

Homebuyers Are Grappling With the Most Volatile Mortgage Rates in Over Three Decades

Redfin reports a house hunter looking for a \$500,000 home saw their potential total mortgage payment fall by \$64,000 from July to August, and then jump by \$118,000 from August to September

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — The typical house hunter who started searching in July and closed the deal on their new home in September saw their potential mortgage rate fluctuate by roughly half of a percentage point every four weeks, according to a new [report](#) from Redfin ([redfin.com](https://www.redfin.com)), the technology-powered real estate brokerage. That's the most volatile three-month period since 1987, when mortgage rates swung wildly after surging to a record high of nearly 19% earlier in the decade while the Fed worked to quell severe inflation.

For a house hunter looking to buy a \$500,000 home, this could mean that:

- When they started looking in early July, they expected their monthly payment to be \$3,051. That equates to a total of \$1.098 million over 30 years, assuming a 20% down payment and the prevailing 5.7% mortgage interest rate. Of that total payment, \$435,777 is interest.
- When they found their dream home in early August, they expected their monthly payment to be \$2,874. That equates to a total of \$1.035 million over 30 years, assuming a 20% down payment and the prevailing 4.99% mortgage rate. Of that total payment, \$372,143 is interest.
- When they locked in a mortgage rate for the home in late September, their final monthly payment turned out to be \$3,202. That equates to a total of \$1.153 million over 30 years, assuming a 20% down payment and the prevailing 6.29% mortgage rate. Of that total payment, \$490,382 is interest.

In other words, the buyer's total expected payment declined by about \$64,000 (5.8%) from July to August, and then shot back up by about \$118,000 (11.4%) from August to September.

“The challenges homebuyers face in today's market go beyond the dwindling affordability caused by high mortgage rates and home prices,” said Redfin Deputy Chief Economist Taylor Marr. “The whiplash in mortgage rates between when homebuyers set their budget and when they make an offer is also making it extraordinarily difficult to plan ahead.”

Mortgage rates are seesawing because the Federal Reserve has been raising interest rates as it works to tamp down sky-high inflation. The Fed last week increased interest rates by three-quarters of a percentage point to a range of 3% to 3.25%—its third big hike in a row—

and predicted they'll reach 4.4% by the end of the year. While Freddie Mac's widely followed weekly data now has mortgage rates at 6.29%—the highest since 2008—a separate daily gauge has them as high as 7.08%.

The volatility in mortgage rates will likely continue in the near term as the Fed seeks to combat inflation, but mortgage rates should fall in the next 12 to 18 months if inflation eases as expected, according to Justin Dimler of Bay Equity, Redfin's mortgage company.

"The good news for people who can still afford to buy a home and are set on making a purchase now is that they should be able to refinance to a lower rate in a year or two," said Dimler, a regional sales manager at Bay Equity in the Seattle area. "I advise house hunters who qualified for a loan one or two months ago to get requalified by their mortgage adviser because the change in mortgage rates may mean they're no longer eligible to borrow as much as before."

While refinancing may become an option for homeowners in the coming months, buyers today should be aware that refinancing can come with significant costs.

To view the full report, including methodology, please visit:
<https://www.redfin.com/news/mortgage-rate-volatility-2022>

About Redfin

Redfin (www.redfin.com) is a technology-powered real estate company. We help people find a place to live with brokerage, instant home-buying (iBuying), rentals, lending, title insurance, and renovations services. We sell homes for more money and charge half the fee. We also run the country's #1 real-estate brokerage site. Our home-buying customers see homes first with on-demand tours, and our lending and title services help them close quickly. Customers selling a home can take an instant cash offer from Redfin or have our renovations crew fix up their home to sell for top dollar. Our rentals business empowers millions nationwide to find apartments and houses for rent. Since launching in 2006, we've saved customers more than \$1 billion in commissions. We serve more than 100 markets across the U.S. and Canada and employ over 6,000 people.

For more information or to contact a local Redfin real estate agent, visit www.redfin.com. To learn about housing market trends and download data, visit the [Redfin Data Center](#). To be added to Redfin's press release distribution list, email press@redfin.com. To view Redfin's press center, [click here](#).

View source version on businesswire.com:
<https://www.businesswire.com/news/home/20220928005321/en/>

Redfin Journalist Services:

Ally Braun, 206-588-6863
press@redfin.com

Source: Redfin