

Mortgage rates rebound

by *Bend_Weekly_News_Sources*

After the sharpest four-week decline in more than 18 years, mortgage rates bounced back, with the average conforming 30-year fixed mortgage rate now 5.88 percent. According to Bankrate.com's weekly national survey of large lenders, the average 30-year fixed mortgage has an average of 0.38 discount and origination points.

The average 15-year fixed rate mortgage popular for refinancing jumped to 5.38 percent, and the average jumbo 30-year fixed rate leapt to 7.03 percent. Adjustable mortgage rates were no different, with the average one-year ARM rising to 5.60 percent, and the average 5/1 ARM climbing to 5.66 percent.

Mortgage rates reversed course in the past week, but much of that move came within a 24-hour span last week that saw the equity and bond markets each do an about-face. While mortgage rates are not directly impacted by Federal Reserve interest rate cuts, to many traders the bond market appeared overbought and the stock market oversold in the wake of an emergency three-quarter point rate cut last week. Despite another interest rate cut this week, mortgage rates moved higher, dispelling a common misconception that mortgage rates take their cues from the Fed. Instead it is the outlook for the economy and inflation that are the real drivers of fixed mortgage rates. Even with the increase in rates over the past week, fixed mortgage rates remain below 6 percent. Refinancing and locking in a permanently affordable monthly payment is an attractive option for many homeowners facing the uncertainty of adjustable mortgage resets.

Fixed rate mortgages are currently the most attractive option for borrowers. Six months ago, the average 30-year fixed mortgage rate was 6.71 percent, meaning that a \$200,000 loan would have carried a monthly payment of \$1,291.88. Now that the average conforming 30-year fixed rate is 5.88 percent, the same \$200,000 loan carries a monthly payment of \$1,183.71.

SURVEY RESULTS

30-year fixed: 5.88% -- up from 5.57% last week (avg. points: 0.38)

15-year fixed: 5.38% -- up from 5.11% last week (avg. points: 0.35)

5/1 ARM: 5.66% -- up from 5.35% last week (avg. points: 0.33)

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. Most respondents say rates will continue to move higher, with 59 percent predicting mortgage rates will rise further. Just 25 percent feel mortgage rates could fall back and the remaining 16 percent expect rates to remain more or less unchanged in the coming 30 to 45 days.

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