

Fixed mortgage rates plunge

by *Bend_Weekly_News_Sources*

Fixed mortgage rates fell sharply in the past week, with the average conforming 30-year fixed mortgage rate now 5.98 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 revisited a five week low of 5.46 percent, while the average jumbo 30-year fixed rate declined modestly to 7.43 percent. Adjustable mortgage rates were up sharply for the second week in a row, with the average 5/1 ARM jumping nearly one-quarter percentage point to 6.44 percent.

It was an eventful week in financial markets, and the mortgage market was no exception. With the Federal Reserve taking additional measures to combat the threatening credit crunch, including another interest rate cut of three-quarters of a percentage point, there was tremendous volatility in mortgage rates. Adjustable mortgage rates continue to climb as investors unload bonds backed by such loans and investor demand for new ARMs has sharply dropped. Fixed mortgage rates dropped sharply but still remain well above the level they would be in the absence of a credit crunch. The spread between conforming mortgage rates and yields on risk-free Treasury notes is more than three-quarters of a percentage point wider than normal. Jumbo mortgage rates are near 7.5 percent, reflecting the liquidity issues ailing the credit markets. Despite another substantial interest rate cut by the Federal Open Market Committee, mortgage rate movements have been driven by the credit crunch rather than anything the Fed has been doing with interest rates.

The mortgage rate winds can change direction quickly. Last week, the average 30-year fixed mortgage rate was 6.39 percent, meaning that a \$200,000 loan would have carried a monthly payment of \$1,249.70. With the average conforming 30-year fixed rate now 5.98 percent, the same \$200,000 loan carries a monthly payment of \$1,196.53.

SURVEY RESULTS

30-year fixed: 5.98% -- down from 6.39% last week (avg. points: 0.38)

15-year fixed: 5.46% -- down from 5.85% last week (avg. points: 0.37)

5/1 ARM: 6.44% -- up from 6.21% last week (avg. points: 0.60)

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 panelists, 64 percent, expect rates to rebound. Just 27 percent predict that rates will fall further, and the remaining 9 percent forecast that mortgage rates will remain more or less unchanged in the coming 30 to 45 days.

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