

Mortgage rates down for second straight week

by *Bend_Weekly_News_Sources*

After jumping sharply between mid-May and mid-June, mortgage rates have now declined in each of the past two weeks. The average 30-year fixed mortgage rate retreated to 6.74 percent. According to Bankrate.com's weekly national survey of large lenders, the average 30-year fixed mortgage has an average of 0.26 discount and origination points.

The average 15-year fixed rate mortgage, popular for refinancing, dropped by a similar amount, to 6.40 percent. With larger loans, the average jumbo 30-year fixed rate dipped to 6.96 percent. Adjustable rate mortgages were mixed, with the average 5/1 ARM sinking to 6.47 percent while the one-year ARM increased to 6.23 percent.

Mortgage rates declined for the second straight week as nervousness about deteriorating conditions in the subprime market sparked a "flight to quality." The mounting delinquencies and foreclosures in the subprime sector and the ensuing debacle among hedge funds that feasted on subprime debt, mean lower rates for many mortgage borrowers. When troubles surface in riskier forms of debt, investors predictably seek shelter in safer havens, such as U.S. Treasury securities or bonds backed by the mortgages of borrowers with strong credit quality. This served to drive bond yields and fixed mortgage rates lower over the past week. Fixed mortgage rates are closely related to yields on long-term government bonds.

Fixed mortgage rates are more than one-half percentage point higher than three months ago. At the time, the average 30-year fixed mortgage rate was 6.22 percent, meaning that a \$165,000 loan would have carried a monthly payment of \$1,012.72. With the average 30-year fixed rate now 6.74 percent, the same loan originated today would carry a monthly payment of \$1,069.09. Fixed mortgage rates still remain the better refinancing alternative for adjustable rate borrowers facing sharp payment adjustments.

SURVEY RESULTS

30-year fixed: 6.74% -- down from 6.76% last week (avg. points: 0.26)

15-year fixed: 6.40% -- down from 6.45% last week (avg. points: 0.26)

5/1 ARM: 6.47% -- down from 6.58% last week (avg. points: 0.25)

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. Half of the panelists expect rates to remain more or less unchanged in the coming weeks. One-third predict mortgage rates will decline further, while just 17 percent forecast an increase in rates in the coming 30 to 45 days.

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