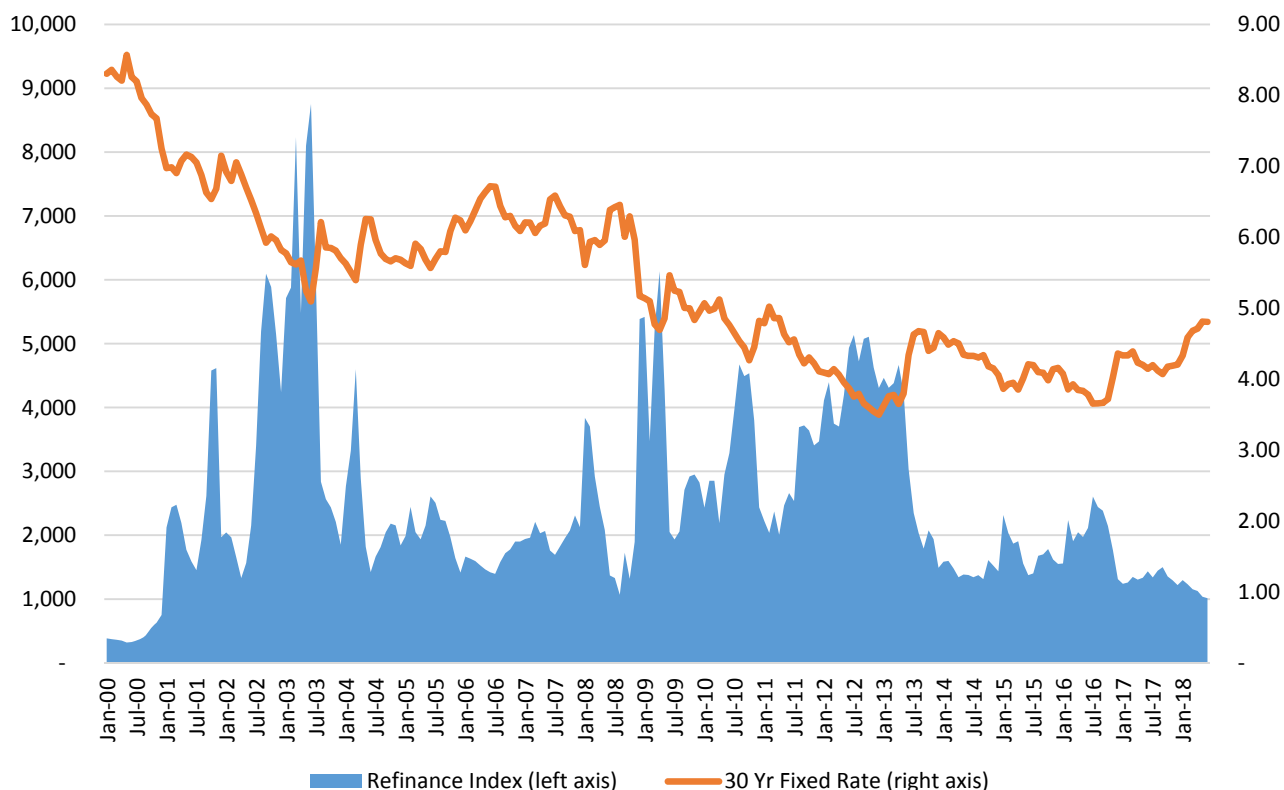


**Chart of the Week - July 6, 2018**  
 Refinance Index and 30 Yr Fixed Rate



Source: MBA Weekly Applications Survey

Mortgage refinance activity has declined through 2018 as rates have increased, reducing the incentive for borrowers to refinance, especially rate/term refinances. MBA’s Weekly Applications Survey refinance index averaged 1,013 in June 2018, the lowest monthly average since December 2000. The *weekly* index value dropped below 1,000 in three of the past six weeks, a level that it has not gone below since December 2000 as well.

The rate on a 30 year fixed rate mortgage, which averaged 4.81 percent in June, has increased almost 50 basis points in 2018 to date, and compared to a recent low of 3.65 percent in July 2016, the rate is up almost 120 basis points. As a result, over 90 percent of conventional loans outstanding do not have a strong incentive for a rate/term refinance. Given that rate/term refinancing has declined, the share of cash out refinances has increased, with Freddie Mac reporting that almost 70 percent of recent refinance activity was for the purpose of a cash out, which is defined as a borrower taking out a new loan that is at least 5 percent greater than the previous loan amount.

MBA’s forecast is for rates to continue to increase this year, driven by strong economic growth, a hot job market, and greater inflationary pressures. We expect the 30 year rate to reach 5 percent by the end of 2018, and as a result, cause refinance volume to drop 23 percent in 2018 compared to 2017.