Interest Rates in an Election Year

There is no escaping it; debates, primaries and non-stop political rhetoric across all media channels. It’s 2016 and it’s an election year. And if you’re considering buying a home sometime in the next year, you may be curious about historical interest rate trends during the months before and after we’ve elected a new president.

After looking at Freddie Mac’s 30-year fixed mortgage rates during election years, I think you’ll be interested to know that the man or woman you choose to vote for likely won’t contribute to, or prevent you from, getting a home. That can be good news or bad news, depending on how you look at it.

Let’s look at the math. Since 1971, there have been 11 presidential elections – six won by Republicans and four by Democrats. From January to December of any election year, there have been 10 outcomes where rates differed from the start to finish. In six of them – more than half of all election years – rates ended lower than they’d started. For those with a party affiliation axe to grind, Democrats were elected in four of those six years. And what about that 11th election year? In 1972, when Richard Nixon was re-elected, rates began and concluded at the exact same level.

Now, let’s dive into the data that we see as significant. Over a more than 40 year span, fluctuations in rates from start to finish of election years have actually been quite small. On average, those changes have been less than one-half of a percent (.47%). Changes have exceeded that size in only four of those years, including 1980 when, as interest rates were approaching historic highs, there was a net increase of 1.914% when the Reagan administration took office. But given that rates in 2016 started at near historic lows once again, it bodes well that they are unlikely to spike higher simply as a result of who wins the Oval Office.

It would be foolish, however, to let one’s guard down at any point in this day and age. With our Federal Reserve acting upon its intent to normalize interest rates, the financial markets and general public have been served fair warning that the low rate environment that has been so conducive to the housing market, will not last indefinitely. Beyond our shores, global economies also contend with their own challenges and political systems. But this time, unlike in the 1970s, the United States and our interest rate markets are not as insulated from volatility as they once were.

As we embark on the second half of 2016 and the changes it will bring, I remind you that I am available to help with all of your mortgage needs. It is easy to get lost in the uncertainty of what a major political change might do to the housing market, the stock market or the broader global economy. But history has proven that we can continue to make careful assumptions and smart decisions despite the noise and anticipation of a change in leadership. If you have questions, reach out to me at any time.