ECONOMY

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By PATRICIA COHEN and CONOR DOUGHERTY NOV. 23, 2016

Luis Solis, of Realty One Group, outside of the home in Phoenix that he is selling. For his new home, "we were lucky that we locked in our rate on November 1," he said. David Jolkovski for The New York Times

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When Jared Rutledge called his mortgage broker one morning last week after putting in an offer on a home in Glendale, Ariz., just west of Phoenix, he discovered that the 3.8 percent rate he had been quoted a couple of months ago had already gone up to 4.125 percent. That afternoon, it had inched up to 4.25, and by evening, when he finally called back to finalize the deal, it was 4.375 percent.

"I was kind of frustrated," Mr. Rutledge said. But with a third child on the way, and a buyer for their current home, he and his wife felt they had little choice. "Instead of holding out and waiting, we locked it in," he said.

Since the election, mortgage rates have climbed roughly half a percentage point to a 16-month high, adding hundreds, sometimes thousands, of dollars to a home buyer's yearly payments. (The annual cost of a $400,000 mortgage, for example, rose almost $700.)

The speed and size of the increase took many lenders and borrowers by surprise — and the increase is expected to reverberate across the housing industry, particularly if rates continue to rise next year.

“Anybody who was floating or didn’t lock in a rate is screaming at their lender: ‘How could you do this to me?’” said Guy D. Cecala, chief executive and publisher of Inside Mortgage Finance. “It shot up from 3.5 to 4 percent virtually overnight,” he said, referring to the average 30-year fixed-rate mortgage.

“Does it give people pause? Does it raise the cost of buying a home?” Mr. Cecala asked. “Yes and yes.”

For most of this year, American home buyers have benefited from weakness in the global economy. China has been struggling to sustain the rapid growth it needs to avoid political unrest, a deep recession followed political turmoil in Brazil, and a cloud of uncertainty hangs over Europe after Britain’s vote to leave the European Union.

Those factors, on top of efforts by central banks around the world to stimulate economic activity by keeping short-term interest rates low, have increased demand for safe American assets like government bonds and mortgage-backed securities. The result: The cost for American businesses and consumers to borrow had, until recently, remained exceptionally low.

The turnaround, which was driven by postelection market expectations that a President Trump would lift corporate profits, cut taxes and spend money on infrastructure and roads, caught most experts by surprise. The online real estate brokerage Redfin, for example, had initially forecast that rates for 30-year fixed mortgages would remain below 4 percent through next year, said Glenn Kelman, the company’s chief executive.

Redfin has now updated its forecast and is predicting the 30-year mortgage rate will pass the 4 percent threshold. “I think you’re going to see higher rates than we otherwise would have,” Mr. Kelman said, “but more economic stimulus.”

Wall Street is also expecting that the Federal Reserve Bank will increase its benchmark interest rate when it meets next month. That rate — the cost that banks and depository institutions charge one another for overnight loans — has only an indirect impact on mortgage rates. Last December, for instance, after the Fed raised rates by a quarter of a percentage point, mortgage rates went down. But to the extent it reflects the Fed's confidence in an improving economic outlook, it could signal higher borrowing costs in the months ahead.

For now, said Svenja Gudell, chief economist at Zillow, a real estate data provider, the relatively modest increase in mortgage rates should not have much impact on the current housing market.

"Most consumers don't make decisions based on a change in mortgage rates," Ms. Gudell said. "We're dealing with such a tight inventory, I think they're more focused on finding a home that they can afford. If mortgage rates go up by half a percent, that's not going to make them change their minds."

On Tuesday, the National Association of Realtors reported existing home sales rose 2 percent at a seasonally adjusted annualized rate in October, its strongest pace since February 2007, before the recession started.

Back then, the average 30-year fixed rate mortgage topped 6 percent, a reminder that even with the recent rate jump, mortgages remain a bargain by historical standards. Thirty years ago, the average rate was about 10 percent.

Still, for buyers who had been counting on paying less than 3.5 percent, the postelection bump represents an unwelcome added cost.

In the last couple of weeks, requests for refinancing have dropped, according to Gregory Gwizdz, national sales manager of Wells Fargo Home Lending, one of the nation's largest home loan originators. He expects that trend to continue through next year as rates stay at this level or inch higher.

Although he hasn't seen any impact on home buying in the last two weeks, Mr. Gwizdz said that rate increases "create some sense of urgency."

"If people believe rates are on the rise," he said, "they may try to find that home sooner rather than later."

Higher rates are often followed by a burst of activity from consumers worried about further increases. But Ian Shepherdson, chief economist at Pantheon

Macroeconomics, said he had not seen evidence of pent-up demand. He thinks housing activity is heading for a fall.

Even before this latest bump in rates, he was concerned about a drop in mortgage applications. Mortgage standards have tightened this year, he said, making it more difficult for buyers to qualify despite the steady uptick in wages.

“Even if applications don’t go down further,” Mr. Shepherdson said, “we are looking at a significant drop in home sales in the first quarter of next year.”

For those looking to purchase a home, different types of loans may become more appealing.

Buyers of new construction, who have to wait months for their homes to be completed, may be willing to pay a little more to lock in a lower rate for an extended period of time, Mr. Gwizdz said. Those who plan to move again in the next few years might be more likely to consider an adjustable-rate mortgage than before.

In Westchester County, north of New York City, J. Philip Faranda, a real estate broker, said that buyers often had differing motivations, with some focused on the investment prospects and others guided by nonmonetary factors. “If you’re expecting twins, you’re buying now no matter what the interest rates are,” he said. “If you’re setting a date for your wedding, you may be putting that on hold.”

Bic N. DeCaro, a real estate agent in Northern Virginia, said that before the election most clients had been dragging their feet, uncertain about what to do. But since rates started to move up, “there was a flurry of activity,” she said, leading to more showings and two signed contracts.

In Phoenix, Luis Solis, a real estate broker, said some of his clients have also ramped up their searches in the past week.

“People are afraid they are going to go up really fast,” he said.

As it turns out, Mr. Solis is in the midst of buying a larger house for his own family in Phoenix’s central corridor. “We were lucky that we locked in our rate on November 1,” he said. “Rates have really jumped.”

Correction: November 30, 2016

Because of an editing error, an article on Thursday about rising interest rates in recent weeks referred incorrectly to a real estate agent in Northern Virginia. The agent, Bic N. DeCaro, is a woman.

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