Mortgage Interest Rates: Up Up And Away

Up up and away. Mortgage interest rates continue on their upward trajectory. 30 Year mortgage rates went from 6.32 to 6.42. 15 year notes rose from 5.93 to 6.02 and 5 year arms rose almost 20 basis point going from 5.7 to 5.89. 1 Year arms rose this week from 5.09 to 5.19. But unlike the other mortgage products (which are higher) 1 Year Arms remain about where they were a month ago. As we have talked about for the last several months since the FED is no longer cutting rates we can expected rates to rise throughout the summer. The only question is when they will stop rising and start stabilizing. Below is the rates for the last month. June 19,2008 30-yr 6.42 15-yr 6.02 5-yr ARM 5.89 1-yr ARM 5.19 June 12,2008 30-yr 6.32 15-yr 5.93 5-yr ARM 5.70 1-yr ARM 5.09 June 5,2008 30-yr 6.09 15-yr 5.65 5-yr ARM 5.51 1-yr ARM 5.06 May 29,2008 30-yr 6.08 15-yr 5.66 5-yr ARM 5.62 1-yr ARM 5.22 May 22,2008 30-yr 5.98 15-yr 5.55 5-yr ARM 5.61 1-yr ARM 5.24 May 15, 2008 30-yr 6.01 15-yr 5.60 5-yr ARM 5.57 1-yr ARM 5.18 Using our free mortgage calculator lets see how the increasing rates have changed the payment on a 200k loan. June 19th 30-yr $1253.63 15-yr $1689.87 5-yr ARM $1184.99 1-yr ARM $1096.98 May 15th 30-yr $1196.53 15-yr $1639.47 5-yr ARM $1149.41 1-yr ARM $1103.16 Mortgage payments on most of the mortgage products went up quite a bit over the last month. Looking at a 30 year note the mortgage on a 200k loan has increased $57.10 or about 4.8 percent in a little over a month. In fact the only mortgage product to fall is the 1 Year Arm ($6.18 or about 0.5 percent). Why banks would want to push ARM which is the very loan product that caused all the problems in the first place is anyones guess. Although I typically avoid ARMs the cost savings on a 1 or 5 Year ARM is hard to ignore. That said I would only look at ARMs if you think their is a reasonable chance you will sell your property in that time frame. The general expectation is that rates should be higher and not lower in a few years. So the question remains where are rates going to be in the next month. While I was fairly confident that rates would rise this month I am not as sure what will happen in a month. If the FED continues to avoid anymore rate cuts I would expect to see mortgage rates at about the same level or higher. Banks have been dealing with massive losses from foolish bets on subprime loans and are looking to make up for these losses through higher mortgage rates. Another change occuring with loans is a limit on the number of investment properties an individual can recieve a loan on. It looks like most banks are limiting the number of investment property loans per individual to 4. This should obviously have a negative effect on investment properties. I also expect to see more cash offers from investors looking to pick up properties at currently depressed prices. Personally I think this rule is a little bit foolish. I would make more sense to limit loans based on some networth to total loan amount ratio. For instance if someone has 2 million in the bank it seems reasonable to allow them to buy 5 duplexes for 180k. But if the banks were well run they probably would not be swimming in subprime debt right now.

About the Author

Ki is real estate agent in Austin Texas. He runs a website covering the ins and out of Austin real estate along with providing a free search of the free mortgage calculator and information on mortgage interest rates.