

# The Federal Reserve Raised Interest Rates, Yet Mortgage Rates Plummeted. Why?

If you follow mortgage interest rate fluctuations, you may wonder how mortgage rates can drop despite several increases in the Federal Reserve's much talked about discount rate over the past year.

## REAL ESTATE TODAY



By JIM SMITH, Realtor®

The benchmark 30-year mortgage rate plummeted 27 basis points (over 1/4 percent) last week, the biggest weekly drop in a decade, creating a huge affordability window for home buyers and for homeowners considering a mortgage refinance. The last time the benchmark 30-year rate was below this level was Jan. 3, 2018, when it hit 4.10 percent, according to Bankrate's historical data.

This can be a teachable moment, so I asked one of my preferred lenders, Scott Lagge of Movement Mortgage to explain.

According to Scott, financial markets are complex, and many factors impact interest rates. What we are experiencing currently is based to a large degree on consumer sentiment. As consumers, we can have a huge impact on the market based on what we "feel" about where the economy is headed. If we "feel" the market is getting worse, we hold

onto our money, spend less, buy less, and shift our investments from short term to long term investments. Therefore, worries about slowing economic growth can change our behaviors as consumers and as investors. Investors worried about the economy slowing in the short-term start to shift their money to long-term investments such as bonds, specifically mortgage backed securities (also known as mortgage bonds). This flood of money into mortgage bonds reduces mortgage bond values and rates fall due to an over abundance or supply of bonds. In essence, it's supply and demand.

For a more technical explanation, Scott cited this statement from Greg McBride, CFA, Bankrate's chief financial analyst: "Worries about slowing economic growth — both domestically and abroad — and the inversion of the Treasury yield curve put investors into semi-panic, bringing bond yields still lower after the Fed indicated no more rate hikes in 2019."

Above is a chart from [www.Bankrate.com](http://www.Bankrate.com) showing last week's sudden drop in mortgage interest rates.

Changes in mortgage rates can affect home

	<u>30-year fixed rate</u>	<u>15-year fixed rate</u>	<u>5/1 ARM</u>	<u>30-year jumbo</u>
3/27/2019	4.17%	3.63%	3.98%	4.21%
3/20/2019	4.44%	3.79%	4.15%	4.38%
3/13/2019	4.49%	3.83%	4.15%	4.43%
3/6/2019	4.62%	4.00%	4.27%	4.54%
2/27/2019	4.54%	3.96%	4.19%	4.49%
2/20/2019	4.52%	3.93%	4.20%	4.47%
2/13/2019	4.54%	3.94%	4.21%	4.47%
2/6/2019	4.57%	3.98%	4.22%	4.54%
1/30/2019	4.62%	3.96%	4.22%	4.54%
1/23/2019	4.62%	3.99%	4.29%	4.60%

prices. To the extent that buyers use mortgage financing, what they can afford to purchase goes up or down. As mortgage rates flirted with 5%, we saw a definite softening of the long-running seller's market. If these low rates last into the coming weeks, we may see more buyers wanting to resume house hunting and lock in a low mortgage rate.

Scott Lagge invites you to call him at **303-944-8552** if you'd like to see what interest rate you qualify for. Call me at **303-525-1851** if you'd like to go house hunting!

## Answering a Reader's Question

**Q. I want to get above my listing price. If I get a full-price offer, do I have to accept it?**

**A.** My sellers occasionally ask this question because my listing strategy involves pricing a home at or near current, real-world market value, as opposed to some hoped-for higher price. Sometimes a seller says they don't want to sell for any amount that's not above the listing price and asks if they're required to accept a full-price (or any) offer.

The answer is "no." Sellers cannot be compelled to accept an offer, irrespective of the offered price. I always explain this up front to prospective buyers (through their agent, if represented) who submit a full-price offer. The Colorado real estate contract states that if the listing agent produces an offer that matches the terms specified, the seller owes the commission to the agent. To better serve my clients' interests I insert an additional provision stating that the seller, will not owe me a commission on any rejected offer.

At the same time, however, I point out that if the only offer we receive is for full-price (or less), then we didn't underprice the home, did we?

*Do you have a question about real estate that you'd like answered here? Put it in an email and send it to me at [Jim@GoldenRealEstate.com](mailto:Jim@GoldenRealEstate.com).*

## Western Slope Home Just Listed by Kim Taylor

Perhaps you remember Kim Taylor. She was our office manager and licensed broker associate before moving to the delightful Western Slope community of Cedaredge two years ago. Now she has a listing in that town which we're happy to feature here. I haven't seen it myself, but here's how Kim describes it. This charming 3-bedroom/2-bath home with oversized garage offers one-level living in a quiet neighborhood just 1.5 miles from Cedaredge's main street with its shops, grocery store, restaurants and the new Grand Mesa Arts & Events Center. Just a 15-minute drive north takes you to the top of the Grand Mesa with over 300 lakes, miles of trails for hiking, skiing, snowshoeing, snowmobiling and spectacular views of the mountains and valley! Just a 15-minute drive south takes you to the Gunnison River with its world class fishing, canoeing, and rafting and the modern Delta Rec Center for staying in shape "off season." The house sits on its lot in a way that maximizes the tranquil setting! Sit on the front porch and enjoy the views of the San Juan mountains with the wildlife running through the open pasture in front of you, then relax in the hot tub on the secluded back patio and view the abundant stars at night! You will love the open floor plan designed for entertaining. Learn more by visiting [www.CedaredgeHome.info](http://www.CedaredgeHome.info) or come by the open house **Saturday, April 6, 1-4 pm** -- or call Kim at **303-304-6678**.



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**Jim Smith**

Broker/Owner

**Golden Real Estate, Inc.**

CALL OR TEXT: **303-525-1851**

OFFICE PHONE: **303-302-3636**

EMAIL: [Jim@GoldenRealEstate.com](mailto:Jim@GoldenRealEstate.com)

WEBSITE: [www.GoldenRealEstate.com](http://www.GoldenRealEstate.com)

ARCHIVES: [www.JimSmithColumns.com](http://www.JimSmithColumns.com)

**17695 South Golden Road, Golden 80401**

