

Mortgage rates creep above 6%

Some see housing bubble ending. Others say trend no big deal.

BY ALEKSANDRS ROZENS
ASSOCIATED PRESS

NEW YORK — Hear that hiss? That may be the sound of air starting to come out of the housing bubble.

On Thursday, a survey of housing lenders showed that the rate on 30-year mortgages rose above 6 percent for the first time since March, according to a survey of lenders from Freddie Mac. While it's bounced above that psychologically important threshold a few times in the past year, only to drop back, analysts say this time the rate looks to be headed steadily higher.

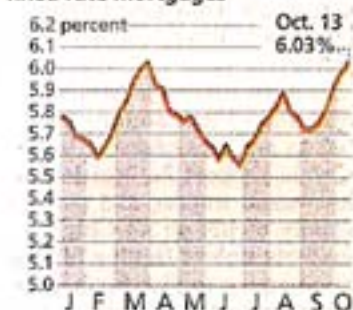
For prospective homebuyers, that means bidding adieu to rates that hadn't been seen since the president was named Eisenhower and Elvis' music was first hitting the airwaves.

Scott Thomas, a San Antonio mortgage broker with Harbor Financial Mortgage, disagreed that the good times are over, at least through the remainder of the year.

Mortgage rates

Rates for 30-year mortgages surpassed 6 percent for the first time since March, according to a survey of lenders from Freddie Mac.

Weekly U.S. average, 30-year fixed rate mortgages



Source: Freddie Mac ASSOCIATED PRESS

"I'm still below 6 percent," Thomas said. "I did two loans today at 5.625 and one at 5.75. Now that is for A-paper conforming loans."

For clients with strong credit, rates below 6 percent will remain available in the San Antonio area, Thomas said.

With Hurricane Katrina, the war in Iraq and an economy shaky on several fronts, Thomas said he doubted the government would let rates go up

See MORTGAGE/6D

Mortgage rates are slowly trending up

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much.

"We may have to weed out some people that truly don't belong in mortgages," he said, "but housing is really stimulating the economy. Even if we see them go slightly over 6 percent, though, these are still record lows."

Some real estate agents are reporting a decline in demand.

"It is going to definitely cause more of a slowdown," said Brenda Binczewski, a Realtor at Carlson GMAC Real Estate in Palmer, Mass., who said she has seen a drop in business since July and has not had multiple offers for a home in three or four months.

In raising the overnight bank lending rate last month a quarter point to 3.75 percent, Federal Reserve policy makers expressed their concerns about inflation. And earlier this week, meeting minutes from those Fed officials hinted at more rate increases to come.

These concerns have been noticed in the broader financial markets, especially the U.S. Treasury securities market, where interest rates have risen and tugged mortgage rates with them.

According to Freddie Mac, the U.S. housing agency that sells guarantees for home loans, this week's 6.03 percent average for 30-year mortgages is the second-highest level of the year. Thirty-year rates were at 6.04 percent the week of March 3.

"The most likely pattern is for mortgage rates to gradually rise over time," said Frank Nothhaft, chief economist at Freddie Mac. He said that "will translate into somewhat weaker

demand for housing, lower home sales volume, and lower house price growth."

Freddie Mac's Nothhaft said he does not expect a sharp drop in home prices or home sales because the rise in mortgage rates has been gradual. "It would be different if we had a spike in mortgage rates," he said.

Duncan said some home buyers may resort to adjustable-rate mortgages, which initially have lower borrowing costs.

"As fixed rates rise, ARMs will become a bigger factor," said Stephen LaDue, president of Affiliated Mortgage of Wauwatosa, Wis. "The rate of increase in home values will slow or will start to stagnate," he said.

But that holds risks down the road for buyers. In its survey, Freddie Mac found that adjustable-rate mortgages, which are linked to one-year Treasury rates, were offered at 4.85 percent this week, up from 4.77 percent a week ago and 4.01 percent 12 months ago. Further interest rate increases by the Federal Reserve probably would push ARM rates even higher, analysts said.

At the same time, a few consumers prospecting for properties — especially those prequalified by lenders — may be spurred into action by the rising rates.

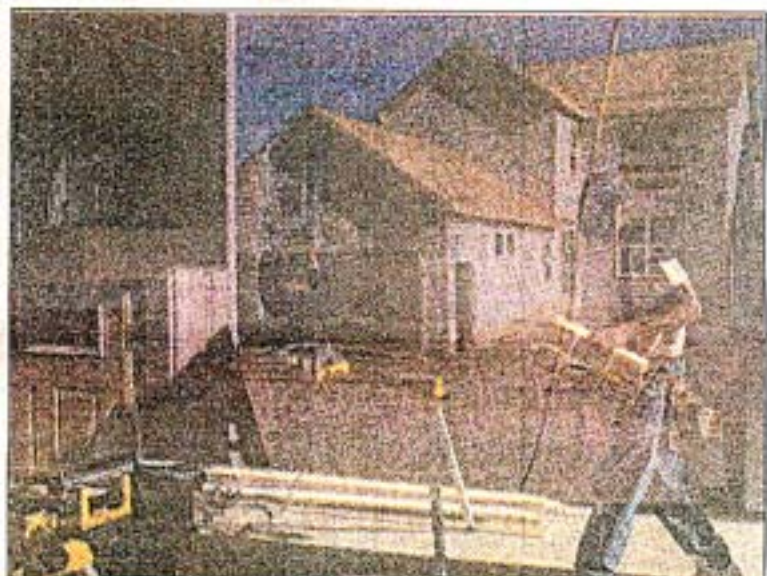
"People may start buying before it goes up any more," Binczewski said. "They would make offers because they have rate locks. Now, with rates increasing, they won't want to lose rate locks."

Express-News Business Writer Adolfo Pesquera contributed to this report.



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The experts are divided, but some definitely expect somewhat weaker demand for housing, lower sales volume and lower price growth.



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