MORTGAGES

Latest mortgage news: Rates retreat a bit


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Mortgage rates fell this week following a surge in the first weeks of 2022. The average rate on 30-year mortgages fell to 3.71 percent from 3.75 percent last week, according to Bankrate's weekly survey of large lenders.

The retreat was a bit of a mixed message. The Federal Reserve on Wednesday signaled that a hike in interest rates is imminent, perhaps as early as March.

"As the Fed starts to tighten, long-term rates will calm down and if inflation recedes, long-term rates might, too," says Greg McBride, CFA, Bankrate's chief financial analyst.

Mortgage experts expect rates to continue to climb from the all-time bottom achieved in January 2021. A year ago, the benchmark 30-year fixed-rate mortgage was at 2.93 percent. Four weeks ago, the rate was 3.4 percent. The 30-year fixed-rate average for this week is 0.78 percentage point higher than the 52-week low of 2.93 percent.

The 30-year fixed mortgages in this week's survey had an average total of 0.34 discount and origination points.

Mortgage interest rates

The rate on a 30-year mortgage averaged 3.71% as of Jan. 26.

Source: Bankrate national survey; figure includes points

Share

Over the past 52 weeks, the 30-year fixed has averaged 3.2 percent.

- The 15-year fixed-rate mortgage rose to 2.84 percent from 2.92 percent a week ago.
- The 5/1 adjustable-rate mortgage rose to 3.65 percent from 3.57 percent (with the caveat that many lenders have shifted to the 5/6 ARM).
- The 30-year fixed-rate jumbo mortgage was 3.44 percent, down from 3.48 percent last week.

Where mortgage rates are headed

Worries about runaway inflation and a resurgence of coronavirus cases are weighing on stocks and on U.S. Treasury yields, which were in the range of 1.84 percent Wednesday. Last month, yields had hovered in the range of 1.5 percent. Meanwhile, the Federal Reserve has signaled that it will raise rates in a move to rein in inflation.

The official inflation figure for December came in at 7 percent, its highest level since 1982 and a harbinger of higher mortgage rates. Mike Fratantoni, chief economist at the Mortgage Bankers Association, predicts the average rate on a 30-year mortgage will reach 4 percent by late 2022.

"Today's clear signal from the Federal Reserve that they will hike rates in March was no surprise, given the strong job market and inflation well above the 2 percent target," Fratantoni said in a statement.

The Mortgage Bankers Association expects refinancing activity to disappear as rates rise. But it also expects a strong home-sales market in 2022.

Mortgage experts offer mixed predictions about the direction of rates in the next week in Bankrate's latest survey.

Meanwhile, the Federal Reserve has begun its long-anticipated "taper" of asset purchases, and the Fed has since said it might accelerate the pace of the taper. While that move creates upward pressure, mortgage rates are unlikely to spike as a result of the taper. However, the Fed's changing stance does set the stage for a gradual rise in rates.

Home purchases remain strong for now

Economists generally expect rates to rise by the end of 2022. As mortgage rates climb, decreased purchasing power might ease some of the pressure on home prices. "A slowdown in housing prices can soon be expected," says Ken H. Johnson, a housing economist at Florida Atlantic University.

But competition will remain intense among those who can still afford to buy. Those looking to refinance should be able to find good deals, though at rates a bit higher than the current level.

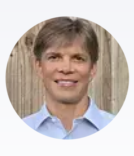
"There are two sides to rising rates," says Skylar Olsen, principal economist at real estate technology firm Tomo. "Monthly affordability will take a hit, but we'll also shake off more of the investor types looking for the leverage of a lifetime, so lifting rates could also mean a saner market. Rates that low caused all sorts of households to rush in, and without the supply to match, price growth has been violent. That stresses affordability too. The fundamentals of demographics, life, and built-up savings will still push primary purchases forward. Less heat in housing is good."

The bottom line: If you see a rate that fits your needs and budget, the time to do that refinance could be now. In fact, many homeowners with a mortgage haven't taken advantage of the low rate environment. Among homeowners with a mortgage they've had since before the pandemic, 74 percent have not refinanced, according to a recent Bankrate survey.

"The overwhelming majority of mortgage borrowers have not yet refinanced, despite record-low rates over the past year," says Greg McBride, Bankrate's chief financial analyst. "Cutting the monthly mortgage payment by $150 or $250, possibly more, can create valuable breathing room in the household budget at a time when so many other costs are on the rise."

Methodology

The Bankrate.com national survey of large lenders is conducted weekly. To conduct the National Average survey, Bankrate obtains rate information from the 10 largest banks and thrifts in 10 large U.S. markets. In the Bankrate.com national survey, our Market Analysis team gathers rates and/or yields on banking deposits, loans and mortgages. We've conducted this survey in the same manner for more than 30 years, and because it's consistently done the way it is, it gives an accurate national apples-to-apples comparison. Our rates differ from other national surveys, in particular Freddie Mac's weekly published rates. Each week Freddie Mac surveys lenders on the rates and points based on first-lien prime conventional conforming home purchase mortgages with a loan-to-value of 80 percent. "Lenders surveyed each week are a mix of lender types – thrifts, credit unions, commercial banks and mortgage lending companies – is roughly proportional to the level of mortgage business that each type commands nationwide," according to Freddie Mac.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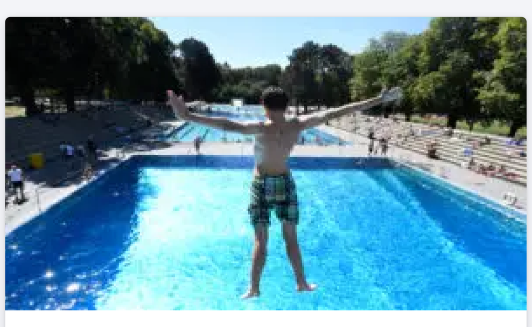
Mortgage rates crush it again, plunge to a new all-time low