

# Getting a loan will be pricier

WASHINGTON (CNNMoney.com) **As the economy begins to mend, the cost of borrowing money for a big purchase could start to increase.**

Mortgages, in particular, have flirted with record lows during the recession. Credit card rates have been bouncing upward and, while auto loan rates are expected to stay low for a little while longer, they can't stay low forever.

The Federal Reserve has played a key role in keeping the cost of borrowing so low, through the so-called fed funds rate, a benchmark that determines the interest paid by consumers and businesses on a wide variety of loans. That has been near 0% since December 2008, as the central bank worked to spur greater lending and economic activity.

But as the economy heals, that rate is sure to come up, as will the cost of a lot of loans - although economists assure that borrowing costs won't rise until the economy is ready for it.

"The important thing to remember the Federal Reserve has a mandate to maximize employment and keep inflation low, so interest rates may be going up, but it will be in the context of better job growth,"

said Zach Pandl, an economist at Nomura Securities.

## Mortgages

Apart from what the Fed does on interest rates, economists and Fed officials have been predicting higher mortgage rates for several months, as the Fed winds down credit programs that artificially spurred cheaper loans.

The Fed had been buying up a lot of mortgage-backed securities, but they recently stopped, which has already started to impact mortgage rates.

The 30-year fixed-rate mortgage reached an 8-month high last week, averaging 5.21%, according to Freddie Mac's weekly survey of conforming mortgage rates. Several times in 2009, mortgage rates dipped below 5%, considered to be record lows, thanks to the Federal Reserve's help.

"Throughout most of the last year we were right below or right above 5%, which really is an extremely low rate, historically," said Michael Fratantoni, Mortgage Bank-

ers' Association vice president of research and economics.

MBA has been predicting mortgage rates would rise, maybe even reaching around 5.8% by the end of this year, Fratantoni said. And experts predict the rates will range around 6% in 2011.

Mortgage rates can really impact consumers by limiting what they can pay for a home. Take the \$165,000 median home price of existing homes sold in February. A buyer with a 20% down payment would pay just over \$725 a month in mortgage payments for a 30-year fixed loan at today's rate. Raise that rate by a half point, and the same buyer would only be able to afford a home worth \$156,000 to keep payments near the \$725 a month level.



**Tarbell,**  
**REALTORS**



*Anne Sturm*

40930 California Oaks Rd., Murrieta CA 92562  
**951.440.4617**  
**www.Anne4Property.com**  
e: info@Anne4Property.com Lic #01365635