Published April 17, 2025, in the YourHub section of The Denver Post

Buyers Are Dealing With High Interest Rates by Negotiating Interest Rate Buydowns

Let's Talk Home Financing

By JIM SMITH Realtor®

I spoke with **Jaxzann Riggs**, owner of **The Mortgage Network**, recently for an update on mortgage rates and trends. This is what she had to say…

Any discussion of rates needs to begin with the fact that most lenders offer a wide range of mortgage rates to each prospective borrower. Asking a lender what is the current interest rate is akin to asking "What is the cost of a home?" Many factors impact the "base," or the "par" interest rate offered to a loan applicant.

A "par" interest rate represents the pure cost of money. At a par rate, the lender is not offering a "credit" to the borrower to help pay for closing costs, nor will the borrower pay "discount points" to the lender to buy the interest rate down for the life of the loan. Mortgage rates have been extremely volatile in the past two weeks; so much so that it is common for lenders to offer one rate in the morning, only to have the rate move up or down one or more times over the course of the day. When a borrower has entered into an agreement to purchase a property and a formal loan application has been made, lenders can "lock in" the rate being offered. This guarantees that the cost of the interest rate chosen won't go up for the agreed upon "lock" period, normally 15, 30, 45 or 60 days. "Lock in" policies vary from lender to lender, and some will guarantee that there is no increase in the cost of money during the "locked period" while still offering the borrower a "float down" option.

Underwriters approve borrowers for a maximum monthly housing expense which, of course, is directly tied to the interest rate. If the cost of the rate rises in the days following the initial contract and the borrower has not obtained a "lock agreement" with the lender, the borrower risks losing his preliminary approval or having to pay a higher fee to obtain the rate at which they were originally qualified.

Jaxzann suggested that we put today's rates in a historical context. The 1970s was when Freddie Mac started tracking of mortgage rates. At the beginning of that decade, 30-year rates hovered around 7.50%. By 1974, inflation was a concern, and 30-year fixed mortgage rates surpassed 10%, with even higher rates to come.

The 1980s were characterized by high inflation, as evidenced by 30-year mortgage rates peaking at 18.63% in October of 1981. The era was defined by a condition known as stagflation, meaning non-existent economic growth and persistently high inflation. As the decade ended, 30-year rates subsided to single-digit figures, stabilizing at approximately 9.94%.

Mortgage rates crossed consistently into single digits again by the beginning of the 1990s and the average 30-year fixed rate mortgage between 1990 and 2020 was approximately 6.96%.

Anticipating which direction mortgage rates are headed is pure speculation. What is clear is that current "par" rates are better than historic averages.

If you are currently an owner, some of the equity in your home can be used to "buy down" the interest rate on your next home. Additionally, seller-funded interest rate buydowns have recently become common in many real estate transactions. In December 2024, 66% of closed transactions included seller concessions, mostly for that purpose. Using seller concession, some borrowers were able to obtain rates below 6%.

From this historical perspective, now is still a great time to be a home buyer in Colorado. If you have questions about current mortgage rates and or strategies to obtain the best rate, reach out to Jaxzann at **303-990-2992**.