Higher mortgage rates drive down applications

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Mortgage rates sustained their upward march this week without any indication that their trajectory will slow anytime soon.

Home loan rates had been on the rise before the election. But since Donald Trump's victory, they have been on a tear.

According to data released Thursday by Freddie Mac, the 30-year fixed-rate average climbed to 4.08 percent with an average 0.5 point. (Points are fees paid to a lender equal to 1 percent of the loan amount.) The rate was 4.03 percent a week ago and 3.93 percent a year ago. The 30-year fixed rate has now gone up more than half a percentage point in the past three weeks. It hasn't been this high since mid-July 2015.

The 15-year fixed-rate average jumped to 3.34 percent with an average 0.5 point. It was 3.25 percent a week ago and 3.16 percent a year ago. The 15-year fixed is at its highest level since October 2014.

The five-year adjustable rate average rose to 3.15 percent with an average 0.4 point. It was 3.12 percent a week ago and 2.99 percent a year ago. The five-year ARM hasn't been this high since late January 2014.

Many observers expect higher rates to endure because of recent strong economic data and the likelihood of a rate increase by the Federal Reserve later this month.

Bankrate.com, which puts out a weekly mortgage rate trend index, found that half of the experts it surveyed say rates will rise in the coming week. Elizabeth Rose, branch manager at Dallas-based Movement Mortgage, is one who says rates are headed higher.

"Expect continued volatility to put pressure on mortgage rates," she said. "Mortgage bonds were in the process of attempting a recovery. However, some decent economic news the past few days have put a damper on those improvements."

Higher rates have driven down mortgage applications, particularly those for refinances. According to the latest data from the Mortgage Bankers Association, the market composite index - a measure of total loan application volume - sank 9.4 percent from the previous week. The refinance index tumbled 16 percent, while the purchase index inched down 0.2 percent.

The refinance share of mortgage activity accounted for 55.1 percent of all applications.

"Mortgage application volume in the Thanksgiving week dropped sharply to the lowest level since early January, as mortgage rates increased to their highest point since July 2015," said Mike Fratantoni, MBA chief economist. "Refinance volume, which is very sensitive to rates, dropped more than 16 percent in the most recent week, with refinances of government loans dropping 30 percent for the week. On a seasonally adjusted basis, purchase volume was little changed last week. However, the mix continues to shift towards higher balance loans, as the average purchase loan size reached a new survey record. First-time buyers and buyers of lower priced units may have stepped away from the market to some extent given the jump in rates. It appears that many homebuyers rushed to get their applications two weeks ago as rates began to increase."