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MORTGAGES

**Rate on 30-year fixed-rate mortgage hits new low
Fed's purchase of mortgage-backed securities drives down rates: economist**

By Amy Hoak, MarketWatch
Last update: 10:47 a.m. EST Jan. 8, 2009 | Comments: 79

CHICAGO (MarketWatch) -- Long-term mortgage rates dropped again this week, with the 30-year fixed-rate mortgage hitting a fourth consecutive record low in the history of Freddie Mac's weekly survey.

The 30-year mortgage averaged 5.01% for the week ending Jan. 8, down from last week's 5.10%. The mortgage averaged 5.87% a year ago. The rate hasn't been lower since Freddie Mac's Primary Mortgage Market Survey began in 1971. The survey covers conventional, conforming mortgages.



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"Interest rates for 30-year fixed-rate mortgages fell for the tenth week to a fourth consecutive record low due in part to the Federal Reserve's recent purchases of mortgage-backed securities issued by Freddie Mac, Fannie Mae and Ginnie Mae," said Frank Nothaft, Freddie Mac chief economist, in a news release.

"On Nov. 25, 2008, the Federal Reserve announced that it planned to purchase up to \$500 billion of these securities by the end of June of this year. For the sake of comparison, there were roughly \$4.7 trillion of such securities backed by home mortgages available as of Sept. 30, 2008.

The low rates, now nearly 1.5 percentage points below their level in October, have brought savings to those buyers brave enough to enter the housing market these days. The lower 30-year rate brings the monthly payment on a \$200,000 loan down by \$184 from the October peak, Nothaft pointed out.

Rates on 15-year fixed-rate mortgages also dropped, averaging 4.62% this week, down from 4.83% last week and 5.43% a year ago. The mortgage hasn't been lower since June 13, 2003, when it averaged 4.60%.

Five-year Treasury-indexed hybrid adjustable-rate mortgages averaged 5.49%, down from 5.57% last week and 5.63% a year ago. And 1-year Treasury-indexed ARMs averaged 4.95%, up from 4.85% last week but down from 5.37% a year ago.

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

On Wednesday, the Mortgage Bankers Association reported that the volume of mortgage applications filed last week was down a seasonally adjusted 8.2% compared with the week before, due to a drop in refinance applications. [See full story.](#)

Freddie Mac (FRE: **0.75, -0.01, -1.0%**) also joined with Fannie Mae (FNM: **0.75, +0.01, +0.8%**) Thursday in saying they are extending a temporary foreclosure and eviction suspension on single-family homes to further work with servicers to modify mortgages.

Fannie and Freddie said they will extend the suspensions until Jan. 31. In November, Fannie and Freddie said they would not foreclose on occupied homes or evict homeowners from Nov. 26 to Jan. 9 to implement a streamlined mortgage modification program. ■

Amy Hoak is a MarketWatch reporter based in Chicago.

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