

SPRING LENDING LOOKBACK

Mortgage Lenders Grapple with Interest Rate Jumps

More ARMs Feature in Response to Rising Rates

By [Diane McLaughlin](#) | Banker & Tradesman Staff | Oct 16, 2022 | [Reprints](#) | [Unlock Link](#) | [Print](#)



The number of purchase mortgages issued in Massachusetts dropped 13 percent during the first nine months of 2022, according to The Warren Group, publisher of Banker & Tradesman

While lenders might have started the year expecting some rate hikes, the size and speed of rising mortgage rates had significant effects on borrowers' behaviors during the spring and summer mortgage markets.

From the types of mortgage products borrowers sought to homebuyers' changing expectations, the rapid rise of interest rates during the last few months shifted much from the environment that prevailed during the

strong purchase market and refinance boom that dominated the past two years.

“Buyers are getting a little more picky,” said Ed McDonald, president of Salem Five Mortgage. “They’re not just bidding on properties and taking the first one that comes to them – they’re getting a little bit more particular.”

2022's Top Purchase Lenders

Rank	Lender Name	2022 Number of Loans	2021 Number of Loans
1	Guaranteed Rate Inc	3,285	4,837
2	Fairway Independent Mortgage	2,554	3,252
3	Leader Bank NA	2,398	3,779
4	United Shore Financial Services LLC	2,112	2,348
5	Cross Country Mortgage Inc	2,004	2,142

***Year to date through Sept. 30 both years*

***Includes all residential property types*

***Source: The Warren Group's Marketshare Module*

2022's Top Refinance Lenders

Rank	Lender Name	2022 Number of Loans	2021 Number of Loans
1	Rocket Mortgage	4,759	19,639
2	LoanDepot.Com LLC	1,641	6,303
3	Citizens Financial Group	1,253	2,852
4	Guaranteed Rate Inc	1,228	8,305
5	Cape Cod Five Cents Savings Bank	1,181	1,856

***Year to date through Sept. 30 both years*

***Includes all residential property types*

***Source: The Warren Group's Marketshare Module*

Rising Rates Raise Concerns

While last year ended with some fluctuations in mortgage rates, they maintained a relatively steady pace last December, with Freddie Mac reporting in the last week of 2021 that the average rate on a 30-year, fixed rate mortgage was 3.05 percent, and on a 15-year, fixed rate loan, it was 2.33 percent.

But a couple of weeks into 2022, the average rate on a 30-year, fixed rate mortgage had risen to 3.45 percent and to 2.62 percent on a 15-year, fixed rate loan. By late June, they were up to 5.70 percent and 4.83 percent, respectively.

And last week, the 30-year, fixed rate mortgage soared its highest level since April 2002 at 6.92 percent. The average rate on the 15-year, fixed rate loan was 6.09 percent.

The more than doubling of mortgage rates in the last 10 months is fueling ongoing concerns about the housing industry.



“We continue to see a tale of two economies in the data:

Strong job and wage growth are keeping consumers’ balance sheets positive, while lingering inflation, recession fears and housing affordability are driving housing demand down precipitously,” Sam Khater, Freddie Mac’s chief economist, said in a statement announcing the results of the mortgage-buyer’s most recent weekly survey of interest rates. “The next several months will undoubtedly be important for the economy and the housing market.”

While the number of purchase mortgages issued in Massachusetts dropped 13 percent during the first nine months of 2022, according to The Warren Group, publisher of Banker & Tradesman, rising rates did not bring the purchase market to a halt. Instead, their prospect seemingly prompted buyers to rush into the market earlier this year, and lenders still reported strong demand.

“This spring and summer was still probably one of the most competitive markets that we saw – with people waving contingencies and bidding over asking price and multiple bidding situations – with interest rates going off as quickly as they did,” said Lindsay Barron LaBonte, a branch manager with HarborOne Mortgage in Northampton.

Purchase Activity by County

County	Number of Loans	Change from 2021
Barnstable	3,126	-18%
Berkshire	1,275	-8%
Bristol	5,073	-11%
Dukes	188	-33%
Essex	6,859	-13%
Franklin	567	-5%
Hampden	4,239	-5%
Hampshire	1,161	-6%
Middlesex	13,692	-14%

Nantucket	176	-36%
Norfolk	6,374	-15%
Plymouth	5,120	-16%
Suffolk	5,570	-11%
Worcester	8,513	-10%
Statewide	61,933	-13%

***Year to date through Sept. 30, 2022*

***Includes all residential property types*

***Source: The Warren Group's Marketshare Module*

Appreciation Slowed

More recently, the competitive market has started to slow, with homebuyers returning to more typical behaviors, like requiring contingencies, LaBonte said.

But housing inventory remains a problem.

"[Western Massachusetts] is a great place to be," LaBonte said. "A lot of people want to live here, which is great, but that creates a double-edged sword because the inventory problems are heightened."

While home prices continue to rise, the pace of appreciation has slowed, LaBonte added, particularly in some of the smaller towns outside Northampton, Amherst and Springfield.

While inventory remains a challenge for homebuyers in Greater Boston, homes continue to come on the market, and McDonald sees signs that buyers could see shifts in their favor.

"Appreciation rates have slowed," McDonald said. "It looks like we may start facing a buyer's market, where it's been a seller's market for so long."

Refinance Activity by County

County	Number of Loans	Change from 2021
Barnstable	7,302	-45%
Berkshire	2,473	-17%
Bristol	10,300	-47%
Dukes	872	-39%
Essex	13,708	-54%
Franklin	1,226	-30%

Hampden	7,573	-33%
Hampshire	2,454	-34%
Middlesex	23,722	-58%
Nantucket	608	-28%
Norfolk	12,258	-57%
Plymouth	11,466	-51%
Suffolk	8,675	-49%
Worcester	15,605	-46%
Statewide	118,242	-51%

***Year to date through Sept. 30, 2022*

***Includes all residential property types*

***Source: The Warren Group's Marketshare Module*

Solutions to Affordability Challenges

While inventory and affordability remain challenges, lenders continue to look at ways to help first-time homebuyers enter the market, McDonald said. In addition to the MassHousing mortgage and the Massachusetts Housing Partnership's ONE Mortgage program, McDonald pointed to the new MassDREAMS (Delivering Real Equity and Mortgage Stability) program that launched last month, providing grants to first-time homebuyers.



Diane McLaughlin

The rise in fixed rates has given mortgage lenders, including Massachusetts banks who keep some loans on their own portfolio, opportunities to offer adjustable-rate mortgages to help buyers, at least for now, keep their interest rate low.

McDonald said 7 percent of Salem Five's mortgages involved ARMs in the first quarter. In the third quarter, that had risen to 46 percent of mortgages.

While Salem Five offers an ARM with a fixed rate for 15 years, McDonald said the products offering a fixed rate for the first seven years or the first 10 years have been the most common option for borrowers.

“A lot of people who had their hearts set on rates in the 4s, or even 5s, they can still get that,” McDonald said.

The Warren Group | 2 Corporation Way, Suite 250 | Peabody, MA 01960 | 617-428-5100 |

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