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CHRIS O'MEARA / The Associated Press

Realtor Joe Bell poses outside one of his properties in St. Petersburg, Fla. Mortgage rates have sunk to levels not seen in more than a half-century.

Realtors wonder where the buyers are

Mortgage rates at lowest levels in over 50 years

By Alan Zibel and Alex Veiga
THE ASSOCIATED PRESS

An odd scene has been playing out lately in the offices of mortgage brokers and bankers around the country.

Mortgage rates have sunk to levels not seen in more than a half-century — a seductive 4.58 percent for an average 30-year fixed loan. Yet brokers and lenders report not a flood but a trickle of customers.

So what's going on?

Call it a tale of the haves and have-nots.

The haves are those who stand to save money from refinancing and have the financial standing to do so. Since mortgage rates have been low for so long, most of them already have refinanced in the past 18 months. Doing so again wouldn't be worth the cost for most.

The have-nots? Those are the millions of Americans pummeled by the housing collapse. They have little or no home equity or no money for down payments. Or they lack the credit or steady income to get or refinance a mortgage.

The 4.58 percent average for a 30-year fixed-rate loan last week was the lowest on records that mortgage company Freddie Mac has kept since 1971. The last time rates were lower was the 1950s, when most long-term home loans lasted just 20 or 25 years.

Under normal circumstances, 4.58 percent would be irresistible. A decade ago, if you'd told David Christensen, owner of Mountain Lake Mortgage in Lakeside, Mont., that rates would drop this low, he wouldn't have believed you. And if rates did somehow fall this far, he never thought he would lack for customers, as he does now.

Yet both have come true.

Christensen argues that mortgage lending standards have tightened so much since the financial crisis that many people with decent but not-stellar credit can't qualify. Lenders are demanding stronger credit scores and higher down payments or home equity.

"The pendulum has swung too far the other way," Christensen said. "It needs to come back to the middle."

Stricter lending rules aren't the only factors behind the restrained demand. A tax credit for home buyers that helped lift home sales expired April 30. The result is that fewer people are taking out loans to buy homes.