

BUSINESS

15-year mortgage rates hit record low

30-year fixed loan falls to yearly low

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WASHINGTON — The average rate on a 15-year fixed mortgage has fallen to a record low, leading to an increase in refinancing applications. But cheaper loans are unlikely to lift the struggling housing market or boost the economy.

The rate on the 15-year loan, a popular refinancing option, dropped to 3.54 percent this week from 3.66 percent last week, Freddie Mac said Thurs-

day. That's the lowest since the mortgage buyer began tracking it in 1991. Analysts say they believe it is lowest rate of all time.

The average rate on the 30-year fixed loan fell to a yearly low of 4.39 percent from 4.55 percent the previous week.

Mortgage rates tend to track the yield on the 10-year Treasury note. A weakening U.S. economy has led many investors to shift money from stocks to bonds, which are seen as

safer. That has pushed Treasury yields to their lowest level this year.

Low mortgage rates and depressed home prices have had little impact on home sales.

Sales of previously occupied homes fell in June for a third straight month to a seasonally adjusted 4.77 million. The pace is lagging behind the 4.91 million homes sold last year — the fewest since 1997.

New-home sales also declined in June and are trailing last year's sales, which were the worst on records

dating back nearly half a century.

Many people can't take advantage of the low mortgage rates. Banks are insisting on higher credit scores and larger down payments. Others have too little equity in their homes to qualify for loans.

Refinance applications increased at the end of July, the Mortgage Bankers Association said. But activity remains almost 30 percent below last year's level, the MBA said.

Mortgage rates have been near historically low

levels for almost two years. Last year, the average rate on the 30-year loan fell to 4.17 percent — the lowest level in four decades. The 15-year fixed loan dropped to 3.57 percent, a previous record low.

"The pool of homeowners who can refinance just continues to shrink, either because they already refinanced or because it's hard to get credit, or in a lot of cases, because homeowners owe more than their houses are worth, said Patrick Newport, economist with IHS Global Insight.