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Market ripe for buying, refinancing

But the real estate business still is caught in a downturn, despite low rates for loar

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When Steve VanHorn and his girlfriend, Tazia Asplund, first got preapproved for a home loan in December, 30-year mortgage rates were around 6 percent.

Today, the couple, still hunting for the perfect house, is looking at rates closer to 5 percent.

"I think any rate with a '5' in front of it is pretty fantastic," said VanHorn, who lives in Taylorsville. "Now if we could just find a house we like, we'd be happy."

Homebuyers along the Wasatch Front are benefiting from the lowest mortgage rates in more than two years, and many homeowners are taking advantage of lower rates by refinancing.

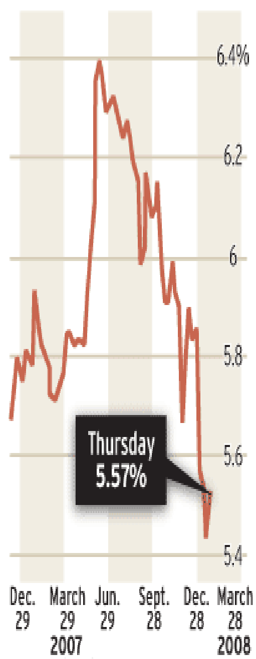
Thirty-year mortgage rates this week averaged 5.57 percent in Utah, according to Bloomberg News. In the past five years, rates averaged as low as 4.93 percent in June 2003 and then climbing to a high of 6.43 percent in June 2006.

While rates for 30-year loans have been hovering in the mid-5 percent range with rates on 15-year loans in the low 5 percent range, at different times over the past week, some borrowers have snatched up rates in the 4 percent range during temporary dips. Others are paying points - a fee equal to 1 percent of the mortgage amount - to drive their rate below 5 percent.

But trying to get the lowest rate possible can be tricky. Rather than falling in a straightforward fashion, mortgage rates are sliding all over the place. "I don't know if I've ever seen rates this volatile," said veteran loan officer Gary Nielson, vice president of Republic Mortgage Home Loans in Murray.

Falling rates

After hitting 6.39 percent in June of 2007, average rates in Utah for 30-year fixed home loans have dropped to 5.57 percent.



Source: Bloomberg News
AMY LEWIS/The Salt Lake Tribune

Fed interest-rate cuts don't have a direct and predictable effect on mortgage rates. Sometimes rate sometimes they go down after cuts. Mortgage rates are more likely to be affected by other factors, s national economy and stock market. In a number of cases, when bad economic news is released anc from stocks and buy into bonds, mortgage rates fall.

And lately there has been plenty of bad news - so much talk of a recession that stocks plummetec prompt the Fed to cut interest rates on Wednesday for the second time in just over a week.

Even with the low rates, the real estate markets in Utah and other states continue to be mired in a that has made it difficult for many to sell their homes.

But what is bad news to some is good news to first-time home buyers, such as VanHorn and Asp

Realtor Karen Duncan, with Coldwell Banker Residential Brokerage in Sandy, who is working w couple, said the lower rates can make a big difference for families.

For example, a borrower taking out a $200,000 mortgage at the five-year high of 6.43 percent wo principal and interest of about $1,255 per month. The same loan at 5 percent would require a month of only $1,074 per month.

You should ask yourself a few questions first:

* **What is my current rate and what rate can I qualify for?** If you have a 7 percent loan and y for a loan at 5.5 percent, refinancing may make sense. But it becomes less clear when there is a diff less than 1 percent between the rates.

* **What type of loan do I have now?** If you have an adjustable-rate loan (ARM), it may be a gre get a fixed-rate loan. Some people took out ARMs in recent years for the same rate that 30-year loa for now.

* **How much will refinancing cost and how long will it take to recoup the savings?** If closing $4,000, figure out how long it will take you to recoup that money with a lower monthly payment. If going to be in the home only a couple more years, refinancing may not make sense.

* **Do I want a shorter-term loan?** It may be a good time to get a 10- to 15-year loan.

* **Do I want to pay any points?** If you want to pay points, equal to 1 percent of the loan amoun drive your loan down even lower. But it just adds more cost to your loan.

Source: Gary Nielson, vice president, Republic Mortgage Home Loans in Murray