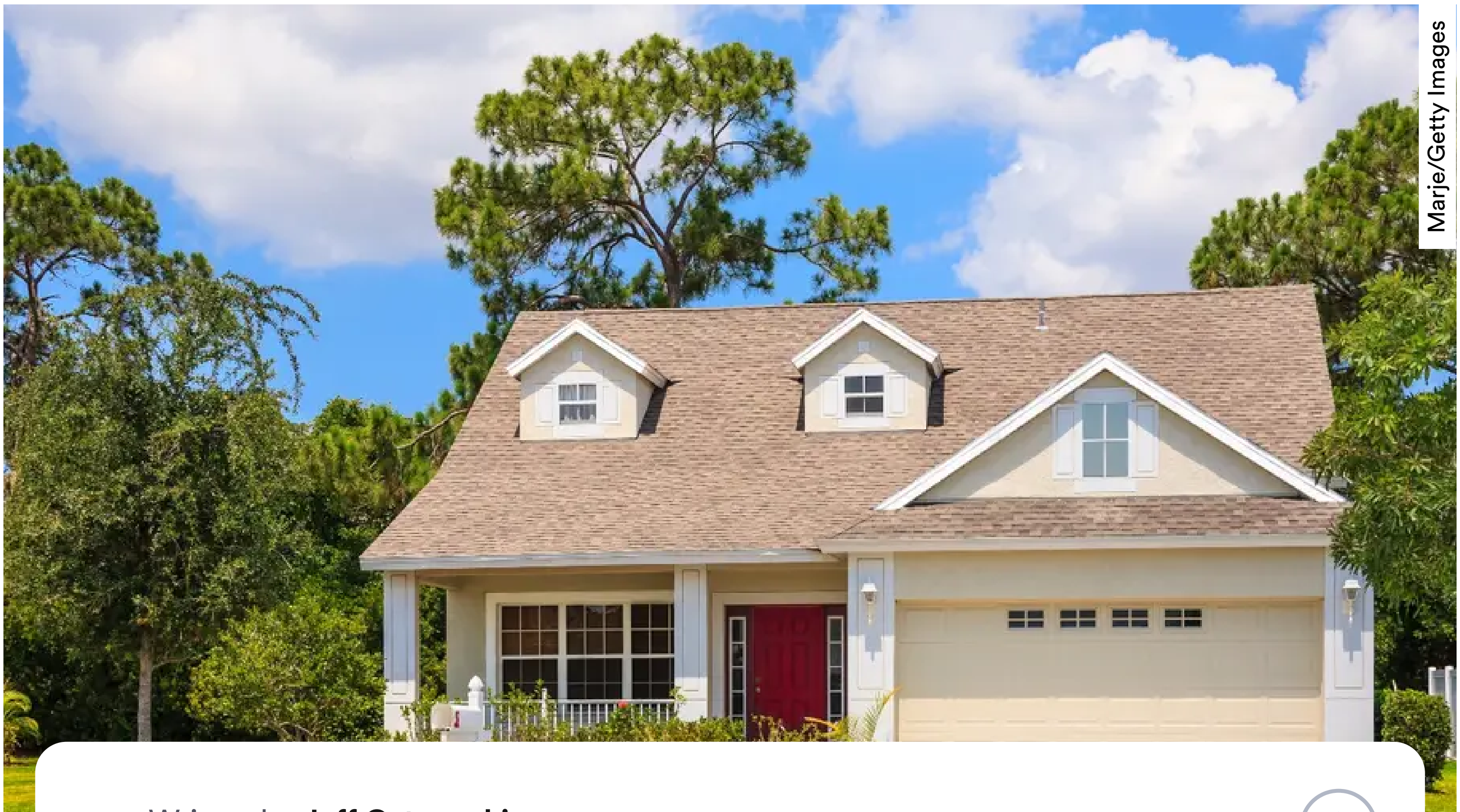
MORTGAGES

Latest mortgage news: Rates hold steady amid mixed economic messages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Edited By **Suzanne De Vita**

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With a possible recession looming, mortgage rates held steady this week. The average rate on 30-year mortgages remained at 5.27 percent this week, unchanged from last week, according to Bankrate's national survey of large lenders.

