The Journal 5/14/2010

Mortgage rates drop to lowest level

ALAN ZIBEL
ASSOCIATED PRESS

WASHINGTON — Mortgage rates fell this week to the lowest level of the year, as rates fell on U.S. government securities. Fixed mortgage rates closely track interest rates paid on long-term Treasury bonds.

The average rate on a 30-year fixed rate mortgage dipped to 4.93 percent this week from 5 percent a week earlier, Freddie Mac said Thursday. It was the lowest level since mid-December, when rates averaged 4.81 percent.

The drop came as investors shifted money from risky European debt to safer U.S. securities. Bond yields fell as a result, and that lowered mortgage rates.

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.

The average fixed rate dropped to a record low of 4.71 percent late last year, pushed down by a campaign by the Federal Reserve to reduce borrowing costs for consumers. The program ended this spring, but rates have remained low, especially after fears that Greece's government would default shook world markets.

"In times of nervousness, everybody seeks the safe haven," said Greg McBride, senior financial analyst at Bankrate.com

The last time rates for 30-year fixed mortgages averaged less than 5 percent was the week of March 25, when they were 4.99 percent.

This week, the average rate on a 15-year fixed-rate mortgage was 4.3 percent, down from 4.36 percent last week.

Rates on five-year, adjustable-rate mortgages averaged 3.95 percent, down from 3.97 percent a week earlier. Rates on one-year, adjustable-rate mortgages fell to 4.02 percent from 4.07 percent.

this year