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Federal Reserve Again Hikes Interest Rates for 11th Time; Impact on Mortgage Rates Expected to be Negligible

SAN DIEGO (July 31, 2023) – On Wednesday, July 26, the Federal Reserve again decided to raise interest rates for the 11th time in 17 months in a continuing effort to counter inflation. Even though the hike [bumped interest rates](#) from 5.1% to 5.3%, the actual impact on the mortgage rates should be minor, at most. While the federal reserve’s interest rates do play an important role in determining mortgage rates, they are independent of one another, and mortgage rates are [created](#) from a combination of financial markets and individual application details.

“Though the Federal Reserve’s interest rate hikes are not optimal for buyers and sellers in the real estate industry, we believe that the eventual impact on mortgage rates will be minor,” stated SDAR President Frank Powell. “The property market in San Diego County will be marginally impacted, specifically due to the anticipation that this will be one of the final hikes for the year.”

“We want to continue to urge individuals to remain in the market for housing, as waiting for interest rates to drop in the future is a financially risky strategy,” Powell added. “Home values on average see a [4% appreciation](#) in value, and with the option to refinance, waiting for rates to drop risks the chance of losing out on a dream home.”

The continual hike of interest rates revolves around Federal Reserve Chairman Jerome Powell’s quest to lower U.S. inflation to the target rate of 2%. Current inflation stands at 3%, down from the high mark last year of 9.1%. Core inflation, which excludes unpredictable energy and food prices, sits at a higher 4.8%. SDAR is encouraged by the expectation that interest rates will likely begin to drop soon and continues to encourage buyers to remain in the home buying market in the short term.

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