

Mortgage rates highest since January 2025

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A for-sale sign struggles to stay upright outside of a home in Arlington Heights, Ill., on Sept. 16. NAM Y. HUH — THE ASSOCIATED PRESS

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The Associated Press

The average long-term U.S. mortgage rate rose this week above 7% for the first time since January 2025, the latest affordability setback for prospective homebuyers following a five-week run of rate increases. *Note*

The weekly average rate on a 30-year fixed-rate home loan rose to 7.03% from 6.95% last week, mortgage buyer Freddie Mac said Thursday. One year ago, the average rate was 6.30%.

The average rate is now the highest it's been since Jan. 16, 2025, when it was at 7.04%. *Note*

"Beyond the immediate financial constraints, the 7% threshold is a foreboding psychological barrier," said Lisa Sturtevant, chief economist at Bright MLS. "Crossing this mark could create a chilling effect on the market" that would lead to a considerable slowing of home sales transactions this fall. *Note*

Higher mortgage rates can add hundreds of dollars a month to borrowers' costs, limiting homebuyers' purchasing power. As rates rise, that can also lead prospective home shoppers to delay buying. *Note*

In late February, the average rate on a 30-year mortgage briefly dipped to 5.98%, its lowest level going back to late 2022. The roughly 1 percentage point increase in the rate since then translates roughly into an additional \$276 a month cost for a borrower financing a \$400,000 home loan at the current average rate.

Depending on a borrower's income, credit and other factors, they may qualify for a rate on a 30-year mortgage that is below or above the current average. The housing market has been stuck in a rut this year in large part because of elevated mortgage rates, which have been climbing in the months since the U.S. and Israel attacked Iran in late February.

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

Expectations of higher inflation amid surging oil prices have pushed up the 10-year Treasury yield, which was at 3.97% in late February, before the war began. It surged to 5.17% in midday trading on the bond market Thursday. That's put it roughly back to where it was in 2007. *Note*

The latest increase in the 10-year Treasury yield suggests that "upward mortgage rate pressure seems likely to linger," said Anthony Smith, senior economist at [Realtor.com](https://www.realtor.com).

The Federal Reserve's decision last week to increase its key interest rate for the first time in three years in a bid to tame surging inflation could also keep upward pressure on mortgage rates.

While the central bank doesn't set mortgage rates, 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 Treasuries. The Fed also signaled that another rate hike could occur later this year.

Wall Street traders now see close to a coin flip's chance that the Fed could raise rates twice more by the end of the year, according to data from the CME Group.

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 slowed again last month. *Note*

The latest data on home loan applications show 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 1.5% last week from the previous week, according to the Mortgage Bankers Association. This marks the third straight weekly drop.

Applications for loans to refinance existing mortgages also declined, falling to their slowest pace since February 2025.

The latest move in rates on 15-year fixed-rate mortgages, often sought by borrowers refinancing a home loan, is likely to discourage some homeowners eager to refinance. That average rate increased this week to 6.42% from 6.26% last week. A year ago, it was at 5.49%.