The recent retreat in mortgage rates comes as competing forces push rates in opposite directions. "The inflation concerns remain intact, but worries about slowing economic growth have increased," says Greg McBride, Bankrate's chief financial analyst. "The tug of war between worries about inflation (higher rates) and an economic slowdown (lower rates) will keep mortgage rates rangebound for a bit."

Mortgage interest rates

The rate on a 30-year mortgage averaged 5.27% as of June 1.

Source: Bankrate national survey; figure includes points

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Current Mortgage Rates for June 2, 2022

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Purchase Refinance

Zip ... 33431 Boca ...

Property Value $ 406,250

Loan Amount $ 325,000

Cash-out Yes No

Loan Term 30 ...

Cre...

Show more options

Lender	APR	Rate	Mo. payment	
15 Year Fixed NMLS: #240415 (5) (877) 390-5114	3.64% Ju...	3.23% Po...	$2,281 Fe...	Next
15 Year Fixed NMLS: #1374724 (4.8)	3.99% Ju...	3.75% Po...	$2,363 Fe...	Next
15 Year Fixed NMLS: #1067 (4.9)	4.24% Ju...	4.00% Po...	$2,404 Fe...	Next
15 Year Fixed NMLS: #2289 (4.9) (855) 846-7672	4.39% Ju...	4.38% Po...	$2,466 Fe...	Next

The Federal Reserve has intensified its fight against inflation — in April, prices rocketed at an annual clip of 8.3 percent. The Fed at the beginning of May raised 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, the recent 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.

A year ago, the benchmark 30-year fixed-rate mortgage was at 3.19 percent. Four weeks ago, the rate was 5.38 percent. The 30-year fixed-rate average for this week is 2.27 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 0.38 discount and origination points.

Over the past 52 weeks, the 30-year fixed has averaged 3.73 percent.

- The 15-year fixed-rate mortgage rose to 4.44 percent, up from 4.4 percent last week.
- The 5/6 adjustable-rate mortgage (ARM) rose to 4.86 percent from 4.85 percent a week ago.
- The 30-year fixed-rate jumbo mortgage was 4.91 percent, up from 4.86 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 recently. “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.”

Calculate Your Potential Mortgage Refinancing Savings

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With monthly savings of $399 and total savings of $14,962, refinancing with this offer makes sense both short-term and long-term.

Monthly Savings:	Total Savings:
$399	$14,962

Current Payment
$1,994

New Payment
$1,595

Current Payment	$1,994
New Payment	$1,595

Monthly Payment
$ 1,994

Loan Balance
$ 325,000

Years Remaining in Loan

Mortgage experts who responded to Bankrate's latest survey say rates will resume rising in the near future. Jim Sahnger of C2 Financial Corp. in Jupiter, Florida, is among those predicting higher rates.

"About the only thing hotter than inflation was the opening of Top Gun: Maverick," Sahnger says. "Inflation drives interest rates higher, and that's what we're living with."

Worries about runaway inflation are weighing on stocks and on U.S. Treasury yields, which this week hovered in the range of 2.9 percent. The official inflation figure for April came in at 8.3 percent, one of the highest levels in four decades and a reliable predictor of higher mortgage rates. With inflation running hot, 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 mortgage data firm Black Knight, 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. The median price for existing houses sold in April was $391,200, up 15 percent from April 2021, the National Association of Realtors reports.

"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.

Written by

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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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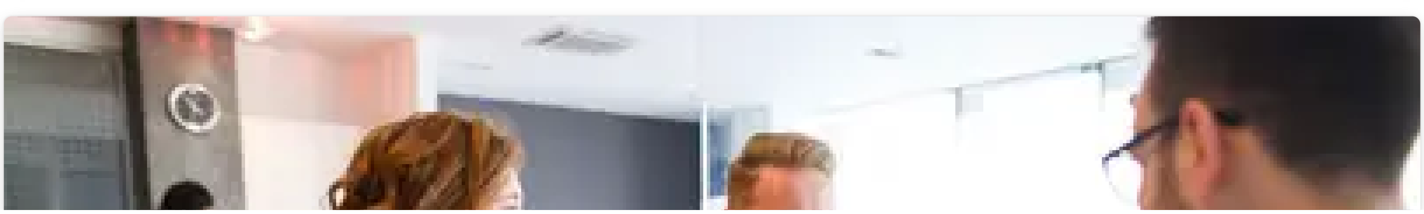

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