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## Mortgage rates spur torrent of refinances

**National average 30-year, fixed rate has dropped to a 1960s low, at 5.06%. But getting the money's not that easy.**

By Alan Zibel  
Associated Press  
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Tony Jabon had an e-mail in to his mortgage broker by 10 a.m.

The 35-year-old environmental consultant in Charlotte had heard about the Federal Reserve's decision to cut its key interest rate to nearly zero and wanted to refinance to something lower than 5.5percent.

Within hours, he had locked in a rate of about 4.6percent. He'll save about \$160 on his monthly payment. "Any time you can save a dollar," he said, "why not?"

Homeowners across the country did the same Wednesday. Mortgage brokers reported a surge of calls from borrowers seeking to take advantage of the Fed's extraordinary decision. Some brokers were quoting mortgage rates of close to 4.5 percent for people with strong credit and hefty down payments.

The national average rate on 30-year, fixed mortgages was 5.06 percent Wednesday, according to financial publisher HSH Associates – the lowest since the 1960s and down from 5.3 percent Tuesday.

The Fed, aiming to free up lending and give the economy a jolt, cut the federal funds rate Tuesday from 1 percent to a target range of zero to 0.25 percent and pledged to keep funneling money into the market for mortgage investments.

It was the best news in months for anyone looking to lock in a 30-year, fixed-rate mortgage. But it was not expected to be a cure-all, and borrowers already in danger of foreclosure probably won't be able to take advantage.

In Charlotte, business was booming for Bill McConnell, a consultant with Cunningham & Co. mortgage bankers.

"I've locked in more rates in one day than I've locked in all year combined," he said Wednesday. "It's just been a fantastic day."

Like many in Charlotte's mortgage industry, McConnell got calls from clients all day, as rates hovered in the morning at 4.375, went to 4.75 and inched back up to 5 percent for 30-year mortgages toward the end of the day.

McConnell said those eligible for the lowest rates would be clients with "a documentable income, good credit and a little bit of equity in their home."

"There's still a bunch of volatility in the market, but very good rates in the short term," he added.

An estimated 12 million Americans owe more on their home loans than their houses' current value, unemployment is still rising quickly, and foreclosures are soaring.

For people whose home values have plunged, "I could have a 1 percent interest rate, but it wouldn't help them," said Michael Maynard, a mortgage broker in Branford, Conn.

"People losing their homes aren't losing their homes because they can't get a 6 percent mortgage," Maynard said. "They're not qualifying at all."

Jabon's mortgage broker in Charlotte, Will Mullinix, said that while rates that low are "pretty unprecedented," the best deals are available only to borrowers with pristine credit who are taking out loans for less than 80 percent of their house's current value.

"All the stars have to align," Mullinix said.

And economists expect falling rates to provide only a modest boost to home sales, especially as unemployment worsens amid what could be the longest economic downturn since the Great Depression.

"People tend to be more inclined to buy a house when they're confident about their employment and income prospects," said Wachovia economist Mark Vitner.

Nonetheless, Chris Cope, president of Allen Tate Mortgage in Charlotte, was seeing substantial interest from people seeking new mortgages.

"The purchase business has definitely picked up," Cope said. He said the combination of good home prices and low interest rates was spurring some customers to take action on homes they've been looking at for some time.

He said Allen Tate Mortgage has experienced more activity in the first 16 days of December than in all of November combined.

So far this month, he said, the company has started work on \$54 million in mortgage loans. About 75 percent involves new purchases, he said.

"It really is a positive sign for the housing market," Cope said.

Besides lowering the interest on fixed-rate mortgages, rates should come down on adjustable-rate home equity loans. Those are tied to the prime rate, and prime rates came down immediately after the Fed move Tuesday.

The Federal Reserve also plans to buy up mortgage debt and is considering buying long-term Treasury bonds that are closely tied to mortgage rates, so analysts expect rates to drop even further.

"We're going to see just a massive refinancing boom," said Mark Zandi, chief economist at Moody's Economy.com, who estimates that up to 10 million U.S. borrowers, or about one in five Americans with a mortgage, could wind up refinancing.

Senate Majority Leader Harry Reid said Wednesday that some of the \$700 billion financial bailout should be spent to aid borrowers in danger of losing their homes.

"We've given enough big checks to these banks. Let's do something to help foreclosures," he said in a conference call with reporters.

Mortgage applications rose about 3 percent last week but are still below highs for the year reached in early February, the last time rates were attractive enough to cause refinancings to surge.

For homeowners who haven't been able to sell their houses, the lower rates represent an opportunity to at least save some money. And if they have enough equity in their homes, they can still pull out money to make improvements – albeit at a higher interest rate.

Lisa Wallwork, 37, and her husband, Shawn, are in the process of refinancing the mortgage on the house they've owned for five years in Tolland, Conn. They pulled it off the market in September after their house didn't sell for more than a year.

"We wanted to move up to a bigger and better house," she said.

Instead, the couple are refinancing their \$185,000 mortgage, pulling out equity to remodel their kitchen and getting a new front door. And they still expect to save up to \$300 a month in the process. Staff writer Nancy Stancill contributed.



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