

Real LI

Mortgage rates at new record lows

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Bad news for jobs was good news for mortgage rates, which hit new, all-time record lows this week – 3.83 percent with an average 0.7 point for a 30-year fixed-rate mortgage, and 3.05 percent with an average 0.7 point for a 15-year fixed-rate loan.

A weak jobs report for April and concerns over the economic effects of French and Greek election results triggered bond yields to decline and mortgage rates to follow, [Freddie Mac](#) reported.

Unfortunately, this has not translated into an improved housing market: People need the jobs to qualify to get their hands on those low mortgage rates, so 'round and 'round it goes.

Despite the weak national numbers, Long Island gained almost 20,000 payroll jobs in the 12 months ending in March -- “a fairly strong rate of growth,” when compared to historical data for the region, said Pearl Kamer, chief economist for the [Long Island Association](#). Jobs here are up, interest rates and home prices are down, yet the housing market continues to lag – in March home sales were down 4.8 percent in Nassau and down 3.5 percent in Suffolk compared to March 2011, and there were year- over-year price declines of 5.2 percent in Nassau and 0.3 percent in Suffolk. So what’s the holdup?

“We have a lot of foreclosures,” Kamer said. “Foreclosed homes sell at a 20 percent discount to market value, which pushes down home prices.” She said she expects this downward pressure to continue until about 2014, after we’ve cleared the inventory of foreclosed homes and the “shadow inventory” -- homes that are in the early stages of the foreclosure process.

There is a bright spot, though. The Long Island Association reported a steady rise in homes going into contract in March compared to February – an 11.3 percent improvement in Nassau and a 10 percent improvement in Suffolk -- suggesting that home sales will increase in the next several months. “I think we’ll see an uptick in sales in the spring. This will be a better spring than we’ve had in any of the past two or three years,” though prices will take more time to improve, said Kamer.

And even if they’re not available to everyone, the low interest rates certainly can’t hurt.

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