THE WALL STREET JOURNAL.

https://www.wsj.com/articles/mortgage-rates-hit-record-low-but-coronavirus-may-deter-buyers-11583417175

MARKETS

Mortgage Rates Hit Record Low, but Coronavirus May Deter Buyers

The average rate on a 30-year fixed-rate mortgage fell to 3.29%

Home sellers are coming up on what is typically a busy season.

PHOTO: CHARLES KRUPA/ASSOCIATED PRESS

By Orla McCaffrey and Ben Eisen

Updated March 5, 2020 2:27 pm ET

Mortgage rates fell to their lowest level on record Thursday, pulled down by fears that the spread of coronavirus could weigh on the U.S. economy.

The average rate on a 30-year fixed-rate mortgage fell to 3.29% from 3.45% last week, mortgage-finance giant Freddie Mac said. Mortgage rates are closely linked to yields on the 10-year Treasury, which this week dropped below 1% for the first time following an emergency Federal Reserve rate cut.

A decline in mortgage rates typically boosts home sales. But a worsening coronavirus epidemic and the efforts to contain it—quarantines, business shutdowns and travel restrictions—could keep would-be home buyers on the sidelines during what is usually a busy spring selling season.

The greater Seattle area, home to the first major U.S. coronavirus outbreak and one of the country's hottest housing markets, could offer some clues about what is to come, said Tendayi Kapfidze, chief economist at loan-comparison website LendingTree.

"If people don't want to go out and see houses, that's going to put a damper on demand," Mr. Kapfidze said.

If the virus hobbles the U.S. economy as it has China's, workers could lose their paychecks—albeit temporarily—and their ability to make big purchases.

The shutdown of many Chinese factories already has disrupted the supply chains of some American companies, including home builders. That is a problem in a market that is already short on supply, said Realtor.com senior economist George Ratiu.

There are "barely enough homes for sale to last three months at the current sales pace," he said. (News Corp, parent of The Wall Street Journal, operates Realtor.com under license from the National Association of Realtors.)

Already, signs of a slowdown are appearing in the housing market. Low rates pushed home sales to a high mark for the year in December. But existing home sales fell in January from a month earlier, an indication that cheaper borrowing costs are no longer enough to overcome five straight months of rising home prices and limited housing supply.

For now, though, plenty of buyers are using the opportunity to refinance and buy.

Charles and Thomas Porter of Raleigh, N.C., took advantage of falling rates to save on their mortgage payments twice. They refinanced about a year ago with online mortgage company Better.com to cut their 30-year fixed rate to 3.5% from 4.375% and to get rid of mortgage insurance.

Now, they are in the process of buying a four-bedroom house in Charlotte. Charles Porter, who works for a home-building company, and Thomas Porter, who works in pharmaceutical research, locked in a rate of 3.125%, also with Better.com.

The lower rate "helped us feel confident in the move," Thomas Porter said.

The decline in rates is likely to continue to fuel a refinancing frenzy that pushed mortgage lending to its highest level since 2006 last year. About 14.5 million homeowners would benefit from refinancing if 30-year rates hit 3.25%, just below their current level, according to mortgage-data firm Black Knight Inc.

RELATED

- Is It Time to Refinance Your Mortgage?

Refinancing applications were up 26% from the previous week and more than 200% from the same time last year, according to Mortgage Bankers Association data released Wednesday.

The jump in refinancings poses a challenge for banks and other mortgage lenders, which often hire staff when the housing market picks up each spring.

“You can never anticipate a drop like this, and there’s no way you can staff up fast enough,” said Esther Phillips, senior vice president of sales at Key Mortgage Services Inc.

Some homeowners and real-estate agents have complained of delays in closing their mortgages in recent weeks.

JPMorgan Chase & Co. moved some of its home-equity employees to the mortgage business last week to handle an increase in purchase applications and maintain its closing window. This week, the bank paused email marketing campaigns on refinancing because of high application numbers, said Chase Home Lending Chief Marketing Officer Amy Bonitatibus. Chase is encouraging people to complete their applications online, she said.

Wells Fargo & Co., the largest mortgage lender in the U.S. by originations, said it has been hiring people to underwrite, process and close mortgages to meet demand.

Lenders can control the influx by holding their rates at a level that will attract a manageable number of applications. During those periods, mortgage rates tend to fall slower than the yield on the benchmark 10-year Treasury note, widening the gap between them. On Thursday, that gap widened to 2.19 percentage points, its biggest since February 2009, according to an analysis by Dow Jones Market Data.

Still, many say lenders are better equipped to handle a rush of mortgage demand than last year, when the refinancing boom caught many off guard.

“This year maybe they are in a position to capitalize on it better than they were in 2019,” said John Toohig, head of the group that trades whole loans, including mortgages, at Raymond James Financial Inc.

Write to Orla McCaffrey at orla.mccaffrey@wsj.com and Ben Eisen at ben.eisen@wsj.com