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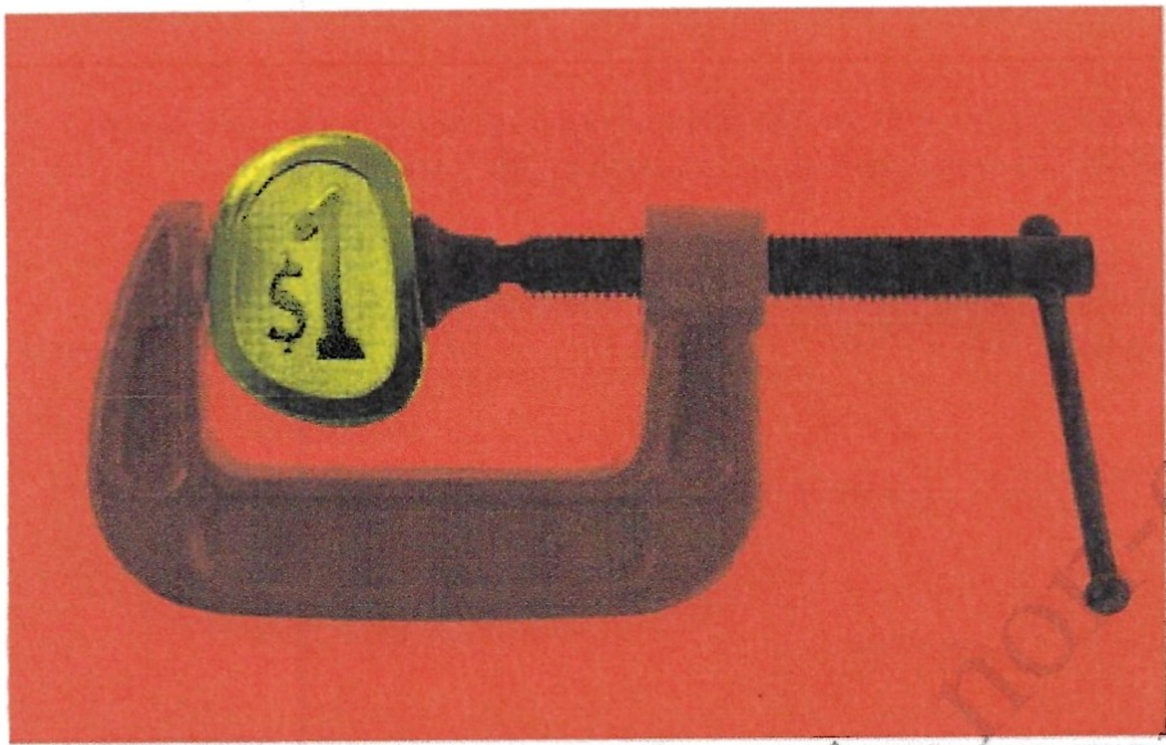

ELENA SCOTTI/ WSJ, ISTOCK

Savers and Borrowers Feel the Squeeze

Interest-rate uncertainty leads to worry, as high-yield savings accounts are paying less, while mortgage rates have climbed

BY IMANI MOISE

Whether you're trying to save money or need a loan, you're probably feeling squeezed by interest rates.

With President Trump's tariffs suddenly putting recession fears back in play, traders now see a roughly 80% chance the Federal Reserve cuts rates by at least a half percentage point this year. Such cuts would likely pinch savers, but might not flow through to the rates borrowers pay.

Consider what has happened since the Fed began lowering rates last year.

Banks quickly dropped rates on savings accounts, while rates on mortgages and other loans stayed relatively high.

Adding to the stress: The chaos of Trump's first two months in office is making it harder to predict where the economy and rates are headed.

Here's what savers and borrowers should know:

Mortgage rates

Aspiring homeowners may be feeling especially stressed.

Their savings for a down payment are likely earning less than they were a year ago.

Yet to the surprise of many, mortgage rates have climbed.

The average rate on a 30-year mortgage was at 6.65% this past week, up from 6.2% right before the Fed's September rate cut.

Mortgage rates are more closely tied to the 10-year Trea-sury yield than the Fed's bench --mark rate. *

And if tariffs and tax cuts under Trump fuel inflation, many investors expect longer-term yields (and mortgage rates) to stay elevated. The latest inflation reading showed price pressures cooling in February, but that report didn't capture the full effects of new tariffs.

"It's unlikely that someone holding out for a lower rate to buy a house will see that happen until the bond market gets more clarity on policy changes," said Nathan Stovall, director of the financial institutions research at S& P Global Market Intelligence.

Higher mortgage rates have delayed a rebound in home sales. In January, sales of existing homes fell 5% from the previous month. But if you're ready to purchase a home, financial advisers say it's better to pull the trigger and refinance later when rates decline.

Waiting for a sharper drop in rates could mean competing with a rush of buyers, and bidding wars that drive up home prices.

Credit cards

People waiting for relief on their credit-card bills might also be disappointed.

Average credit-card interest rates have declined just slightly to 20.09%, from a record high of 20.79% last year, according to Bankrate.

"We're moving in the right direction on borrowing costs," said Ted Rossman, *senior* industry analyst at Bankrate.

"But the progress is probably not going to be as fast as many people would like."

Credit-card rates also depend on a mix of factors, including the risk people will default on payments. So if it looks like the economy is slowing or headed for a recession, card issuers might keep rates relatively high to cover potential losses.

If you have a good payment history, you can try calling your bank to negotiate a lower rate. But someone with a $3,000 balance would only save $5 per month in interest if his or her rate fell from the current average to 18%.

Rossman suggests people struggling with credit-card debt look for 0% balance-transfer offers or find a reputable nonprofit credit counselor to work with.

Savings accounts

Meanwhile, savers are already feeling the Fed's rate cuts. The highest yielding savings account this past week was paying 4.55%, according to Bankrate.

That is down a full percentage point from before the Fed began cutting rates. !

Such accounts at online banks still offer some of the best returns for emergency savings funds.

Yet the majority of Americans keep their money at traditional banks, where the average savings account earns just 0.47%, so people can earn more simply by switching banks.

But if rates continue to fall, such offers will be harder to find.

"You're seeing fewer of those banks be out there on the edge," Stovall said.

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