

## Activity 5: Interest Rates

This activity focuses on interest rates, and you will use FRED® to find data that pertain to them. FRED® is a great and simple tool for finding, viewing, and manipulating official data.

1. Go to <https://fred.stlouisfed.org/> and sign in to your personal FRED® account.
2. In the search bar, type in “30 year mortgage.” One of the first few results should be **30-Year Fixed Rate Mortgage Average in the United States, Percent, Weekly, Not Seasonally Adjusted**. Click on this. This is the typical fixed rate a homeowner would pay for a house loan with a 30-year term. What is the current reported rate and date? What are the units?
3. Look at the upper right of the screen for an orange button that says EDIT GRAPH. Click it and make sure the ADD LINE tab is highlighted. In the search bar, type in “10 year.” One of the first few options should be **10-Year Treasury Constant Maturity Rate, Weekly, Percent, Not Seasonally Adjusted**. This is the rate at which the U.S. government borrows on a 10-year term. Click on that, and then click the **Add data series** button. Look at the graph now.
4. What are the sources of this new data?
5. Make an observation about how these two measures of interest rates have changed.
6. Which rate is consistently higher? Why do you think that is?
7. We are going to add one more data series. Click the orange button that says EDIT GRAPH. Make sure the ADD LINE tab is highlighted. In the search bar, type in “federal funds.” One of the first few options should be **Effective Federal Funds Rate, Weekly, Percent, Not Seasonally Adjusted**. Click on this, and then click the **Add data series** button. The federal funds rate is the interest rate at which banks borrow from other banks for overnight loans. Look at the graph and make an observation about the graph. What classes of borrowers are included in your graph? How might differences among these borrowers affect the rates displayed?

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### Tools for Teaching with FRED®

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8. Change the date range so that you only graph the time period since the end of the Great Recession (2009-07-01 onward). Now make a few observations about what you see.
  
9. Look back at other times of recessions. What do the interest rates tend to do then?
  
10. Save the graph to your FRED® account: Find the **Account Tools** button under the graph and click it. Select **Save Graph**. Select an **Observation Range**. The middle choice—**Always chart from YYYY-00-00 to the last value available**—will ensure that your graph updates whenever new data are added to the series. Type in a title and click **Save Graph**. You may create a **Category** folder first, if you wish, and save the graph in the folder.
  
11. Dashboard option: Finish by adding the completed graph to your FRED® dashboard. Click the **Account Tools** button under the graph and select **Add to Dashboard**. Select your dashboard and in the **Graph Name** box, type “Activity 5-Interest Rates.” Select an **Observation Range**. Click **Add to Dashboard**. For additional instructions, see Activity 1.