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Five-year ARMs reach new record low in final July survey

by [Erin Brereton](#) July 30, 2011[No Comments](#)

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Five-year, adjustable-rate mortgages have never been cheaper, according to Interest.com's most recent survey of major lenders.

The average introductory interest rate on a 5/1 ARM -- a home loan on which the initial rate remains fixed for the first five years and then changes once a year after that -- fell to 3.34%.

That breaks the previous record low of 3.35% set on June 8.

We know many borrowers don't want to even consider an adjustable-rate mortgage because so many homeowners defaulted on the irresponsible, unaffordable ARMs lenders were peddling during the housing boom.

According to a New York Federal Reserve report, ARMs accounted for 70% of all home loans in 1994. During the first half of this year, they accounted for less than 5% of the market.

But we think an increasing number of borrowers will opt for adjustable-rate loans with responsible terms as the difference in cost between ARMs and fixed-rate loans widens.

Our July 27 survey found the average interest rate for a:

30-year, fixed-rate mortgage rose to 4.74% from 4.68% last week. That's pretty much exactly what these home loans cost this time last summer: The late-July survey averaged 4.71%.

15-year, fixed-rate mortgage rose to 3.83% from 3.82% the previous week. That's considerably less than the average cost of 4.17% at this time last year.

30-year, fixed-rate jumbo loan (for mortgages exceeding \$417,000 to \$729,750, depending on the city) increased to 5.19% from 5.17% the previous week. A year ago, it was 5.43%.

Five-year, adjustable-rate mortgage fell to 3.34% from 3.36% the previous week. Last year at this time, the average rate was 4.07%.

Our database of [mortgage rates](#) can help you find the best deals in your area, including many that are less costly than the national averages.

You can use our [mortgage calculator](#) to determine the monthly payments for the exact amount you want to borrow with this or any home loan.

It will also provide a month-by-month amortization schedule that shows how much you've reduced your debt and how much you still owe if you want to pay off your [mortgage](#).

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30 year fixed	▼	3.78%
15 year fixed	▼	3.08%
30 year fixed jumbo	▼	4.38%
15 year fixed jumbo	▼	3.60%

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