

Mortgage rates post biggest increase in 14 years

by Bend_Weekly_News_Sources

Mortgage rates spiked this week, with the average conforming 30-year fixed mortgage rate now 6.37 percent. According to Bankrate.com's weekly national survey of large lenders, the average 30-year fixed mortgage has an average of 0.4 discount and origination points.

The average 15-year fixed rate mortgage popular for refinancing leapt to 5.87 percent, and the average jumbo 30-year fixed rate soared to 7.55 percent. Adjustable mortgage rates increased, but in a less pronounced fashion, with the average one-year ARM rising to 5.56 percent, and the average 5/1 ARM jumping to 5.77 percent.

Mortgage rates posted the largest one-week increase since April 1994, and over the last four weeks has increased by the largest amount since mortgage rates shot up from record low levels in the summer of 2003. Despite the pronounced move in mortgage rates, there wasn't one single factor that spurred the increase, but rather several contributing to the upward movement in recent weeks. The realization that the world hasn't come to an end is leading bond investors to unwind positions taken in January when economic and financial pessimism reigned. Inflation continues to percolate, as evidenced by \$100 per barrel oil and yet another troubling uptick in the Consumer Price Index. But mortgage rates have increased much more than Treasury yields as investors reassess mortgage-backed securities in light of higher conforming loan limits to be announced in March.

Even though the difference between fixed and adjustable mortgage rates has grown, fixed rate mortgages remain the most attractive option for borrowers. Seven 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 6.37 percent, the same \$200,000 loan carries a monthly payment of \$1,247.09.

SURVEY RESULTS

30-year fixed: 6.37% -- up from 5.96% last week (avg. points: 0.40)

15-year fixed: 5.87% -- up from 5.46% last week (avg. points: 0.37)

5/1 ARM: 5.77% -- up from 5.50% last week (avg. points: 0.40)

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. This week the panelists are evenly split between predicting a further increase or a decline in mortgage rates, with 46 percent on each side of the fence. Just 8 percent foresee mortgage rates remaining more or less unchanged in the coming 30 to 45 days.

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