

2011 Mortgage Rate Forecast – Courtesy of MBA



By Brandon Cornett | 10/28/10

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On Tuesday, the Mortgage Bankers Association released its forecast for 2011 mortgage rates and other housing trends. They feel the benchmark (30-year fixed) mortgage rate will average 4.4 percent for the remainder of 2010. For 2011, the MBA predicts that the benchmark rate will slowly but steadily increase to around 5.1 percent.

“Various factors are driving our rate forecast,” said Jay Brinkmann, MBA’s Chief Economist and SVP for Research and Economics. “Absent some blockbuster post-election announcement from the [Federal Reserve] on November 3rd, we do not expect to see a further decline in rates.”

The MBA also forecasts a modest rise in home sales in 2011, and that mortgages for home purchases will increase by 30 percent.

But let’s focus on their mortgage rate forecast for 2011:

Mortgage Rate Scenarios

At the time of publication, the average rate for a 30-year fixed mortgage was 4.23 percent (up from 4.19 percent two weeks ago). The MBA is forecasting that rates will rise to 5.1 percent by the end of 2011. At first glance, these numbers don’t mean much. Sure, 4.4 percent is lower than 5.1 percent. But how does that translate into actual dollars? Here’s an example of how much money a home buyer could save by getting the lower of these two rates.

- A 30-year [fixed-rate mortgage](#) in the amount of \$250,000 at **4.4 percent** interest will have a monthly payment of \$1,251 (excluding insurance and taxes). *Total interest* paid over the full term of the loan = **\$200,684**.
- A 30-year mortgage for the same amount with a rate of **5.1 percent** will have a monthly payment of \$1,357 (excluding insurance and taxes). *Total interest* paid over the full term of the loan = **\$238,654**.

In the second scenario, I would pay an additional \$106 a month toward my mortgage payment. The higher interest rate would account for this increase. But look at the total amount of interest paid over the *life* of the loan. That’s where the true difference becomes apparent. In the second scenario, I would pay an additional \$38,000 worth of interest. I could put my kid through college for that amount of money.

What does all of this mean? It means that if the MBA’s mortgage rate forecast is accurate, mortgage loans are going to be more expensive in 2011. It means that you could save money by buying (or refinancing) a home sooner, rather than later.

We are tracking these and other [housing market predictions](#) for your convenience.

Disclaimer: We make no assertions or guarantees about the mortgage rate forecast provided by the MBA. We have provided this information for educational purposes only. There are many variables (like unemployment) that could render their predictions inaccurate. No one can predict the mortgage market with 100% accuracy, not even the MBA.