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Mortgage rate at highest in nearly a year

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The average long-term U.S. mortgage rate climbed this week to its highest level in nearly a year, driving up borrowing costs for prospective homebuyers.

The benchmark 30-year fixed rate mortgage rate rose to 6.55% from 6.49% last week, mortgage buyer Freddie Mac said Thursday. One year ago, the average rate was 6.75%.

Higher mortgage rates can add hundreds of dollars a month in costs for borrowers, limiting homebuyers' purchasing power at a time when affordability challenges continue to sideline many aspiring homeowners.

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

Rates have been mostly rising this year as the war with 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 4.57% at midday Thursday on the bond market, up from 4.54% a week ago. It was just 3.97% in late February, before the war broke out. The average rate on a 30-year mortgage is now the highest it's been since Aug. 28, when it was at 6.56%. As recently as late February, the average rate dropped slightly below 6% for the first time since late 2022.

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 5.93% from 5.82% last week. A year ago, it was at 5.92%, Freddie Mac said.

Note

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.

And the latest monthly tally of home purchase transactions that have yet to be finalized points to potentially more sluggish home sales this summer.

Note

Pending U.S. home sales fell 5.4% in June from the previous months and were down 0.3% from June last year, the National Association of Realtors said Thursday. There's usually a month or two lag between a contract signing and when the sale is finalized, which makes pending home sales a near-term bellwether for the housing market.

Data on mortgage applications also signal that the upward trend in mortgage rates has given some would-be homebuyers reason to pause.

Mortgage applications, which include loans to buy a home or refinance an existing mortgage, fell 2.7% last week from the previous week, according to the Mortgage Bankers Association. The pullback was driven mainly by a 7% drop in applications to buy a home.