

Will The Fed's Recent ¼ Pt. Rate Drop Signal a Refinance Boom?

If you ask CNBC they would say yes, the Refi market looks to improve.

In a CNBC article dated July, 31st 2019, author Jessica Dickler writes;

The Federal Reserve cut interest rates Wednesday, its first reduction since December 2008. For most Americans, this may mean a reprieve in escalating borrowing costs. Simultaneously, savings account rates may fall.

The Federal Reserve's decision to cut interest rates 25 basis points for the first time in over a decade marked a dramatic shift in monetary policy that will be felt by Americans across the board.

After raising the federal funds rate nine times in three years, with the last move coming in December as financial markets were melting down, concerns about a slowing economy caused the Federal Open Market Committee and Chairman Jerome Powell to reverse course.

Now, interest rates are historically low, which leaves the central bank with little wiggle room in the event of a recession or if the economy stumbles. The current target range for its overnight lending rate is 2% to 2.25%.

For consumers, the so-called Powell Pivot could mean a reprieve in escalating borrowing costs, which can impact your mortgage, home equity loan, credit card, student loan tab and car payment. At the same time, savings account rates may fall.

Here's a breakdown of what may happen to your loans and savings:

"The economy, the Federal Reserve and inflation all have some influence over long-term fixed mortgage rates, which generally are pegged to yields on U.S. Treasury notes.

As a result, mortgage rates are already substantially lower since the end of last year.

The average 30-year fixed rate is now about 3.93%, the lowest since November 2016, according to Bankrate.

That means that if you bought a house in the last few years, consider refinancing at a lower rate, McBride advised. If you can shave half a percentage point off your rate, that would save the average homeowner \$125 a month, he said.

On the heels of the Fed decision, this represents the single greatest saving opportunity for consumers, McBride added.

Many homeowners with adjustable-rate mortgages may see their interest rate go down as well, although not immediately as ARMs generally reset just once a year.

The rate cut will also make it slightly cheaper for consumers to borrow money from a home equity line of credit or pay back their current HELOC loan.

However, the savings may end up being only a few dollars a month, according to Holden Lewis, NerdWallet's home expert.

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