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Will mortgage rates fall after the June Fed meeting? Here's what experts think

By Tim Maxwell Edited By Angelica Leicht Updated on: June 6, 2024 / 11:29 AM EDT / CBS News



The upcoming Fed meeting could have an impact on whether mortgage rates decline in the near future, experts say. GETTY IMAGES

After the latest report revealed that inflation remains high at 3.4% – and after the May Consumer Price Index All Urban Consumers report showed a 0.3% increase in April – the Federal Reserve elected to hold the federal funds rate steady for the sixth consecutive meeting. This, in turn, further delayed the anticipated rate cuts that had, at one point, been expected to occur in mid-2024.

While the Federal Reserve doesn't directly set mortgage rates, the rates offered by lenders tend to follow the agency's lead. As such, mortgage rates remain elevated, and once again have climbed over the 7% mark on average, with the 30-year fixed-rate mortgage rate averaging 7.18% as of June 4, 2024.

The Fed's next meeting is set for June 11 and 12, and many potential borrowers are hopeful that a rate cut will occur, followed by a drop to mortgage rates. Late last year, the agency hinted at multiple rate cuts in 2024, but persistent inflation has delayed such cuts. So, any rate drop would be welcome news for potential homebuyers looking for lower borrowing costs. But will mortgage rates fall after the June Fed meeting? Here's what experts say.

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Will mortgage rates fall after the June Fed meeting? Here's what experts think

We consulted several experts to get their take on the Federal Reserve's potential course and how it could influence mortgage rates. Here's what they had to say.

Joseph Camberato, CEO at NationalBusinessCapital.com:

"I highly doubt we're going to get a rate cut just yet. I really believe we're finally headed in the right direction, albeit very slowly. Inflation still rose 0.3% in April, which was better than expected, but it's still up 3.4% for the year and unemployment remains the same. The Fed is looking for it to worsen to lower rates.

If the Fed keeps rates the same, mortgage rates will probably remain unchanged in the short term."

Daniel McKeever, assistant professor at the School of Management at Binghamton University, State University of New York:

"I think the probability of a June rate cut is pretty low. Just take a look at the minutes from the Fed's most recent policy meeting (April 30 and May 1). There appears to be a pretty clear consensus to continue chasing a 2% inflation target, even if it takes longer than initially thought. Rate hikes aren't off the table, either, in the event that persistent rates in the 5.25% to 5.50% range don't appear to have the same impact that they once did.

The most probable outcome is that the Fed doesn't change rates. Mortgage rates track extremely closely with the Fed's benchmark rate. Since the Fed completed the bulk of its aggressive rate hikes in spring 2022, average 30-year fixed-rate mortgage rates have hovered around 7% pretty consistently. I'd expect to see them stay there if the Fed keeps its benchmark rate the same at the upcoming meeting."

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Van Hesser, chief strategist at Kroll Bond Rating Agency:

"No (the Fed will not cut rates). Inflation remains meaningfully above the Fed's 2% target, and it is taking longer than usual for restrictive rates to slow the economy. That has a lot to do with the extraordinary amount of stimulus deployed in the pandemic era.

Over the near term, with the Fed keeping rates elevated, we do not expect mortgage rates to fall materially. As the economy slows in 2024's second half and the Fed begins to ease monetary policy, we would expect mortgage rates to fall gradually and modestly but remain well above the sub-3% lows hit during the pandemic."

Emily Overton, capital markets analyst at Veterans United Home Loans:

"It is widely expected that the Federal Reserve will keep rates unchanged at this month's meeting. While this decision is expected, markets eagerly anticipate what the Fed's new dot plot and summary of economic projections will reveal.

Markets currently anticipate one cut this year, so if the Fed keeps three cuts on the table, we should see a small improvement in mortgage rates. However, if the Fed were to match market expectations, then mortgage rates should remain relatively unchanged."

The bottom line

The consensus among these experts suggests the Federal Reserve is likely to keep the federal funds rate where it is, but it could lower rates later in the year. Consequently, mortgage rates are likely to stay in the current 7% range, with little room to drop much lower, at least in the near future, experts say.

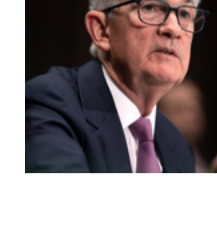
"If a prospective buyer is looking to buy a home this year, waiting for lower rates may not necessarily result in more savings as rates are likely to hover near current levels," says Overton. "For a seller, waiting for home prices to rise may also not be a feasible option because we haven't seen a huge uptick in buying activity, and recent data suggests home prices may have peaked as delistings and price drops are increasing."

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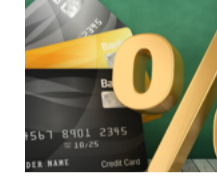
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