



# Your Mortgage PLANNER

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with Jamie H. Harrington, President

## **THE INVERTED YIELD CURVE IS MORTGAGE NEWS**

A rare economic phenomenon occurred on December 27: short-term rates moved higher than long-term rates, as the two-year Treasury bill exceeded the ten-year note. Economic analysts call it an "inverted yield curve." What does this mean, and how does it affect the mortgage market?

The Federal Reserve Board, which controls short-term rates, has increased the federal funds rate 13 times over the last 18 months to counteract inflation. Long-term interest rates, which are mainly controlled by market pressures, have increased relatively little during the same period. Usually, short-term loans such as ARMs rates carry a lower interest rate than long-term loans like 30-year fixed-rate mortgages, because lenders want a higher return for extending their money over a longer period of time. The inverted yield curve changes this.

Borrowers will probably find that higher short-term interest rates will make adjustable-rate mortgages less affordable. Long-term loans will be the better deal while the inverted yield curve is in effect. Historically, the inverted yield curve is followed by periods of economic weakness or recession. Property values may grow at a slower pace, and long-term interest rates may fall even further.

*If you would like to discuss what type of mortgage loan will work best for you, call Jamie Harrington at 828-632-0650 for an appointment. United Carolina Group, Inc., is located at 340 NC Highway 16 S. in Taylorsville.*

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