

Impact of rate cut on your finances

Those with credit card debt may see some relief

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The Federal Reserve lowered its key interest rate by a quarter of a point Wednesday, its first cut in nine months.

The change won't have a significant effect on consumers' financial lives, but it may provide a tiny bit of relief for people carrying credit card debt, while savers may see slightly less generous yields.

The more consequential issue is whether the Fed will continue to maintain its long-held independence under the norm-busting pressure from President Donald Trump, who has assailed the Fed chair, Jerome Powell, urging him to resign, while attempting to oust Lisa Cook, a Fed governor.

Trump has repeatedly said he wants rates to fall more swiftly, but politicizing the Fed can be disastrous for the broader economy, consumers and the credibility of the American institution worldwide.

Here is where various interest rates stand now.

Auto rates

What's happening now: Auto rates have been largely stable but remain elevated, while new car prices are slowly beginning to rise. But tariffs are soon expected to push them up more sharply.

Car loans tend to track with the yield on the five-year Treasury note, which is influenced by the Fed's key rate. But other factors determine how much borrowers actually pay, including credit history, the type of vehicle, the loan term and the down payment. Lenders also consider the levels of borrowers becoming delinquent on auto loans. As those move higher, so do rates, which makes qualifying for a loan more difficult, particularly for people with lower credit scores.

The average rate on new car loans was 7% in August, according to Edmunds, a car shopping website, largely unchanged from July and August 2024. Rates for used cars were higher: The average loan carried a 10.7% rate in August, down just slightly from 10.9% in July and 11.3% in August 2024.

Where and how to shop: Once you establish your budget, get preapproved for a car loan through a credit union or bank (Capital One and Ally are two of the largest auto lenders) so you have a point of reference to compare financing available through the dealership, if you decide to go that route. Always negotiate on the price of the car (including all fees), not the monthly payments, which can obscure the loan terms and what you'll be paying in total over the life of the loan.

Credit cards

What's happening now: Cardholders carrying balances may eventually receive a little relief from Fed rate cuts: The rates paid on card debts should fall, though card issuers are generally slower to act, and changes could take a couple of billing cycles to reflect any changes. Last week, the average interest rate on credit cards was 20.12%, according to Bankrate.

And much depends on your credit score and the type of card. Rewards cards, for instance, often charge higher-than-average interest rates.

Where and how to shop: Last year, the Consumer Financial Protection Bureau sent up a flare to let people know that the 25 biggest credit card issuers had rates that were 8 to 10 percentage points higher than smaller banks or credit unions. For the average cardholder, that can add up to \$400 to \$500 more in interest a year.

Consider seeking out a smaller bank or credit union that might offer you a better deal. Many credit unions require you to work or live someplace particular to qualify for membership, but some bigger credit unions may have looser rules.

Before you make a move, call your current card issuer and ask them to match the best interest rate you've found in the marketplace that you've already qualified for. And if you do transfer your balance, keep a close eye on fees and what your interest rate would jump to once the introductory period expires.

Mortgages

What's happening now: Mortgage rates have been trending lower on expectations of a slowing economy, but whether they continue to edge lower depends on a variety of factors: if inflation persists, for example, they could reverse course and rise again. *Note*

Rates on 30-year fixed-rate mortgages don't move in tandem with the Fed's benchmark, but instead generally track with the yield on 10-year Treasury bonds, which is influenced by a variety of factors, including expectations about inflation, the Fed's actions and how investors react. *And expect "life-expectancy" of average mtg loan.*

The average rate on a 30-year fixed-rate mortgage was 6.35% as of Sept. 11, according to Freddie Mac, down from 6.5% the previous week but up from 6.2% a year ago.

"Mortgage rates are likely to continue trending toward the 6% range by the end of the year," said Selma Hepp, chief economist at Cotality, a property data and analytics firm, "although they are still expected to remain above 6%."

Other home loans are more closely tethered to the central bank's decisions. Home equity lines of credit and adjustable-rate mortgages, which carry variable interest rates, generally adjust within two billing cycles after a change in the Fed's rates.

Where and how to shop: Prospective homebuyers would be wise to get several mortgage rate quotes — on the same day, since rates fluctuate — from a selection of mortgage brokers, banks and credit unions.

That should include the rate you'll pay; any discount points, which are optional fees buyers can pay to "buy down" their interest rate; and other items like lender-related fees. Look to the "annual percentage rate," which usually includes these items, to get an apples-to-apples comparison of your total costs across different loans. Just be sure to ask what's included in the APR.

Savings accounts, CDs

What's happening now: Everything from online savings accounts and certificates of deposit to money market funds tend to move in line with the Fed's policy. That means savers are no longer benefiting from the juiciest yields, but you can still find returns at online banks of 4% or more, at least for the moment.

Traditional commercial banks' yields, meanwhile, have remained anemic. The national average savings account rate was recently 0.61%, according to Bankrate.

Where and how to shop: Rates are one consideration, but you'll also want to look at providers' history, minimum deposit requirements and any fees (high-yield savings accounts don't usually charge fees, but other products, like money market funds, do). DepositAccounts.com, part of LendingTree, tracks rates across thousands of institutions and is a good place to start comparing providers.

The yield on the Crane 100 Money Fund Index, which tracks the largest money-market funds, was 4.09% as of Tuesday, down from 5.13% at the end of last June.

Student loans

What's happening now: There are two main types of student loans. Most people turn to federal loans first. Their interest rates are fixed for the life of the loan, they're far easier for teenagers to get, and their repayment terms are more generous.

For the first time in five years, rates on student loans, for money borrowed from July 1 through June 30 of next year, dropped modestly.

Undergraduate loans now carry a rate of 6.39%, down from 6.53%. Rates on loans for graduate and professional students eased to 7.94%, from 8.08%, while rates on PLUS loans — extra financing available to graduate students and to parents of undergraduates — fell to 8.94%, from 9.08%.

These rates reset on July 1 each year and follow a formula based on the 10-year Treasury bond auction in May.

Private student loans are a bit of a wild card. Undergraduates often need a cosigner, rates can be fixed or variable, and much depends on your credit score.

Where and how to shop: Many banks and credit unions want nothing to do with student loans, so you'll want to shop around extensively, including with lenders that specialize in private student loans.

You'll often see online ads and websites offering interest rates from each lender that can range by 15 percentage points or so. As a result, you'll need to give up a fair bit of information before getting an actual price quote.

