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INSTANT REACTION

Fed Rate Cut, September 18, 2024

"The Fed's half-point rate cut decision is the beginning of six to eight rounds of further rate cuts well into 2025. The very next cut will occur after the Presidential election. The justification is cooling inflation in recent months and lighter job gains.

Mortgage rates have already anticipated the Fed's likely path. That is why the 30-year rate has fallen by 150 basis points from early in the year to today. Any further decline in mortgage rates will be minimal. The Fed does not directly control mortgage rates, and the federal budget deficit is huge. Future Fed rate cuts are not only anticipated but will not be as impactful because large federal borrowing will leave less capital available for mortgage lending.

Due to the already low mortgage rates compared to spring, the purchasing power for home buyers has been lifted by around \$50,000 for those with a \$2000 monthly mortgage payment budget. Consumers who were priced out due to earlier higher mortgage rates could now be back in the market."

