

## Fed takes aim at mortgage rates

by Bend\_Weekly\_News\_Sources

Mortgage rates fell this week, with the average 30-year fixed mortgage rate dropping to 5.29 percent. According to Bankrate.com's weekly national survey, the average 30-year fixed mortgage has an average of 0.33 discount and origination points.

The average 15-year fixed rate mortgage inched lower to 4.86 percent and the average jumbo 30-year fixed rate slid to 6.88 percent. Adjustable rate mortgages were lower also, with the average 1-year ARM pulling back to 5.48 percent and the 5/1 ARM slipping to 5.24 percent.

Mortgage rates were flirting with record lows, and that was before the Federal Open Market Committee announced a substantial increase in the amount of debt purchases to take place this year. In an announcement Wednesday afternoon, the Fed revealed intentions to purchase an additional \$750 billion of mortgage-backed securities, as much as \$100 billion more in debt issued by government sponsored entities Fannie Mae and Freddie Mac, and up to \$300 billion in long-term government debt.

Mortgage rates declined more than one-quarter percentage point in response. Even more significant than the immediate "honeymoon effect" on mortgage rates is the intent of the Fed to keep mortgage rates low through the remainder of 2009, a critical factor in getting homebuyers into the market to absorb the inventory of unsold and foreclosed homes.

Mortgage rates have dropped substantially since the peak of financial tensions five months ago. The average 30-year fixed mortgage rate in mid-October was 6.74 percent, meaning a \$200,000 loan would have carried a monthly payment of \$1,295.87. With the average rate now at 5.29 percent, the monthly payment for the same size loan would be \$1,109.37, a savings of \$186 per month for a homeowner refinancing now.

### SURVEY RESULTS

30-year fixed: 5.29% -- down from 5.37% last week (avg. points: 0.33)

15-year fixed: 4.86% -- down from 4.88% last week (avg. points: 0.36)

5/1 ARM: 5.24% -- down from 5.34% last week (avg. points: 0.48)

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. More than half of the panelists, 53 percent, expect mortgage rates to fall even further in the next 30 to 45 days, and 41 percent predict rates to remain more or less unchanged. Just 6 percent are forecasting a rebound in mortgage rates.

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