

Fed Maintains Low Rates and Consumers Benefit from Low Home Mortgage Rates

As inauguration festivities lingered in the air, many were hopeful that the new President would get the country back on track. People let go of their despair over the current economic woes and embraced the celebration in various ways. President Obama carries the weight of the state of the economy into week two of his administration. Unemployment rates are on the rise and families continue to struggle to make ends meet. The new team in the White House plans to give a boost to small business owners and regular middle class Americans who are struggling, as well as restructure the stimulus plan introduced by the previous administration. It plans to offer low home mortgage rates in the hopes that it will help boost the ailing housing market. The promise of continued low home mortgage interest rates is the one bright light for consumers in this economic downturn. For those with good credit, now is the time to secure the lowest interest rates on a home mortgage the country has seen since the 1970s.

As the country greeted the New Year, the Fed maintained extremely low rates. The Fed rate is the rate that banks lend to each other, so translates to lower rates for consumers. In spite of [home mortgage](#) rate cuts, banks have adopted much more restrictive lending practices. Lending institutions and banks do not want risky borrowers. They are requiring higher credit scores, bigger down payments and cleaner credit histories. So borrowers who may have qualified for a home mortgage last year, may not now. Current homeowners who are considering refinancing a home mortgage will have to meet stricter guidelines too. In many areas of the country, homeowners have lost equity from a drop in values and are struggling to lower their home mortgage payments. That makes refinancing extremely difficult, since banks are now requiring that consumers have higher percentages of equity to qualify.

Some analysts worry that the significant amount of current government spending will cause the interest rates to go up in the next few years, due to inflation. Those who qualify would be wise to take advantage of the low rates for a home mortgage refinancing. The savings accrued by lower monthly home mortgage payments can be enough to help many consumers weather the economic storm.

About the Author

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