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First-time homebuyers feel discouraged—and it's time for banks to offer up some hope

Article

The news: The Federal Reserve has paused rate cuts for now—meaning it likely won't lower them again until May, per CBS News. While the Fed's rate doesn't directly control mortgage

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rates, consumers expected mortgage rates to become more affordable after the flurry of rate cuts last year, per Fortune.

What happened? These two rates have historically tended to move in unison, despite their indirect link. But mortgage rates are more closely tied to the 10-year Treasury bond yields than to the Federal Reserve's short-term rate. Recent rises in these yields, driven by strong economic indicators and inflation concerns, caused the rates to diverge.

And uncertainty surrounding economic policies, such as President Trump's proposed tariffs, has led to investors demanding higher returns on long-term investments, further fueling mortgage rates' rise above 7%.

What this means for banks: A recent RE/MAX survey found that 63% of Gen Zers and millennials want to buy their first homes but the prices are holding them back. They may not see a light at the end of the tunnel for accomplishing their goal of becoming first-time homeowners.

Financial institutions (FIs) can offer relief by promoting more flexible products like adjustable-rate mortgages (ARMs), which could make homeownership more accessible in the short term. FIs can also advertise any first-time homebuyer incentives, such as down-payment assistance, reduced closing costs, or special loan programs.

Additionally, banks can introduce high-yield savings accounts or automated savings tools to help prospective buyers build their savings faster, giving them a clearer path to homeownership despite high rates.

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