

YOUR MONTHLY
REAL ESTATE UPDATES



**HOMEGROWN
TEAM**
EDUCATE • PROTECT • SUCCEED



OCTOBER 2024

HOW FEDERAL RESERVE RATE CUTS AFFECT MORTGAGE HOME LOAN RATES

The Federal Reserve recently cut the federal funds rate for the first time in four years, lowering it by 0.5%. While the Fed doesn't directly control mortgage rates, its actions often influence them. This move has sparked interest among homebuyers and refinancers, as many are wondering how this cut might impact mortgage rates.



[HOMEGROWNTTEAM.COM](https://homegrownteam.com)



@homegrownteam



WHY DIDN'T MORTGAGE RATES DROP MORE?

Understanding why mortgage rates didn't drop further can be tricky. According to Mark Daker, "The simple answer is, there's not a simple answer." He outlines a few major factors at play:

- 1. Preemptive Rate Drops:** Mortgage rates had already dropped significantly in recent months. "We're now consistently back to the mid-5% range on purchases with high credit scores, which is about a 1% decrease from just a few months ago," Daker notes. This preemptive drop likely absorbed much of the potential impact from the Fed's cut.
- 2. Market Anticipation:** Traders in the mortgage market had already anticipated the Fed's move. "The traders that drive the market are smart and in tune with what they anticipate the Fed doing, so it appears they may have priced the 0.5% drop into their trading," Daker adds.
- 3. Uncertainty About Future Cuts:** The Fed's statements on future rate changes left room for uncertainty. "The Fed's commentary left a lot of ambiguity about future rate cuts, likely leaving the market scared to further purchase lower trading coupons," explains Daker.

SUPPLY IN THE HOUSING MARKET AND GRADUAL RATE DROPS

Another key factor impacting the mortgage market is housing inventory. A typical "balanced market" has about six months' worth of supply. In 2020-2021, Atlanta barely saw a two-month supply (if at all), but we've recently averaged three months of supply. While this suggests improvement and a shift toward balance, we're not there yet.

If mortgage rates were to drop too quickly, the market could see a frenzy as many people are waiting for rates to decrease before purchasing a home. This rush could lead to shrinking inventory and push the market back into an aggressive seller's market, with multiple offers and rising home prices.

By allowing rates to drop gradually, the industry is encouraging buyers without overwhelming the market. "We're seeing that going slowly is the better option to continue on a trajectory toward balance," Daker advises, emphasizing that while buyers are being encouraged, maintaining stability is key to a healthy real estate environment.





WHAT THIS MEANS FOR HOMEBUYERS

Despite the minimal change in rates, today's mortgage environment may still be favorable for buyers. "Mortgage rates have now returned to approximately the same levels we had in late summer/early fall of 2022, and at that time, total real estate volume was still at historically great levels," says Daker. As rates have steadied in the mid-5% range, homebuyers may find this a good opportunity to purchase, with historically reasonable rates still generating sales.

Daker also emphasizes that, compared to the higher rates seen earlier in the year, the payment increase for many existing homeowners isn't as drastic now. This suggests we may start to see hesitant buyers becoming more comfortable with current rates.

BOTTOM LINE:

While the recent Fed rate cut didn't lead to a dramatic drop in mortgage rates, the current rate environment is still more favorable than it was just a few months ago. Although some buyers may continue to wait for further cuts, today's rates are historically competitive and may present an opportunity for those ready to purchase a home.

Thank you to our preferred lender, Mark Daker of Ameris Bank, for sharing his professional industry insights.





blueprint 58



NONPROFIT SPOTLIGHT BLUEPRINT 58

BUILD RELATIONSHIPS. BUILD COMMUNITY.

Blueprint 58 is a nonprofit dedicated to empowering the Pittsburgh neighborhood in southwest Atlanta. With a mission to cultivate a flourishing community, Blueprint 58 focuses on empowering youth, equipping young adults, and engaging neighbors in transformative ways.

Their youth programs offer mentoring, sports activities like flag football, small group sessions, and summer camps designed to nurture growth and connection. For young adults, Blueprint 58 provides critical job readiness programs, housing support, and scholarships to help them build successful futures. At the heart of their work is their community center, a space where neighbors can connect through open hours, events, and collaborative partnerships.

Blueprint 58 is truly building a brighter future by creating opportunities and fostering relationships that help the entire community thrive. We encourage everyone to get involved and support their mission!

BLUEPRINT58