

That Giant Sound You Just Heard? It's the Housing Market Starting to Crack

It is happening again. More than a decade ago, we witnessed an absolutely unprecedented housing bubble in the United States followed by a horrific crash that resulted in millions of Americans losing their homes and a financial catastrophe on Wall Street that we still talk about today. But instead of learning our lessons from that disaster, we are repeating history.

The housing bubble that we are currently experiencing is far larger than the one that burst in 2008, and everyone knew that if mortgage rates rose high enough it could cause the bubble to burst. Unfortunately, that is precisely what is taking place. The average 30-year fixed mortgage rate was sitting at % in December 2020, and now it has risen to %. In case you are bad at math, that means that the average 30-year fixed mortgage rate has roughly doubled, and that is extremely bad news for the housing market.

The combination of rapidly rising prices and soaring interest rates means that homes have become far less affordable these days.

According to CNN, U.S. home prices have jumped almost 21% compared to a year ago:

It's understandable that homeowners, in particular, might be worried about a potential housing market crash—2008 is our most recent example of what can happen after an incredible run-up in home values. And we've never seen a market hotter than this one. The typical US home is worth nearly 21% more than it was just a year ago, a record that's been reset each of the past 12 months.

Meanwhile, mortgage rates have gone absolutely nuts. According to Freddie Mac, the average 30-year fixed mortgage rate went from % last April to % this April.

That is a seismic shift.

As a result of this shift, the typical monthly payment for someone buying a home went from \$1,124 in December 2020 to \$1,742 in April 2022. That represents a whopping 55% increase:

Here's how the numbers look for the typical home in the U.S.: The median price for a home has risen from \$309,200 in December 2020 to \$357,300.

Over that same period, interest rates rose from % to % this week. With a 10% down payment, that has pushed the monthly payment up from \$1,124 to \$1,742—a whopping 55% increase. That's upward of \$600 a month on that \$357,000 home. That's the impact of higher prices together with rising rates.

And the truth is that the typical monthly payment is even higher here in May, because the average 30-year fixed mortgage rate has shot up to %:

“The average 30-year fixed mortgage rate was 5.3% the second week of May, according to the government-backed mortgage buyer Freddie Mac. That's the highest it's been since 2009. Six months ago, mortgage rates were in the 3% range.”

This is the highest that mortgage rates have been since July 2009. And in July 2009 we were living through the aftermath of the worst housing crash in all of U.S. history.

Will the coming collapse be even worse?

Data that is coming in for the month of April seems to indicate that the market is already starting to crack: ” As data trickles in for April, it's becoming clear that the

historically hot housing market has flipped trajectories. It's now in cooling mode. The number of homes listed for sale is rising again. Fewer shoppers are scheduling tours. And Redfin reports 15% of home sellers in April cut their asking price—up from 9% a year ago.”

And it appears that things could rapidly get even worse.

The following quotes from industry insiders were recently posted on Zero Hedge:

– **Washington, D.C., builder:** “Traffic half what it was in March. Worried about first time buyers. Many fewer REAL buyers than number of people collected on interest list last 6 months. Certainly more attempts [from buyers] to negotiate.”

– **Seattle builder:** “Pause by a large population of buyers. To achieve our desired [sales] pace, we had to make price adjustments. Rates starting to knock people out of qualification.”

– **Riverside, San Bernardino, builder:** “Cancellations are starting to creep up due to loan declines and job losses. Waiting lists are certainly smaller. Saw an immediate change in buyer behavior when rates climbed over 5%.”

– **Los Angeles builder:** “Buyers who are stretching to purchase have become more cautious.”

– **San Diego builder:** “Buyers are definitely a bit more edgy.”

The market has clearly peaked, and now we are getting ready for the long ride downhill. And it won't be pretty.

If the Federal Reserve wanted to support the housing market, it would keep interest rates low, but the Federal Reserve has decided not to do that.

Instead, the Federal Reserve is recklessly raising interest rates because it is so scared of inflation.

The Fed has warned us that more rate increases are on the way in the months ahead, and that will undoubtedly push mortgage rates even higher. When asked if he could engineer a “soft landing,” Fed Chair Jerome Powell was very honest about the fact that he could not guarantee one:

Federal Reserve Chairman Jerome Powell warned Thursday that getting inflation under control could cause some economic pain but remains his top priority.

Powell said he couldn't promise a so-called soft landing for the economy as the Fed raises interest rates to tamp down price increases running near their fastest pace in more than 40 years.

If a plane does not have a soft landing, what kind of landing does it have? The only other options are a bumpy landing or a crash. Sadly, it appears that our housing market is in for either a bumpy landing or a crash as well.

And considering how much larger this housing bubble is compared to all other U.S. housing bubbles throughout history, I would say the odds of a crash are quite high.

The party was fun while it lasted, but now it has come to a screeching halt.

I hope you are prepared for what comes next. {eo}

Michael Snyder's book titled *7 Year Apocalypse* is now available on . In addition to his new book, he has written five other books that are available on , including *Lost Prophecies of the Future of America*, *The Beginning of the End*, *Get Prepared Now!* and *Living a Life That Really Matters (#CommissionsEarned)*. When you purchase any of these books, you help to support the work that Snyder is doing, and one way that you can really help is by sending digital copies as gifts through Amazon to family and friends. Time is short, and he

needs help getting these warnings into the hands of as many people as possible. He has published thousands of articles on The Economic Collapse Blog, End Of The American Dream and The Most Important News, and the articles that he publishes on those sites are republished on dozens of other prominent websites all over the globe.

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