

Mortgage Rates at New Lows, Thanks to Europe's Debt Crisis



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Here's some good news for the struggling US housing market: Thanks to the European debt crisis, mortgage rates are at historic lows.

The current average rate for a 30 year fixed loan is 4.87 percent, according to Bankrate.com. That's the lowest rate for the 30 years since Bankrate started keeping track 25 years ago.

Even jumbo loan rates-loans for more than \$417,000-have fallen. The 30-year fixed jumbo loan is at an average rate of 4.5 percent, down from nearly 6 percent at this time last year.

"It's the best time in our generation to buy," says Mark Zandi, chief economist at Moody's. "It may be the best time in any generation. Mortgage rates are so low and with homes prices down and lots of inventory, you couldn't pick a better time to buy or re-finance."

Europe's debt crisis is behind the drop. Nervous investors are flocking to the security of US Treasurys, which pushes down their yield and influences a host of consumer interest rates-including those on mortgages.

The decline is also good news for homeowners looking to refinance, particularly those who owe more on their mortgage than their house is worth.

"There's a tremendous window on re-financing," says Greg McBride, chief economist at Bankrate.com. "That's particularly true for people who can take advantage of the government's Home Affordability Refinance Program (HARP)-which allows home owners to refinance into low mortgage interest rates even if they're property value has gone down."

HARP, which was due to end at the end of this June, now runs through June of 2011.

"Think of the benefits if you buy or refinance now," says McBride. "Locking in now at the lower rates means more more bang for the buck and more breathing room for homeowners when it comes to payments."

But the decline in rates probably won't last long, analysts say. So homeowners need to move fast.

"I think they won't last much longer than a month or two at the best," says Lawrence Yun, chief economist at the National Association of Realtors. "I can see them going up to 5.5 percent by the end of June if not sooner."

The reasons? Yun says the worries over Europe will be fading soon and investors will be looking at other assets besides US Treasurys. And there's the US deficit, which will push up Treasury yields.

"The US is fortunate now that there's no pressure on interest rates," Yun goes on to say. "But going forward, higher rates will be needed for financing the debt."

Zandi agrees. "Yes, I can't see these rates being this low in three to four weeks," Zandi says. "Investor's will settle down and this current crisis (Europe) will pass and the focus will be back on US debt. It's really a now or never type of proposition, when it comes to getting these types of historic rates."