

Mortgage Rates Drop Amidst Ukrainian Conflict

Background

As Russia's invasion of Ukraine continued this past week, financial pressure on U.S. financial markets caused mortgage rates to drop for a brief period. The drop came amidst the Federal Reserve's post-pandemic plan to ease purchases and holdings. Prior to the drop, mortgage rates were rising steadily, and hit a multiyear high in February.

Mortgage Rates Drop, but Little Increase In Refinancing

Mortgage rates have begun declining for the past two weeks since the beginning of Russia's invasion on Ukraine, which started February 24th. The uncertainty of the conflict put financial pressure on U.S. markets and caused a stall in mortgage demand in the U.S. Due to the uncertainty, the mortgage rates have been moving downward. This week, the average 30-year fixed mortgage rate dropped 13 basis points to 3.76% in comparison to the previous week..

Despite the dip in mortgage rates, applications to refinance did not increase significantly this week. Applications to refinance only increased 1% this week. Mortgage rates were 56% lower in the same week in 2021. While mortgage rates dropped in comparison to previous weeks this year, they are still relatively high compared to previous years, so few people were actually able to benefit from refinancing.

Potential Future Impact

The lower mortgage rates could potentially push home prices higher. In February, the median home price hit a record high of \$392,000, up nearly 13% from the previous year. The dip in mortgage rates may cause home prices to continue to climb. Although, many predict that this decrease in mortgage rate is only a temporary dip. Federal Reserve Chairman Jerome Powell stated that the Federal Reserve still intends to continue with its plan to taper off purchases and raise the mortgage rate.

The U.S financial market holds uncertainty due to the crisis in Ukraine. This uncertainty could cause an unpredictable fluctuation in mortgage rates, but despite the dip, many predict that mortgage rates will continue this year's previous upward trend.

Written by: Ethan Lee