

A sign indicating a site has been sold in a new home development in Nashville, Tenn.

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Defying Fed hike, 30-year mortgage rate slips to 3.96 pct.

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WASHINGTON (AP) — What ed rate hike?

One week after the Federal eserve raised short-term interest ates slightly from record lows, he average on a 30-year fixed ortgage went the other way: It ipped to 3.96 percent from 3.97 ercent last week, mortgage giant reddie Mac said Thursday.

The drop is a reminder that the ed has only an indirect effect on ng-term mortgage rates, which ore closely track the yield on he 10-year U.S. Treasury. And at yield, in turn, tends to stay own as long as inflation remains w and investors keep buying reasurys. The 10-year Treasury eld has declined slightly since e Fed's hike last week.

"The Fed raising short-term tes by itself doesn't have a very rofound effect on mortgage tes," said Sean Becketti, Freddie ac's chief economist.

Back in the mid-2000s, when e Fed raised rates at 17 straight meetings, mortgage rates barely budged, Becketti noted.

Still, the average 30-year mortgage rate is up slightly from 3.83 a year ago and from 3.76 percent in late October. Becketti said a few additional modest Fed rate hikes won't likely have much effect on longer-term rates until the central bank starts reducing the huge portfolio of bonds it accumulated during and after the Great Recession.

The Fed's bond purchases were intended to lower longer-term loan rates to try to stimulate borrowing and spending and energize the economy. The Fed ended its bond purchases last year as the U.S. economy strengthened. But it has yet to begin selling the bonds, which would tend to nudge up longer-term rates.

Fed Chair Janet Yellen has signaled that the Fed is in no hurry to start reducing its portfolio of bonds — one reason long-term mortgage rates could remain low for a while.

What's more, inflation remains unusually low — well below the Fed's 2 percent target level. In addition, economic weakness and financial volatility overseas are drawing many global investors to the safety and relatively higher returns of U.S. Treasurys. This is putting further downward pressure on longer-term U.S. yields and keeping long-term mortgage rates low.

John Canally, chief economic strategist at LPL Financial, says mortgage rates "should not be a major impediment to the housing market" even if they do rise a bit in 2016. He notes that 30-year fixed-rate mortgages averaged 6.5 percent during the housing boom of 2000 to 2007.

Historically low mortgage rates have helped the American housing market recover from the real estate bust of the late 2000s. Despite a recent decline, sales of existing homes are likely to rise 5 percent this year from 2014. Year to date, new-home sales have advanced 14.5 percent, driven by job growth that has pushed the unemployment rate to a seven-year low of 5 percent.

On Thursday, Freddie Mac also reported that the rate on 15-year fixed-rate mortgages, which are popular with homeowners who are refinancing their home loans, was unchanged at 3.22 percent.

To calculate average mortgage rates, Freddie Mac surveys lenders across the country at the beginning of each week. The average doesn't include extra fees, known as points, which most borrowers must pay to receive the lowest rates.

One point equals 1 percent of the loan amount. The average fee for a 30-year mortgage was unchanged from last week at 0.6 point.

The average rate on five-year adjustable-rate mortgages rose to 3.06 percent, highest since September 2014 and up from 3.03 percent last week; the fee remained at 0.4 point. The average rate on one-year ARMs increased to 2.68 percent, highest since September 2013 and up from 2.67 percent last week; the fee held at 0.2 point.