Record-low rates stir homebuyers

Mortgage activity picks up as Fed's moves drop interest to unseen levels

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Rates on 30-year mortgages fell this week to the lowest level on record after the Federal Reserve launched a new effort to assist the struggling U.S. housing market.

Mortgage finance giant Freddie Mac said Thursday that average rates on 30-year fixed-rate mortgages dropped to 4.85 percent this week, from 4.98 percent last week.

In the Southeast, the rate was 4.86 percent.

Overall, the 30-year rate was down a full percentage point from a year ago, and was the lowest in the history of Freddie Mac's survey, which dates back to 1971.

Rates fell after the Fed last week said it will pump $1.2 trillion into the economy in an effort to lower rates on mortgages and loosen credit.

"I just don't believe it's ever going to get much lower than this. I really don't," said C. Dan Joyner, president of Prudential C. Dan Joyner Co. in Greenville.

He said his company is seeing the impact of the lower rates, with March activity amounting to one of the best months his firm has had in the past seven

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or eight months.

"It (business) has really picked up," he said.

Mortgage lenders reported increased activity.

"Primarily, the activity I'm seeing is the refinance of current mortgages," said Shany Ezell, a mortgage specialist in Spartanburg with First National Bank of the South.

Homeowners with mortgages of 6 percent or higher are benefiting from refinancing to about 5 percent, Ezell said.

Those borrowers "can see a significant improvement in their payment" and recover refinancing cost more easily, she said.

She encouraged borrowers to shop for the best rate and pay close attention to good-faith lending estimates to make sure they understand the charges involved.

"If you came in, you might be able to get a 5 percent (loan) with standard closing costs or you may be willing to pay a point or two and get that rate down to 4½ or so," Ezell said. "But every situation is different."

Interest rates are based on credit scores, the purpose of the loan, loan-to-value ratios, and other factors, she said.

Underwriting standards are tighter, she said.

Rates on 30-year mortgages traditionally track yields on long-term government debt.

"The Federal Reserve's announcement that it intends to purchase Treasury securities over the next months caused bond yields to drop and mortgage rates followed," said Frank Nothaft, Freddie Mac's chief economist.

Mortgage applications surged last week, mostly from refinancing.

The Mortgage Bankers Association said Wednesday its weekly application index climbed more than 30 percent for the week ended March 20.

Nearly 80 percent of applications came from borrowers seeking to refinance loans at lower rates.

In Freddie Mac's survey, the average rate on a 15-year fixed-rate mortgage dropped to 4.58 percent this week, down from 4.61 percent last week.

Rates on five-year, adjustable-rate mortgages fell to 4.96 percent, compared with 4.98 percent last week. Rates on one-year adjustables fell to 4.85 percent, from 4.91 percent.

The rates don't include add-on fees known as points. The nationwide fee averaged 0.7 point last week for all mortgages in Freddie Mac's survey except for one-year adjustable mortgages, which had an average fee of 0.6 point.