

## **Mortgage Rates**

Mortgage rates. It's a phrase that is commonly thrown around by many people who don't fully understand what it means.

To completely understand the meaning of a mortgage rate, one must understand a mortgage.

A mortgage is a loan given to an individual, by a bank or credit union, to finance the purchase of a residential or business property. The property is used as collateral against the loan. This means that if the mortgage isn't paid, the lender has the right to take the property back.

In order to pay back this property debt, an individual makes monthly payments, also known as installments. The payment amount is calculated according to the loan amount (principal balance) and the mortgage rate. Often taxes and insurance are included in this cost.

The mortgage rate is the cost of borrowing the money to buy a piece of property. A mortgage rate is the interest, shown as a percentage, that is charged by the lender and added to the principal balance.

There are many different types of mortgage rates and each charges a different percentage of interest. Mortgage rates also depend on the amount of money borrowed and the total time in which an individual wants to pay off the loan.

The rate of mortgage loans is affected by what investors in the market are doing. Mortgage rates can change several times a day or week.

In order to determine the best mortgage rates, consumers should watch the markets or talk to a mortgage specialist or certified financial planner.

## **Current Mortgage Rates**

Current mortgage rates have dropped since last week, making for good news for those looking to buy a home.

Economists speculate the drop in mortgage rates is because the labor market showed poor job growth in November. They don't anticipate a drastic raise in mortgage rates any time in the near future. Many speculate the mortgage rates will continue to remain low or fall further if the market stays in its current direction.

Last week a 30-year fixed-rate mortgage was 5.81 per cent. The current mortgage rate this week dropped as low 5.29 per cent. This is a big improvement

over the soaring rates in May of this past year. During the week of May 13, 2004, 30-year mortgage rates hit a high of 6.34 per cent.

The current rate for a 15-year, fixed-rate mortgage dropped to a low of 4.73 per cent from last week's 5.23 per cent. A year ago, 15-year mortgages were 5.36 per cent.

Current rates for one-year adjustable mortgages have also dropped. An adjustable mortgage fell to a low of 3.21 per cent from 5.21 per cent last week. Last year, the lowest rates for these mortgages were 3.77 per cent.

Economists warn that current mortgage rates change rapidly. The rates also do not include add-on fees known as points. Charges can go up an extra 0.7 points.

### **Mortgage Interest Rates**

In a nutshell, the markets determine mortgage interest rates.

Money for mortgages comes from investors. Naturally, investors part with portions of their money in the hope that it will bring them a profit. As a result, interest is charged on all loans to make sure that investors get some return on their investments.

The mortgage interest rates need to be low enough to attract borrowers, but high enough to attract investors. This is the simplest explanation of how the markets work.

Mortgage interest rates are shown as a percentage. The higher a consumer's mortgage the more interest he or she will pay. The length of a mortgage also affects how much interest a consumer pays. A mortgage for 30 years means a consumer will pay more interest than if he or she chose a 15-year mortgage.

The interest a consumer will be charged on his or her property loan also depends on the type of mortgage rate he or she chooses. There are three main types of mortgages.

1. The fixed-rate mortgage.
2. The variable-rate mortgage.
3. The capped-rate mortgage.

Fixed-rate mortgages have an interest rate that stays the same for a set period of time

In a variable-rate mortgage, the interest rates the consumer pays depend on the markets and the mortgage rate the lender sets based on market activity.

A capped-rate mortgage means the consumer never pays more than a certain rate for his or her entire mortgage.

## **Compare Mortgage Rates**

Compare mortgage rates over a period of time if you're in the market to buy a home.

Think of shopping for a mortgage like shopping for a long-distance telephone provider. Few people choose the first long-distance provider that comes along. Yet ironically, when it comes to the much more costly decision of choosing a mortgage, too many people accept the first rate offered to them. Always spend time to do some background research.

Mortgage rates change daily, and the unsuspecting consumer who doesn't take the time to compare the changes in mortgage rates will end up paying more interest than anticipated.

Most banks Web sites are set up to allow consumers to compare rates. An individual can also compare mortgage rates by watching the newspapers. Many newspapers have mortgage comparison rates placed on the front pages of their business sections.

