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Mortgage refinance demand surges, as interest rates drop further

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Mortgage rates fell last week to the lowest level since April, leading current homeowners to seek savings.

Applications to refinance a home loan rose 7% last week compared with the previous week, according to the Mortgage Bankers Association's seasonally adjusted index. Demand was 40% higher than the same week one year ago.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances, $806,500 or less, decreased to 6.79% from 6.88%, with points falling to 0.62 from 0.63, including the origination fee, for loans with a 20% down payment. That rate is 24 basis points lower than the same week one year ago.

"This decline prompted an increase in refinance applications, driven by a 10 percent increase in conventional applications and a 22 percent increase in VA refinance applications," said Joel Kan, vice president and deputy chief economist at the MBA. "As borrowers with larger loans tend to be more sensitive to rate changes, the average loan size for a refinance application increased to $313,700 after averaging less than $300,000 for the past six weeks."

Homebuyers, however, were less driven by the drop in rates. Applications for a mortgage to purchase a home increased just 0.1% for the week and were 16% higher than the same week one year ago.

"Purchase activity was essentially flat over the week, as overall uncertainty continues to hold homebuyers out of the market," added Kan.

Mortgage rates fell further to start this week, according to a separate survey from Mortgage News Daily. They were then flat Tuesday, following the release of job openings data which showed another increase.

"Rates typically move higher if job openings are higher than expected, all else equal," wrote Matthew Graham, chief operating officer at Mortgage News Daily, adding that this data-driven volatility is nothing compared with what could be seen on Thursday following the government's release of the monthly employment report.

Note

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