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Average rate on 30-year mortgage climbs

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Mortgage rates rose again this week, driving the average long-term U.S. home loan rate to its highest level in more than a year.

to 6.71
from 6.66%

The benchmark 30-year fixed rate mortgage rate rose 6.71% from 6.66% last week, mortgage buyer Freddie Mac said Thursday. One year ago, the average rate was 6.50%.

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 remain in a rut this year.

The average rate is now the highest it's been since July 31, 2025, when it was at 6.72%.

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 6.04% from 5.98% last week. A year ago, it was at 5.60%.

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

Both mortgage rates and the bond market have been mostly rising this year due to the U.S. war with Iran, which has fueled expectations for hotter inflation as crude oil prices soared. Long-term bond yields remain steeper than they were before the conflict began in late February, helping drive mortgage rates higher.

Over the past week, renewed fighting between the U.S. and Iran has ratcheted pressure on oil markets, driving up prices for crude. Higher oil prices can push up inflation, which drives up bond yields.

The 10-year Treasury yield was 4.74% as of midday Thursday on the bond market. It was at 4.67% last Thursday. Before the war, it was just 3.97% in late February.

Worries about the U.S. government's growing debt have also helped drive up long term bond yields, prompting the U.S. Treasury Department to intervene last month.

As inflation remains elevated, pressure is increasing on the Federal Reserve to take action to help lower it.

Fed Chair Kevin Warsh said last week at the Fed's annual economic symposium in Jackson Hole, Wyoming, that inflation had not shown sufficient improvement and that the central bank might have "more work to do," a sign he is weighing a rate increase at the Fed's next meeting Sept. 15-16.

Wall Street expects the central bank to raise interest rates before the year ends in an effort to cool inflation, which remains well above 3%. The Fed has a stated goal of cooling inflation to a target of 2%.

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.

"We don't expect any real mortgage rate relief this fall, but if inflation isn't tamed, the pain will be real," said Jiayi Xu, senior economist at Realtor.com. "Higher inflation would simultaneously erode paychecks and real income growth while keeping mortgage rates elevated for longer. That's a squeeze on housing from both sides: what people can afford, and what they're willing to buy into."

The U.S. housing market has been in a slump since 2022, when mortgage rates began to climb from pandemic-era lows. Sales of previously occupied U.S. homes were essentially flat last year, stuck at a 30-year low. U.S. sales of those homes again slowed in July.