Federal Reserve lifts US interest rates

LEVEL B2

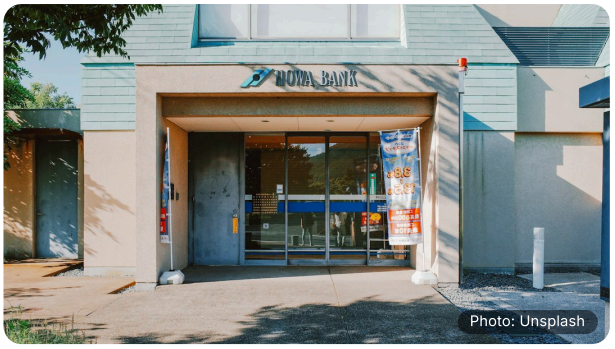


Photo: Unsplash

I. WARM-UP

1. What happens when borrowing gets more expensive?
2. Have you ever compared loan or mortgage offers? Why?
3. Where do you notice inflation most in daily life?

II. KEY VOCABULARY

unanimous
With everyone involved agreeing to the same decision.

inflation
A general rise in prices that makes money buy less over time.

mortgage
A long-term loan used to buy a home.

refinance
To replace an old loan with a new one, usually to get a better rate.

forecast
A prediction about future conditions based on current data.

independence
Freedom from control by another person or group.

discourage
To make someone less likely to do something.

lender
A bank or company that lets people or firms borrow money.

III. READING

The US Federal Reserve raised its key rate to 3.75%-4% from 3.5%-3.75%, the first increase in over three years. The unanimous vote came despite President Donald Trump calling for cuts. Fed chair Kevin Warsh said inflation is too high and called the move sober and responsible.

He added that strong employment means the bank can focus on stabilising prices near its 2% target. Higher rates make borrowing costlier for loans, mortgages and credit cards, while saving can become more attractive.

Major lenders moved quickly: JP Morgan, KeyCorp and BNY lifted the prime rate to 7% from 6.75%, affecting credit cards and personal loans. Average US mortgage rates are 6.76% for a 30-year deal and 6.09% for a 15-year deal.

Many homeowners have fixed-rate loans, so some will not feel an immediate change, though others could refinance. Warsh stressed the Fed's independence and said rate rises aim to discourage spending so prices cool.

Policymakers' forecasts point to another hike this year to 4%-4.25%, possibly 4.25%-4.5% next year, with cuts from 2028-2029. They expect inflation to return to the 2% target by 2029. Other central banks are also tightening: the European Central Bank raised rates last week, and the Bank of England decides next.

Reading text adapted from reporting by **BBC News***: "US interest rates raised for first time in...". Original article linked at theenglishwire.com.*

IV. COMPREHENSION QUESTIONS

1. What new target range did the Fed set for interest rates?
2. Whose opposition did the rate rise face?
3. What did several major US banks do after the Fed's move?
4. How can higher rates affect borrowers and savers?
5. When do policymakers expect inflation to reach 2%?

V. DISCUSSION

1. Should central banks fight inflation even if growth slows? Why?
2. How would a rate rise change your spending or saving plans?
3. Is it right for politicians to criticise an independent central bank?
4. What daily signs would show inflation is easing?

VI. GRAMMAR FOCUS

Used to / would

Both describe past habits. Only 'used to' can describe a past state — a situation rather than an action. 'The building used to be a cinema' is correct; 'would be' is not.

*"Maria **used to be** nervous about borrowing money."*

*"When she was young, Maria **would compare** loan offers every spring."*

VII. GRAMMAR EXERCISE

Complete each sentence using 'used to' or 'would'.

1. Years ago, my parents (have) ___ a mortgage with a local lender. _____
2. Traders (shout) ___ their prices across the square. _____
3. My aunt (live) ___ above a small bank in the old town. _____
4. As a student, Ana (check) ___ her bank balance every week. _____
5. In his thirties, Leo (refinance) ___ his car loan every year. _____

Teacher's Notes

TEACHERS ONLY

These notes are designed to help you get the most out of this lesson. Please do not share this page with students.

