

RealityCheck

A Look at 30-Year Fixed Rate Mortgages Since 1971



We've all seen the headlines. "Rates on 30-year mortgages drop back below 6%." "Lower rates help sell houses, but market faces broader ills." "Mortgage Applications Surge with Large Drop in Rates in Latest MBA Weekly Survey." But what do changes in rates really do for your personal purchasing power and how low is "low" when it comes to today's rates?

To answer these questions, we turned to the experts including Coldwell Banker Home Loans and Freddie Mac.

An Historical Perspective

To give you a better perspective as to how low mortgage rates currently are, we turned to Freddie Mac, a shareholder-owned corporation developed by the United States Congress in 1970. The mission of the organization is to provide homeowners and renters with lower housing costs and better access to home financing.

On the back of this page you will find a chart which includes the monthly average commitment rate and points on 30-year fixed rate mortgages since 1971.

A few of the key highlights:

- As of January, 2009, we are averaging a 5.05 percent commitment rate on 30-year fixed rate mortgages
- To put it in perspective, in October 1981, interest rates reached their highest point, averaging 18.45 percent; more than three times today's current rate
- Though rates eventually came down, they did remain at double digit numbers for most of the 1980s and into 1990 (nearly a decade)
- At today's rate of around 5.05 percent, rates are the lowest they've been in Freddie Mac's record which dates back to 1971
- Historically speaking, rates have moved relatively slow and consistent through the years though there have been some notable peaks. Among them:
 - o Since 2000, mortgage rates have remained relatively low with a peak of 8.52 percent in May 2000 to the January 2009 low of 5.05 percent
 - o But to put it into perspective of how fast things can change, in January 1979, rates were at 10.39 percent. Just over two years later, rates reached their peak of 18.45 percent in October 1981. During this period, rates rose dramatically, and at one point jumped almost two percentage points in just 30 days.

How Do Mortgage Rate Changes Affect My Purchasing Power?

But how do changes in interest rates affect my personal purchasing power? While each person's situation is different, we turned to mortgage banker and broker Coldwell Banker Home Loans to put together three different scenarios that would help you understand how even the slightest change in interest rates can dramatically improve (or hinder) your purchasing power. Here's what Coldwell Banker Home Loans reported, based on loan amounts of \$300,000, \$500,000 and \$700,000:

Loan Amount	\$300,000	\$300,000	Difference
Interest Rate	5%	5.25%	0.25%
Monthly Payment	\$1,610.46	\$1,656.61	\$46.15
Total Paid Over Life of Loan	\$579,765.60	\$596,379.60	\$16,614

Loan Amount	\$500,000	\$500,000	Difference
Interest Rate	5.25%	5.50%	0.25%
Monthly Payment	\$2,761.02	\$2,838.95	\$77.93
Total Paid Over Life of Loan	\$993,967.20	\$1,022,022.00	\$28,054.80

Loan Amount	\$700,000	\$700,000	Difference
Interest Rate	5.25%	5.50%	0.25%
Monthly Payment	\$3,865.43	\$3,974.52	\$109.09
Total Paid Over Life of Loan	\$1,391,554.80	\$1,430,827.20	\$39,272.40

As you can see, in this example, even by a 1/4 percent increase in a 30-year fixed mortgage rate on a \$500,000 loan, a consumer would increase his/her monthly payment by \$77.93. More importantly, over the life of the loan, the consumer would pay an additional \$28,054.80.

The bottom line is that with interest rates remaining at historic lows, this increases an individual's purchasing power and makes the mortgage payment more manageable. All of this is leading up to a very strong market for buyers.

I am providing you with this information so that you can make an informed decision about the current market. In the last 30 years we've seen very few opportunities in which buyers can prevail and now truly may be the time. If you'd like to discuss your opportunities in relation to the current real estate market, please contact me today.

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	2009		2008		2007		2006		2005	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	5.05	0.7	5.76	0.4	6.22	0.4	6.15	0.5	5.71	0.7
February			5.92	0.5	6.29	0.4	6.25	0.6	5.63	0.7
March			6.07	0.5	6.18	0.4	6.32	0.6	5.94	0.7
April			5.92	0.4	6.18	0.5	6.51	0.6	5.85	0.8
May			6.04	0.5	6.26	0.4	6.60	0.6	6.72	0.8
June			6.32	0.7	6.99	0.4	6.99	0.9	5.99	0.9
July			6.43	0.6	6.70	0.4	6.70	0.5	5.70	0.5
August			6.48	0.7	6.57	0.4	6.52	0.4	5.82	0.5
September			6.04	0.7	6.38	0.5	6.40	0.6	5.77	0.6
October			6.25	0.6	6.38	0.5	6.36	0.4	6.07	0.5
November			6.09	0.7	6.21	0.4	6.24	0.6	6.33	0.6
December			5.29	0.7	6.10	0.5	6.14	0.4	6.27	0.5
Annual Average	5.05	0.7	6.03	0.6	6.34	0.4	6.41	0.5	5.87	0.6

