap from 5.71% in the previous weekly survey. Points on the loans decreased to 0.56 from 0.59. At the same time, the share of adjustable-rate mortgage applications overall shrank to 5.4% compared to 6% the prior week.