

Freddie Mac: Mortgage rates hit yearly low

NEW YORK (AP) – May 21, 2010 – U.S. borrowers can get the cheapest mortgages this year, thanks to worries over European debt, and that could keep homebuyers active even after the expiration of a tax credit designed to lift sales.

Mortgage rates fell to their lowest level of the year this week as yields on U.S. government securities fell, Freddie Mac said Thursday. Fixed mortgage rates tend to follow the yield of 10-year Treasury notes.

Treasury yields sank after Germany's move this week to curtail certain kinds of short-selling spooked investors, who shifted money from risky European debt to safer U.S. securities.

A side effect of the lower Treasury rates was lower mortgage rates.

The average rate on a 30-year fixed rate mortgage dipped to 4.84 percent from 4.93 percent a week earlier, Freddie Mac said. It was the lowest level since mid-December, when rates averaged 4.81 percent.

"The timing is fortuitous," said Greg McBride, a senior financial analyst at Bankrate.com, "because home shoppers who rushed to sign their purchase contracts in late April to capture the tax credit are locking in their mortgage rates now."

New buyers were offered a credit worth up to \$8,000, while current owners who bought and moved into another home could get one for up to \$6,500. To receive them, buyers had to have a signed offer by April 30 and must close by the end of June.

Economists expected home sales to flag after the credit expired, but lower rates could help offset the falloff.

Pava Leyrer, president of Heritage National Mortgage in Michigan, hasn't seen buyer interest wane yet. "Rates are helping them buy more," she said.

However, strict credit requirements and negative home equity threaten to sideline borrowers hoping to refinance out of unaffordable loans. Refinancing activity isn't as robust as last year, when rates dipped below 5 percent.

"Everyone who could get in already got in," said Marc Demetriou of Residential Home Funding in Bloomington, N.J. The remaining borrowers may not be able to refinance under the stricter credit standards or don't have enough home equity to get approved. Mortgage delinquencies hit a record high in the first quarter, according to an industry report this week.

Could rates fall further? Yes, but that would likely be the result of further deterioration in the global economy. "Yeah, mortgage rates would drop further, but you may not have a job to qualify," Bankrate's McBride said.

Among other types of mortgages in Freddie Mac's survey, the average rate on a 15-year fixed-rate mortgage was 4.24 percent this week, down from 4.3 percent. Rates on five-year, adjustable-rate mortgages averaged 3.91 percent, down from 3.95 percent a week earlier. Rates on one-year, adjustable-rate mortgages fell to 4 percent from 4.02 percent.

The rates do not include add-on fees known as points. One point is equal to 1 percent of the total loan amount.

The nationwide fee for loans in Freddie Mac's survey averaged 0.7 of a point for 30-year and 15-year loans, and 0.6 of a point for 5-year and 1-year loans.

Freddie Mac collects mortgage rates on Monday through Wednesday of each week from lenders around the country. Rates often fluctuate significantly, even within a given day.

