



To print: Select File and Then Print in your browser pull-down menus.

[Back to story](#)

## Cash-out refinancing curtailed Homeowners content with lower rates; price hikes slow

By [Steve Kerch](#), *CBS.MarketWatch.com*

Last Update: 4:06 PM ET July 30, 2003

**CHICAGO (CBS.MW) - Cash-out mortgage refinancing fell by half in the second quarter, with only 32 percent of homeowners taking out new mortgages at least 5 percent higher than their old loans, Freddie Mac said Wednesday.**

That was the lowest percentage of cash-out refinancing since the mortgage agency began tracking the statistic in 1985 and nearly 50 percent lower than the 63 percent of refinanced loans that were considered cash-out in the first quarter of 2003.

"Mortgage rates have fallen to such incredibly low levels that homeowners are refinancing now primarily for the low rates, rather than to take out equity," said Amy Crews Cutts, Freddie Mac deputy chief economist.

Cash-out refinancing may also have been hindered by much slower home-price growth. Homes refinanced during the second quarter saw a median price appreciation of three percent during the time since the original loan was made, down from the 20 percent appreciation for loans refinanced in second quarter 2002.

Freddie Mac's Conventional Mortgage Home Price Index shows the cumulative growth in the value of housing, on a national average, to be about 40 percent over the past 5 years. Freddie Mac's economists have revised their forecast for home price appreciation to an annualized growth rate of about 6.1 percent for 2003.

So far, in 2003, homeowners have converted about \$50 billion of their home equity into cash, compared with \$96 billion in the year 2002 and \$83 billion in all of 2001, Freddie Mac said. Those funds, often reinvested in houses themselves in the form of remodeling and renovation, have provided "at least one leg for the sluggish economy to stand on over the last few years," Cutts said.

But she pointed out that cash-out numbers are a small fraction of the approximately \$7 trillion in outstanding home equity held by U.S. homeowners.

Homeowners who are presently refinancing their original fixed-rate mortgages are entering into new mortgages that are, on average, 1.125 percentage points lower than the original mortgage, Freddie Mac said.

"So refinancing at this stage can not only produce extra cash, but may also leave the borrower with a smaller monthly payment. In aggregate these interest savings add up to more than \$600 million per month for homeowners who have already refinanced this year," Cutts said.

Freddie Mac's quarterly review of loans which it has funded on two or more consecutive occasions found the median age of the refinanced loan was only 1.8 years, indicating that borrowers were returning to the refinance market relatively quickly. It also found that 16 percent of loans being refinanced were for lower amounts than the original mortgage.

Steve Kerch is the real estate editor of CBS.MarketWatch.com in Chicago.

© 1997-2003 MarketWatch.com, Inc. All rights reserved. [Disclaimer](#). [See our Privacy Policy](#) - updated 4/3/03.

CBS and the CBS "eye device" are registered trademarks of CBS Broadcasting, Inc.

Intraday data provided by [S&P Comstock](#) and subject to [terms of use](#).

Historical and current end-of-day data provided by [FT Interactive Data](#).

Intraday data delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges.  
SEHK intraday data is provided by S&P Comstock and is at least 60-minutes delayed.

All quotes are in local exchange time.