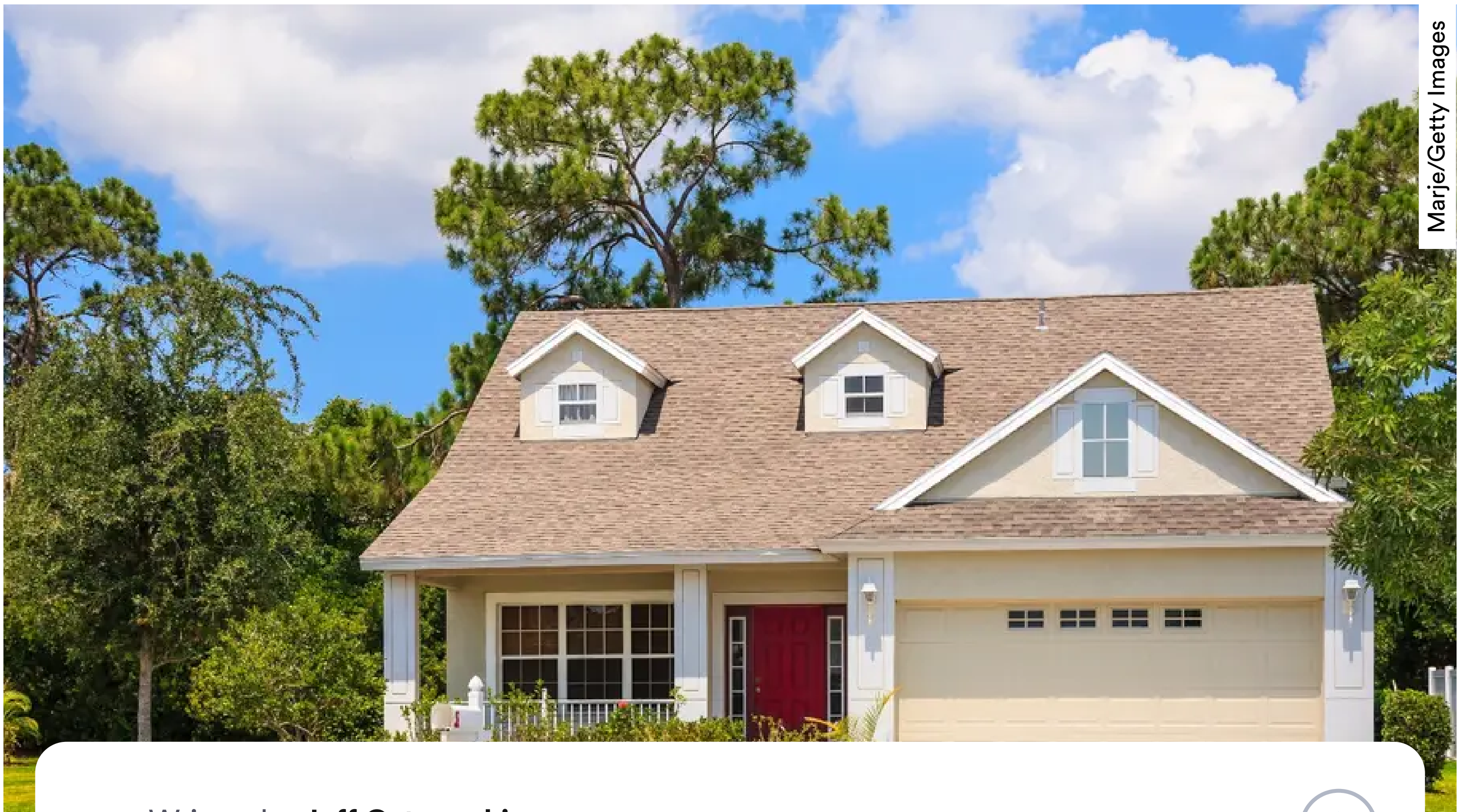
MORTGAGES

Latest mortgage news: After breather, 30-year rate resumes rise



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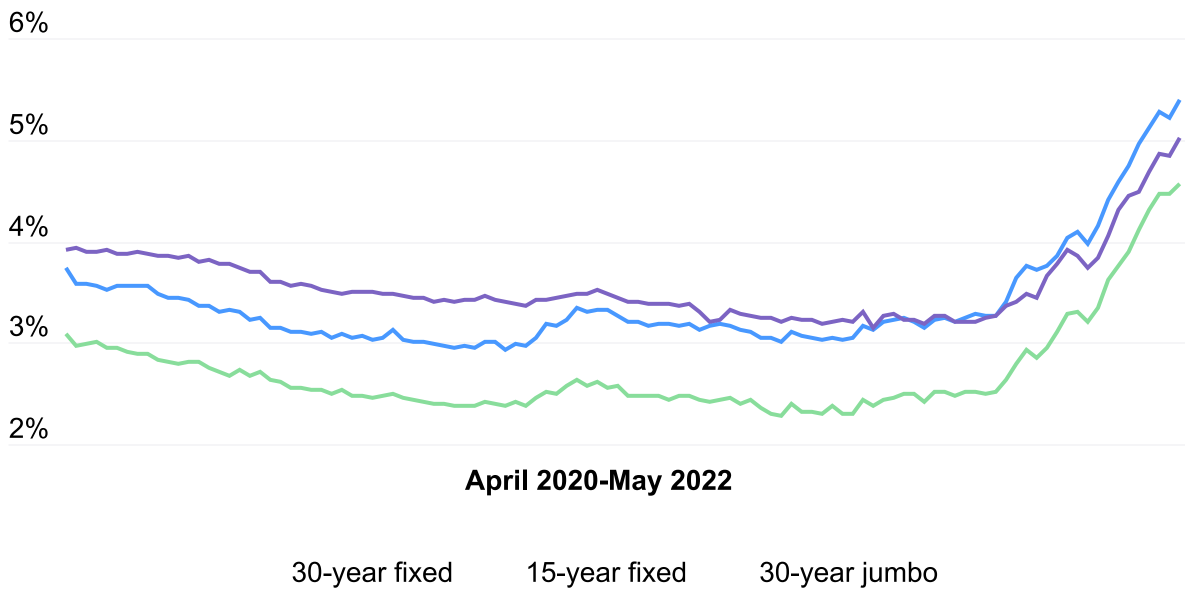
Why you can trust Bankrate

With inflation raging and the mortgage industry bracing for this week's rate hike by the Federal Reserve, the average rate on 30-year mortgages climbed to 5.38 percent this week from 5.22 percent last week, according to Bankrate's national survey of large lenders. That's the highest reading since 2009.

Mortgage interest rates

The rate on a 30-year mortgage averaged 5.38% as of May 4.



Source: Bankrate national survey; figure includes points

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The jump in mortgage rates comes as the Federal Reserve intensifies its fight against inflation — in March, prices rocketed at an annual clip of 8.5 percent. The Fed said Wednesday that it was raising rates half a point, its largest rate hike in decades. The central bank directly moves interest rates on some mortgage products, namely adjustable-rate mortgages and home equity loans. Fed policy has fewer ramifications for fixed mortgage rates, which more closely follow 10-year Treasury yields.

