Mortgage rates reach 3-month high

by Bend Weekly News Sources

Mortgage rates have now increased in seven of the last eight weeks, with the average 30-year fixed mortgage rate rising to 6.42 percent. This is the highest since Oct. 25. According to Bankrate.com's weekly national survey of large lenders, the 30-year fixed rate mortgages had an average of 0.34 discount and origination points.

The average 15-year fixed rate mortgage popular for refinancing climbed to 6.19 percent. On larger loans, the average jumbo 30-year fixed rate increased to 6.63 percent. Adjustable mortgage rates were also on the move, with the average 5/1 ARM stepping higher to 6.3 percent and the average one-year ARM reaching 6.06 percent, the highest since July.

Mortgage rates have been pressured in recent weeks by evidence of a stronger-than-expected economic environment. Even in the absence of much economic data over the past week, bond yields moved higher following lackluster reception to a government debt auction. Bond prices and yields move inversely and mortgage rates are closely related to yields on long-term government bonds. One positive development for mortgage rates is the Federal Open Market Committee's admission that "core inflation readings have improved modestly in recent months," as lower inflation can remove much of the upward pressure being felt by mortgage rates.

Fixed mortgage rates are still one-half percentage point lower since the recent peak last June. At the time, the average 30-year fixed mortgage rate was 6.93 percent. At the time, the monthly payment on a loan of $165,000 was $1,090. With the average 30-year fixed rate now 6.42 percent, the same loan originated today would carry a monthly payment of $1,034.25. Fixed mortgage rates are a compelling refinancing alternative for adjustable rate borrowers facing sharp payment adjustments.

SURVEY RESULTS: 30-year fixed: 6.42% -- up from 6.32% last week (avg. points: 0.34) 15-year fixed: 6.19% -- up from 6.07% last week (avg. points: 0.33) 5/1 ARM: 6.30% -- up from 6.21% 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.

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