



FOMC to Maintain Low Interest Rates Until 2014

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Members of the **Federal Open Market Committee** (FOMC) decided Wednesday to keep interest rates between 0 percent and .25 percent until 2014, even while the economy steadily improves.



All but one of the Fed's governors voted to extend the policy enacted last fall for another two years, where originally the central bank had determined to delay higher interest rates until 2013.

Richmond Fed president Jeffrey Lacker dissented from the voting majority, preferring to hold off on revealing how long the Fed wanted to maintain historically low interest rates.

The Fed said that it made the decision in lieu of evidence from

December that showed unemployment remaining steady.

"Strains in global financial markets continue to pose significant downside risks to the economic outlook," central bank said in a statement, referencing debt crises in eurozone countries.

The Fed added that it "expects economic growth over coming quarters to be modest and consequently anticipates that the unemployment rate will decline only gradually."

FOMC members said that growth in the housing market and business investments countered any strength in household spending that the Fed saw in December 2011.

The central bank pledged to continue reinvesting agency debt holdings in agency mortgage-backed securities in order to stimulate the markets.

Asked whether the decision would help lift or stall markets, Tim Rood, a partner with **The Collingwood Group** and former EVP with Fannie Mae, said that "there's no doubt that it's good for housing.

"It's going to help in terms of the housing recovery to keep affordability as low as humanly possible," he tells us.

Experts said in past interviews with MReport that the decision to time historically low interest rates would serve as a disincentive for investors, who would feel no rush to buy up U.S. Treasury debt or invest in securities.

