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Average mortgage rate rises for 1st time in weeks

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The average long-term U.S. mortgage rate rose this week, pushing up borrowing costs for prospective homebuyers in the midst of the spring homebuying season.



The benchmark 30-year fixed rate mortgage rate rose to 6.3% from 6.23% last week, mortgage buyer Freddie Mac said Thursday. That's still down from one year ago, when the rate averaged 6.76%.

The increase ends a three-week slide, bringing the average rate back to where it was two weeks ago. Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners refinancing their home loans, also moved higher this week. That average rate rose to 5.64% from 5.58% last week. A year ago, it was at 5.92%, Freddie Mac said.

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.

This week's uptick in the average rate on a 30-year home loan follows a rise in the yield on U.S. 10-year Treasury bonds, which lenders use as a guide to pricing home loans.

The 10-year Treasury yield was at 4.39% in midday trading on the bond market Thursday, up from 4.34% a week ago. The yield was at just 3.97% in late February, before the war with Iran broke out. 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 again in the weeks since the conflict in the Middle East began, sending energy prices soaring and heightening worries about higher inflation. Bond yields, and mortgage rates, have remained volatile as the conflict drags on.

High oil prices helped push the Federal Reserve to announce Wednesday that it's continuing to hold off on cuts to interest rates.

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 Treasuries.

While lower rates could give the economy a boost, they simultaneously risk worsening inflation, which could in turn lead to higher mortgage rates.

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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. They have remained sluggish so far this year, declining in January and February and March from a year earlier.

Even with its recent swings, the average rate on a 30-year mortgage remains nearly half a percentage point below what it was a year ago.

Still, the mortgage rate uncertainty has clouded the outlook for the spring homebuying season, traditionally the busiest stretch of the year for the housing market.

A recent measure of pending U.S. home sales, which tracks when a buyer signs a contract to buy a home, showed a mixed picture of the housing market.

Pending home sales rose 1.5% compared to February, but fell 1.1% compared to March last year, the National Association of Realtors reported earlier this week. There's usually a month or two lag between a contract signing and when the sale is finalized, which makes pending home sales a bellwether for future completed home sales.

"There are some signs of life among buyers, as pending sales have inched up ever so slightly over the past four weeks," said Lisa Sturtevant, chief economist at Bright MLS. "But the fact remains that we are not going to see rates fall below 6% anytime soon, and the spring housing market is going to be much more subdued than forecasts suggested at the end of last year."