

Here Is How Mortgage Rates Are Determined

The mortgage interest rates offered by lenders come from external factors and are founded on the principle of supply and demand. The Federal Reserve sets the federal funds rate, which is the interest rate that banks charge when they lend to each other. In turn, the rate that the Fed sets directly affects the rates that banks charge consumers for mortgages.

The federal funds rate is reactive to economic factors. If inflation is going up, then this rate goes up in order to control inflation. The banks will pass on rate increases to their borrowers. In a slowing economy with less demand for buying homes, the opposite occurs, and rates go down.

Mortgage investors who purchase specific bundles of mortgages from Fannie Mae and Freddie Mac demand specific returns on their investments. Lenders have to generate sufficient yields on these securities to make them attractive to investors. Demand for higher yields will result in increased mortgage rates.

Ultimately, a borrower's financial health will determine the interest rate they receive for a mortgage, and this rate is rooted in the federal funds rate. A credit score of 780 or higher will allow a borrower to get the best home loan interest rate. The type and term of the loan will also be determining factors.



What Are the Pros and Cons of Staging a Home for Sale?

When deciding if staging your home is the right move for you, you need to evaluate the pros and cons before you make the budget and time commitment to do so.

Statistics show that staging a home enables it to sell faster and for a higher price. The return on the investment in staging can be fourfold. Your home will have better visual appeal without the influence of your personal lifestyle. Marketing photos of a staged home will increase buyer interest. Buyers are more motivated to buy because they can better visualize themselves living in the home.

Cost will be the biggest disadvantage of staging a home. This is especially so if you have a large home and need to include some outdoor living spaces. A conservative cost to stage is \$300 to \$600, but expect to pay as much as \$3,000 per month for a 2,000-square-foot or larger home if furniture must be rented. If you need to declutter and store your belongings during the marketing period, there is the additional cost of storage.

