

Fewer Apply for Mortgages Due to Higher Costs

MBA: Home loan applications fell 2.1% last week to the lowest level in 28 years, as low housing inventory and higher mortgage rates sidelined would-be buyers.

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LOS ANGELES (AP) – U.S. home loan applications are the lowest in decades as evidence mount that rising mortgage rates and home prices are shutting out many aspiring homeowners.

An index that tracks mortgage application volume shows applications for loans to buy a home fell last week to the lowest level in 28 years, according to the Mortgage Bankers Association.

The MBA's home loan application index shows that home

purchase loans fell 2.1% last week from the prior week to a seasonally adjusted reading of 141.9. That's down about 28% from a year earlier and represents the lowest level for the index since April 1995.

“Both purchase and refinance applications fell, with the purchase index hitting a 28-year low, as prospective buyers remain on the sidelines due to low housing inventory and elevated mortgage rates,” said Joel Kan, the MBA’s deputy chief economist.

Mortgage rates have been climbing in recent weeks, echoing a steady rise in the 10-year Treasury yield, which lenders use as a guide to pricing loans.

The average rate on the benchmark 30-year home loan was 6.48% at the start of this year, falling as low as 6.12% in February, according to mortgage buyer Freddie Mac. Since then, it's been hovering around 7%, in-line with the average seen near the turn of the century.

High rates can add hundreds of dollars a month in costs for borrowers, limiting how much they can afford in a market already unaffordable for many Americans. They also discourage homeowners who locked in low rates two years ago from selling, a trend that's helped keep the inventory of previously occupied U.S. homes on the market at near-record lows.

The lack of housing supply has weighed on sales of previously occupied U.S. homes, which are down 22.3% through the first seven months of the year versus the same stretch in 2022.

The average rate on a 30-year mortgage remains more than double what it was two years ago, when it was just 2.87%. As more homeowners locked in bottom-barrel rates in recent years, demand for home loan refinancing has plunged.

The MBA's refinance loan index fell to a seasonally adjusted rate of 388.1 last week, down 4.7% from the previous week and 30.3% below a year ago.

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