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Buyers face headwinds that could dilute the impact of lower rates.

Mortgage Rates Fall Below 6%, Lowest Since 2022

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Mortgage rates fell below 6% this week for the first time in more than three years, welcome news for waves of house hunters heading into the busy spring home-buying season.

The average rate for a 30-year fixed mortgage was 5.98% this week, the lowest level since September 2022 and a slight decline from last week, Freddie Mac said Thursday.

Mortgage rates briefly topped 7% in January last year, but they have fallen steadily over the past several months. Cooling inflation and economic uncertainty have helped bring them down, and the Federal Reserve's three interest-rate cuts in the second half of 2025 added to the momentum.

Lenders, real-estate agents and economists said this week's drop below 6% could mark an important psychological threshold that will likely lure more buyers into the market. It is also expected to spur a jump in refinance applications from homeowners who bought in recent years when rates were higher.

Home shoppers realize that mortgage rates aren't about to fall below 3% again—as they did during the pandemic-period housing boom—and that between 5% and 6% is the new norm, said Bill Banfield, chief business officer at the mortgage company Rocket.

“So if you can get into that 5% zone,” Banfield said, “they’re willing to do it.”

Falling mortgage rates are coming at an opportune time for a housing market that has been stuck in neutral for three years, with sales mired in their worst slump in three decades.

The spring is generally the most important period for real-estate brokerages and home builders.

Many families with children want to buy and sell in the spring so they can move over the summer. Home sellers often wait until spring to list their homes because they expect the most shoppers then.

Cheaper borrowing costs so far haven't led to a big increase in home-buying activity. Purchase mortgage applications fell last week to their lowest seasonally adjusted level since April, according to the Mortgage Bankers Association.

Existing-home sales fell 8.4% in January, the biggest monthly decline in nearly four years, though economists attributed some of that decline to the inclement weather.

Buyers, moreover, face a number of headwinds that could dilute the impact of lower rates. Home prices aren't far below record highs after climbing more than 50% since 2019. Higher electricity bills, along with rising home insurance costs and property taxes, add to the ballooning cost of homeownership.

Many home shoppers are also spooked about job security these days and reluctant to make a big purchase, real estate agents say. The share of home-purchase contracts being canceled has increased, according to Redfin.

“I just don't think rates are as important as jobs and confidence” for driving home sales, said Margaret Whelan, chief executive of Whelan Advisory, a boutique investment bank for the housing industry.

Still, falling mortgage rates translate directly to the bottom line of home buying. With rates around 6% in January, a median-income U.S. household could afford a home costing \$331,483, the highest price since 2022, according to Zillow. *Note*

If lower rates translate into more home buying, it could offer a lift to recently hit real estate stocks, including the largest brokerage firm Compass and mortgage lenders such as Rocket, which also owns the broker Redfin. Businesses like Home Depot and Lowe's that sell furniture and appliances would also likely benefit.

Daniel and Kyla Seely listed in November their three-bedroom home in Newark, Ohio, about 40 miles east of Columbus, at \$324,900. They have had four showings and no offers, even after cutting the price. They are hopeful that falling mortgage rates will change that. "There's a pool, I think, of wannabe buyers who have just been sitting on the sidelines and waiting for rates to come down," Daniel Seely said. "If they see a drop from above 6, to having that first number be 5, I think that would bring a lot of people out."

The Trump administration has also been focused on lowering mortgage rates as a way to improve home-buying affordability. Toward that end, President Trump announced in January that Fannie Mae and Freddie Mac would purchase \$200 billion in mortgage bonds.

The bond purchases were "marginally helpful," but more would be necessary for a broader pickup in the mortgage market, Fifth Third Bancorp Chief Financial Officer Bryan Preston said in an interview last month.

Economists generally aren't forecasting further declines in rates this year, *Note* expecting current levels to hold. The Mortgage Bankers Association's outlook calls for rates to average 6.1% this year, and Fannie Mae is predicting a 6% average rate.

"Based on what we know today, it's fairly unlikely rates will move materially from the low 6s or high 5s," said Bhavesh Patel, consumer channel executive at Chase Home Lending.

Federal Reserve officials held rates steady at their most recent meeting and signaled that they want to see inflation come down more before considering future cuts.

One risk for home buyers is that if mortgage rates decline further, the increase in demand will lead to more competition and push home prices higher, offsetting any improvement in affordability. Trump, a Republican, has also said he doesn't want home prices to fall, because that would hurt current homeowners. *Note*

But buyers are currently benefiting from having more negotiating power over sellers. About 62% of buyers last year purchased a home below the original listing price, the highest proportion since 2019, according to Redfin. *Note*

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