Should you refinance now? This could be the Fed's last rate cut for a while.

Home buyers and homeowners have been waiting for lower rates. Here's their best move now.

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Two experts MarketWatch spoke with advised aspiring buyers and homeowners to exercise caution and have patience.

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The Federal Reserve has cut interest rates for the third time in a row — and possibly the last time for a while. What's the best move home buyers and homeowners can make right now — and what could be a costly mistake?

The Fed on Wednesday cut its benchmark interest rate by 25 basis points in response to concerns about the U.S. labor market and signaled that it could hold off on further cuts.

Mortgage rates, which are not determined by the Fed, moved up in anticipation of the cut, as the bond market worried about the future direction of the Fed's interest-rate policy and the U.S. economy.

Mortgage rates don't directly follow the direction of the Fed's benchmark short-term interest rate. Instead, they tend to move in tandem with the yield on the 10-year Treasury note.

Home buyers and homeowners who've been waiting for an opening may be wondering if now is a good time to jump in or to refinance their mortgage. Two experts MarketWatch spoke with advised aspiring buyers and homeowners to exercise caution and have patience.

Don't rush a home purchase

Who should embark on a house hunt now? The answer hasn't changed: It's still people who can afford it — which is mostly older buyers who can offer cash.

The Fed's latest cut doesn't mean there's any rush to buy a house right now, because mortgage rates aren't expected to fall significantly — or to rise. Most industry forecasts expect rates to gradually move down over the course of next year but not to fall dramatically.

"Our forecast is for mortgage rates to stay within a fairly narrow range over the next few years," Mike Fratantoni, chief economist at the Mortgage Bankers Association, said in a statement. "This forecast becomes more likely as the Fed reaches the end of their cutting cycle next year."

About 73% of people responding to a recent Fannie Mae survey in September said it was a bad time to buy. They're not wrong.

If you can't afford a home now, "don't buy it with the anticipation that mortgage rates would be lower next year and you can refinance," Stephen Kates, a financial analyst at Bankrate and a certified financial planner, told MarketWatch.

"That's a bad idea, because people have been doing that for a couple of years now … and they've been sorely disappointed," he added.

Mortgage rates soared to 7.76% in late 2023, and borrowers with rates that high have been eagerly awaiting lower rates so they can refinance, which generally makes sense only when the borrower can find a rate that is at least 75 basis points lower than their existing rate. (One basis point equals one hundredth of a percentage point.) As of Wednesday, the average 30-year rate was 6.36%.

Michael Read, principal at Bridgeway Mortgage and Real Estate Services in Morristown, N.J., also advised buyers to have patience, because the housing market is expected to improve over the next year. Buyers and current homeowners looking to move "should go about it with a little more patience. They're going to see more inventory open up in this market" if they wait, Read said.

"Don't be in a hurry to make a move because the Fed has cut rates. That's what they shouldn't do," he added.

Read more: Will home prices and mortgage rates go down next year? Your 2026 real-estate forecast.

Think about refinancing a 7% mortgage rate

Still, refinancing a mortgage that has a high rate may be a good idea at this point.

Read said that some of his clients have mortgages with a 7% rate, and for those people, refinancing might be beneficial because they could reduce their monthly payments by hundreds of dollars.

Kates said that if a homeowner's current interest rate is 1% or more over the prevailing market rate, it's worth considering a refinance.

At the same time, homeowners shouldn't feel compelled to refinance just because of how they think mortgage rates will trend over the next few months and years.

"You should be inquiring about it, but if they're not where you need them to be, and you're looking for rates to go lower or play it out, then don't be in a hurry to make a move," Read said.

While some lenders may offer a rate adjustment or a refinance for free, others may require borrowers to pay a flat fee, closing costs or other fees. Closing costs for refinances can run from 2% to 6% of a loan's amount, according to LendingTree.

Work on your credit score while waiting for a refinance opportunity

Another smart move people can make while waiting for rates to drop is to improve their credit score, because a better score can result in more favorable interest rates and loan terms.

"That's something well within people's control," Kates said. In general, a higher credit score lowers the borrower's mortgage rate, because it signals to the lender that the borrower is creditworthy and will pay back their loan.

Even if an aspiring buyer isn't "there yet" with a down payment saved, or if a refinance doesn't seem like a good idea right now, "you want to be poised and ready to strike," he said, "if rates get to a point where it's palatable."

Don't apply for a loan just because rates are down

Lastly, don't consider taking on a new loan just because rates may be the lowest you've seen in a while.

If there is no real reason to apply for a loan, don't do it, Kates said. This applies not just to mortgages but to opening a new credit card or applying for a home-equity line of credit.

"You should have a reason to access credit, rather than just [doing it] because of a rate," he said.

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