

Mortgage rates retreat on inflation news

by *Bend_Weekly_News_Sources*

Fixed mortgage rates broke a string of four consecutive increases, dipping this week in response to favorable news on the inflation front. The average 30-year fixed mortgage rate slid to 6.29 percent. According to Bankrate.com's weekly national survey of large lenders, the 30-year fixed rate mortgages had an average of 0.27 discount and origination points.

The average 15-year fixed rate mortgage, popular for refinancing, inched lower to 6.02 percent. With larger loans, the average jumbo 30-year fixed rate nosed higher to 6.59 percent. On adjustable rate mortgages, the average 5/1 ARM sank 6.11 percent and the average one-year ARM held at 6 percent.

Mortgage rates had increased in each of the four prior weeks, aided by comments from the Fed about the focus on taming inflation. But several inflation readings in the past week served to calm the nerves of investors, and the upward momentum on Treasury yields and mortgage rates subsided. Fixed mortgage rates are closely related to yields on long-term government bonds. Both the Producer Price Index (PPI) and Consumer Price Index (CPI) showed tame advances at the core level that excludes volatile food and energy components, fueling optimism that the Fed won't need to hike interest rates as a preventative. Also, the March reading on capacity utilization, cited by the Fed as a marker of inflation pressures, eased back. The alternating good news/bad news on the economy has kept mortgage rates in a narrow band of approximately one-eighth of a percentage point in the past two months.

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 6.29 percent, the same loan originated today would carry a monthly payment of \$1,020.23. Fixed mortgage rates are a compelling refinancing alternative for adjustable rate borrowers facing sharp payment adjustments.

SURVEY RESULTS

30-year fixed: 6.29% -- down from 6.31% last week (avg. points: 0.27)

15-year fixed: 6.02% -- down from 6.04% last week (avg. points: 0.25)

5/1 ARM: 6.11% -- down from 6.17% last week (avg. points: 0.29)

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. There isn't a clear consensus this week, with 44 percent predicting rates to rise. Thirty-four percent of respondents expect rates to remain more or less unchanged. Just 22 percent forecast that rates will continue to decline in the next 30 to 45 days.

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