



What Happens When Interest Rates Rise?

As a potential home buyer, rising interest rates can be nerve wracking. But what does it actually mean when interest rates California rise, and how will it affect you trying to buy your dream home?

In this article, we're going to break down when you can expect interest rates to spike, what California's current interest rates are, and how rising interest rates may change how you go about buying your future home.

How High Can Rising Interest Rates Go?

[The Balance breaks it down for us...](#)

Though interest rates are always changing, the benchmark fed funds rate has historically had a sweet spot between 2% and 5%.

But, it was announced in March 2022 that the new benchmark would increase the federal funds rate by 0.25%.

You may be thinking that a fraction of a percent doesn't seem like it would have that large of an impact...however, officials have indicated that this is only the first of as many as *seven* rate rises to come in 2022.

History makes it clear that interest rates will not stay low forever, but the speed at which rates rise and how far they climb is difficult to predict.

How Will Raised Interest Rates California Affect Home Buyers?

The Fed's rate hike doesn't directly impact fixed mortgage rates in California. In fact, mortgage rates have already been on the rise as a result of recent record-high inflation.

However, it is worth noting that with more rate hikes on the horizon, we could expect to see a continuation of this trend.

It's recommended that you still shop around with at least three different mortgage lenders and remember that some lenders specialize in certain loan types and can offer lower rates than others.

Keep in mind that interest rates are highly customizable to each individual borrower. Some of the key components that will affect your interest rate are your credit profile, down payment size, loan type, and loan term.

The good news is, interest rates in California are traditionally fairly close to – or below – rates across the rest of the country.

Is It A Good Time To Buy A Home In California?

[According to Manage Casa](#), “According to C.A.R.’s monthly Consumer Housing Sentiment Index, in April, 59% of consumers said it was a good time to sell – up from 55% the previous month. Only about 25% feel it is a good time to buy a home, which is unchanged from last year.” Just the same, at San Benito Realty we know that home buyers exist in every market. We’ve made it our personal mission to help homeowners in 2022 find the [best properties](#) at the best price – even in the current climate.

Why Are Rates Going Up?

The idea behind raising rates is simple: with higher borrowing costs we can slow down inflation by tempering demand.

When it costs more to borrow, fewer people can afford houses. With less activity happening, companies need fewer workers. Less demand for labor makes for slower wage growth, which cools demand further. Higher rates effectively pour cold water on the economy.

Will Mortgage Rates Go Down Anytime Soon?

[According to the Mortgage Report](#), mortgage rates saw historic growth to start 2022, surging over 145 basis points (1.45%) through the first quarter.

With inflation at 40-year highs, the pandemic’s economic impact subsiding and the Federal Reserve outlining its 2022 policy plan, this could just be the beginning.

Even with interest rates on the rise, it’s more than possible to find and buy your dream home. As always the team at San Benito Realty is here to help you find the property of your dreams even in uncertain times – [click here](#) to get started with us today!