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MORTGAGES

As rates fall, signs emerge that buyers may return

WASHINGTON — Rates on 30-year mortgages fell for the second straight week, declining to the lowest level in more than a month.

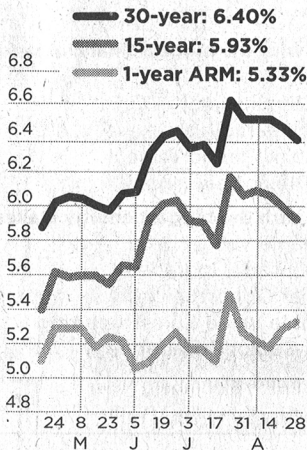
Mortgage giant Freddie Mac reported Thursday that 30-year, fixed-rate mortgages dropped to 6.40 percent this week, down from 6.47 percent last week.

The new rate was the lowest since the week of July 17, when 30-year mortgages stood at 6.26 percent.

The 30-year mortgage has been above 6 percent since late May, reflecting the view of financial markets that rising inflation pressures will keep the Federal Reserve from cutting interest rates further even though the economy is still mired in significant weakness.

The housing market is

Mortgage rates



SOURCE: Freddie Mac

struggling to emerge from its worst slump in decades. Reports this week showed that sales of existing homes, the largest part of the market, and new homes managed to post small increases in July, although activity still remains

far below the level of last summer.

Frank Nothaft, chief economist at Freddie Mac, said one hopeful sign is that the pace of home price declines has slowed in recent months.

“There are also signs more buyers may be getting ready to return to the market,” he said, noting that the Conference Board’s latest survey showed that the number of households planning to buy a home within six months is at its highest level since March.

Still, many economists cautioned that until the backlog of unsold homes is reduced significantly, the housing slump is likely to persist. The problem is being made worse by surging foreclosures dumping even more homes on an already glutted market.

The Associated Press