REAL ESTATE

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The Real Estate and Home Guide sections in the Sunday editions are produced by Sentinel Media Services, a content provider, specifically for The Chronicle.

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INSIDE

Average rate on a 30-year mortgage dips to lowest level since early October

By Alex Veiga
AP BUSINESS WRITER

The average rate on a 30-year U.S. mortgage fell again this week, echoing a decline in long-term U.S. Treasury bond yields ahead of the Federal Reserve's first rate cut this year.

The rate eased to 6.26% from 6.35% last week, mortgage buyer Freddie Mac said Thursday. A year ago, the rate averaged 6.09%.

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners refinancing their home loans, also fell. The average rate slipped to 5.41% from 5.5% last week. A year ago, it was 5.15%, Freddie Mac said.

Mortgage rates are influenced by several factors, from the Federal Reserve's interest rate policy decisions to bond market investors' expectations for the economy and inflation.

Rates generally follow the trajectory of the 10-year Treasury yield, which lenders use as a guide to pricing home loans. The yield was at 4.12% in midday trading Thursday, up from 4.06% late Wednesday.

Mortgage rates have been mostly declining since late July amid expectations that Fed would cut rates for the first time since last year. As expected, the central bank delivered a quarter-point cut Wednesday and projected it would lower its benchmark rate twice more this year, reflecting growing concern over the U.S. job market.

The average rate on a 30-year mortgage is now at its lowest level since Oct. 3, when it was 6.12%.

The late-summer slide in mortgage rates has been a welcome trend for the housing market, which has been in a slump since 2022, when mortgage rates began climbing from historic lows.

SOUND OFF

What are your thoughts on the Fed's decision on interest rates?

A: The Federal Reserve's decision to reduce the interest rate by 25 basis points feels like a cautious step rather than a bold move. While it's a signal that the Fed acknowledges progress in controlling inflation and the need to support slowing economic growth, the modest cut may not go far enough to provide meaningful relief in the near term. I was hoping for a stronger response, especially given recent signs of softening in consumer spending and business investment.

The Fed's desire is to proceed carefully. Inflation, while improved, still hovers above the 2% target, and a larger cut might have risked reigniting price pressures or creating volatility in financial markets. By choosing a smaller reduction, the Fed is preserving flexibility for future decisions while still offering some support to the economy.

In my view, this move reflects the Fed's ongoing data-driven strategy. It's not a pivot, but rather a signal that they're open to adjusting policy as conditions evolve. While markets may have priced in more aggressive easing, I think the Fed is wise to prioritize long-term stability. This approach avoids overheating the economy while still acknowledging the need for gradual policy adjustment.

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A: Penny pinchers, unite! If you do not know why people care so much about the Federal Reserve's policies, I am here to be your archangel messenger.

America finally received the Federal Reserve's rate cut of 25 basis points, or .25%. The last rate cut was nine months ago. Sixty-six dollars is how much you would save monthly if you had a $400,000 loan obtained after the rate cut. That is a whopping three bowls of pho in today's economy!

But in all seriousness, the savings get larger if the loan is larger and longer in duration.

Rate cuts are something to be celebrated, but also something that gives pause. Their justification from the rate cut stems from inflation being less persistent but still existing. The other side of the coin is that since the labor market is soft, the rate cut is supposed to support that. Note then, that rate cut signals both strengths and weaknesses in the economy.

Even if you do not own a home yet, tracking Federal Reserve activities is like doing an auscultation on the economy with your financial stethoscope. Obtaining clues about where the market is headed will keep you ahead of the uninformed.

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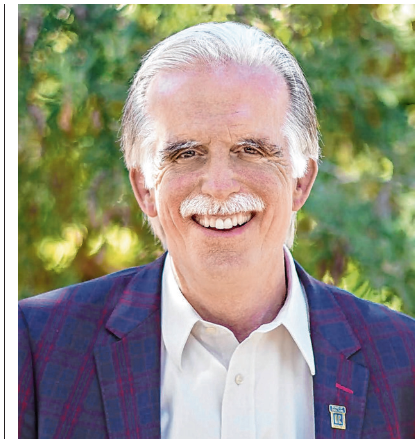

A: The Federal Reserve's decision to lower borrowing costs comes amid mounting signs of labor market weakness nationally, coupled with policymakers' growing view that tariff-related inflation pressures may be temporary.

In a late-August speech, Fed Chair Jerome Powell noted that "downside risks to employment are rising," effectively laying the groundwork for this week's rate cut — the first in nine months.

Other Fed officials have since echoed those concerns, and markets expect this move to be the start of a series of reductions, with as many as six quarter-point cuts possible over the next year, according to Reuters.

Here on the San Mateo Peninsula, competitively priced homes remain in high demand. Neighborhoods offering strong schools, a mild climate, and safe streets continue to draw buyers, and I'm seeing multiple offers on many well-priced properties.

The lower mortgage rates following the Fed's cuts should further boost housing demand, adding momentum to an already active market.

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