

## Home loan demand at 3-month high

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By [Julie Haviv](#)

NEW YORK (Reuters) - U.S. mortgage applications surged last week to their highest since late May as consumers sought to take advantage of the lowest interest rates in months, data from an industry group showed on Wednesday.

The Mortgage Bankers Association said rates on 30-year fixed-rate mortgages tumbled to a 3-month low, spurring a surge in demand for home refinancing loans. Applications to buy a home, a tentative early indicator of sales, also climbed, hitting their highest since early January.

The overall trend bodes well for the hard-hit U.S. housing market, which has been showing signs of stabilization.

The MBA said its seasonally adjusted index of mortgage applications, which includes both purchase and refinance loans, for the week to September 4 increased 17.0 percent to 648.3, the highest since the week ended May 29.

Cameron Findlay, chief economist at LendingTree.com in Charlotte, North Carolina, said that while higher demand is a positive for the housing market it still faces many obstacles.

"It is hard to make an argument with lower wages, less hours and higher unemployment that people will be upsizing into their dream home," he said.

The U.S. Labor Department last week said the unemployment rate reached a 26-year high of 9.7 percent in August.

While low mortgage rates, high affordability and the government's \$8,000 tax credit -- part of the stimulus bill -- for first-time home buyers have helped pave the way for stabilization, the move-up buyer has been mostly absent. Such a homeowners choose to move to a larger home due to a marriage, an addition to their home, a job promotion or a job transfer.

With the tax credit set to expire in several months and distressed properties making up a high proportion of sales, the recent uptick in activity may mask uncertainty about the long-term outlook.

"The inventory of existing U.S. homes for sale remains elevated," Findlay said.

Furthermore, a wave of upcoming interest rate resets on adjustable-rate mortgages may hit the market, he said.

"If the U.S. government pulls some of its support for the housing market too early, it would not bode well for home prices," he said.

Borrowing costs on 30-year fixed-rate mortgages, excluding fees, averaged 5.02 percent, down 0.13 percentage point from the previous week, the lowest since the week ended May 22.

However, the rate remained above the all-time low of 4.61 percent set in the week ended March 27. The survey has been conducted weekly since 1990. Nevertheless, interest rates were well below the year-ago level of 6.06 percent.

"Application activity in the recent past has been entirely predictable, ... picking up as rates fall, and more people waiting on the sidelines when rates increase," said Bob Walters, chief economist at Quicken Loans in Livonia, Michigan.

"This points to a number of consumers playing rates, which can very easily backfire," he said.

The MBA's seasonally adjusted purchase index rose 9.5 percent to 304.1, the largest gain since early April, with the index at its highest since the week ended January 2.

The four-week moving average of mortgage applications, which smooths the volatile weekly figures, was up 7.0 percent.

#### REFINANCING JUMPS

The Mortgage Bankers seasonally adjusted index of refinancing applications increased 22.5 percent to 2,651.2, the biggest jump since mid-March, with the index at its highest since the week ended May 29.

The refinance share of applications increased to 59.8 percent from 56.5 percent the previous week, but remained significantly lower than the peak of 85.3 percent in the week to January 9. The adjustable-rate mortgage share of activity increased to 5.8 percent, up from 5.6 percent the prior week.

The U.S. housing market has suffered the worst downturn since the Great Depression of the 1930s and its impact has rippled through the recession-hit economy, as well as the rest of the world.

The housing market, however, has been showing signs of stabilization, with sales rising and home price declines moderating in many regions of the country. In fact, home prices in some areas have risen.

Some analysts, however, say prices may fall again, with a new wave of foreclosures in the pipeline.

Fixed 15-year mortgage rates averaged 4.45 percent, down from 4.57 percent the previous week. Rates on one-year ARMs edged down to 6.69 percent from 6.71 percent.