

September 2013

Bernanke. The Rabbit. The Hat.

Hi everyone.

Recently mortgage rates jumped from about 3.5% to 4.5%... What does a 1% increase in mortgage rates mean and why'd it happen?

A \$400,000, 30-year loan at 3.5% translates to a mortgage payment of \$1,796.

A \$355,000, 30-year loan at 4.5% translates to a mortgage payment of \$1,799.

What the... where'd the \$45,000 go? I'm paying three dollars more and my loan is 45k less?

Well. There's this magician named Bernanke. Bernanke has a gnarly-looking rabbit called QE (Quantitative Easing). I mean this rabbit QE has an eyepatch, gold teeth and a 'thug-life' tattoo. Bernanke pulled that bad boy out of his hat THREE TIMES and QE just beat mortgage rates down to a pulp. All that changed though. In June, Bernanke announced QE was retiring. Immediately mortgage rates shot up and haven't backed down since.

So, what's the future hold? I dunno but my money is on mortgage rates continuing to trend up. Borrowing money under 5% for 30 years seems pretty dang cheap.