

IS THIS REALLY THE END OF THE SUB-4% MORTGAGE RATE?



Holden Lewis | March 10, 2017

Goodbye, 3-point-something percent mortgage! *sniff* I'll miss you!

In the past five years, mortgage rates have been below 4 percent almost half the time (125 of the last 260 weeks, to be exact). The 30-year fixed bottomed out at 3.5 percent on Dec. 5, 2012.

Here's that frabjous (it really is a word!) day on my spreadsheet.

1		30yr fixed	Wed Treas	Fannie	Spread	RTI vote	Correct	52 weeks ago	4 weeks ago	Avg
1416	11/20/2012	3.53	1.66	2.68	0.85	NC	1	4.23	3.61	
1417	11/28/2012	3.52	1.63	2.65	0.87		0	4.25	3.57	
1418	12/5/2012	3.50	1.59	2.66	0.84		0	4.24	3.57	
1419	12/12/2012	3.52	1.70	2.75	0.77	Up	1	4.19	3.54	
1420	12/19/2012	3.62	1.80	2.84	0.78	Up	0	4.20	3.53	
1421	12/26/2012	3.59	1.76	2.79	0.80	NC	1	4.21	3.52	
1422	1/2/2013	3.58	1.84	2.83	0.75	Dn	0	4.18	3.50	
1423	1/9/2013	3.67	1.85	2.86	0.81	NC	0	4.18	3.52	
1424	1/16/2013	3.60	1.82	2.85	0.75	NC	0	4.18	3.62	
1425	1/23/2013	3.66	1.83	2.88	0.78	NC	0	4.25	3.59	
1426	1/30/2013	3.77	2.01	3.16	0.61	Dn	0	4.12	3.58	
1427	2/6/2013	3.76	1.98	3.15	0.61	Up	1	4.14	3.67	
1428	2/13/2013	3.79	2.02	3.17	0.62	NC	1	4.10	3.60	
1429	2/20/2013	3.80	2.02	3.17	0.63	NC	0	4.16	3.66	
1430	2/27/2013	3.73	1.85	3.06	0.67	Up	0	4.10	3.77	
1431	3/6/2013	3.73	1.89	3.09	0.64	NC	0	4.11	3.76	
1432	3/13/2013	3.85		3.24		Up	0	4.15	3.79	
1433	3/20/2013	3.78				Dn	1	4.29	3.80	

Yeah, I highlighted the record-low rate and boldfaced it. #ExcelGeek

<http://www.bankrate.com/home-hacker/is-this-really-the-end-of-the-sub-4-mortgage-rate/>

It's not breathing

And now the 3-point-something percent mortgage is gone. I won't say it's dead, 'cause you never know. But I'm poking it with a stick and it ain't moving. Case in point: In this week's Bankrate survey, the 30-year fixed rate averaged 4.38 percent.

That's why you shouldn't wait around for mortgage rates to fall. If you're ready to buy a home, [get a mortgage quote now](#) so you can [figure out how much house you can afford](#), and then go house-hunting.

Here's why you should say "[We'll always have Paris](#)" to mortgage rates under 4 percent:

- The move to over-4 percent rates was swift and decisive. Mortgages lingered under 4 percent almost all last year. Then the election happened. Mortgage rates zoomed a quarter of a percentage point the week after the election. (That's a big jump in just one week.) They kept rising. Rates are three-quarters of a percentage point higher than six months ago.
- The Federal Reserve [is about to start a long rate-raising campaign](#). It hiked the federal funds rate once in 2015 and once in 2016. Those were tentative steps. The Fed almost certainly will hike short-term rates on Wednesday, and it'll probably raise rates two more times this year.

A.W. says I'm right

I ran my theory past a few people this week, just to make sure I'm right on the "Farewell to 3s." "I think you're correct," A.W. Pickel III, an executive with AmCap Mortgage, told me. But: "Obviously a major catastrophe of some type, a black swan event, could return us to that," he said.

Two people told me that I basically haven't been poking sub-4 percent rates with that stick long enough. One is Mike Chadwick, a certified financial planner with Chadwick Financial Advisors, who told me: "My suspicion is the way this plays out, they raise rates a few more times and eventually the economy is going to roll over."

That's basically what happens when you poke a dead animal with a stick too hard: It rolls over. But anyway, Chadwick says if the economy goes belly-up, mortgage rates below 4 percent could happen again.

OK, I'm done with the dead-animal talk. Moving on!

Suburb is where the home is

Guess which generation is most likely to buy a house in the suburbs? Wrong. It's millennials.

In 2016, 57 percent of millennial homebuyers bought in suburbia, according to the National Association of Realtors. That's a slightly higher percentage than among Gen-Xers and the Silent Generation.

I've been saying all along that when millennials start buying homes in big numbers, they'll move to the suburbs, just as previous generations did. When Americans get married and have kids, they want a lawn of their own, with a house in the middle of it. On a cul-de-sac. With nice schools nearby.

Millennials: Just like their parents and grandparents.

And guess which generation is most likely to buy homes in what the Realtors call "urban area/central city"? Millennials again, with Gen-Xers close behind.

Mortgage rates: Lock now

Mortgages didn't wait for next week's Fed meeting. Rates went up before the Federal Reserve could get around to its own rate hike. [See the details](#), including my recommendations on whether to lock or float your mortgage rate. Hint: The sooner you [apply for a mortgage](#), the better. No pressure or anything!

RTI comment of the week

Every week, Bankrate posts the [Rate Trend Index](#), in which loan officers predict whether mortgage rates will go up, down or stay about the same in the coming week. Here's the comment of the week:

Vote: Up. "21 years ago the Labor Department announced that jobs increased 705,000 for February 1996. Mortgage rates jumped a half point that month, from February to March. While I don't expect the same kind of number this week, I wouldn't be surprised by a number that beats expectations, similar to what we saw from ADP this week. More often than not, looking back, rates in March have increased a bit from February averages and I expect the same this month."

— **Jim Sahnger**, mortgage planner, Schaffer Mortgage, Palm Beach Gardens, Florida

Making reverse mortgages popular

Round up 10 homeowners at random, all age 65 or older. Ask them if they're worried about retirement finances. Three or four of them will say yes, they are concerned. Yet eight of them will tell you they don't want to tap their home's equity.

That's according to a survey commissioned by Fannie Mae. Here's the thing: People age 65 and older own \$3.1 trillion in home equity that they could borrow from. But they borrow very little of it.

Even if [reverse mortgages](#) were simplified so they were easier to qualify for, "behavioral and attitudinal barriers would keep many senior homeowners from tapping their housing wealth," Urban Institute researchers [Karan Kaul and Laurie Goodman write](#).

That's another way of saying that seniors tend to want to avoid debt. They want to leave something to their heirs, and they want to save money for emergencies or long-term care.

For a lot of seniors, a reverse mortgage would a good, sensible way of easing bumps in the road of the retirement years. Read [one woman's reverse mortgage success story](#).