Could Rising Mortgage Rates Spur Housing Rush?

Mortgage rates have been rising ever since November 2010, when lows of 4.42 percent were reported. Bankrate.com recently reported a rise to 5.02 percent in 30-year fixed rate loans, which is the second time in three weeks rates have crossed the 5 percent mark--many experts say signaling the end to the 4 percent mortgage rate era.

Forecasters predict mortgage rates to hover in the 5-6 percent range in 2011.

Yet, some industry experts say the rise in mortgage rates may stimulate a sluggish housing market.

The rising rates create an urgency for potential buyers. They'll have more incentive to buy soon before mortgage rates go any higher.

After all, higher interest rates mean buyers will pay more for their mortgages. Greg McBride, chief economist at Bankrate.com, told CNNMoney.com that when rates rise 4.25 percent to 5 percent, it takes away 9 percent of the purchasing power of buyers.

Lawrence Yun, chief economist of the National Association of REALTORS®, doesn't foresee a moderate hike in mortgage rates as a negative for the industry. Instead, he says the real mortgage challenge is getting lenders to approve creditworthy buyers for a loan.

"It's less about rates than it is about underwriting standards ... If lenders return to more normal, safe underwriting standards for creditworthy buyers, there would be a bigger boost to the housing market and spillover benefits for the broader economy," Yun said.

Source: "Kiss 4% Mortgage Rates Goodbye," CNNMoney.com (Dec. 30, 2010)