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there should be some increased home buying activity as more buyers are able to jump back into the market. The next six months may be the best time to still get a deal on home prices before the lower interest rates start to take hold in the housing market.

As mortgage rates continue to fall, I am anticipating a mini refinance boom starting the middle of 2023 and running into 2024. This run on refinances will mainly be for borrowers who took out mortgages in 2022 during the highest rate environment we have seen in 15 to 21 years.

Others who may benefit are those who have Private Mortgage Insurance, PMI, and have gained in equity as well as borrowers looking to take cash out of their equity without adding an adjustable interest rate HELOC.

If you want to see if refinancing in the new year is a good option for you, feel free to reach out for a *free* analysis.

Wishing you all a very Happy New Year!

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

Viral (Vic) Joshi
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Vic's Mortgage Report

“Home of REAL Mortgage Advice®”



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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Lower Rates Make for a Happy New Year!

Hi Friends,

Mortgage interest rates finally started falling in November 2022, as I had predicted in my November newsletter. Year over year inflation numbers started to come down, which is great news for mortgage rates. A drop in inflation helps reduce treasury bond yields and treasury bond yields set the basis for mortgage rates.

As the Federal Reserve’s interest rate hikes slow down the economy, we will see more declines in the monthly inflation readings, which will cause bond yields to drop and mortgage rates to fall. Look for more follow through on falling mortgage rates over the course of the next six months.

Despite the improved inflation numbers, the Fed increased its target interest rate, the Fed Funds, again on December 14th. This latest rate increase was .5% and it took the Fed Funds from 4% to 4.5%. This Fed Funds rate only directly affects one consumer interest rate, the Prime Rate, which is always 3% more than the Fed Funds rate.

Prime is now at 7.5%, which affects credit card interest rates and Home Equity Lines of Credit, HELOCs. HELOC rates are now at or slightly above the Prime Rate. Counter intuitively, when the Fed Funds rate increases to slow or reverse inflation,



mortgage interest rates usually fall because they are not tied to the Prime Rate. Mortgage rates are tied to the bond market. If you want to see where mortgage rates are going, look at the 10-year Treasury bond yield. As the bond yield drops, mortgage rates are dropping as well.

After touching a 21-year high in mortgage rates in October 2022, the reversal in the bond market saw an over 1% drop in mortgage rates in November 2022. As this trend of lower mortgage rates increases into the first and second quarters of 2023,

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