BUSINESS

Mortgage rates hit low for year

Applications for home loans down despite attractive borrowing costs

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WASHINGTON — Rates on 30-year fixed mortgages fell this week to the lowest level of the year and were barely shy of the all-time low.

Mortgage finance company Freddie Mac says the average rate sank to 4.72 percent, down from 4.79 percent last week. It was just above the record of 4.71 set last December.

The average rate on a 15-year fixed-rate mortgage hit 4.17 percent, down from 4.2 percent last week and the lowest on records dating to August 1991.

Though mortgage rates are at attractive levels, the housing market hasn't benefited. The number of customers applying for a mortgage to purchase a property fell to the lowest level in 13 years last week and was down 35 percent from a month ago, according to the Mortgage Bankers Association.

That's a sign the market is struggling without a tax credit of up to $8,000 for first-time buyers, which expired at the end of April.

The government has taken massive steps to help the housing market recover. Investors, wary of the European debt crisis and the turbulent stock market, have shifted money into the safety of U.S. Treasury bonds. That has pushed down the interest rate, or yield, on U.S. Treasury debt. Fixed mortgage rates tend to track that yield.

More recently, the latest report on the U.S. employment picture showed few private-sector jobs are being created. That made investors nervous about the stock market and pushed up bond prices, which pulls down rates.

"Following a relatively weak employment report, bond yields fell this week and mortgage rates followed," said Frank Nothaft, Freddie Mac's chief economist.

Freddie Mac collects mortgage rates Monday through Wednesday of each week from lenders around the country. Rates often fluctuate significantly, even within a given day.

Rates on five-year, adjustable-rate mortgages averaged 3.92 percent, down from 3.94 percent a week earlier. Rates on one-year, adjustable-rate mortgages fell to 3.91 percent from 3.95 percent. That was the lowest average since May 2004.

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 loans in Freddie Mac's survey averaged 0.7 a point for 30-year, 15-year and 5-year loans. The average fee for 1-year loans was 0.6 of a point