

## Federal Reserve

The recent announcement of the federal reserve that it was planning to reduce interest rates from 1.5 percent to 1 percent inspired hopes that the economy of the United States would greatly benefit from the resulting increase in consumer spending, as well as the general confidence in the economy that was likely to follow. According to the Fed, this and other measures currently being implemented would result in a greatly improved economic climate that will in turn usher in a period of economic advancement.

This lowering of interest rates was actually long anticipated by many financial analysts, although most of them were unsure how low the interest rates would go. It is worth noting that several instances of the lowering of federal funds rate already took place during the past year, and in fact, a reduction of a half point was already implemented a few weeks previously. This decrease currently places the interest rate at the same levels as it was in the latter part of 2003 and the beginning of 2004. This stands in sharp contrast to interest rates in the latter part of 2006 and the beginning of 2007, when rates reached as much as 5.25 percent.

In any case, borrowers all over the country welcome the lowering of interest rates. The Fed, however, is not actually responsible for setting the rates that are paid on mortgages, car loans, credit cards or other types of debt. Their actions however directly affect the up and down movement of these interest rates. The rates paid on mortgages for example, are dependent on Fed bank rates, and they are in a particularly advantageous position when the Fed lowers their rates. Recent decreases in interest rates could then mean a subsequent decrease in rates for people that apply for various types of home loans such as home equity credit packages, credit cards and adjustable rate mortgages.

On the downside, lowering of interest rates could result in interest rates remaining low on savings and checking accounts, as well as certificates of deposit. This is why it is important for consumers considering these accounts to compare the different banks rates.

## About the Author

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