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Average long-term mortgage rate climbs to 6.51%

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The average long-term U.S. mortgage rate climbed this week to its highest level in nearly nine months, driving up borrowing costs for homebuyers during what's traditionally the housing market's busiest time of the year.

The benchmark 30-year fixed rate mortgage rate rose to 6.51% from 6.36% last week, mortgage buyer Freddie Mac said Thursday. Despite the sharp increase, the average rate remains below 6.86%, where it was a year ago.

Rates have been mostly trending higher since the war with Iran began. The closure of the Strait of Hormuz has roiled energy markets, sending crude oil prices sharply higher — a key driver of inflation.

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.

Expectations of higher oil prices and worries about big and growing debts for the U.S. government and others have pushed up long-term bond yields, causing mortgage rates to head higher.

The yield on the U.S. 10-year Treasury note, which was at 4.6% in midday trading Thursday on the bond market. A week ago, it was at 4.47%. It was at just 3.97% in late February, before the war broke out.

Meanwhile, borrowing costs on 15-year fixed-rate mortgages, popular with homeowners refinancing their home loans, also rose this week. That average rate climbed to 5.85% from 5.71% last week. A year ago, it was at 6.01%, Freddie Mac said.

When mortgage rates rise they can add hundreds of dollars a month in costs for borrowers, reducing their purchasing power.

As recently as late February, the average rate on a 30-year mortgage had slipped just under 6% for the first time since late 2022. It's hasn't fallen below that threshold since. It's now at its highest level since August 28, when it was 6.56%.

While average long-term mortgage rates remain lower than they were at this time last year, their recent increase has helped dampen sales so far this spring homebuying season.

Sales of previously occupied U.S. homes were essentially flat last month after declining from a year earlier in the first three months of the year, extending a nationwide housing slump that dates back to 2022 when mortgage rates began to climb from pandemic-era lows.

Mortgage applications, which include loans to buy a home or refinance an existing mortgage, fell 2.3% last week from a week earlier to their lowest level in five weeks, according to the Mortgage Bankers Association. Much of the decline was caused by a sharp drop in home purchase applications.

The elevated mortgage rates are driving more prospective homebuyers to adjustable-rate mortgages, or ARMs. Such loans, which typically offer lower initial interest rates than traditional 30-year, fixed-rate

mortgages, accounted for nearly 10% of all mortgage applications last week, the highest share since October, MBA said.

Home shoppers who are undeterred by rising mortgage rates are benefiting from buyer-friendly trends in many markets, including more properties on the market than a year ago and data showing home listing prices have started falling in many metro areas, especially in the South and Midwest.

“The spring season still offers real opportunity, though each uptick in rates narrows the pool of buyers who can make the numbers work,” said Anthony Smith, senior economist at Realtor.com.