

Mortgage Loan Rates Drop, Home Construction Up Slightly

By Administrator

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WASHINGTON (AP) — Average U.S. rates on fixed mortgages fell this week for the second straight week as the spring home-buying season begins.

Mortgage buyer Freddie Mac said Thursday that the average rate for the 30-year loan fell to 4.27 percent from 4.34 percent last week. The average for the 15-year mortgage eased to 3.33 percent from 3.38 percent. Mortgage rates have risen about a full percentage point since hitting record lows about a year ago.

Many analysts have been expecting an improving economy to lift the housing market, which has been recovering over the past two years. But housing has struggled to maintain momentum. Rising home prices and higher mortgage rates have held back some potential home buyers. Others have had trouble qualifying for mortgages.

The Commerce Department reported Wednesday that U.S. home construction rose moderately in March as builders resumed work at the end of a frigid winter. But applications for building permits slid, clouding the outlook for future construction.

The increase in mortgage rates over the year was driven by speculation that the Federal Reserve would reduce its \$85 billion-a-month bond purchases, which have helped keep long-term interest rates low. Indeed, the Fed has announced three \$10 billion declines in its monthly bond purchases since December. The latest plan is to cut its monthly long-term bond purchases to \$55 billion because it thinks the economy is steadily healing.

The Fed also said after its two-day policy meeting last month that even after it raises short-term interest rates, the job market strengthens and inflation rises, the central bank expects its benchmark short-term rate to stay unusually low.

Fed Chair Janet Yellen, in her first major speech on Fed policy, said Wednesday that the U.S. job market still needs help from the central bank and that it must remain intent on adjusting its policy to respond to unforeseen challenges.

Yellen also made clear she believes the still-subpar economic recovery will continue to need the help of low rates for some time. An increase in short-term interest rates would elevate borrowing costs and could hurt stock prices.

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To calculate average mortgage rates, Freddie Mac surveys lenders across the country between Monday and Wednesday each week. The average doesn't include extra fees, known as points, which most borrowers must pay to get the lowest rates. One point equals 1 percent of the loan amount.

The average fee for a 30-year mortgage was unchanged at 0.7 point. The fee for a 15-year loan remained at 0.6 point.

The average rate on a one-year adjustable-rate mortgage rose to 2.44 percent from 2.41 percent. The average fee held steady at 0.5 point.

The average rate on a five-year adjustable mortgage fell to 3.03 percent from 3.09 percent. The fee was unchanged at 0.5 point.