Mortgage rates at historic lows

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WASHINGTON — Mortgage rates tumbled this week after the Federal Reserve's sudden decision to print $1.2 trillion and pump it into the economy.

The national average rate on a 30-year, fixed-rate mortgage fell to 4.94 percent on Thursday, down nearly a quarter of a percentage point from a day earlier, according to financial publisher HSH Associates.

It was the first time the average had fallen below 5 percent since the publisher began keeping records in 1979. But mortgages were not exactly being passed out freely. Lenders remain extremely strict about who qualifies.

The Fed announced it would buy $750 billion in mortgage-backed securities and $300 billion in Treasury debt. It also will double its purchases of debt issued by Fannie Mae and Freddie Mac to $200 billion. The move was notable for its immediacy. Seemingly at the flick of a switch, the Fed was able to train a $1.2 trillion fire hose on the economy — a sharp contrast to the slower, messier wrangling in Congress over the $787 billion stimulus plan.

By snapping up Treasury securities, the Fed boosts their prices, and that drives down the yield, or interest rate.