	1989		1988		1987		1986		1985	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	10.73	2.1	10.35	2.0	9.20	2.2	10.89	2.3	13.05	2.5
February	10.65	2.2	9.89	2.1	9.08	2.1	10.71	2.3	12.92	2.4
March	11.03	2.2	9.93	2.0	9.04	2.1	10.08	2.3	13.17	2.6
April	11.06	2.2	10.20	2.1	9.83	2.3	9.94	2.2	13.20	2.6
May	10.77	2.1	10.46	2.1	10.60	2.3	10.15	2.3	12.91	2.5
June	10.20	2.1	10.46	2.0	10.54	2.2	10.99	2.3	12.22	2.5
July	9.88	2.1	10.43	2.0	10.28	2.2	10.51	2.2	12.03	2.5
August	9.99	2.1	10.60	2.2	10.33	2.1	10.20	2.1	12.19	2.6
September	10.13	2.0	10.48	2.1	10.89	2.2	10.01	2.2	12.19	2.6
October	9.86	2.0	10.30	1.9	11.26	2.2	9.88	2.1	12.14	2.6
November	9.77	2.0	10.27	2.1	10.05	2.1	9.70	2.0	11.75	2.4
December	9.74	2.0	10.61	2.1	10.04	2.1	9.32	2.1	11.20	2.3
Annual Average	10.32	2.1	10.34	2.1	10.21	2.2	10.19	2.2	12.43	2.6

	2004		2003		2002		2001		2000	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	5.71	0.7	5.92	0.6	7.05	0.8	7.03	0.9	6.21	1.0
February	5.64	0.7	5.84	0.6	6.99	0.7	7.05	1.0	6.33	1.0
March	5.45	0.7	5.75	0.6	7.01	0.7	6.95	0.9	6.24	1.0
April	5.83	0.7	5.81	0.6	6.99	0.7	7.08	0.9	6.15	1.0
May	6.27	0.7	5.48	0.6	6.81	0.7	7.16	1.0	6.52	1.0
June	6.20	0.6	5.25	0.6	6.65	0.6	7.16	1.0	6.29	0.9
July	6.05	0.6	5.63	0.5	6.49	0.6	7.13	0.9	6.15	0.9
August	5.87	0.7	6.26	0.7	6.29	0.6	6.95	0.9	6.09	1.0
September	5.75	0.7	6.15	0.6	6.09	0.6	6.82	0.9	7.91	1.0
October	5.72	0.7	5.95	0.6	6.11	0.6	6.62	0.9	7.80	1.0
November	5.73	0.6	5.93	0.6	6.07	0.6	6.66	0.8	7.76	0.9
December	5.75	0.6	5.88	0.7	6.05	0.6	7.07	0.8	7.39	1.0
Annual Average	5.84	0.7	5.83	0.6	6.54	0.6	6.97	0.9	6.05	1.0

	1984		1983		1982		1981		1980	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	13.37	2.3	13.25	2.2	17.48	2.2	14.90	2.0	12.88	1.6
February	13.23	2.4	13.04	2.0	17.60	2.2	15.13	2.0	13.04	1.6
March	13.39	2.4	12.80	2.2	17.16	2.2	15.40	2.0	15.29	2.0
April	13.65	2.4	12.78	2.1	16.99	2.3	15.68	2.0	16.32	1.9
May	13.94	2.5	12.63	2.1	16.66	2.3	15.40	2.1	14.26	1.9
June	14.42	2.5	12.87	2.1	16.70	2.2	16.70	2.1	12.71	1.8
July	14.67	2.6	13.49	2.2	16.93	2.2	16.83	2.1	12.19	1.8
August	14.47	2.6	13.81	2.2	16.27	2.3	17.28	2.1	12.56	1.7
September	14.35	2.6	13.73	2.2	15.43	2.3	18.16	2.1	13.20	1.7
October	14.13	2.6	13.54	2.1	14.81	2.2	18.45	2.3	13.79	1.7
November	13.64	2.5	13.44	2.1	13.82	2.2	17.82	2.1	14.21	1.7
December	13.18	2.5	13.42	2.2	15.62	2.2	16.95	2.1	14.79	1.7
Annual Average	13.88	2.5	13.24	2.1	16.04	2.2	16.63	2.1	13.74	1.8

