

Federal Reserve

When the Federal Reserve recently announced its intention to lower interest rates from 1.5 percent to an unprecedented low of 1 percent the hope was that the U.S. economy would receive a much needed boost in the form of increased consumer spending and a corresponding confidence in the economy following suit. The Fed has stated that along with other measures, this lowering of interest rates will help improve the current credit climate in the country and spur on a new period of economic growth.

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 most recent lowering of the interest rate puts it at the same level as it was in late 2003 and early 2004. In contrast, the end of 2006 and the early part of 2007 saw interest rates soar as high as 5.25 percent.

Needless to say, borrowers throughout the United States have received news of the lowering of interest rates with much anticipation. Take note however, that the Fed does not actually set the level of interest rates for debts such as mortgages, car loans, and credit cards. 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.

One disadvantage to these decreases is that the interest rates on savings accounts, checking accounts and certificates of deposit will remain low as well. This is why it is important for consumers considering these accounts to compare the different banks rates.

About the Author

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