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able nationally and locally, combined with stubbornly high mortgage rates, is keeping a clamp on real estate activity. According to some metrics, around half of mortgage loan originators and realtors have been forced to take a break or leave the industry entirely over the last year. During the torrid run from 2020 – 2022 we probably had too many loan originators and realtors in the industry but this correction we are feeling now is severe.

Once mortgage rates begin to fall consistently, we will see more buyers come back into the market, which will cause property prices to increase again and homeowners will get back to listing their properties to take advantage of the higher prices. Potential sellers will also be encouraged by the lower rates to sell their current property, get off of their 2.5% – 4% interest rates, and purchase a new property. If the Fed does start cutting the Fed Funds interest rate this year, we may see 30-year fixed rates get into the high 5% APR range towards the end of this year with the potential to get back into the high 4% APR range sometime towards the end of next year. All is dependent on inflation and the Fed.

Despite the huge slowdown in the mortgage industry, I am still making transactions and have been fortunate enough

to be able to wait out this market. Once the refinance run starts later this year, things could get very busy. Getting prepared early is key to getting the best rate. Feel free to reach out to me for a *free* consultation if you want to go over your mortgage situation and be prepared to refinance your existing mortgage or purchase another property when the rates start to fall.

If you are curious to see how you can use the current market conditions to your benefit, please reach out for a *free* consultation. Stay tuned here for future updates and feel free to reach out for a *free* consultation if you want to understand more about interest rates and mortgage products.

*As always, your mortgage guy,
Viral (Vic) Joshi
Home of Real Mortgage Advice®*

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Vic Joshi
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MORTGAGE
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My mission is to help buyers qualify for the best loan available for their circumstance. I spend a generous amount of time with each client to educate them about how the mortgage industry works, through free “Mortgage 101” consultations, so they can make good decisions and get the best loan possible. I’ve revamped my website to give clients the best resources to supplement my consultations.

When I’m not doing loans, I’m an avid scuba diver and certified Rescue Diver. Eventually, I’d like to become a dive instructor, so I can share the joys of this ocean sport with others.

I give back to the Monterey Bay Aquarium, Divers Alert Network (DAN), and the National Outdoor Leadership School (NOLS).

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Vic’s Mortgage Report

“Home of REAL Mortgage Advice®”

Inflation is the killer of mortgage rates

Hi Friends,

Mortgage rates continue to remain stubbornly high due to the worse-than-expected inflation readings in February. The average 30-year fixed interest rate fell close to 6% APR for zero points right around Christmas of last year. That was down from 8% APR on 10/20/2023. As of the middle of February, those same 30-year fixed rates for zero points were closer to 7% APR.

The messaging from Federal Reserve chair Jerome Powell after the January 31st Federal Reserve Open Market Committee Meeting indicated no rush to start cutting their target interest rate. Before this latest Fed meeting, the markets were predicting a high probability of a Fed rate cut at the March 20th meeting. This seems unlikely due to the higher-than-expected inflation numbers. The Fed keeps pushing for 2% inflation as a barometer for starting interest rate cuts. The latest inflation figures still show overall inflation slightly above 3%. This is down from peak inflation of over 9% in June of 2022.

Clearly, the Fed rate hikes since March of 2022 have slowed the economy and significantly reduced inflation. Even so, the Fed is still not convinced that they can start cutting their target interest rate, the Fed Funds. Now the markets are looking for the Fed to potentially start cutting the Fed Funds interest rate at the May or June meetings.

The Fed interest rate policy impacts



mortgage rates primarily because of how it impacts the bond market. The Fed rate cuts will be a clear indication to the markets that inflation is firmly under control, and this will cause more demand for U.S. treasury bonds. The more demand there is for U.S. treasury bonds, the lower the yield paid on those bonds, which sets the basis for mortgage interest rates. Once the bond yield starts to drop, mortgage rates will follow. Continue watching the 10-year treasury bond yield to see where mortgage rates are going. The lower the yield, the lower the mortgage rates.

None of this helps with home purchasing. The historically low inventory avail-
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...And More Stuff Every Homeowner Should Know