

Mortgage applications rise

Higher rates fail to curb activity

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WASHINGTON — Applications for home loans grew last week even though mortgage rates are rising, an industry group said Wednesday.

The Mortgage Bankers Association said its weekly mortgage index, which measures the volume of applications for loans to buy or refinance homes, rose to 666.5, a seasonally adjusted 6.6 percent gain for the week ending June 8.

Applications were up for home purchases and for refinancing mortgages.

Meanwhile, the nationwide average rate for a 30-year fixed-rate mortgage rose to 6.61 percent from 6.35 percent for

the week ending June 1, the MBA said.

Many adjustable-rate mortgages on which rates are reset in later years use changes in the 10-year note to determine what the new mortgage rate will be.

Bond yields, whose advance caused a pullback in stocks last week and again Tuesday, spiked early Wednesday. However, they reversed course after the release of economic data. At the close, the yield on the benchmark 10-year Treasury note was 5.21 percent compared with a close of 5.295 percent Tuesday.

The mortgage application index, which stood at 100 in March 1990, measures the number of home loan applications in a given week and is derived from a survey of major mortgage lenders, representing about half of the U.S. market. It does

not include loans originated by nonbank lenders.

The index sank to its lowest level last summer since 2002 and has fluctuated this year. For example, the index fell the previous two weeks.

Mortgage lenders have been tightening lending criteria in recent months after a surge in defaults and foreclosures. Lenders catering to homebuyers with weak, or subprime, credit, have seen a spike in loan defaults, and many have gone bankrupt or sold off their subprime businesses.

As of the first quarter, Citigroup Inc. was the top subprime lender nationwide, followed by Countrywide Financial Corp., HSBC Holdings PLC, H&R Block Inc. subsidiary Option One Mortgage and First Franklin Financial Corp., according to statistics compiled by trade publication Inside B&C Lending.