

Average long-term-mortgage rate dips to 6.17%

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The average rate on a 30-year U.S. mortgage fell for the fourth week in a row to its lowest level in more than a year.

Lower mortgage rates boost homebuyers' purchasing power. They also benefit homeowners eager to refinance their current home loan to a more attractive rate.

The average long-term-mortgage rate dropped to 6.17% from 6.19% last week, mortgage buyer Freddie Mac said Thursday. A year ago, the rate averaged 6.72%.

The last time the average rate was lower was on Oct. 3, 2024, when it was 6.12%. - Note

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners refinancing their home loans, also eased this week. The average rate dropped to 5.41% from 5.44% last week. A year ago, it was 5.99%, 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. - Note

The average rate on a 30-year mortgage has remained above 6% since September 2022, the year mortgage rates began climbing from historic lows. The housing market has been in a slump ever since.

Sales of previously occupied U.S. homes sank last year to their lowest level in nearly 30 years. Sales have been sluggish this year, but accelerated last month to their fastest pace since February as mortgage rates eased. - Note

Mortgage rates began declining in July in the lead-up to the Federal Reserve's decision in September to cut its main interest rate for the first time in a year amid growing concern over the U.S. labor market.

The Fed lowered its key interest rate again this week in a bid to help boost the slowing job market. However, Chairman Jerome Powell warned it "is not a foregone conclusion" that the Fed will cut again in December at its next meeting.

That caused the 10-year Treasury yield to climb. The yield was at 4.08% in midday trading Thursday after hovering below 4% much of the past two weeks.

The Fed also could pump the brakes on more rate cuts if inflation climbs further amid the Trump administration's expanding use of tariffs, because lower rates can worsen inflation.

Bond investors demand higher returns as long as inflation remains elevated, so if inflation ticks upward that could translate into higher yields on the 10-year Treasury note, pushing up mortgage rates. - Note

The central bank doesn't set mortgage rates, and even when it cuts its short-term rates that doesn't necessarily mean rates on home loans necessarily will decline.

Last fall, after the Fed cut its rate for the first time in more than four years, mortgage rates marched higher, eventually reaching just above 7% in January this year.

The pullback in rates has helped spur homeowners who bought in recent years after rates climbed above 6% to refinance their home loan to a lower rate.

Mortgage applications, which include loans to buy a home or refinance an existing mortgage, jumped 7.1% last week from a week earlier, according to the Mortgage Bankers Association.

Applications for mortgage refinance loans rose 9% and were up more than twofold vs. the same week last year.

Even so, mortgage rates would have to drop below 6% to make refinancing an attractive option to a broader swath of homeowners.