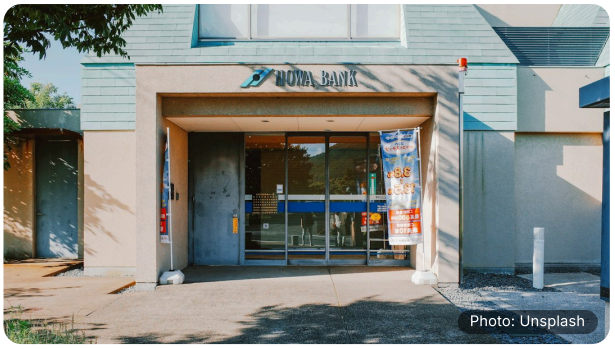


Photo: Unsplash

I. LESSON GUIDE

- Timing: 8-10 minutes warm-up, 10 minutes vocabulary, 12-15 minutes reading and comprehension, 8-10 minutes grammar, 12-15 minutes discussion.
- Pre-teach or check: interest rate, inflation, mortgage, prime rate, refinance, independence; contrast borrowing vs saving effects.
- Run the reading in pairs, then swap partners for comprehension. Money matters can feel personal; invite students to speak generally and avoid sharing private details.
- Differentiation: stronger students summarise the policy forecast; others match figures to effects (for example, prime rate to credit cards).

II. DISCUSSION FACILITATION TIPS

1. Poll the room first, then pair students with different views to compare trade-offs.
2. Elicit one concrete change (delay a purchase, save more), then ask for reasons.
3. Briefly review what independence means, then set up mini-debates in pairs.
4. Ask for local examples: prices, bills, menus; push for two signs, not one.

III. EXTENSION ACTIVITIES

Writing: Write a 90-word explainer for a friend: how a Fed hike can affect mortgages and credit cards.

Survey: In groups, design and run a 5-question class poll on saving vs spending plans after a rate rise.

IV. ANSWER KEY OVERVIEW

Comprehension questions: short factual answers from the text.

Grammar exercise: Used to / would

Discussion: open-ended. Accept any reasonable ideas supported by examples and reasoning.

Answer Key

TEACHERS ONLY

These answers are for teachers only. Please do not share this page with students.

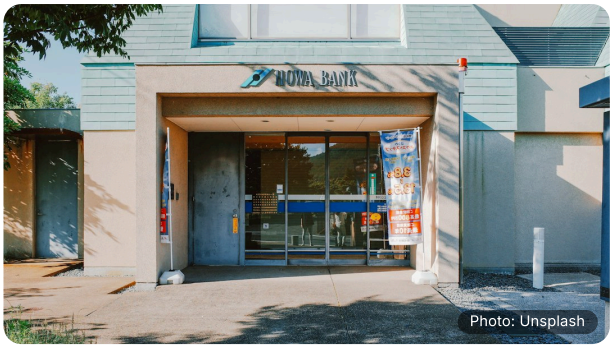


Photo: Unsplash

IV. COMPREHENSION QUESTIONS

1. What new target range did the Fed set for interest rates?
   3.75%-4%.
2. Whose opposition did the rate rise face?
   President Donald Trump's.
3. What did several major US banks do after the Fed's move?
   They raised the prime rate to 7% from 6.75%.
4. How can higher rates affect borrowers and savers?
   Borrowing becomes costlier; saving can be more attractive.
5. When do policymakers expect inflation to reach 2%?
   By 2029.

V. DISCUSSION

Open answers. Accept any reasonable ideas supported by examples and reasoning.

VI. GRAMMAR FOCUS

Key point: Both describe past habits. Only 'used to' can describe a past state — a situation rather than an action. 'The building used to be a cinema' is correct; 'would be' is not. (Examples constructed.)

> *"Maria* **used to be** *nervous about borrowing money."*
>
> *"When she was young, Maria* **would compare** *loan offers every spring."*

VII. GRAMMAR EXERCISE

Complete each sentence using 'used to' or 'would'.

1. Years ago, my parents ___ a mortgage with a local lender. **used to have**
2. Traders ___ their prices across the square. **used to/would shout**
3. My aunt ___ above a small bank in the old town. **used to live**
4. As a student, Ana ___ her bank balance every week. **used to/would check**
5. In his thirties, Leo ___ his car loan every year. **used to/would refinance**