WHAT DRIVES INTEREST RATES?

Mortgage rates are affected by numerous factors. Many other influences can also trigger rates to rise and fall.

1 INFLATION

Mortgage lenders are very sensitive to inflation. When inflation rates go higher, interest rates often rise as well.

2 ECONOMY

When GDP and employment rise, it's a sign of a growing economy, meaning greater demand for real estate. When demand rises, so do interest rates as there is more demand than money to lend.

3 FEDERAL RESERVE

When the Fed raises or lowers the federal fund's rates (the rate lenders charge each other), it creates a ripple effect and typically results in higher mortgage rates.

4 INVESTORS

Bonds are typically a safe investment so when the economic outlook is poor, they flood to the bond market. When there are more investors in bonds, the bond yield rises, and mortgage rates tend to rise as well.

WHY INTEREST RATES RISE

- Assumption that the Fed will continue to keep short-term rates low
- A slow housing market and lower demand for mortgages
- Declining economy - lower employment levels and lower wages
- The stock market moves to very low levels, driving bond prices higher and rates lower

WHY INTEREST RATES FALL

- Investors will dump more money into stocks than into bonds
- A high number of bonds are auctioned, lowering bond prices and raising interest rates
- When wages and employment are up, consumer spending rises, affecting GDP and the economy
- When the stock market moves higher, bond PRICES drop, driving rates higher

Information contained is intended for general information and is subject to change without notice based on market volatility. Talk to your loan officer for the most current rates and market trends

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