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A spark of life for real estate

Falling mortgage rates may provide the flicker of interest for those looking to buy into the stagnant housing market. And rates might dip lower.

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Slideshow



Beth Bell, a partner at First Trust Mortgage in Charlotte, is one of a number of local mortgage brokers who say they have been flooded with calls about refinancing as rates drop. LISETTE POOLE –
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The average person can save \$100 to \$200 a month by refinancing at current interest rates, but that varies based on credit score, equity in your home and other factors. Some predict rates will continue to drop, others say now is the time to act. Here are some things to keep in mind:

Interest rates are lower primarily for 30-year, fixed-rate mortgages. Jumbo loans, or mortgages higher than \$417,000, can have interest rates of 7.5 percent or higher.

Think about whether it's worth the cost to refinance. If you have a \$125,000 loan and get an interest rate that's 0.75 of a percentage point lower than your previous rate, you could save \$30 a month. But if you pay \$2,000 in fees and don't plan to stay in the house long enough to make that up, it's probably not worth it.

Credit scores are key to qualifying for a new or refinanced loan. Some brokers say a borrower needs at least 740 score to qualify for the lowest rates; others say that number can be lower.

In a development cheered by mortgage brokers, interest rates have dipped to their lowest levels in years, providing what some say is a glimmer of hope in this dismal housing market.

Brokers across Charlotte have seen a spike in business since Nov. 25, when the Federal Reserve announced plans to buy up to \$600 billion in toxic mortgage assets.

The move prompted interest rates to fall – to around 5.5 percent this week – and that could translate to lower monthly mortgage payments and an incentive for home shoppers who are debating whether to buy, brokers say.

“We’re saying to Realtors, ‘Hey, if you’ve got people sitting on the fence, you may want to let them know that,’” said Doug Bell, managing partner of First Trust Mortgage, where brokers are receiving 35 to 50 percent more calls than usual.

Charlotte-area rates for a new 30-year, fixed-rate mortgage ranged from about 5.25 to 5.75 percent Monday, according to Bankrate.com. The national average was 5.65 percent, down from almost 6.5 percent as recently as October.

It’s welcome news for brokers and others with a stake in the housing market, which has taken a hit this year as the economy tanked.

Home sales and prices in the Charlotte area have dropped in recent months, but the region is still faring better than most others.

Area home prices declined 3.5 percent for the 12 months through September, according to S&P/Case-Shiller home price data released late last month. Other regions, such as Las Vegas and Phoenix, saw double-digit declines.

Sales of Charlotte-area houses, townhouses and condos fell almost 31 percent in October, compared with October 2007, according to figures released last month from the Carolina Multiple Listing Services. That marks the 17th consecutive month of double-digit declines.

The market is bracing for further struggles, too. The unemployment rate continues to inch upward, and bank consolidations could lead to more layoffs. Other troubles include rising foreclosures, tight credit and the weak economy.

Falling interest rates aren’t “going to turn the economy around all by itself, at least not immediately,” Wachovia economist Mark Vitner said. “But this will help.”

Lower mortgage payments will ease the burden of debt for homeowners who refinance, eventually leading to better credit and looser lending, he said. In addition, if more people are willing to jump into the housing market, they could drive up home prices and fuel the economy.

Interest rates haven’t been this low for a sustained period of time in the past decade, Vitner said.

Some consumers are waiting to refinance or buy a home, thinking rates could fall as low as 4.5 percent, but he said that’s not imminent and that if people are in a good position to refinance or buy, they should do so.

“You’re not going to be unhappy” with the current rates, he said. “It’s very rare that rates are this low.”

First-time homebuyer Darren Russo started looking at houses three months ago, when mortgage rates hovered around 6.5 percent. By the time he closed on his new townhouse in Concord last week, he was able to get a 5.625 rate.

Russo, a 35-year-old minister, paid \$161,000 for the home – \$10,000 less than the asking price, he said.

“I got the place I really liked for a price I could really afford,” he said.

Mortgage brokers say they’re getting more calls about refinancing than buying. Allen Tate Mortgage has seen an uptick in inquiries since the rates fell, company President Chris Cope said.

At online mortgage broker LendingTree, inquiries are up 10 to 15 percent in the past two weeks, chief economist Cameron Findlay said. Much of that interest is for refinancing, especially from borrowers with adjustable-rate mortgages who want the stability of a fixed rate.

At First Trust, the lower rates are a needed boost at a time when business has been sparse because of the economy and the annual holiday slowdown, said Bell, the managing partner.

He and his staff have been reaching out to former customers, financial planners, accountants and real estate agents to spread the word about the lower rates, as well as fielding calls from homeowners across the financial spectrum.

Some are simply looking for lower rates. Others want to pay down "jumbo loans," which come with higher interest rates, to the \$417,000 limit to qualify for the lower 30-year, fixed rates. Still others have refinanced to consolidate loans and take cash out of their homes to pay down credit card debt.

Brokers and economists predict the dip will continue for at least a few months, until the economy shows the first signs of a turnaround.

"I think the government will do everything it can to keep rates low until that recovery is well under way," Bell said. "It's just so crucial to the economy."

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