## 2022

# Mortgage Trends:

Impact of the War on Rising Interest Rates
and the Interest Environment with the Fed

The recent **Russia-Ukraine crisis** has led to a chain reaction across industries, affecting prices on multiple fronts, including oil commodities and rising interest rates. Market volatility has become an underlying theme worldwide, and there might be further complications and challenges down the road for homeowners.

Based on recent market reports, the European crisis recently led to 30-year fixed rates increased by nine basis points to 3.85%, while 30-year fixed rates had fallen by 13 basis points in the previous week. Earlier in the year, a 30-year fixed-rate mortgage spiked by 37 basis points in the first two weeks of February.

According to industry professionals, U.S. homeowners can expect continuously rising mortgage rates as the economy remains volatile and prices increase based on inflation.

# Length of Conflict Serves as a Useful Guide

The length of the Russian-Ukraine conflict will ultimately determine the amount of downward pressure applied to mortgage rates. Traditionally, during times of crisis, investors tend to shift assets into safer alternatives such as mortgage-backed securities. The flight of safety to quality toward U.S. treasury bonds results in increased prices and lower yields throughout the market.

As such, when investors flock to U.S. treasury bonds, homeowners experience a short-term decline in mortgage rates since the value moves closely with 10-year treasury yields. The average rate on a 30-year fixed mortgage fell to 3.9% during the initial Russian invasion. However, values quickly recovered, rising to 5.02%, a full percent more than the previous year.

# Acting on Volatile Mortgage Rates

According to U.S. Treasury secretary Janet Yellen, Americans will likely see **another year** of very uncomfortably high inflation.

Federal Reserve Chair Jerome Powell's testimony to the U.S. House of Representatives Financial Services Committee signaled that the central bank might raise interest rates less than initially feared. There might be **more aggressive price hikes** in the future if inflation fails to abate as expected.

The situation becomes more pressing for homeowners as the year approaches the popular springtime home-buying period, paving the way for highly intensive buyer competition. Now might be a strategic time for homeowners to borrow mortgage loans before the looming increase in rates due to extended inflation and lasting shortages that may affect more areas of the economy.

# Spark Mortgage: a Reliable Name in Home Purchases and Refinancing

Spark Mortgage is a veteran in the mortgage industry with more than 30 years of relevant expertise. It offers customized mortgage solutions best suited for specific scenarios through a client-first approach to help individuals locate the most effective arrangements.

Reach out to a Spark Mortgage expert to get your mortgage preapproved, cleared, and closed without fuss or delay. Regardless of the global situation, clients can rest easy knowing that Spark Mortgage can provide some of the best rates to meet their needs through premium services.