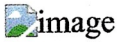


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Home Refinancing Is Looking Better

Falling mortgage rates start to make the math work again for millions of people

BY BEN EISEN AND VERONICA DAGHER

Homeowners with high-rate mortgages are starting to get excited about refinancing.

The average 30-year fixed mortgage rate dropped to a 10-month low of 6.56%, mortgage giant Freddie Mac said Thursday. The rate has inched down for nine of the past 12 weeks, tracking expectations that the Federal Reserve will cut its own rates next month.

More than two million owners could now save money by refinancing, according to ICE Mortgage Technology, up from 1.7 million at the end of July. If rates keep falling to 6%, nearly six million people would reduce their rate by at least 0.75 percentage point in a refinancing, a common threshold at which homeowners would save enough to justify the associated costs.

It has been a frustrating wait for people who bought homes in the past few years when rates have been elevated. The 30-year mortgage rate peaked at almost 8% in the fall of 2023. A mortgage with that kind of rate can cost hundreds of dollars or more a month for an owner, versus the sub-3% rates during the height of the pandemic.

Emily Cisek, a 36-year-old fintech company founder, bought her four-bedroom Houston home in May 2024 with a mortgage rate of 7.375%. She is considering refinancing now that rates have inched down. She isn't expecting rates to drop back below 3%. But if she could get a rate of 6.37%, she is ready to apply for a new loan.

Mortgage rates started their sharp climb in 2022 after the Federal Reserve began lifting its benchmark rates to rein in inflation. Longtime homeowners have been hesitant to sell and give up their low rates, including on loans taken at the lows during the pandemic. People who bought after rates rose faced a trickier math, with some betting that they would only have to weather high rates briefly before they could refinance.

But rates have remained high for far longer than many expected.

President Trump has been on a pressure campaign to try to get the Fed to cut rates.

It is still a small share of homeowners who could benefit right now from trading in old loans for new ones. But there have been signs of a broader thaw in the mortgage market as rates have fallen. Homeowners took out more mortgages last quarter than at any point since 2022, according to ICE.

"We haven't seen a dramatic drop in rates but we've seen an easing in rates," said John Hummel, head of retail home lending at U.S. Bank, which has seen a corresponding pickup in volume.

Other large lenders like Rocket Cos. and JPMorgan Chase also reported higher mortgage volume in the second quarter than the first.

A Mortgage Bankers Association index tracking refinance applications was up 19% from a year earlier, according to the trade group's data for the week ended Aug. 22. Loan officers say interest in refinances continues to tick up.

"Just this last month did I feel like the inquiries came in that were serious," said Rick Borgo, a mortgage broker with Anywhere Lending in Verona, N.J.

There has also been recent demand for refinancing where borrowers pull out cash. Americans have accumulated trillions of dollars in equity as home prices have risen, and have been looking for ways to use it to, say, renovate their homes. Cash-out refinances accounted for 59% of all refinances last quarter, helping drive the overall demand for mortgages, according to ICE.

With refinancing off the table for so many homeowners for so long, some have thought about other options.

Cisek also considered recasting her mortgage, which involves making a lump-sum payment toward the principal to reduce the monthly payment.

With a recast, the term of the loan would stay the same, unlike when people simply make extra payments toward the principal of a mortgage to pay it off faster. Borrowers need to get permission from their loan company to recast, and only some loan types are eligible. But banks including Chase and U.S. Bank said they have seen an uptick in recasting.

Cisek would use the \$50,000 in proceeds from a recent sale of another property. Putting that toward her principal could lower her monthly payments to an amount that's roughly equal to what she'd pay if she had a rate of 6.5% for the larger balance.

She hasn't made up her mind about whether to do that or a refinancing. "I'm holding out on making a decision until I see if rates drop further," she said.

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