

## NEWS & MEDIA



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### Interest Rates and the Real Estate Market

Mortgage interest rates are based on the Federal Reserve's interest rates. Increasing and decreasing rates have a large impact on buying and selling power.

NEW YORK – Real estate professionals need to stay ahead of market and economic trends to be in the best position to advise their buyers and sellers on affordability and availability.

Higher interest rates often lead to higher mortgage payments and reduce affordability, which can slow sales or reduce inventory, while declining rates make homeownership more affordable, creating a bigger demand.

Mortgage lenders base their rates for fixed- and adjustable-rate mortgages on the Federal Reserve's interest rate, and a rise or fall in interest rates will affect your clients differently.

For buyers, rising interest rates can shrink borrowing power, forcing buyers to adjust their budgets and potentially target lower-priced properties. Lower rates have the opposite impact, motivating buyers who felt priced out of the market, particularly first-time homebuyers.

For sellers, rising interest rates often mean the pool of buyers is smaller, which can lead to homes sitting on the market longer. Declining interest rates can create more buyer demand, shorter listing times and provide sellers more negotiating power.

Homeowners with fixed-rate mortgages can be certain their payments will remain steady at the lower interest rate they locked in at the time of the loan, but they could face fluctuations in housing expenses due to changes in taxes or insurance.

Homeowners with adjustable-rate mortgages will see payments go up when their interest rate is due for adjustment, although how much it goes up depends on mortgage caps specific to the terms of their loan.

Refinancing into a fixed-rate mortgage may provide stability and consistency, although homeowners should be prepared for tighter lending restrictions. If a homeowner's current interest rate on a fixed-rate mortgage is significantly higher than current rates, refinancing can offer potential savings through lower monthly payments, especially for those struggling with affordability.

Lower interest rates can also make borrowing against home equity more attractive, allowing homeowners to access cash for renovations, debt consolidation or other financial goals.

Source: HousingWire (01/05/24) Babich, Luke

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