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Average 30-year rate rises to 6.58%

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The average long-term U.S. mortgage rate climbed this week to its highest level in nearly 12 months, pushing up borrowing costs for prospective homebuyers at a time when rising oil prices are already squeezing household budgets.

The benchmark 30-year fixed rate mortgage rate rose to 6.58% from 6.55% last week, mortgage buyer Freddie Mac said Thursday. One year ago, the average rate was 6.74%.

The rate has ticked higher three weeks in a row. Higher mortgage rates can add hundreds of dollars a month in costs for borrowers, limiting homebuyers' purchasing power. As rates rise, that can lead prospective home shoppers to delay buying a home, one reason U.S. home sales have been sluggish this year.

Borrowing costs on 15-year fixed-rate mortgages, often sought by borrowers refinancing a home loan, also rose this week. That average rate increased to 5.96% from 5.93% last week. A year ago, it was at 5.87%, Freddie Mac said.

Mortgage rates are influenced by several factors, from the Federal Reserve's interest rate policy decisions to bond market investors' expectations for the economy and inflation. They generally follow the trajectory of the 10-year Treasury yield, which lenders use as a guide to pricing home loans.

Rates have been mostly rising this year as the conflict in Iran has driven crude oil prices sharply higher, stoking expectations of hotter inflation. That's pushed up long-term bond yields relative to where they were before the conflict began in late February, causing mortgage rates to trend higher.

The 10-year Treasury yield was 4.7% at midday Thursday on the bond market, up from 4.57% a week ago. It was just 3.97% in late February, before the war broke out.

Rising oil prices as violence escalates in Iran are threatening to worsen inflation, just as it had begun to decelerate by more than economists expected. That in turn could push the Federal Reserve to raise interest rates.

The central bank doesn't set mortgage rates, but its decisions to raise or lower its short-term rate are watched closely by bond investors and can ultimately affect the yield on 10-year Treasurys.

The average rate on a 30-year mortgage is now the highest it's been since Aug. 21, when it was at 6.58%. As recently as late February, the average rate dropped slightly below 6% for the first time since late 2022.

While average long-term mortgage rates remain lower than they were at this time last year, their upward trajectory has weighed on home sales this year. While seasonally adjusted sales of previously occupied U.S. homes were up 0.7% from January to June compared to the same period last year, they're still hovering close to a 4-million annual pace far short of the historic norm that is closer to 5.2-million.