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Welcome. My name is Andrew Baron and this is, Well… It Depends! The podcast where I address different financial decisions that can't be answered with a simple yes or no.

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In this episode, I ask the question; should I worry about high mortgage rates?

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But before getting into it, a short disclaimer. This is being recorded on September 1st, 2023.

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The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice.

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It is important to consult with the professional before making any financial decisions as the strategies discussed may not be suitable for you specifically.

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Getting into it; should I worry about high mortgage rates? Well… It Depends!

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Recently, we've seen the median home sales price exceed $400,000, yet we've also seen a drop in monthly home sales. If we factor in the Federal Reserve's recent interest rate hikes, it sounds like an overall recipe for an affordability crisis.

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Currently, the standard 30 year fixed rate mortgage is north of 7.5% and the Federal Reserve, which is responsible for these interest rate increases, has said they expect to make one more by the end of 2023.

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So if you're wondering if mortgage rates are going to dip below 6% anytime soon, the consensus is probably not.

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However, higher mortgage rates aren't the only piece of the puzzle and low housing inventory also plays a critical role

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Even though it has been over a decade since the 2008 housing crash, construction of new homes hasn't fully recovered yet.

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Even in this tight market, the silver lining has been that there has been a shrinking price gap between the cost for existing compared to new homes tempting some buyers to purchase new dwellings.

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The big question on everyone's mind is; is the housing market going to crash? And despite increasing interest rates and climbing prices, experts lean towards no.

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This is not 2008. Despite everything, many homeowners have significant equity built up in their homes which offers them a cushion

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Housing affordability on the other hand does remain a significant concern, with first time home buyers feeling the pinch.

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If you make less than $75,000 a year, your options might be extremely limited. On the foreclosure front, activity has ticked up recently but remains below historic norms because many homeowners have significant equity in their home. A wave of foreclosures in the near term seems unlikely.

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To recap. Home prices continue to climb and mortgage rates are likely to remain high due to the Federal Reserve's continued interest rate increases.

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Low housing inventory has contributed to the affordability crisis, especially affecting first time home buyers.

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And although foreclosure activity has increased, a wave is not expected in 2023.

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So to answer the question, should I worry about high mortgage rates?

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Well… It Depends!