Don't forget to compare the mortgage rates offered by less visible financial institutions, like smaller credit unions or stock brokerage firms. You might be surprised to discover that they can often offer very competitive mortgage rates.

Take a few minutes each day to watch the news on TV or tune into short business reports on the radio. Aim for listening or watching three times a day. In the morning, around lunchtime, and in the evening before you go to bed. This will give you a good idea of how the rates are fluctuating.

After you've spent a reasonable amount of time comparing mortgage rates, you'll be able to make a better informed decision on which lender to go with and when to get a new mortgage or refinance your current one.

## **Home Mortgage Rates**

Only an exceptional few consumers have the ability and funds to purchase a home outright. The rest of us need to take steps to get a residential (home) mortgage.

There are dozens of home mortgages available at hundreds of different rates at literally thousands of lenders. But choosing a lender or a home mortgage rate shouldn't be your top priority when shopping for a house.

The first step you need to take when shopping for a house is to educate yourself about the current real estate market. See what houses are available, and the price ranges of the houses you want to purchase in the area in which you want to purchase.

Once you know all about the property market in your area, you need to figure out how much you can afford for your home mortgage. Take stock of your income and expenses. When determining expenses, figure out current and upcoming ones, including ones associated with purchasing a home.

After you've got your finances in order, and have determined what you can afford, then you can begin shopping for a mortgage and comparing home mortgage rates.

When comparing lenders and the home mortgage rates they offer, don't forget to find out about shop loan costs like prepayment penalties, application fees, credit report fee, and any appraisals.

Once you've completed all your background research, found a lender you like who offers a rate you can live with, then you can go ahead and apply for the mortgage.

### **Lowest Mortgage Rates**

Before committing to a mortgage with any lender, be sure you shop around for the lowest mortgage rates.

A low mortgage rate means that you as the consumer will pay less over the course of a mortgage. This will save you thousands of dollars that would have been wasted if you went with a higher mortgage rate.

If you are in the market for a new home, now is the time to look at current mortgage rates. Economists say that mortgage rates are at an all-time low and many speculate they'll either remain where they are, or drop.

Consider refinancing your home, if you already have a mortgage. First determine how much any penalties for canceling your current mortgage will cost you. Once you know this, figure out if paying the penalty in order to get a lower mortgage rate will pay off for you.

Be sure to do your background research in order to find the lowest mortgage rate possible. Mortgage rates can be found on bank and credit union Web sites, and the business sections of newspapers.

Business features on television and radio news also cover mortgage rates.

By taking a reasonable amount of time to search for the lowest mortgage rate you'll end up saving yourself literally thousands of dollars in the long run.

## **Current Mortgage Interest Rates**

If you're in the market for a new home, or even if you're planning on refinancing, it's crucial that you keep an eye on current mortgage interest rates.

Interest rates fluctuate with the markets and the current mortgage interest rates change daily. Sometimes, if the markets are very volatile, rates changed by the hour.

Last week a 30-year fixed-rate mortgage interest rate was 5.81 per cent. The current mortgage rate this week dropped as low 5.29 per cent. According to the Bank of American, a 30-year fixed-rate mortgage sits at an interest rate of 5.62 per cent today.

Today's rate for a 20-year mortgage is 5.69 per cent; a 15-year mortgage is 5.06 per cent. A one-year adjustable mortgage rate is 3.27 per cent, 0.57 per cent lower than last year's lowest interest rate for this type of mortgage.

Current mortgage interest rates have always changed rapidly, but have never been so low. Economists speculate that the current low mortgage interest rates are affected by a lower than anticipated job growth for November.

## **Mortgage Rates Adjustable**

Rates for adjustable-rate mortgages are much lower than they've been in past years. But compared to fixed-rate mortgages, rates of adjustable-rate mortgages are increasing.

An adjustable-rate mortgage (ARM) is a mortgage that is set at the beginning of the loan, but fluctuates during the rest of the loan's life.

The interest rate is set when the loan is written up, and stays that way for usually about a year. After a year, the interest rate on an adjustable-rate mortgage changes according to current market rates.

ARMs account for 35 per cent of the loans being currently written up in the United States. They're popular because often ARMs offer lower, more flexible payments.

