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Record-low mortgage rates have been a rare positive side effect of the coronavirus pandemic — and they've been getting even better in the midst of a series of crisis warnings from the Federal Reserve.

The economy's recovery from COVID-19 will be slow and shaky, and "lasting damage" is a possibility without more government aid, Fed Chairman Jerome Powell said last week during an online speech.

As his words shook financial markets, mortgage rates that were already incredibly low fell even further, to a new all-time low according to one survey.

Later, the Fed itself warned about risks to the stock market if the pandemic gets worse, and Powell told CBS' *60 Minutes* on Sunday that it may take until the end of next year to get the economy back on its feet.

All the gloom coming from the central bank could keep mortgage rates tumbling. A new forecast says 30-year rates *below 3%* are possible by year-end.

As markets shiver, mortgage rates drop

In his speech, the central bank chairman said the economy's downturn is "significantly worse than any recession since World War II," and the impact could be prolonged and painful unless the government provides more relief.

So far, lawmakers and White House officials have failed to agree on new measures, like more direct money to Americans similar to the up to $1,200 stimulus payments the IRS has been distributing.

Powell's words sent a chill through the stock market; the Dow Jones Industrial Average sank more than 500 points. Meanwhile, prices for Treasury bonds rose, and their interest rates (yields) tumbled.

"The gloomy remarks led investors to seek out the safety of Treasuries, movements that generally push mortgage rates lower," says Matthew Speakman, an economist with the real estate site Zillow.

Mortgage News Daily's survey showed 30-year fixed-rate mortgages dropping from an average 3.25% on Tuesday — the day before Powell's speech — all the way down to a new survey low of 3.09% on Friday.

More bleak talk from the Fed and its chief could keep mortgage rates sliding. The Fed issued a report on Friday that included a warning to stock investors.

"Asset prices remain vulnerable to significant declines should the pandemic worsen, the economic fallout prove more adverse, or financial system strains re-emerge," the central bank wrote, in its twice-yearly Financial Stability Report.

In Sunday's *60 Minutes* interview, Chairman Powell said that while "you wouldn't want to bet against the American economy," the recovery may "stretch" into next year and that a full rebound may not come until there's a coronavirus vaccine.

On Tuesday, Powell is scheduled to testify before a U.S. Senate panel.

How low can mortgage rates go?

Mortgage rates are likely to stay in the cellar, says Zillow's Speakman.

"The combination of ongoing uncertainty and stabilization in some parts of the market suggest that average rates are likely to remain low, but rates associated with riskier mortgages are unlikely to fall much," he writes, on his blog.

The latest forecast from mortgage giant Freddie Mac looks for 30-year mortgage rates to average 3.3% during 2020, way down from 2019's typical rate of 3.9%.

But a new prediction from Realtor.com says rates "may slide under 3% by the end of the year."

Even so, the site's economists say homebuyers will often find getting a loan now requires a larger down payment and a higher credit score "as lenders seek to mitigate their own risks against economic uncertainty."

Major lenders including JPMorgan Chase and Wells Fargo have raised their credit score requirements for new borrowers. (If you're clueless about your credit score, you can check it for free now.)

It's not just homebuyers who are running into static as they try to get loans. Homeowners hoping to slash their monthly payments by refinancing are being offered surprisingly high rates by some lenders who have been overwhelmed by refi fever and are trying to cool it off.

Realtor.com says right now it's particularly important to shop around for the best mortgage rates and terms. Go online and review rates from multiple lenders side by side, so you'll get the best deal available to you, the one that will give you the lowest monthly payment and save you the most money over time.