Mortgage Rates Spike to Highest In More Than Two Decades

October 11, 2023 â€“ Home ownership is becoming more and more unaffordable for millions of people because of spiking interest rates. The average rate for a 30 year mortgage rose to 8.34% today. For anyone who is intent upon purchasing a home, it means that monthly mortgage payments have gone through the roof. In most cases, that is going to mean purchasing a smaller home, or not being able to purchase at all.

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It is hard to believe that just two and a half years ago you could get a 30 year fixed rate mortgage for less than 3% interest. Of a $500,000 home with 20% down, that would have meant a mortgage payment of around $2,100 per month.

Today, purchasing that same house, with the same down payment would mean your monthly mortgage payment amount would be $3,450 per month. Thatâ€™s a 64% increase in the monthly payment for the very same property.

Ironically, more expensive homes are now qualifying for lower rate loans. Buyers that require a â€œjumboâ€• loan normally pay a premium rate. But the current rate for jumbo loans is 7.54% on a 30 year fixed loan. For most of the country, loans of $726,500 or more are considered to be jumbos. There are exceptions though for certain markets. For instance, in Alaska a loan of more than $1,089,300 is considered to be a jumbo loan. Thatâ€™s because Alaska is a more expensive market than most of the rest of the country.

As bad as this news is for prospective home buyers, it could be worse. All current indications suggest that the FED wonâ€™t raise rates again at its November meeting. That probably means that rates will remain somewhat stable for the next couple of months.
by Jim Malmberg
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