MarketWatch

Mortgages

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15-year fixed-rate mortgage at record low

Rates on 5-year ARM also hit record low in Freddie Mac's survey

By Amy Hoak, MarketWatch

CHICAGO (MarketWatch) — Rates on 15-year fixed-rate mortgages and 5-year adjustable rate mortgages hit record lows this week, after signs surfaced that the U.S. economy is weaker than previously thought, Freddie Mac's chief economist said on Thursday.

Fifteen-year fixed-rate mortgages averaged 3.54% for the week ending Aug. 4, down from 3.66% last week and 3.95% a year ago, according to Freddie Mac's weekly survey of conforming mortgage rates.

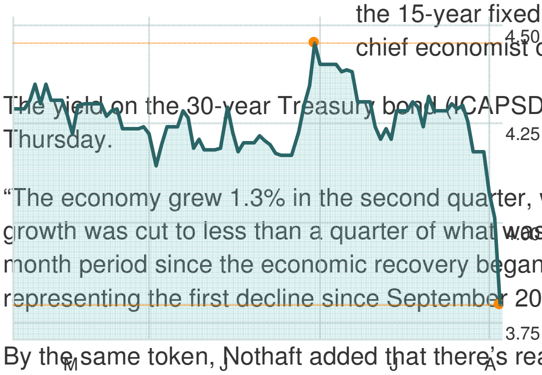
And 5-year Treasury-indexed hybrid adjustable-rate mortgages averaged 3.18%, down from 3.25% last week and 3.63% a year ago.

Rates on 30-year fixed-rate mortgages also fell, averaging 4.39%, their lowest level for 2011, according to Freddie Mac. The home loan carried average rates of 4.55% last week and 4.49% a year ago.

But 1-year Treasury-indexed ARMs averaged 3.02%, up from 2.95% last week. The ARM averaged 3.55% a year ago.

To obtain the rates, 30-year fixed-rate mortgages required payment of an average 0.8 point, the 15-year fixed-rate mortgage required an average 0.7 point, 5-year ARMs required an average 0.6 point and 1-year ARMs required an average 0.5 point. A point is 1% of the mortgage amount, charged as prepaid interest.

30_YEAR **3.80**, -0.10, -2.64%



"Treasury bond yields fell markedly after signs the economy was weaker than what markets had previously thought, allowing fixed mortgage rates to follow this week with the 15-year fixed and 5-year ARM setting new historical lows," said Frank Nothaft, chief economist of Freddie Mac, in a news release.

The yield on the 30-year Treasury bond (ICAPSD:30_YEAR) fell to levels not seen since last October earlier Thursday.

"The economy grew 1.3% in the second quarter, which was below the market consensus forecast, and first- quarter growth was cut to less than a quarter of what was originally reported. In fact, the first half of this year was the worst six-month period since the economic recovery began in June 2009. Moreover, consumer spending fell 0.2% in June, representing the first decline since September 2009," he said.

By the same token, Nothaft added that there's reason to believe the housing market is firming.

"Real residential fixed investments added growth to the economy in the second quarter after subtracting from growth over the first three months of the year," he said.

He cited the CoreLogic National House Price Index, which rose for a third straight month in June. CoreLogic reported Wednesday a 0.7% increase for the month from May, with the data not seasonally adjusted. Read more on the CoreLogic data.

This marked the first three-month gain for this indicator since June 2010.

In addition, Nothaft pointed out that pending sales of existing homes rose for a second consecutive month in June and were up nearly 20% from when the federal program of housing tax credits, offered to supply a post-recession economic boost, expired in June 2010.