

Rates on 30-year home loans fall to 5.09 percent

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WASHINGTON - Rates for 30-year home loans inched downward this week, the first decline in a month, but remained above last month's record lows.

The average rate on a 30-year fixed mortgage was 5.09 percent this week, down from 5.14 percent a week earlier, mortgage company Freddie Mac said Thursday.

Rates dropped to a record low of 4.71 percent in early December, pushed down by an aggressive government campaign to reduce consumers' borrowing costs, but then rose steadily for the rest of the month.

Freddie Mac collects mortgage rates on Monday through Wednesday of each week from lenders around the country. Rates often fluctuate significantly, even within a given day, often in line with long-term Treasury bonds.

The Federal Reserve is pumping \$1.25 trillion into mortgage-backed securities to try to bring down mortgage rates, but that money is set to run out next spring. The goal of the program is to make home buying more affordable and prop up the housing market.

The central bank's policymakers have been conflicted about whether to expand or cut back a program intended to drive down mortgage rates and bolster the housing market, according to meeting minutes released Wednesday.

Some Fed policymakers argued that the program might need to be expanded and extended beyond its current end date of March 31, arguing that the additional dose of stimulus would be especially needed if the economic recovery were to weaken.

However, one member thought the program could be scaled back given the improvement in economic and financial conditions.

Getting the housing market back on firm footing is a key ingredient to a lasting recovery. The collapse of the housing market, which dragged down home prices with it, was the catalyst for the longest and worst recession to hit the country since the 1930s.

The average rate on a 15-year fixed-rate mortgage fell to 4.5 percent, down from 4.54 percent last week, according to Freddie Mac.

Rates on five-year, adjustable-rate mortgages averaged 4.44 percent, unchanged from a week earlier. Rates on one-year, adjustable-rate mortgages fell to 4.31 percent from 4.33 percent.

The rates do not include add-on fees known as points. One point is equal to 1 percent of the total loan amount.

The nationwide fee for loans in Freddie Mac's survey averaged 0.7 point for 30-year and 15-year loans and 0.6 point for five-year and one-year loans.