

Low rates not likely to move houses

Mortgages cheap, but blocks remain

By Stephanie Hoops

Thursday, July 8, 2010

Mortgage rates have fallen to their lowest point in five decades, but local Realtors and economists don't expect that to trigger an avalanche of homebuying or refinancing.

One reason they don't expect the housing market or the broader economy to benefit much from the low rates is that lenders are still hypercautious.

"The big hurdle is qualifying for a mortgage, regardless of the rate," said Jack Kyser, chief economist with the Los Angeles County Economic Development Corp. "It's a huge hurdle."

Furthermore, it's likely that new borrowers already took advantage of the low rates this year.

"People that wanted to buy a home maybe have already committed to do it," said Ventura Realtor Don Nelson.

The average rate on a 30-year fixed mortgage dropped to 4.57 percent this week, mortgage company Freddie Mac reported Thursday. That's down from the previous record low of 4.58 percent set last week. It's the lowest since Freddie Mac began tracking rates in 1971. The last time rates were lower was in the 1950s, when most long-term home loans lasted just 20 or 25 years.

But rates were already extremely low, having fallen over the past two months.

Just because there's another drop in rates doesn't mean there's suddenly going to be a bigger pool of qualified buyers, said Brad Kemp, director of regional research for Beacon Economics in Los Angeles. News that rates are even lower may send them shopping, but they won't necessarily be qualified, he said.

Even refinancing to take advantage of the unusually low rates is out of reach for millions of Americans. Many have seen the value of their homes plummet and have little or no equity. Or they lack good credit or steady income to refinance.

"We're certainly in different times now," said Tony Deleo, broker-owner of Main Street Realty in Ventura. "I don't think anybody's seen anything like this unless they were

around in the (Great) Depression.”

Deleo said there's not enough decent inventory in the Ventura area for people in the entry-level price range.

“I don't think it's going to make a difference as far as the people buying,” he said.

Overall, mortgage applications increased last week from a week earlier, the Mortgage Bankers Association said Wednesday. But they still remain 35 percent below last year.

Rates could go lower and still not budge the housing market, analysts say. That's because a person without a job can't afford a home and a person worried about losing their job is unlikely to purchase either, said Greg McBride, senior financial analyst with Bankrate.com.

“And if an \$8,000 (federal) tax credit didn't get buyers to take the plunge, saving \$50 a month on a mortgage payment probably won't either,” he said.

— The Associated Press contributed to this report.



© 2010 Scripps Newspaper Group — Online