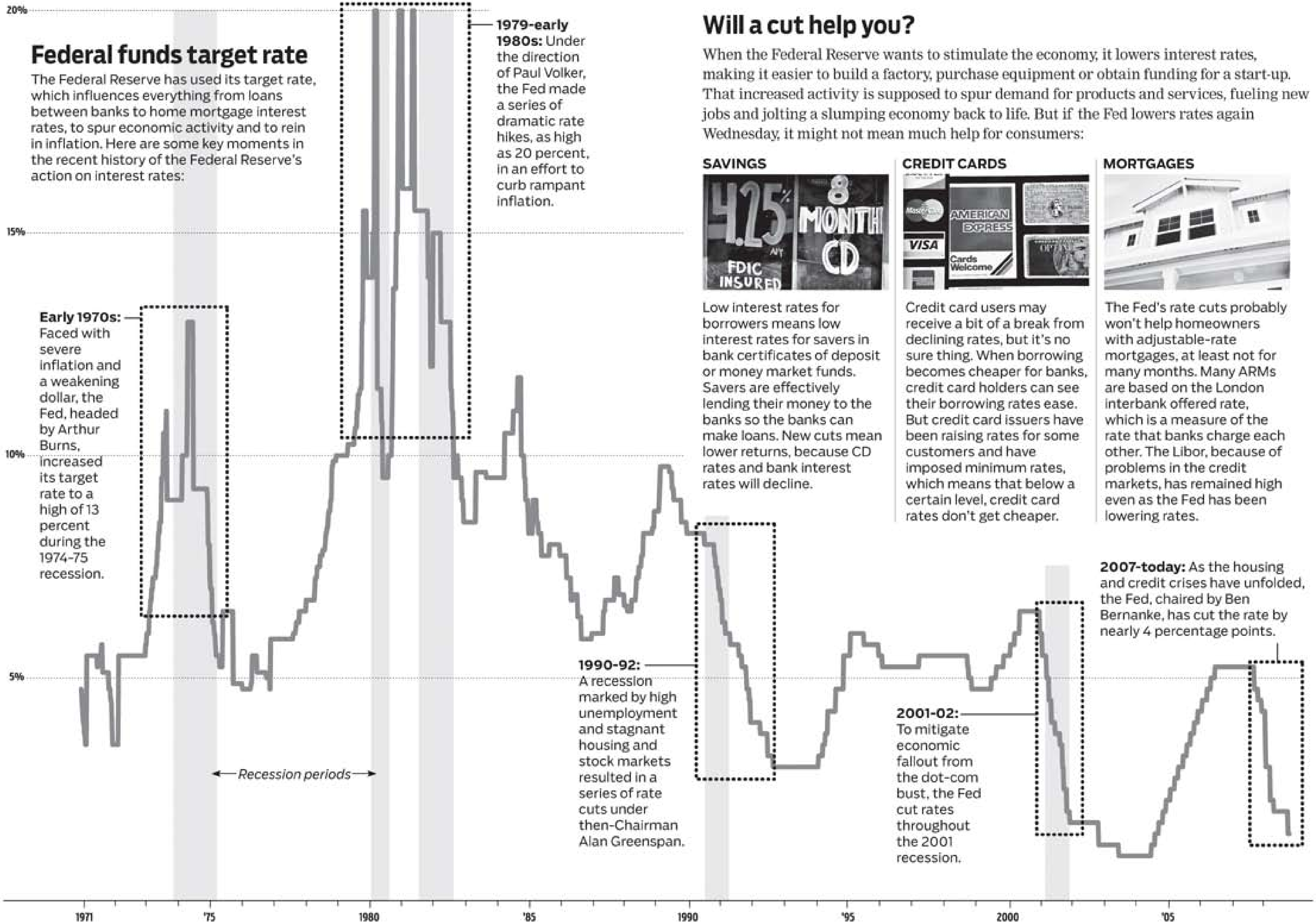
Federal funds target rate

The Federal Reserve has used its target rate, which influences everything from loans between banks to home mortgage interest rates, to spur economic activity and to rein in inflation. Here are some key moments in the recent history of the Federal Reserve's action on interest rates:



Will a cut help you?

When the Federal Reserve wants to stimulate the economy, it lowers interest rates, making it easier to build a factory, purchase equipment or obtain funding for a start-up. That increased activity is supposed to spur demand for products and services, fueling new jobs and jolting a slumping economy back to life. But if the Fed lowers rates again Wednesday, it might not mean much help for consumers:

SAVINGS

Low interest rates for borrowers means low interest rates for savers in bank certificates of deposit or money market funds. Savers are effectively lending their money to the banks so the banks can make loans. New cuts mean lower returns, because CD rates and bank interest rates will decline.

CREDIT CARDS

Credit card users may receive a bit of a break from declining rates, but it's no sure thing. When borrowing becomes cheaper for banks, credit card holders can see their borrowing rates ease. But credit card issuers have been raising rates for some customers and have imposed minimum rates, which means that below a certain level, credit card rates don't get cheaper.

MORTGAGES

The Fed's rate cuts probably won't help homeowners with adjustable-rate mortgages, at least not for many months. Many ARMs are based on the London interbank offered rate, which is a measure of the rate that banks charge each other. The Libor, because of problems in the credit markets, has remained high even as the Fed has been lowering rates.

SOURCES: Bloomberg, Federal Reserve

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