

Builders work at a home site in Pennsylvania as mortgage rates continue to fall. ALEX BRANDON/AP

Rate on 30-year loan slips to 3.54 percent

Trend of low mortgage costs could help nation's housing recovery strengthen

By Marcy Gordon
Associated Press

WASHINGTON — Average rates on fixed mortgages crept closer to their historic lows this week, a trend that could help the housing recovery strengthen.

Mortgage buyer Freddie Mac said Thursday that the average rate for the 30-year fixed loan edged down to 3.54 percent from 3.57 percent last week.

That's near the 3.31 percent reached in November — the lowest on record dating to 1971.

The average rate on the 15-year fixed mortgage declined to 2.74 percent from 2.76 percent last week. The record low of 2.63 percent also was reached in November.

Low mortgage rates have contributed to a housing rebound more than six years after the bubble burst.

Home sales and construction are up, prices are rising and more Americans are refinancing. That's helped the broader economy.

Sales of previously owned homes in February reached the highest level in more than three years.

Some of the mortgage demand has come from investors. Sales to first-time home buyers remain below healthy levels.

Some people are unable to take advantage of the low mortgage rates, either because they can't qualify for stricter lending rules or they lack the money for larger down payment requirements.

There also is concern that the limited number of available homes for sale could slow sales at the start of the spring buying season.

HOME PRICES HIGHER

The low supply and increased sales have helped drive prices higher. Home prices rose 10.2 percent in February compared with a year earlier, according to real estate data provider CoreLogic. The annual gain was the biggest since March 2006. Prices have now increased on an annual basis for 12 straight months, underscoring the recovery's steady momentum.