What Drives **INTEREST RATES?**

PHH HOME LOANS

70 % % Mortgage rates are affected **1AIN INFLUENCERS** by numerous factors. Many WHY INTEREST RATES other influences can also

INFLATION

trigger rates to rise and fall.

Mortgage lenders are very sensitive to inflation. When inflation rates go **HIGHER,** interest rates often **RISE** as well.

RISE

Τ Investors dump more MONEY INTO STOCKS, less money into bonds

- A high number of BONDS are AUCTIONED to fund the deficit, lowering bond prices
- People feel wealthier and SPEND MORE, affecting GDP and the economy
- Stock MARKET moves to RECORD HIGHS, driving bonds lower and rates higher

WHY INTEREST RATES

- Markets assume the Fed will continue to keep **SHORT**-**TERM RATES** low
- **HOUSING** continues to **SLOW**, thus contributing to a slower economy
- \mathbf{J} Markets notice a deflation in WORLD ECONOMIES limiting business profits

Stock **MARKET** moves to very LOW LEVELS, driving bonds higher and rates lower

ECONOMY The Fed often lowers the **PRIME RATE** when the economy is slowing in order to spur more spending. This tends to also **LOWER** mortgage

lending rates.



INVESTORS Bonds and mortgage

securities compete for the same investors, so the performance of the **BOND MARKET** can affect how much money is available for lending.

RATE vs. APR

4.125

Mortgage rates move in eighths, from 4.0 to 4.125, for example. The Annual Percentage Rate (APR) includes much of the entire cost of the loan, so this rate can be any number, such as 4.99.

TO LEARN MORE about

how mortgage interest rates work and how this affects your mortgage options, contact your knowledgeable mortgage consultant.



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4.99

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