Mortgage rates may have hit low

Refinancing may no longer make sense

By Janna Herron
THE ASSOCIATED PRESS

NEW YORK — Any borrowers who were betting that mortgage rates would fall even further lost out this week. The best rates may now be behind them.

The average rate on a 30-year fixed mortgage jumped to 4.39 percent from 4.17 percent, mortgage buyer Freddie Mac said Thursday. That's the lowest level on records dating back to 1971.

The 15-year loan, a popular refinance option, climbed to 3.76 percent from 3.57 percent, the lowest level since that survey began in 1991.

"We have a pipeline of folks who were waiting, who chose to float instead of lock in their rate and may have missed their opportunity," said Ritch Workman, co-owner of Workman Mortgage in Melbourne, Fla.

That means some borrowers may find that refinancing no longer makes financial sense. Others may pay add-on fees known as points in exchange for a lower rate. Or they might just settle for the higher rate, which is still historically low.

The recent jump in rates has rippled through the mortgage market. The number of people applying for mortgages slumped last week, the Mortgage Bankers Association said. Purchase applications dropped by 5 percent from the previous week. Refinance applications tumbled 16.5 percent.

Rates have risen because long-term Treasury yields have climbed to their highest level since July. Mortgage rates tend to track those yields.

The yields rose as traders dumped Treasurys they had bought before the Federal Reserve announced its $600 billion bond-buying program to spur the

See RATES on page 11A

RATES

FROM PAGE10A

economy. Republican economists and lawmakers have criticized the Fed program, saying it could lead to runaway inflation. Those fears have led investors to sell Treasury bonds.

Bond analysts don't expect Treasury yields to revisit the lows of last month. The yield on the 10-year Treasury fell then to its lowest point since the financial crisis.

"We'll get nowhere near that this year," said John Spinello, a bond strategist at Jefferies & Co.

Before last week, rates had steadily declined over the past seven months, setting new lows almost weekly since April. Investors, worried about the economy, had shifted money into the safety of U.S. Treasurys. Mortgage rates fell to their lowest point at 4.17 percent as traders snatched up Treasurys ahead of the central bank's announcement.

While refinancing activity got a boost, low rates did little to buoy the struggling housing market. Potential buyers are worried about their jobs. Or they're unable to qualify for a loan because of tighter credit standards. Others can't sell their own homes before buying another.

To calculate average mortgage rates, Freddie Mac collects rates from lenders across the country on Monday through Wednesday each week. Rates often fluctuate significantly, even within a single day.

Rates on five-year adjustable-rate mortgages averaged 3.4 percent, up from 3.25 percent, the lowest rate on records dating to January 2005. Rates on one-year adjustable-rate home loans were unchanged at 3.26 percent.

The rates don't include the add-on fees known as points. One point is equal to 1 percent of the total loan amount.