Mortgage rates hit lows not seen in 3 years

KATHY ORTON
THE WASHINGTON POST

Mortgage rates continued to fall this week, pushed down by jitters over the global economy and oil prices.

Earlier this week, the International Monetary Fund became the latest organization to express concern about the global economy, joining the Federal Reserve and the European Central Bank. These worries have led many observers to predict that home loan rates will remain low for the near term.

Although low mortgage rates would help affordability in the housing market, reservations about where the economy is headed seem to be having an effect on home buyers. Last week, Fannie Mae released its latest home purchase sentiment index, which fell to its lowest level in the past year and a half.

"Growing pessimism over the last three months about the direction of the economy seems to be spilling over into home purchase sentiment," Doug Duncan, chief economist at Fannie Mae, said in a statement.

The 15-year fixed-rate average slid to 2.86 percent with an average 0.5 point. It was 2.88 percent a week ago and 2.94 percent a year ago. The last time the 15-year fixed rate fell this far down was also in May 2013. The five-year adjustable rate average dropped to 2.84 percent with an average 0.4 point. It was 2.82 percent a week ago and 2.88 percent a year ago.

"Demand for Treasuries remained high this week, driving yields to their lowest point since February," Sean Becketti, Freddie Mac chief economist, said in a statement. "In response, the 30-year mortgage rate fell 1 basis point to 3.58 percent. This rate represents yet another low for 2016 and the lowest mark since May 2013."

Fueled by low rates, mortgage applications soared, according to the latest data from the Mortgage Bankers Association. The market composite index -- a measure of total loan application volume - jumped 10 percent from the previous week. The refinance index climbed 11 percent, while the purchase index grew 8 percent, its highest level since October.

The refinance share of mortgage activity accounted for 54.9 percent of all applications.

"Helped by a persistently strong job market and low rates, applications for both conventional and government home purchase loans increased last week," Mike Fratantoni, MBA's chief economist, said in a statement.