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many home buyers on the fringes from being able to afford housing at the current lofty prices and we should start to see a cooling in home purchase prices. Less buyers in the markets means fewer multiple offers, which should lead to some normalization in the housing markets after a torrid 2020 and 2021.

When interest rates are up and home prices are down, the payments are relatively similar. Any fixed rate below 5% is still amongst the lowest interest rate range in the country's history. We have been spoiled by the lowest rates in the history of mankind that we have all experienced since February 2020, when the Fed cut the Fed Funds rate to 0%. Home purchases will continue to be brisk, but maybe not with as steep a curve of price increases as in 2020 and 2021. As home prices stabilize, we will see how many cash buyers are still in the markets to compete with home buyers who need a loan to complete their home purchases. Less speculative buyers in the market will be a good thing for average and first-time home buyers.

The Covid-19 pandemic, with all its variants, continue to create volatility in the markets. Volatility means that mortgage rates, though rising overall, will likely hit some

sweet spots with temporarily low-rate pockets becoming available in the next two years. This means being prepared to strike when those moments arise or being prepared to purchase and then refinance when one of those pockets becomes available is the way to continue capturing these historically low mortgage rates. There is a lot of chatter out there about a recession in 2023 or 2024. If we do hit another recession, be prepared for the Fed to step in again and suppress interest rates for another run at historically low mortgage rates. I guess what I'm trying to say is what goes up, will eventually come back down again and, in the case of mortgage rates, the opposite is true as well. Hang on for another bumpy ride!

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

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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"

What goes down must come up

Hi Friends,

December 2021 saw mortgage rates continue to be pressured higher due to persistent inflation in the markets. The annual inflation rate increased over 6% in November 2021, which is three times the Federal Reserve's desired target rate of 2% inflation. At the December 14-15 FOMC (Federal Open Market Committee) Meeting, the Federal Reserve announced it will double the tapering of its treasury bond and mortgage-backed securities purchase program from a reduction in purchases of \$15 Billion per month up to a reduction of \$30 Billion per month. At that rate, the program should end by March of 2022. This program had been purchasing \$120 Billion in treasury bonds and mortgage-backed securities from the markets per month, starting in June of 2020 through October 2021, to help support the economy through the pandemic. One of the primary functions of these purchases is to suppress consumer interest rates, such as mortgage rates, to keep stimulating consumer spending.

The Fed will likely wait a few months to see how removing this program will impact inflation before taking any further action to combat inflation. The primary means the Fed has to fight inflation is to increase the Fed Funds interest rate, which is the rate that institutional banks charge each other for overnight lending. We could see the Fed start increasing the Fed Funds rate sometime around the middle of



2022, if inflation remains persistent and doesn't start coming back down to the Fed's desired target of 2%. As the Fed Funds rate increases, all interest rates on revolving lines of credit, such as credit cards and Home Equity Lines of Credit (HELOCs) will be impacted immediately and will start rising. Fixed and adjustable mortgage rates tend to follow the Fed Funds rate eventually, but there is usually a short delay before we see these rates rise. Rising inflation, and the Fed's primary means of fighting inflation through increasing the Fed Funds rate, will continue pushing mortgage rates up.

Rising mortgage rates will eliminate
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**...And More Stuff Every
Homeowner Should Know**