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US mortgage rates hit record low at 3.66% by Apil Gupta

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There was a significant drop in the US mortgage rates for 30 year fixed loans. This recent development includes reduced borrowing costs even as the housing market is struggling to make its mark on the road to recovery, despite the relentless efforts of the US government.

The mortgage rate slumped to 3.66 percent in the week ending June 21st, from 3.71 percent in the previous week, according to Freddie Mac. This figure is the lowest in the 31-year old records (dating to 1971) of one of the USAâ€™s most prominent mortgage finance companies. Coming to the average 15 year rate, the same dropped from 2.98 percent to 2.95 percent as well.

In present times, these lower borrowing rates have helped the housing market stage a remarkable recovery after the 2008 debacle. However, there is still a long way to go, as the demand for homes is still not showing impressive figures. Sale of previously owned homes fell by 1.5 percent in May compared to April, as per the National Association of Realtors. According to Paul Diggle, Property Economist for Capital Economics Ltd., this is undoubtedly a setback, but the big picture is still encouraging.

In other news, April saw an increase in housing prices for the third straight week, according to the Federal Housing Financie Agency. there was an increase of 0.8 percent from March and a hike of 3 percent from a year earlier. There was also an increase in the construction of single family houses in May as building permits reached their highest level since September, 2008, the Commerce Department data indicated.

The slump in mortgage rates is also being attributed to the efforts of a Federal Reserve program that has been created to reduce long term interest rates by replacing short term bonds with longer term debt, and the Fed is saying that it will expand the program by the end of this year.

Simpler mortgage forms, new cost formula Soon, the US consumer Financial Protection Bureau will reveal more information about its latest project, which aims to reduce the amount of paperwork that borrowers need to go through in order to get mortgage. The project is intended at creating a better system for consumers as well as lenders. The agency had started the project more than a year ago in order to consolidate and simplify forms that are required to be filled by borrowers as per federal law. While previewing its proposal, which is due to be released by July 21, the bureau has also mentioned that in the past few months, it has been mulling over the idea of modifying core mortgage disclosure requirements, like how the annual percentage rate is calculated. However, the plan is receiving flak from banks as well as consumer advocates. According to Mark Calabria, Director, Financial Regulation Studies, Cato Institute, Washington DC, the amount of effort that is being put into this initiative is not translating into much considering the fact that the objective is just to reduce the font size!

This proposal is among the first in many that have the potential of redefining the mortgage lending process for bigwigs like Wells Fargo & Co. and Bank of America. In the times to come, more rulings will define the responsibilities of lenders in underwriting, servicing and securitization. The initiative was started by Harvard University professor and Democratic US Senate candidate Elizabeth Warren, who also set up the consumer bureau, in May 2011. The bureau had also introduced a model form for finalizing the mortgage and did a test run with a focus group. The project finds its roots in the Dodd-Frank Act of 2010, which was intended to find a solution to the stalemate that has been existing for many years in the federal mortgage policy.

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