

Inflation fears nudge mortgage rates higher

by Bend_Weekly_News_Sources

Fixed mortgage rates moved higher for the second consecutive week, with the average conforming 30-year fixed mortgage rate now at 6.21 percent. According to Bankrate.com's weekly national survey of large lenders, the average 30-year fixed mortgage has an average of 0.35 discount and origination points.

The average 15-year fixed rate mortgage popular for refinancing inched higher to 5.9 percent, and the average jumbo 30-year fixed rate to 7.26 percent. Adjustable mortgage rates were mixed, with the average one-year ARM remaining at 6.17 percent, and the average 5/1 ARM dropping to 6.21 percent.

Mortgage rates moved higher after two reports showed inflation could be an issue. In particular, both the Producer Price Index and Consumer Price Index showed larger than expected increases, even after excluding volatile energy costs. The news was enough to push bond yields and mortgage rates higher. After all, inflation is like poison to bond investors as it erodes the value of the fixed payments they receive. Mortgage rates are closely related to yields on long-term government bonds.

Fixed rate mortgages are currently the most attractive option for borrowers. Five months ago, the average 30-year fixed mortgage rate was 6.82 percent, meaning that a \$200,000 loan would have carried a monthly payment of \$1,306.52. Now that the average conforming 30-year fixed rate is 6.21 percent, the same \$200,000 loan carries a monthly payment of \$1,226.24.

SURVEY RESULTS

30-year fixed: 6.21% -- up from 6.17% last week (avg. points: 0.35)

15-year fixed: 5.90% -- up from 5.89% last week (avg. points: 0.34)

5/1 ARM: 6.21% -- down from 6.29% last week (avg. points: 0.28)

Bankrate's national weekly mortgage survey is conducted each Wednesday from data provided by the top 10 banks and thrifts in the top 10 markets.

The survey is complemented by Bankrate's weekly forward-looking Rate Trend Index, in which a panel of mortgage experts predicts which way the rates are headed over the next 30 to 45 days. The majority of panelists indicate it makes sense to lock now, with 56 percent predicting higher rates in the next month or so. One-third of respondents feel mortgage rates could move lower and just 11 percent expect rates to remain more or less unchanged in the coming 30 to 45 days.

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