For borrowers, this run-up in rates marks an end of the historically low rates that characterized the period following the global financial crash of 2008 and 2009.

Current Mortgage Rates for May 5, 2022

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Zip ... 33431 Boca ...

Property Value $ 406,250

Loan Amount $ 325,000

Cash-out Yes No

Loan Term 30 ...

Cre...

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Lender	APR	Rate	Mo. payment	
15 Year Fixed NMLS: #1374724 (4.8) (855) 390-9412	4.01% M...	3.75% Po...	$2,363 Fe...	Next
15 Year Fixed NMLS: #244476 (4.7)	4.04% M...	3.75% Po...	$2,364 Fe...	Next
15 Year Fixed NMLS: #473163 (5)	4.33% M...	4.00% Po...	$2,404 Fe...	Next

15 Year Fixed NMLS: #1067 (4.9)	4. 37 % M…	4.1 3% Po…	$2 ,42 4 Fe…	Next

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“We’ve enjoyed more than a decade of sub-5 percent mortgage rates, with an eight-week period in 2018 being the only interruption — until now,” says Greg McBride, Bankrate’s chief financial analyst. “Low interest rates were the medicine for economic recovery following the financial crisis, but it was a slow recovery so rates never went up very far. The rebound in the economy, and especially inflation, in the late pandemic stages has been very pronounced and we now have a backdrop of mortgage rates rising at the fastest pace in decades.”

