



Home Borrowers Haven't Felt Effect Of Looser Policy

BY BEN EISEN

Borrowers aren't yet feeling the effect of the Federal Reserve's interest-rate cuts.

The central bank lowered its benchmark rate by a quarter- percentage point Thursday, following its half-point cut in September.

But the average rate on a 30-year fixed mortgage has gone in the opposite direction since the Fed's first cut, rising by more than half a percentage point to 6.79% this week, Freddie Mac said Thursday. It might keep climbing, tracking the recent rise in the 10-year Treasury yield.

The Fed wants to push down the cost of borrowing money for homes, cars and other purchases. But mortgage rates aren't determined by the Fed; they are heavily influenced by Treasury yields, which go up and down based on economic expectations. And the outlook for growth is strong, keeping both yields and mortgage rates high. *

Yields have also been rising since President-elect Donald Trump's victory. Investors think that Trump's tax-cut heavy agenda would add to the deficit and increase economic growth and inflation. That would put upward pressure on Treasury yields. Trump has also promised higher tariffs, which could further add to inflation.]

"Higher for longer, unfortunately, for all of us is going to be a thing, even in the face of Fed rate cuts," said John Toohig, head of whole-loan trading at Raymond James. "You would need to see the economy show some real signs of economic weakness to see rates truly drop."

Across the board, consumer borrowing rates haven't tracked the Fed's move lower. Average credit-card interest rates, which typically lag behind Fed cuts by a couple months, dipped slightly to about 20% on Wednesday from 21% on Sept. 18, according to Bankrate. An average five-year loan for a new car had a rate of 7.6%, versus 7.7% in mid-September.

Still, consumers tend to look to the Fed as a guide. Nearly two-thirds of car shoppers, for example, said in an August survey that a Fed rate cut would affect the timing of a car purchase, according to car-shopping site Edmunds.

The interest rates banks pay customers on their accounts have also been slow to fall. The highest yielding oneyear CD had an average rate of 4.6% in late October, versus 4.9% in mid-September, Bankrate said. The highest yielding savings account rate fell to 5.1% from 5.3% over that time.

Mortgage applications have fallen for six straight weeks, according to the Mortgage Bankers Association. *

In the housing market, would-be buyers are having to make peace with high rates on top of high home prices.

Tristan Kaisharis has been looking with his wife for a house in the Dallas area. He said some homes he came across have nearly doubled in price over the past few years. The cost of buying a similarly sized home to where the newlyweds

live now is far more expensive. They want to sell their current house but worry about finding buyers at current mortgage rates.

“The rates are not where we need them to be to account for how high home prices have gotten,” he said.

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