What Drives INTEREST RATES?

PHH® HOME LOANS

3 MAIN INFLUENCERS

Mortgage rates are affected by numerous factors. Many other influences can also trigger rates to rise and fall.

1 INFLATION

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

2 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.

3 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.

WHY INTEREST RATES RISE

- 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 FALL

- Markets assume the Fed will continue to keep **SHORT-TERM RATES** low
- **HOUSING** continues to **SLOW**, thus contributing to a slower economy
- Markets notice a deflation in **WORLD ECONOMIES**, limiting business profits
- Stock **MARKET** moves to very **LOW LEVELS**, driving bonds higher and rates lower

RATE vs. APR

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.

4.125 **4.99**

TO LEARN MORE about how mortgage interest rates work and how this affects your mortgage options, contact your knowledgeable mortgage consultant.

Bill Nickerson
Senior Loan Officer
NMLS #4194, Massachusetts

P: | C: 978-273-3227

william.nickerson@phhhomeloansne.com
phhhomeloansne.com/billnickerson