Mortgage rates sink below 3% to 3-year lows

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Mortgage rates were predicted to rise this year, but every time they start to wander higher, something causes them to retreat.

Home-loan rates crept up for three weeks in late May and early June. But then came the anemic May jobs report, and they tumbled. Between the Federal Reserve's announcement Wednesday that it was leaving its benchmark rate unchanged to the United Kingdom's referendum next week on whether to remain part of the European Union — "Brexit," as it is commonly known — anxiety over the global economic situation is likely to depress mortgage rates for the time being.

Bankrate.com, which puts out a weekly mortgage-rate-trend index, found that none of the experts it surveyed this week think that rates will go up and more than half expect them to fall further.

Demand for U.S. Treasury notes surged this week, sending yields on the 10-year note to lows not seen since 2012. Because home-loan rates closely track long-term bond yields, mortgage rates followed their descent.

According to the latest data released Thursday by the Federal Home Loan Mortgage Corp., the 30-year fixed-rate average sank to a three-year low, plunging to 3.54 percent, with an average 0.5 point. (Points are fees paid to a lender equal to 1 percent of the loan amount.) It was 3.60 percent a week ago and 4 percent a year ago. The 30-year fixed rate hasn't been this low since May 2013.

The 15-year fixed-rate average dropped to 2.81 percent, with an average 0.5 point. It was 2.87 percent a week ago and 3.23 percent a year ago.

The five-year adjustable rate average fell to 2.74 percent, with an average 0.5 point. It was 2.82 percent a week ago and 3 percent a year ago.

The last time rates were this favorable was May 2013, right before former Federal Reserve chairman Ben Bernanke testified before Congress about slowing the Fed's bond purchases. The resulting "taper tantrum" sent rates soaring.

"The 10-year Treasury yield continued its free fall this week as global risks and expectations for the Fed's June meeting drove investors to the safety of government bonds," Sean Becketti, Freddie Mac chief economist, said in a statement.

"Wednesday's Fed decision to once again stand pat on rates, as well as growing anticipation of the U.K.'s upcoming European Union referendum will make it difficult for Treasury yields and — more importantly — mortgage rates to substantially rise in the upcoming weeks."

Meanwhile, even though rates moved lower, mortgage applications slumped this week, according to the latest data from the Mortgage Bankers Association.

The market composite index — a measure of total loan application volume — fell 2.4 percent from the previous week.