Unfortunately, with the rising rates, consumers who have adjustable-rate mortgages run the risk of having larger payments than they anticipated.

Short-term mortgage rates, like the adjustable-rate mortgage have jumped four times in 2004. This means that it's not always most economical to choose an ARM. Sometimes it can end up costing the consumer more money.

At the moment, adjustable-rate mortgages still offer some money-savings for consumers. But this could change very quickly. Consumers who are not comfortable with change should not choose an adjustable-rate mortgage.

### **Today's Mortgage Rates**

Mortgage rates change rapidly. Those in the market for a new home should watch closely the change in mortgage rates.

Today's mortgage rates haven't changed too much from other days this past week.

Last week a 30-year fixed-rate mortgage interest rate was 5.81 per cent. The current mortgage rate this week dropped as low 5.29 per cent. Today's mortgage rate for a 30-year fixed-rate property loan sits at an interest rate of 5.62 per cent.

Today's mortgage rate for a 20-year mortgage is 5.69 per cent; a 15-year mortgage is 5.06 per cent. A one-year adjustable mortgage rate is 3.27 per cent today, 0.57 per cent lower than last year's lowest interest rate for this type of mortgage.

The interest rate percentages for jumbo loans aren't much higher. A 30-year fixed-rate jumbo loan has an interest rate of 5.90 per cent today. Today's mortgage rate for a jumbo 20-year loan is 5.78 per cent. Adjustable-rate jumbo mortgages range from 3.07 per cent to 5.55 per cent.

None of these rates include add-on fees known as points. Point rates added onto today's mortgage rates are between 0.21 points to 0.50 points.

### **Interest-Only Mortgage Rates**

Interest-only mortgage rates can be an attractive option for those who don't have a regular cash flow. For example, independent contractors and others whose income comes from irregular commissions and bonuses would find an interest-only mortgage useful.

An interest-only mortgage is also useful for those who would like to invest their financial assets or put away college money for children.

As the name implies, with an interest-only mortgage, a consumer pays only the monthly interest on a mortgage for a fixed term of usually five to seven years. When the term is up, the consumer has the option to begin paying the principal, to refinance, or pay off the balance in a lump sum.

Interest-only mortgages offer a consumer the lowest possible payment during the months when his or her income is very lean, or he or she wants to allocate money elsewhere. When there is more money available during other months, it's recommended that the consumer with the interest-only mortgage make higher payments.

While an interest-only mortgage has many advantages, the main one not having to large monthly mortgage payments, this type of mortgage does have some disadvantages.

There is always the risk that the consumer's collateral, the house, will lose its value. The borrower could lose his or her job. Or the consumer could be a poor money-budgeter and never have enough money to pay off anything more than the interest on the mortgage. If the principal never gets paid off, the house won't be paid for, and the consumer will not have his or her home as an asset.

An interest-only mortgage is not one to be avoided, but those considering this type of mortgage should analyze the pros and cons carefully.

### **Best Mortgage Rates**

Consumers who want the best mortgage rates need to follow more than mortgage postings in newspapers. They need to watch the financial news because it's the investors who determine what the rates will be.

The money for mortgages comes from investors purchasing bonds. If an investor thinks the Federal government will cut rates to kick-start a slow economy, they will wait before purchasing bonds. Fewer bonds purchased means there is less money in the "loan pot." This causes lower interest rates for loans in general and better mortgage rates.

A borrower who wants the best mortgage rates should also pay attention to the Core Consumer Price Index produced by the Bureau of Labor Statistics. This is available online and shows what consumers are paying for goods and services. The report indicates inflation, and inflation indicates what all loan rates will be. A high inflation will mean the mortgage rates are higher. A low inflation will mean lower mortgage rates.

When you've done your research and picked a lender, ask the lender whether they work with the lowest rates of the day or the week. Also ask about your lender's annual percentage rate (APR). The APR is the mortgage interest rate

plus any other fees you might be required to pay. This is usually added to the mortgage interest, and knowing what these costs will help a buyer get the best mortgage rate possible.

Finding the best mortgage rates is not a difficult task to do. It just requires some research time, knowing what questions to ask, and a little common sense.