Mortgage rates sink even lower

Cheap loans haven't spurred home sales

By Alan Zibel
THE ASSOCIATED PRESS

WASHINGTON — Growing pessimism over the weak economic recovery pushed mortgage rates to the lowest level in decades for the seventh time in eight weeks.

The average rate on a 30-year fixed mortgage hit 4.44 percent this week, mortgage buyer Freddie Mac said Thursday. And some brokers say homeowners looking to refinance have even managed to do so for as low as 4 percent.

Still, cheap rates have done little to boost the struggling housing market. Instead, they are highlighting investors' fears that the rebound is stalling and the country could be slipping back into a recession.

Investors are shifting money away stocks and to safer Treasury bonds. That is sending Treasury yields lower. Mortgage rates track those yields.

And the Federal Reserve is pushing those yields down even further. The central bank said Tuesday it will buy Treasurys to help aid the recovery, using proceeds from debt and securities it bought from Fannie Mae and Freddie Mac.

That move alone is unlikely to push average rates down to 4 percent, said Bob Walters, chief economist at Quicken Loans.

Overall home loan applications rose only 0.6 percent last week from a week earlier, the Mortgage Bankers Association said Wednesday.

The rates do not include add-on fees known as points. The nationwide fee for loans in Freddie Mac's survey averaged 0.7 a point for all loans except for 15-year mortgages, which averaged 0.6 of a point.