

Mortgage rates drop on fewer inflation worries

by Bend Weekly News Sources

Mortgage rates dropped for the first time in two months, with the average 30-year fixed mortgage rate falling to 6.31 percent. This more than reverses the previous week's increase. According to Bankrate.com's weekly national survey of large lenders, the 30-year fixed rate mortgages had an average of 0.31 discount and origination points.

The average 15-year fixed rate mortgage popular for refinancing sank to 6.08 percent. On larger loans, the average jumbo 30-year fixed rate plunged to 6.48 percent. Adjustable mortgage rates were in on the act too, with the average 5/1 ARM backtracking to 6.17 percent and the average one-year ARM settling at 6.04 percent.

Mortgage rates have been on the rise for much of the past two months because of stronger-than-expected economic reports. But this week, it was more good economic news that led mortgage rates to retreat. It began when the Federal Open Market Committee acknowledged improved inflation readings over the past few months at the conclusion of their Jan. 31 meeting. The good news on the inflation front continued with reports on labor costs and the Fed's favored expenditures index also showing improvement. Fewer inflation worries translated to lower bond yields. Mortgage rates are closely related to yields on long-term government bonds.

Fixed mortgage rates are notably lower than last summer when the Fed last raised interest rates. At the time, the average 30-year fixed mortgage rate was 6.93 percent, and a \$165,000 loan carried a monthly payment \$1,090. With the average 30-year fixed rate now 6.31 percent, the same loan originated today would carry a monthly payment of \$1,022.38. Fixed mortgage rates are a compelling refinancing alternative for adjustable rate borrowers facing sharp payment adjustments.

SURVEY RESULTS 30-year fixed: 6.31% -- down from 6.42% last week (avg. points: 0.31) 15-year fixed: 6.08% -- down from 6.19% last week (avg. points: 0.34) 5/1 ARM: 6.17% -- down from 6.3% 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.

For a full analysis of this week's move in mortgage rates, go to <http://www.bankrate.com/mortgagerates>

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