Mortgage rates bolt higher

Increase in costs could price homes out of the reach of some buyers

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WASHINGTON — The era of record-low mortgage rates is over.

The average rate on a 30-year loan has jumped from about 5 percent to more than 5.3 percent in just the past week. As mortgages get costlier, more would-be homeowners are priced out of the market, a threat to the housing market.

And if you wanted to refinance at a super-low rate, you may have missed your chance. Mortgages under 4 percent are still available, but only for loans that reset in five or seven years, probably to higher rates.

Rates are going up because of the improving economy and the end of a government push to make mortgages cheaper.

"We are seeing some panic among potential buyers who have not found houses yet," said Craig Strent, co-founder of Apex Home Loans in Bethesda, Md. "They're saying: Man, I should have found a house three weeks ago or last month when rates are lower."

It's all about affordability. For every 1 percentage point rise in rates, 300,000 to 400,000 would-be buyers are priced out of the market in a given year, according to the National Association of Realtors.

The rule of thumb is that every 1 percentage point increase in mortgage rates cuts a buyer's purchasing power about 10 percent.

For example, a 30-year mortgage for $300,000 at a rate of 5 percent will cost you about $1,600 a month, not including taxes and insurance. Same monthly payment at a rate of 6 percent will only get you a loan of $270,000.

Wednesday, the Mortgage Bankers Association put the national average for a 30-year fixed-rate mortgage at 5.31 percent.

Many analysts forecast rates will rise as high as 6 percent by early next year. If they go much higher, the already shaky housing recovery could stall.

In a normal market, with home prices steadily rising, a jump in rates doesn't cause a big dip in demand. That's because people know their homes will eventually rise in value, and are willing to accept a higher mortgage payment.