

## Some Homeowners May Get Relief on Mortgages

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The Federal Reserve rate cut could help pull the housing market out of its slump, spurring refinancing and purchases. The three-quarter-point cut on a key short-term rate won't solve the subprime mortgage mess that resulted in a rise in foreclosures, housing experts say. But it could temper any increases in adjustable-rate mortgages.

"This is good news for borrowers, especially those who had an adjustable-rate mortgage, because with the lower interest rates, they may not see an increase in the rate when it adjusts," said Christine Chmura of Chmura Economics & Analytics in Richmond. "It's bad news for savers because the interest rates will go down."

Even before the Fed cut, mortgage rates fell in the past couple of weeks, making new loans more affordable, Chmura said. When homeowners refinance their mortgages, they have more money to spend on other items, she said.

Fixed-mortgage rates are determined by the markets, not by the Federal Reserve. Still, the Fed's rate cut should spur lower rates for home-equity loans and provide a boost to the overall economy, including housing.

"The rate cut is kind of exciting," said Stephen T. Thacker, vice president of SunTrust Mortgage Inc. in Richmond. Lower mortgage rates spur refinances, Thacker said. After a refinancing wave, people typically come out to buy houses, he said.

Not everyone will be able to refinance, especially those whose home values have tumbled and who owe more than their houses are worth. Most homeowners in the Richmond area are not facing that problem since housing prices here, unlike in other areas of the country, have remained stable.

The home-buying market may lag at times, but it has never failed to come back -- even in areas such as California and Texas that have seen huge bubbles, Thacker said. "It's a buyers' market and now is the time to make a deal -- if you're not afraid to make a deal. By the time all the fear and risk is out, it will be a sellers' market."

Sterling Edmunds, president and chief executive officer of SunTrust Mortgage, said a large percentage of loans secured in 2006 and 2007 can be refinanced at lower rates.

Mortgage interest rates inched down yesterday to 5.5 percent with no points and no fees on a 30-year fixed-rate loan, said Scott Shaheen, president of the Richmond Association of Realtors and a vice president at Long & Foster. "I think that is as low as it will go," Shaheen said. "Hopefully, low rates will convince people on the sidelines waiting to buy their dream homes to get out and do it."

Agents said they have seen a flurry of activity this month, even before the rate cut, Shaheen said.

Steve Baugher, executive director of the Virginia Association of Mortgage Brokers, said the Fed stimulus was needed. "This is certainly a positive step -- three-quarters is a huge drop," Baugher said. "Mortgage rates are where they were in 2005, so it's a good time to buy a house." Consumers have been scared and shaken in the past four to six months, Baugher said. "The rate cut will help and we need it."

George Hoffer, economics professor at Virginia Commonwealth University, said the cut was a psychological shock. "Clearly, it will help. It is the right time heading into the spring [home buying] market."

The Fed was hammered into lowering rates, Hoffer said. Once the market stabilizes, rates will head higher, he said. "Personally, I have real doubts about the Fed easing so much. The real challenge down the road is inflation," pushing prices on all products higher.