

Mortgage refinances jump 21% on near record low rates

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It's official — the Brexit bonus to U.S. homeowners is well underway.

A sharp drop in mortgage interest rates is putting more money in their pockets. Total mortgage application volume surged 14 percent for the week ending July 1st from the previous week, according to the Mortgage Bankers Association (MBA). The measure is seasonally adjusted. Application volume is now 66 percent higher than one year ago.

Behind the surge is a refinance boomlet. Applications to refinance home loans jumped 21 percent for the week, and they are now 113.5 percent higher compared to one year ago, when rates were about three quarters of a percentage point higher. A drop in rates for larger, so-called jumbo loans, is leading the refi run. Some of these refinances are cash-out, as borrowers take advantage of higher home values.

Jb Reed | Bloomberg | Getty Images

"Mortgage rates have been low for years, but the impact of Brexit has brought us close to record lows once again, with jumbo rates already at their lowest levels, giving more borrowers a larger incentive to refinance," said Mike Fratantoni, chief economist for the MBA.

There was a small boost in mortgage applications to purchase a home, although they are far less sensitive to weekly rate moves. Purchase volume rose 4 percent for the week and was 23 percent higher than the same week one year ago.

"Even though financial market volatility may be causing some anxiety, the combination of low rates and a still strong job market in the US outweighs those fears for these homebuyers," opined Fratantoni.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$417,000 or less) decreased to its lowest level since May 2013, 3.66 percent, from 3.75 percent, with points decreasing to 0.32 from 0.36 (including the origination fee) for 80 percent loan-to-value ratio loans. The average contract interest rate for 30-year fixed-rate mortgages with jumbo loan balances (greater than \$417,000) decreased to its lowest level since January 2011, 3.67 percent, from 3.74 percent, all according to the MBA.

Mortgage rates moved even lower Tuesday, as the yield on the 10-year Treasury, which rates loosely follow, fell through new lows. Some lenders were quoting 3.25 percent on the 30-year fixed for high quality borrowers, according to *Mortgage News Daily*.

"For all intents and purposes, these rates are "all-time lows," even though there were several occasions in late 2012 where some lenders offered lower rates," said Matthew Graham, chief operating officer of *Mortgage News Daily*. "If we're talking about rates that were available for a few days here and there, then we're not quite back to those yet. If we're talking about the lowest stably-held rate for most top-tier quotes, we're back."

And the longer term trends, Graham notes, remain squarely in favor of lower rates. There would need to be some kind of major economic event, like an unexpected move by the Federal Reserve, to change the current trajectory, something like the announcement in 2013 that it would decrease its purchases of mortgage backed bonds.

"We just don't have anything like that hanging over our head at the moment," added Graham.