BUSINESS

# Lower rates not bringing refinance rush

## 30-year fixed at 4.58%, but tighter rules may be discouraging borrowers

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WASHINGTON — Mortgage rates have sunk to the lowest level in more than five decades, but consumers aren't rushing to refinance their loans or buy homes.

Mortgage company Freddie Mac said Thursday the average rate for 30-year fixed loans sank to 4.58 percent this week.

That's down from the previous record of 4.69 percent set last week and the lowest since the mortgage company began keeping records in 1971. The last time they were cheaper was the 1950s, when most long-term home loans lasted just 20 or 25 years.

Rates have fallen over the past two months. Investors wary of the European debt crisis and the stock market have shifted money into the safety of Treasury bonds, driving down yields. Mortgage rates tend to track the yields on long-term Treasurys.

On Wednesday, the yield on the benchmark 10-year Treasury note dropped to 2.95 percent. That was the first time it has fallen below 3 percent since April 2009, when the markets were beginning to recover from the financial crisis.

But tighter lending standards and declining home equity have made it difficult for many borrowers to refinance. Many who do qualify have already done so over the past 18 months.

Applications for mortgages rose nearly 9 percent last week from a week earlier, the Mortgage Bankers Association said Wednesday. But they remain at only about half the level of early 2009 and a far cry from the refinancing boom of 2003 through 2005, when home prices were soaring and borrowers were able to pull equity out of their homes to pay for home renovations, boats and vacation homes.

Many Americans owe more on their mortgages than their homes are worth and can't refinance through the usual channels. The Obama administration has launched programs to help borrowers refinance if they owe up to 25 percent more than their home's value and have their loans guaranteed by mortgage giants Freddie Mac or Fannie Mae.

About 291,000 homeowners have participated as of March — a small fraction of the estimated 15 million homeowners who are "underwater" on their mortgages.

"I expect to see pockets of re-fi activity versus an overall wave," said Scott Buchta, chief mortgage strategist with Braver Stern Securities. "The problem is, for many borrowers, they don't have the equity in their homes."

If rates drop below 4.5

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## RATES

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percent, Buchta said, that might spark a burst of refinancing activity. But it would be limited to people who refinanced or bought homes over the past year and have rates of 5 percent or higher.

To calculate the national average, 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.

Rates on 15-year fixed-rate mortgages fell to an average of 4.04 percent, the lowest on records dating to September 1991 and down from 4.13 percent a week earlier.

Rates on five-year adjustable-rate mortgages averaged 3.79 percent, down from 3.84 percent a week earlier. That was also the lowest on Freddie Mac's records, which date back only to January 2005.

Average rates on one-year adjustable-rate mortgages rose to 3.8 percent from 3.77 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 all types of loans in Freddie Mac's survey averaged 0.7 a point.

Refinancing is generally considered worthwhile for homeowners who can shave at least three-quarters of a percentage point off the rates they pay now and plan to stay in their homes for a long time.

Besides the fees for the mortgage broker or lender, there are fees for title insurance, a new appraisal, document processing and other charges. In "no fee" mortgages, costs are often added to the loan amount, or the interest rate is higher.