

Mortgage rates decline as stock market shudders

by Bend_Weekly_News_Sources

Mortgage rates declined for the third time in the past four weeks, with the average 30-year fixed mortgage rate dropping to 6.20 percent. According to Bankrate.com's weekly national survey of large lenders, the 30-year fixed rate mortgages had an average of 0.32 discount and origination points.

The average 15-year fixed rate mortgage popular for refinancing fell back below the 6 percent mark, settling at 5.95 percent. On larger loans, the average jumbo 30-year fixed rate dipped to 6.41 percent. Adjustable rate mortgages were in on the act too, with the average 5/1 ARM sinking to 6.03 percent and the average one-year ARM sliding to 5.99 percent.

Mortgage rates have been slowly retreating in recent weeks, but the movement accelerated this week with more troubles in the subprime mortgage sector and a sharp one-day drop in the stock market. Both events had investors marching in double-time to the safety of long-term government bonds and the mortgage-backed bonds of prime, or top credit, borrowers. Mortgage rates are closely related to yields on long-term government bonds. The last time mortgage rates were this low, Santa was loading up the sleigh. This week's drop put the average 30-year fixed mortgage rate at the lowest point since Dec. 20.

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 peaked at 6.93 percent, and a \$165,000 loan carried a monthly payment of \$1,090.00. With the average 30-year fixed rate now 6.2 percent, the same loan originated today would carry a monthly payment of \$1,010.57. Fixed mortgage rates are a compelling refinancing alternative for adjustable rate borrowers facing sharp payment adjustments.

SURVEY RESULTS 30-year fixed: 6.20% -- down from 6.29% last week (avg. points: 0.32) 15-year fixed: 5.95% -- down from 6.04% last week (avg. points: 0.33) 5/1 ARM: 6.03% -- down from 6.15% last week (avg. points: 0.27)

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. The majority of respondents expect the good times to keep on rolling, with 54 percent expecting mortgage rates to fall further. Another 31 percent forecast no change in rates in the coming 30 to 45 days, while just 15 percent forecast a rebound in mortgage rates over that time.

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