Housing trends may turn economy

Low rates, stable prices called key

By Stephanie Armour
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Mortgage rates are hitting another record low just as home prices are firming in more parts of the country, two trends that could help boost the economy.

Potential recovery fuel:

■ Rates on 30-year fixed loans averaged 4.17 percent, down from 4.24 percent a week ago, Freddie Mac reported Thursday. They've been below 5 percent since early May.

■ Median home prices in the third quarter were up from last year's third period in 77 of 155 metro areas, the National Association of Realtors reports. In 2009's third quarter, only 30 areas showed year-over-year growth.

The improvements in prices came despite a sharp drop-off in sales after the federal home buyers' tax credit expired in the spring.

Low mortgage rates, and at least flat home prices, could give more homeowners the confidence to refinance. If they spend some of what they save on their mortgages, that strengthens the economy.

"In most markets, the crash is over and stability is beginning," says Joel Naroff at Naroff Economic Advisors. "Realtors are saying it isn't great, but it's better than last year."

Prices are rising in areas where foreclosures have not hit very hard, Naroff says.

Mark Zandi, chief economist of Moody's Analytics, says lower mortgage rates should increase refinancings but won't forestall further price declines.

"The housing market is still really fragile," Zandi says.