

A Look at Mortgage Interest Rates Over Time Puts Today's Rates in Perspective

I spoke with **Jaxzann Riggs**, owner of **The Mortgage Network**, recently for an update on the mortgage rates. "Par" rates are currently in the low 6% range for a 30-year fixed rate. A par rate represents the pure cost of money. At this rate the lender is not offering a "credit" for the buyer to cover closing costs, nor will the borrower pay "discount points" for the rate. I asked Jaxzann to offer some insight into historical rates...

1970s: The 1970s marked Freddie Mac's initial tracking of mortgage interest rates. At the beginning of the decade, 30-year rates hovered near 7.50%. By 1974, inflation was a concern, and 30-year fixed mortgage rates surpassed 10%, with even higher rates to come.

1980s: The 1980s were characterized by persistently high inflation, as evidenced by 30-year mortgage rates peaking at around 18% in 1981. The era was defined by a condition known as *stagflation*, meaning non-existent economic growth and persistently high inflation.

As the decade came to a close, 30-year mortgage rates subsided to single-digit figures, stabilizing at approximately 9.94%. Some individuals draw parallels between the current economic climate and that of the 1980s, which is partly why some perceive 7% to 8% 30-year fixed rates as relatively modest at present.

1990s: Mortgage rates crossed consistently into the single digits again by the beginning of the 1990s. Homeowners who had purchased their home with a mortgage during the 1980s with rates in the 18% range were finally able to cut their rates in half as rates dropped and they were able to refinance.

2000s: Interest rates began the decade at approximately 8% and gradually declined over the next few years to an average of 6.6% in 2006. However, 2008 marked the housing market crash, causing a financial crisis. To try to relieve this economic disaster, the Federal Reserve rapidly cut rates to 5.20%.

2010s: As a result of the financial crisis, many folks lost homes in foreclosure. Mortgage rates remained low, around 4.69%, fluctuating a bit throughout the decade. This time was the beginning of super-easy monetary policy: 30-year rates stayed around the 3.45 - 4.90% range... not much lower than where we are now.

2020s: The onset of the pandemic ushered in extremely low-interest rates as the Fed dropped rates to near zero. 30-year home loans were offered at levels below 3% in 2021. Rates had never been so low since Freddie Mac started tracking mortgage interest rates in 1971.



- Consider:**
- ◆ The average price of a home in June 1975 in Colorado was \$54,850.
 - ◆ The average price of a home in June 2023 in Colorado was \$812,490.
 - ◆ Mortgage rates are still on the low side of historical averages over the last 50 years.
 - ◆ Mortgage rates have pulled back from their November highs near 8%.

Buyers may want to consider something that seasoned real estate investors preach: "You can always change the interest rate, but not the purchase price." If rates decline in the future, a home purchaser can always refinance their mortgage later.

With this historical perspective, realize that now is still a great time to consider a home purchase. 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 and if you are a first-time buyer, there are new programs to assist with down payment and closing costs.

Not all first-time homebuyer programs have income limitations, helping to make the dream of homeownership a reality for many. If you have questions about mortgages contact Jaxzann at 303 990-2992.