A year ago, the benchmark 30-year fixed-rate mortgage was at 3.16 percent. Four weeks ago, the rate was 4.95 percent. The 30-year fixed-rate average for this week is 2.38 percentage points higher than the 52-week low of 3 percent.

The 30-year fixed mortgages in this week’s survey had an average total of 0.35 discount and origination points.

Over the past 52 weeks, the 30-year fixed has averaged 3.56 percent.

- The 15-year fixed-rate mortgage rose to 4.56 percent, up from 4.46 percent last week.
- The 5/6 adjustable-rate mortgage (ARM) rose to 4.85 percent from 4.62 percent.
- The 30-year fixed-rate jumbo mortgage was 5.02 percent, up from 4.84 percent last week.

Where mortgage rates are headed

Some mortgage experts think that rates are done rising.

"Mortgage rates are likely to plateau near current levels," Mike Fratantoni, chief economist at the Mortgage Bankers Association, said Wednesday. "The financial markets have attempted to price in the impact of Fed actions over this cycle, and they are likely also pricing in the economic slowdown that will result. Once we are past this rate spike and associated volatility, MBA expects that potential homebuyers may be more willing to re-enter the market."

Mortgage experts who responded to Bankrate's latest survey have mixed predictions about where rates are going in the near future.

"The Fed is behind the curve on inflation but their modus operandi remains 'start slow, then ramp up,'" McBride says.

Worries about runaway inflation are weighing on stocks and on U.S. Treasury yields, which this week climbed to 3 percent, their highest level in several years. The official inflation figure for March came in at 8.5 percent, its highest level in four decades and a reliable predictor of higher mortgage rates. With inflation accelerating rather than cooling, the Fed has indicated it intends to raise rates several times in the coming months. What's more, the Fed is selling off some of the securities it bought to stave off the coronavirus recession.

As rates have blown past 5 percent, the refinancing boom of 2020 and 2021 seems all but over. Rate-and-term refinance activity continued to slide in March, according to Black Knight reporting, while cash-out refinances stayed flat.

Home purchases remain strong for now

In a disconnect, home prices have been soaring even as mortgage rates rise.

“Eventually mortgage rates will slow down home prices, but it hasn’t happened so far,” says Ken H. Johnson, an economist at Florida Atlantic University. “We should not see rapid upticks in prices as mortgage rates rise. It’s that kind of exuberance that led to past housing downturns.”

Economists had expected rates to rise by the end of 2022, but the surge in rates in the past two months has many forecasters wondering what comes next. As mortgage rates climb, competition should remain intense for the time being among those who can afford to buy.

“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.”

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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Read more From Jeff

Jeff Ostrowski covers mortgages and the housing market. Before joining Bankrate in 2020, he wrote about real estate and the economy for the Palm Beach Post and the South Florida Business Journal.

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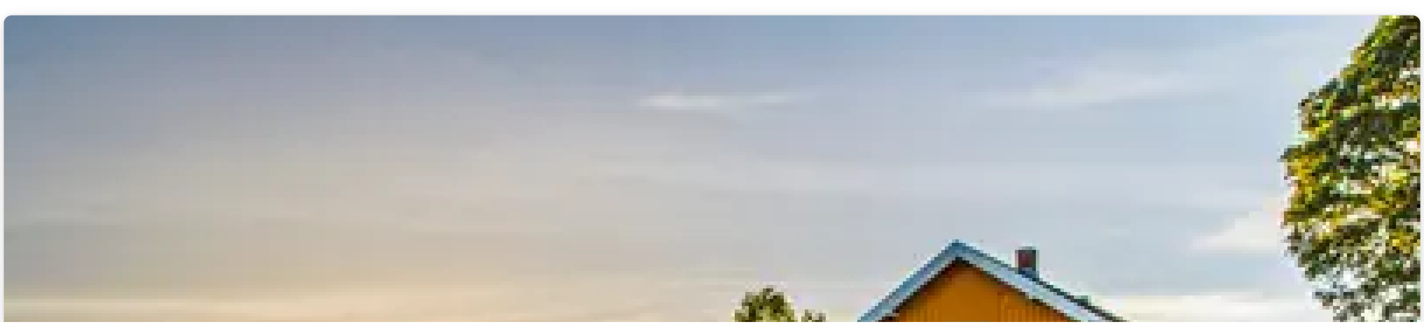

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