

## How to Take Advantage of Record Fixed-Rate Mortgage Lows



Freddie Mac announced mortgage rates reached the lowest levels in 50 years. (Siri Stafford/Getty Images)



<http://abcnews.go.com/Business/smart-advantage-historically-low-mortgage-rates/story?id=14530088>

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Realtors and mortgage brokers are saying this year may be the best time ever to purchase a home, with mortgage rates at historical lows not seen since President Harry Truman dealt with his own divided Congress.

But the times of easy mortgage money are over, locking out many with tarnished credit from getting a loan. In addition, one of four U.S. homeowners can't borrow because their homes are worth less than the amount of their mortgages.

So before buyers rush to the market, here are tips for homeowners to take advantage of low rates.

Freddie Mac announced Thursday fixed-rate mortgages fell near 60-year lows as investor concern over the European debt market keep Treasury bond yields low. The 30-year fixed rate mortgage averaged 4.09 percent, a new all-time low. The 15-year fixed rate mortgage, a popular refinancing option, according to Freddie Mac, also reached a new record low, averaging 3.30 percent for the week.

Long-term, fixed-rate mortgages backed by the Federal Housing Administration averaged 4.08 percent for several months from 1950 to 1951.

Tom Mellett, a senior loan officer at Cole Taylor Mortgages in Pennsylvania, said it may be more difficult to get a mortgage loan that it was two years ago, a period that he calls the "wild, wild West." During that time, mortgage lenders were more widely giving loans to buyers without the wherewithal to purchase a home, hence leading to the sub-prime mortgage crisis.

But Mellett said people who are really are in a position to receive a mortgage are actually getting them. He recommended a few initial steps to take advantage of the present low mortgage rates.

First, he recommended checking your credit score for inaccuracies.

Second, set realistic financial expectations for your price range. One guideline is that your proposed housing expenses, including monthly mortgage payments and all other debts, not exceed 45 percent of your gross income, though Mellett said that percentage is not set in stone.

Next, he said it may be wise early on to talk to a mortgage broker or someone registered with the National Mortgage Licensing System to get pre-approved for a mortgage. Mellett said that most realtors recommend pre-approval if you want to be considered a "serious" buyer, sometimes before even taking a potential buyer to look at homes.

"I've never seen a seller accept an offer that was not accompanied by a pre-approval letter," he said.

Mellett said his firm, which focuses on real estate markets in Philadelphia, Delaware, New York and New Jersey, does not charge for the pre-approval process and is not bound to a contract. But some mortgage brokers may charge an up-front fee, so it is wise to comparison shop. The pre-approval process, which usually targets the borrower's preferred price range, could take only 30 minutes.

At its simplest level, the letter lists a homebuyer's preferred purchase price up to a certain amount of dollars, a percentage for a down payment, and an amount for a possible loan.

Ted Schwartz, president and chief investment officer of Capstone Investment Financial Group and personal finance columnist, recommended buyers reflect on whether they need to purchase a home now. He said homebuyers should plan on living in a house for five years or more because of the financial and time investment.

"We don't really know if we're really in the bottom of the market," Schwartz said. "I think it's a great time to buy for the long term, but not to be a real estate speculator."

He also cautioned that buyers should not borrow more than they need.

**Courtesy of JB Goodwin**