



Lowest Mortgage Rates in History: What It Means for Homeowners and Buyers

In July, the average 30-year fixed-rate mortgage fell below 3% for the first time in history.¹ And while many Americans have rushed to take advantage of this unprecedented opportunity, others question the hype. Are today's rates truly a bargain?

While average mortgage rates have drifted between 4% and 5% in recent years, they haven't always been so low. When Freddie Mac began tracking 30-year mortgage rates in 1971, the national average was 7.31%.² As the inflation rate started to rise in the mid-1970s, mortgage rates surged and eventually peaked at 18.63% in 1981.³ By comparison, today's rates offer borrowers a phenomenal deal!

HOW DO LOW MORTGAGE RATES BENEFIT CURRENT HOMEOWNERS?

Homeowners can capitalize on today's rock-bottom rates by refinancing their mortgages. The following chart illustrates the potential savings when you decrease your mortgage rate by just one percentage point. When it comes to refinancing, the bigger the spread, the greater the savings.

Estimated Monthly Payment On A 30-Year Fixed-Rate Mortgage

Loan Amount	4.0%	3.0%	Monthly Savings	Savings Over 30 Years
\$100,000	\$477	\$422	\$55	\$20,093
\$300,000	\$1,432	\$1,265	\$167	\$60,277
\$500,000	\$2,387	\$2,108	\$279	\$100,461

Be sure to factor in any prepayment penalties and closing costs for your new mortgage, which can average 2% to 5% of your loan amount.⁴ We'd be happy to connect you with a mortgage professional in our network who can help you decide if refinancing is a good option for you.

HOW DO LOW MORTGAGE RATES BENEFIT HOME BUYERS?

We've already shown how low rates can save you money, but they can also increase your purchasing power. For example, imagine you have a budget of \$1,500 to put toward your monthly mortgage payment. If you take out a 30-year mortgage at 5.0%, you can afford a loan of \$279,000.

Now let's assume the interest rate falls to 3.0%. At that rate, you can afford to borrow \$355,000 while still keeping the same \$1,500 monthly payment. That's a budget increase of \$76,000! If you've been priced out of the market before, today's low rates may put you in a better position to afford your dream home.

HOW LOW COULD MORTGAGE RATES GO?

No one can say with certainty how low mortgage rates will fall or when they will rise again. But forecasters at Freddie Mac and the Mortgage Bankers Association predict 30-year mortgage rates



will average 3.2% and 3.5% respectively in 2021.^{5,6} Economists at Fannie Mae expect them to dip even lower to an average of 2.8% next year.⁷

While the forecasts may differ slightly, many experts agree: Those who wait to take advantage of these unprecedented rates could miss out on the deal of a lifetime.

READY TO TAKE ADVANTAGE OF THE LOWEST MORTGAGE RATES IN HISTORY?

Don't miss out on your chance to lock in a great rate on a new home or refinance your existing mortgage. We'd be happy to connect you with the most trusted mortgage professionals in our network. And if you're ready to start shopping for a new home, we'd love to assist you with your search—all at no cost to you! Contact us today to schedule a free consultation.

Libby and Ken Guthrie | Lic #01117537
Guthrie Group Homes | Keller Williams
(925) 628-2436
info@guthriegrouphomes.com

Sources: 1. CNN Business 2. Freddie Mac 3. Value Penguin 4. Bankrate
5. Freddie Mac June 2020 Quarterly Forecast
6. Mortgage Bankers Association Mortgage Market Forecast July 15, 2020
7. Fannie Mae July 2020 Housing Forecast