NEWS

Mortgage purchases signal housing recovery may be here

Odeta Kushi, the deputy chief economist at First American, said the increase in mortgage applications is part of a long-term trend, not simply pent-up demand

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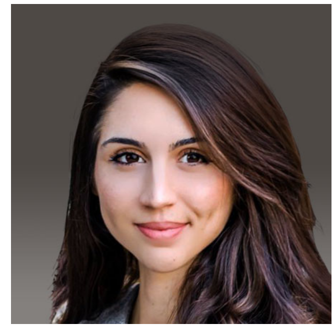
The housing market seems to have calmed back to pre-pandemic levels, at least for now, according to the latest mortgage data released Wednesday by the Mortgage Bankers Association (MBA).

The seasonally adjusted mortgage purchase index climbed 6 percent from the previous week and is only 1.5 percent lower than it was at this time last year. It's not simply pent up demand, but rather part of a long-term trend, according to Odeta Kushi, the deputy chief economist at First American.



Odeta Kushi | Photo credit: First American

“Housing fundamentals were strong going into this health crisis, and riding a demographic tailwind that is unlikely to go away,” Kushi posted on Twitter.

MBA’s overall market composite index — a measure of mortgage loan application volume — decreased 2.6 percent from the week prior, likely due to a 6 percent week-over-week drop in mortgage refinance applications. Despite the week-over-week drop, the mortgage refinance applications index was up 160 percent year-over-year, due to historically low interest rates.

“Government purchase applications, which include FHA, VA, and USDA loans, are now 5 percent higher than a year ago, which is an encouraging turnaround after the weakness seen over the past two months,” Joel Kan, MBA’s associate vice president of economic and industry forecasting, said in a statement. “As states gradually reopen and both home buyer and seller activity increases, we will be closely watching to see if these positive trends continue, or if they reflect shorter-term, pent-up demand.”