



As Mortgage Rates Fall, Applications Rebound

Home buying demand remains sensitive to interest rate changes, economists note.

Mortgage applications rose for the first time in more than a month as borrowing costs fell for the first time in the same period, showing how quickly home buyers will react to even minor changes in mortgage rates. The 30-year fixed-rate mortgage fell to a 6.88% average this week, Freddie Mac reports.

“Evidence that purchase demand remains sensitive to interest rate changes was on display this week, as applications rose for the first time in six weeks in response to lower rates,” says Sam Khater, Freddie Mac’s chief economist. “Mortgage rates continue to be one of the biggest hurdles for potential home buyers looking to enter the market.”

Mortgage applications for purchasing a home—a gauge of future home buying activity—climbed 11% last week compared to the previous week, the Mortgage Bankers Association reports. “Purchase volume, particularly for FHA loans, was up strongly, again showing how sensitive the first-time home buyer segment is to relatively small changes in the direction of rates,” says Mike Fratantoni, senior vice president and chief economist at the MBA. “Other sources of housing data are showing increases in new listings, which is a real positive for the spring buying season given the lack of For Sale inventory.”

Indeed, realtor.com’s latest housing report shows a nearly 15% jump in listings in February compared to a year earlier. Most of that uptick is occurring in lower price points: The number of listings priced between \$200,000 and \$350,000 rose by about 21% compared to a year ago, outpacing other price categories, realtor.com’s report shows.

“The first couple of months of 2024 have proven to be positive for inventory levels, as the number of homes actively For Sale was at its highest level since 2020,” says Danielle Hale, realtor.com’s chief economist. “While the country is still well below pre-pandemic levels, the South is leading the charge, moving faster than other parts of the country.”

Freddie Mac reports the following national averages with mortgage rates for the week ending March 7:

30-year fixed-rate mortgages: averaged 6.88%, falling from last week’s 6.94% average. Last year at this time, rates averaged 6.73%.

15-year fixed-rate mortgages: averaged 6.22%, dropping from last week’s 6.26% average. A year ago, 15-year rates averaged 5.95%.

<https://www.nar.realtor/magazine/real-estate-news/as-mortgage-rates-fall-applications-rebound>



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