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U.S. MBA Mortgage Applications Index Decreased 1.2% Last Week

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By Bob Willis

Feb. 10 (Bloomberg) -- Mortgage applications in the U.S. fell last week, reflecting a drop in purchases.

The Mortgage Bankers Association's index fell 1.2 percent in the week ended Feb. 5. The group's purchase gauge decreased 7 percent, while the refinancing gauge rose 1.4 percent.

Home sales slumped following the expiration of a first-time buyers' tax credit originally set for November, signaling the market's stabilization was dependent on government assistance. Demand may be slow to advance further as the benefits of an extension of the tax credit through June are offset by the risk of higher mortgage rates after the Federal Reserve stops housing debt purchases next month.

"There is no evidence yet of a housing recovery, only of growing stability in the market," Ryan Sweet, a senior economist at Moody's Economy.com in West Chester, Pennsylvania, said before the report. "There is a rush to refinance before mortgage rates begin to move higher."

The average rate on a 30-year fixed loan fell to 4.94 percent from 5.01 percent the prior week, the group said. The rate reached 4.61 percent at the end of March, the lowest since the group's records began in 1990.

At the current 30-year rate, monthly borrowing costs for each \$100,000 of a loan would be \$533.16, or about \$15 less than a year ago, when the rate was 5.19 percent.

Homeowners may be trying to get a jump on a possible increase in mortgage rates after Fed policy makers last month reiterated a pledge to stop supporting the market by March 31.

Home Sales

Purchases of existing homes plunged 17 percent in December after rising 28 percent the prior three months as buyers tried to close before the deadline to qualify for the tax credit. New home sales fell 16 percent in the last two months of 2009.

The average rate on a 15-year fixed mortgage was unchanged at 4.33 percent, the mortgage bankers' group said. The rate on a one-year adjustable mortgage decreased to 6.68 percent last week from 6.70 percent.

The share of applicants seeking to refinance a loan rose to 69.7 percent last week from 69.2 percent the prior week.

Homebuilders are seeing some signs of improvement. Pulte Homes Inc., the largest U.S. homebuilder, yesterday said fourth-quarter revenue rose as sales increased 7.2 percent from the same time last year and orders more than doubled after its acquisition of Centex Corp.

"We are much closer to being profitable than many expected," Richard Dugas, Pulte's chief executive officer, said in a conference call. "While we are cautiously optimistic about housing demand in the year ahead, we can't control macro conditions but can only be prepared to respond as the year plays out."

The Washington-based Mortgage Bankers Association's loan survey, compiled every week, covers about half of all U.S. retail residential mortgage originations.

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