

Mortgage rates are on the rise, but still below 5% nationally

Contributed by Sam Stamper
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Since 30 year fixed rate mortgages hit a low of around 4.5% for most states at the end of November, they have been rising almost steadily. The average rate being offered for the same loan, as of the market open this morning was 4.88%, up from 4.79% at the close of trading just last week.

I would like to take this opportunity to repeat something I have said on many occasions - rates quoted are good only when they are quoted. Mortgage rates are very volatile, and subject to the yields on both the 10 year Treasury bond and the yield on mortgage backed securities. When those yields move up, mortgage rates move up too. There are lenders out there who sometimes offer special rates for fixed periods of time, and some states offer lower rates than others, so the best I can do is quote the best rates out there at any given time. Mortgage rates did rise slightly again today as the yield on the underlying bonds rose. However, expectations are that rates will remain relatively low for the next few months.

The Feds have been subsidizing the yield on rates by purchasing massive amounts of mortgage backed securities which has been keeping those yields low. They have already extended these purchases through the first quarter of 2010, but have announced that subsidizing of rates will end beginning with the second quarter of next year. At that time, most pundits expect mortgage rates to begin to rise, with a fairly large consensus that we will see rates at 5.5% or higher by the end of next year.

In addition to the fact that mortgage rates can and do fluctuate throughout the day, most days, there are many other factors that will influence what rate you might be offered for either a purchase or refinance transaction. These adjustments to the best rates are called "risk based pricing adjustments" and are standard by any lender offering Fannie Mae or Freddie Mac (otherwise known as conforming) loans.

For more information on how to qualify for the "best rates out there", please read my article with the same title. ([link below](#))

In other news today,

- Mortgage applications for both purchases and refinance transactions rose 8.5% last week. This was in response to both the low rates and the home buyer tax credits. It is anticipated that sales will remain strong as long as rates and prices remain low. Of course the tax credit is an added incentive to buy now, before that gift disappears. Home sales had hit record lows earlier this year, since anyone started keeping records in the early 1990s.
- The rate of home sales is still being hampered by almost record high unemployment rates and the very much tighter lending standards.
- Inventories at U.S. Wholesalers unexpectedly grew in October. This was the first time we have seen inventories grow in more than a year, and it is a hopeful sign that businesses might start purchasing again, which would stimulate the economy. Stockpiles of autos, computers and farm products led the gains in inventories.
- New jobless claims dropped to 460,000 for the week ending December 5th. This was very welcome news as it dropped the overall unemployment rate from 10.2% to 10% nationwide.
- Treasury Secretary announced that the \$700 billion bailout program has been extended through October 2010. While several banks have announced they are repaying TARP funds, Geithner feels it is prudent to keep the funds available in case an unforeseen emergency arises next year.
- The Feds stand ready to continue their efforts to help troubled home owners and to reduce the number for foreclosures to stabilize communities and housing prices. Part of the TARP funds that are being held available could be earmarked for this purpose.
- The financial crisis in Dubai is weighing on world economies, but not to the extent that other world economies crashing 2 years ago did. Dubai is being left to stand alone in its extensive debt which is in very stark contrast to the extravagant spending of just 2 years ago when this Arab nation was seen dredging the oceans and creating artificial islands to house the tallest buildings in the world with luxury markets and residences.

With almost all the income reporting ended for the last quarter, and all eyes on retailers and holiday shoppers, the rest of this month will hopefully be relatively quiet.

The new year is just around the corner though, with holiday earnings season poised to set the pace for the start of 2010.

Most of the nation is under freezing and inclement weather conditions, so be safe and stay warm out there.

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Mortgage lending regulations are tightening again

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