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Healthy Economy Sparks Higher Mortgage Interest Rates

Long-term interest rates rose during the week ended Jan. 31, according to mortgage finance company Freddie Mac.

"Interest rates moved higher following the latest upbeat economic news," said Freddie Mac chief economist Frank Nothaft.

The average rate on a 30-year fixed rate loan increased to 6.34%, hitting a three-month record high. Last week the rate as 6.25% and one year ago the rate was only 6.23%.

Fifteen-year fixed rate loans carried an average rate of 6.06%, a 0.08% increase from last week's 5.98%. Last year the rate was 5.81%.

The rate on one-year adjustable rate mortgages (ARMs) averaged 5.54%, up from 5.49% the week earlier. Year-ago rates were 5.33%.

Nothaft gave further details about the positive economic reports that spurred the higher interest rates. "The strong 3.5 percent annualized growth in the economy over the final quarter of 2006 occurred while inflation moderated. Solid economic growth and tepid inflation contributed to the Fed's decision to leave the target short-term interest rate unchanged.

"The Fed indicated in its statement that there are some tentative signs of stabilization that have appeared in the housing market. December's existing and new home sales confirmed that 2006 was a year of significant decline in housing activities, but 2006 was still in the top three years for total home sales."

Rates may begin to see drop next week after the Fed held its target rate steady following Wednesday's meeting.