

U.S. mortgage rate rises to nine-month high

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The rate on the most popular U.S. residential real estate loan hit a nine-month high last week in another blow to homeownership affordability, as the Iran war kept oil prices elevated, fueling inflation concerns and pushing up benchmark U.S. Treasury yields.



The average 30-year fixed-rate mortgage rose 9 basis points to 6.65% in the week ended May 22, the Mortgage Bankers Association said Wednesday. That's the highest since August 2025, before the Federal Reserve began a series of interest rate cuts to head off further labor market weakening that for a time helped bring down 30-year mortgage rates to around 6% before President Donald Trump and Israel launched attacks on Iran in late February.

At the same time, the U.S. labor market has stabilized, with the unemployment rate now at the same 4.3% it was last August, and inflation has picked up, starting with energy costs pushed high by the war but more recently widening to other goods and services. Consumer prices rose 3.8% in April from a year earlier compared with inflation of 2.9% last August, and a growing number of Fed officials — worried that the increase is not just due to a temporary rise in energy prices but could be more persistent — now say they may need to consider raising the interest rate.

Mortgage applications dropped 8.5% from a week earlier, the MBA said, driven largely by a decline in refinancing. Overall application volumes were the lowest since last summer.

The latest rise in mortgage rates came as Kevin Warsh took over as the Federal Reserve's new chair, succeeding Jerome Powell, whom Trump had criticized tirelessly for keeping interest rates high. Hours after Warsh was sworn in at a White House ceremony, Trump said he expected rates to come down. In contrast, financial markets are now pricing in the possibility of a Fed rate hike by year's end.

Mortgage rates are loosely tied to the Fed's short-term policy rate, though they follow the 10-year Treasury yield much more closely.

Yields on U.S. government bonds have fallen this week on hopes of a breakthrough deal to reopen the Strait of Hormuz. That move may be reflected in competing mortgage rate data due on Thursday from Freddie Mac, which last week showed an average rate of 6.51% for 30-year mortgages, also the highest since late last summer.

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Lack of housing supply is a key driver behind the lackluster pace of home sales, and the so-called rate lock-in phenomenon — in which homeowners with low mortgage rates stay put rather than move and face a much-higher mortgage rate to buy another home — continues to be a force in keeping homes from coming onto the market. As of the end of 2025, nearly two-thirds of outstanding mortgages still sported an interest rate below 5%, according to Federal Housing Finance Agency data, a rate that has not been available in more than four years. Note

That limited inflow of new supply is also a factor aggravating already-poor affordability conditions, Nancy Vanden Houten, U.S. lead economist at Oxford Economics, wrote in a recent update of Oxford's housing affordability index.

"That shortage is compounded by the fact that historically few homeowners are selling their properties," Vanden Houten said. "The turnover of the existing owner-occupied stock averaged 4.7% over the last four quarters, which is below the turnover rate we saw during the depths of the global financial crisis."