	1989		1988		1987		1986		1985	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	6.79	0.9	6.99	1.4	7.82	1.8	7.03	1.8	9.15	1.8
February	6.81	1.0	7.04	1.2	7.85	1.7	7.08	1.7	8.83	1.9
March	7.04	0.9	7.13	1.2	7.90	1.5	7.22	1.8	9.46	1.0
April	6.92	1.0	7.14	1.0	8.14	1.7	7.93	1.8	8.32	1.9
May	7.15	1.0	7.14	1.1	7.94	1.7	8.07	1.7	7.96	1.8
June	7.56	1.0	7.00	1.0	7.89	1.7	8.32	1.7	7.87	1.8
July	7.63	1.0	6.95	1.1	7.50	1.8	8.25	1.8	7.61	1.8
August	7.64	1.0	6.92	1.1	7.48	1.7	8.00	1.7	7.66	1.8
September	7.62	1.0	6.72	1.0	7.43	1.7	8.23	1.7	7.64	1.8
October	7.65	1.0	6.71	0.9	7.29	1.7	7.92	1.7	7.48	1.9
November	7.74	1.0	6.87	0.9	7.21	1.7	7.82	1.8	7.38	1.8
December	7.91	1.0	6.74	1.0	7.10	1.8	7.80	1.7	7.20	1.8
Annual Average	7.44	1.0	6.84	1.1	7.6	1.7	7.81	1.7	7.93	1.9

	1979		1978		1977		1976		1975	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	10.30	1.5	9.01	1.3	8.72	1.1	9.02	1.1	9.43	1.2
February	10.41	1.5	9.14	1.3	8.67	1.1	8.61	1.0	9.10	1.2
March	10.45	1.5	9.20	1.3	8.89	1.2	8.76	1.3	8.86	1.1
April	10.80	1.5	9.35	1.3	8.79	1.1	8.73	1.3	8.82	1.0
May	10.69	1.6	9.57	1.3	8.83	1.1	8.76	1.3	8.91	1.1
June	11.04	1.6	9.71	1.4	8.86	1.1	8.85	1.3	8.89	1.0
July	11.09	1.7	9.74	1.4	8.94	1.1	8.93	1.2	8.99	1.1
August	11.09	1.7	9.70	1.3	8.94	1.1	9.05	1.2	9.94	1.1
September	11.30	1.6	9.76	1.3	8.90	1.1	8.95	1.2	9.12	1.1
October	11.64	1.7	9.86	1.2	8.92	1.2	8.92	1.2	9.22	1.1
November	12.83	1.7	10.11	1.2	8.92	1.1	8.81	1.3	9.15	1.1
December	12.90	1.6	10.35	1.4	8.96	1.2	8.78	1.2	9.10	1.1
Annual Average	11.20	1.6	9.64	1.3	8.85	1.1	8.87	1.2	9.05	1.1

	1994		1993		1992		1991		1990	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	7.07	1.7	7.99	1.6	8.43	1.8	9.54	2.1	9.90	2.1
February	7.16	1.6	7.68	1.6	8.76	1.8	9.37	2.0	10.25	2.1
March	7.60	1.7	7.90	1.6	8.94	1.9	9.50	2.1	10.27	2.1
April	8.32	1.6	7.46	1.7	8.05	1.7	9.30	2.0	10.37	2.1
May	8.60	1.8	7.47	1.8	8.67	1.7	9.47	2.0	10.48	2.0
June	8.40	1.8	7.42	1.6	8.51	1.7	9.62	2.1	10.16	2.0
July	8.61	1.9	7.21	1.6	8.43	1.6	9.38	2.0	10.04	2.0
August	8.61	1.8	7.11	1.5	7.98	1.7	9.24	1.9	10.10	2.0
September	8.64	1.8	6.91	1.5	7.92	1.7	9.01	1.9	10.15	2.1
October	8.93	1.6	6.83	1.5	8.09	1.6	8.99	1.9	10.17	2.2
November	9.17	1.8	7.16	1.6	8.31	1.9	8.71	1.8	10.01	2.1
December	9.20	1.9	7.17	1.7	8.21	1.8	8.60	1.8	9.87	1.9
Annual Average	8.38	1.8	7.31	1.6	8.36	1.7	9.25	2.0	10.13	2.1

	1974		1973		1972		1971	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	8.54	1.0	7.44	0.9	7.44	1.0	na	na
February	8.46	1.0	7.44	1.0	7.32	0.9	na	na
March	8.41	1.0	7.46	0.9	7.29	0.9	na	na
April	8.36	1.0	7.54	0.9	7.29	0.9	7.31	na
May	8.97	1.1	7.65	0.9	7.37	0.9	7.43	na
June	9.09	1.2	7.73	0.9	7.37	0.9	7.53	na
July	9.26	1.3	8.05	1.0	7.40	0.9	7.65	na
August	9.59	1.3	8.50	1.0	7.40	0.9	7.70	na
September	9.96	1.4	8.82	1.1	7.42	1.0	7.69	na
October	9.98	1.5	8.77	1.1	7.42	1.0	7.65	na
November	9.79	1.4	8.58	1.0	7.43	1.0	7.55	na
December	9.82	1.3	8.54	1.0	7.44	1.0	7.48	na
Annual Average	9.19	1.2	8.34	1.0	7.38	0.9	na	na



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