



Steve's Mortgage Notes

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The Fed cut rates. What now?

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As expected, the Federal Reserve cut the Federal Funds rate by another 0.25%. As you know, mortgage interest rates are not directly tied to the Fed Funds rate. Mortgage interest rates generally tend to follow the direction of the Fed Funds rate but we'll have to wait and see what happens.

The Federal Reserve board meets eight times a year. The stated mission of the Federal Reserve is to control inflation and promote employment. Economic data has been stable while inflation numbers have been inching up recently. Prognosticators are suggesting that the Fed is probably not going to cut the Fed Funds rate again any time soon.

I'm not sure it matters. This is a good time to buy a home in Tucson regardless of what the Federal Reserve does. There are two reasons it's a good time to buy a home in Tucson:

1) Mortgage interest rates will get better..... and worse. Bankrate.com broke down the [history of mortgage interest rates](#) from 1970 to

2024. The range is wide. We saw interest rates below 3% in 2021 while the highest average interest rate in the 1980's was 16.64%.

If mortgage interest rates improve, today's home buyers can refinance. If mortgage interest rates move higher, today's home buyers will be glad they bought today instead of waiting.

2) Renters can't build equity. It's easy to find reports about renting being cheaper than buying. Here is [a recent example from Kiplinger](#). Even if renting is "cheaper", owning a home is a better financial move. The Aspen Institute tells us that [the median net worth of homeowners is \\$400,000](#). The median net worth for renters is \$10,400.

It may be a while before the Fed cuts rates again. It doesn't matter to me. There are people here in Tucson that understand that this is a good time to buy a home.

Interest rate update

It happened again. [Mortgage interest rates rose following the Federal Funds interest rate cut](#). This time it was the comments made by Fed Chair Jerome Powell that caused the increase to the mortgage bond prices.

Powell suggested that there will be fewer Fed Funds rate cuts next year. The market didn't like that possibility. The Fed may change their tune if unemployment rates spike.

Here is a look at [the average interest rates from Mortgage News Daily](#):

30 year fixed rate 6.95% (6.68% last week)
15 year fixed rate 6.23% (5.98% last week)



Bits and Pieces

GoBankingRates.com uses data from the American Community Survey, the Bureau of Labor, and Zillow to rank retirement communities. [This year's winner was Oro Valley](#). Pinehurst, North Carolina and Bella Vista, Arkansas rounded out the top three.....The homeowners insurance problem in California is so bad that the state government has mandated that companies cover high risk areas. Insurance premiums [will increase everywhere](#) to cover the high risk areas. Buying a home in California just got even more expensive.....[This story is horrifying!](#) You and I know about how often wire fraud occurs but our clients don't realize how widespread the problem has become. The couple in the story is out \$225,000. It's our job to make sure that doesn't happen to our clients.....According to a LendingTree survey 38% of Americans think the housing market is at risk of crashing. That's [down from 44% a year ago](#). Only 14% of homeowners have mortgage interest rates over 5% and 46% of homeowners say they would like to sell but are "stuck" because they don't want to lose their rate.

The National Association of Home Builders Housing Market index indicates that [builder confidence is steady with optimism for 2025](#). Future sales expectations have hit a three year high. Concerns about inflation remain.....The U.S. Senate has passed the [Homebuyers Privacy Protection Act](#). The bill now must be passed by the House of Representatives. The bill would limit "trigger leads". Our clients wouldn't get as many solicitation calls after a single lender pulled their credit. This would be a win for our clients.....The U.S. Treasury has reported that the [median net worth of young Americans is higher than ever](#). Americans between the ages of 25 and 39 had a median net worth of \$23,750 in 2010. Today, Americans between 25 and 39 have a median net worth of \$80,500.....The Personal Consumption Expenditures Price Index (PCE) report for November was released last Friday. This is the Fed's favorite measure of inflation and it [came back lower than expected](#). Expect more rate cuts if PCE continues to fall.

Quote of the Week

"Your present circumstances don't determine where you can go; they merely determine where you start."

-Nido Qubein

It seems like every Christmas memory I have is a great one. Christmas is different now than it was when I was a kid but my recent Christmas memories are still fantastic. What do they all have in common? A home.

I hope that you enjoy your Holiday. I hope your celebration brings you peace and joy. I hope you take time to relax and recharge because we have a big responsibility to help home buyers to buy homes for their families. The work you do matters.

Thank you for reading. Have a great week!

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