Record low rates for home loans on way out

Refinance now, most experts advise

By Julie Schmit
USA Today

Mortgage interest rates have ticked up for three of the past four weeks, and while big increases are unlikely, further drops are, too.

The average for a 30-year, fixed-rate mortgage hit 3.53 percent this week, the first time rates pushed above 3.5 percent in more than three months, mortgage giant Freddie Mac reported.

"I do think that perhaps the all-time low is behind us," says Freddie's chief economist, Frank Nothaft.

That was set in November when 3.31 percent was the average for a 30-year fixed-rate loan, according to Freddie Mac's weekly mortgage rate surveys.

For the rest of 2013, Nothaft expects rates to gradually rise, ending the year at about 3.75 percent and then moving above 4 percent next year.

"There's no point to dilly-dally" to wait for lower rates if someone is considering refinancing their home, Nothaft said.

Rising rates will affect homeowners looking to refinance more than home shoppers, said Jed Kolko, chief economist with real estate website Trulia.

That's because refinancing is mainly an interest-rate-driven decision, while home purchases have more to do with jobs and

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lifestyle changes, he said.

Even though they're up, rates are still near historic lows.

Along with an improving economy, rates have edged up, given less demand for "safe haven investments" such as bonds since Congress partly averted the so-called fiscal cliff of tax increases and spending cuts on Jan. 1, said Greg McBride, senior financial analyst for Bankrate.com.

McBride said mortgage interest rates may dip below current levels on occasion. He, too, expects them to hover between 3.5 percent and 4 percent for most of this year. That assumes no big shocks to the U.S. economy.

Except for a few weeks, mortgage rates have been below 4 percent for the past 14 months, Freddie Mac data show.

The low rates have helped the housing market, which is showing signs of strengthening. Home prices were up 5.5 percent in November year-over-year, Standard & Poor's Case-Shiller data showed this week. New and existing home sales are also up. That is helping the overall economy.

"If the economy is getting better, slightly higher interest rates are a natural occurrence," said Keith Gumbinger, vice president of mortgage tracker HSH.com. "But there's no reason to believe that rates are headed upward in a straight line."