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Refinance Dominates Mortgage Applications in the Aftermath of Brexit

Refinance requests increased 132 percent following the Brexit vote as borrowers capitalize on historically low mortgage rates, according to Zillow Group Mortgages analysis

SEATTLE, July 8, 2016 /PRNewswire/ -- Mortgage rates have dropped to historical lows in the wake of Britain's decision to exit the European Union, and have sparked a surge of mortgage applications. Refinance mortgage requests on Zillow® jumped 132 percent, compared to pre-vote activity the previous week. Purchase mortgage requests also increased, but just by 24 percentⁱ. Even after the immediate panic of the vote receded and the flight to bonds' safety has eased, home loan rates continue to drop and mortgage request activity has maintained its momentum: this week, refinance requests were up by 107.6 percent and purchase requests by 13.3 percent compared to two weeks ago.

According to mortgage rates on Zillow, the average 30-year fixed conforming [mortgage rate](#) has fallen 19 basis points since the Brexit vote, to 3.27 percentⁱⁱ, and today is holding near the lowest rates recorded in late 2012.

"Compared to everything else going on in the world, U.S. mortgage-backed securities now seem like a relatively safe bet for global investors, and this flight to safety has created savings opportunities for U.S. homeowners and those who want to buy," said Erin Lantz, VP of Mortgages for Zillow Group. "The drop in rates following the vote sparked an influx of refinance activity, and may also be encouraging home shoppers to move quickly and lock in a rate. That said, while mortgage rates are a key factor when buying a home, it's important to remember that affordability is rarely determined solely on the rate you can get. The harsh reality is that if you couldn't afford a house a few weeks ago, you likely still can't."

When purchasing a \$200,000 home at the pre-vote rate of 3.46 percent, the borrower would have a monthly payment of \$715 for a 30-year fixed-rate mortgage with a 20 percent down payment. Taking advantage of today's rates of 3.27 percent, that monthly cost would drop to \$697, saving the home owners about \$15 per monthⁱⁱⁱ. The payment impact may be minimal, but the fallout from the vote may also delay future federal funds rate hikes as the Fed assesses the degree of political and economic uncertainty that the decision introduced to global markets, giving borrowers a bit more time to take advantage of this historically low rate environment.

While mortgage refinancing has maintained strong momentum for the better part of the past decade, the combination of historically low mortgage rates and strong home value appreciation are creating new opportunities for millions of homeowners who previously did not have enough equity to qualify for a refinance.

Conditions suggest that borrowers should explore mortgage refinancing if they qualify for new rates that are 25 basis points - or one-quarter of a percentage point - lower than their current mortgage rate, while considering the refinancing fees the lender will charge. Other factors, including the amount of equity in the home, financial stability and how long they plan to live in the home should also be taken into consideration when exploring refinancing options.

Zillow Group

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ⁱ Zillow analysis of purchase and refinance loan requests on Zillow Group Mortgages on Monday through Wednesday of the week of June 20th, 2016 compared to Monday through Wednesday loan activity during the week of June 27th, 2016 and July 4th, 2016.

ⁱⁱ The 30-year fixed [mortgage rate](#) as reported on [Zillow Group Mortgages](#) on Thursday, July 7, 2016.

ⁱⁱⁱ Calculation references 30-year fixed [mortgage rate](#) as reported on [Zillow Group Mortgages](#) on Thursday morning, June 23, 2016 compared to the 30-year fixed [mortgage rate](#) as reported on [Zillow Group Mortgages](#) on Thursday morning, July 7, 2016. Mortgage interest rates, costs, and payments are subject to change. Average mortgage rates may differ from the APR charged to the consumer depending on various factors. Zillow Group Mortgages derives average mortgage rates through a proprietary system that averages the mortgage rates provided by lender advertisers through the Zillow Group Mortgages website.

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