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Mortgage rates ease, remain higher than last year

to 6.65%

from 6.67%

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The average long-term U.S. mortgage rate eased for the second week in a row, but remains elevated compared with this time last year.

The benchmark 30-year fixed rate mortgage rate fell to 6.65% from 6.67% last week, mortgage buyer Freddie Mac said Thursday. One year ago, the average rate was 6.58%. – Note

Borrowing costs on 15-year fixed-rate mortgages, often sought by borrowers refinancing a home loan, also eased this week. That average rate dropped to 5.95% from 5.96% last week. However, a year ago, it was at 5.69%.

Despite the recent pullback, mortgage rates have been mostly rising this year, limiting homebuyers' purchasing power. Elevated rates can lead prospective home shoppers to delay buying a home, one reason U.S. home sales have been sluggish this year.

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

Both mortgage rates and the bond market have been mostly rising this year due to the U.S. war with Iran, which has fueled expectations for hotter inflation as crude oil prices soared. Despite easing oil prices recently, longterm bond yields remain steeper than they were before the conflict began in late February, pushing mortgage rates to tread higher.

With bond yields marching higher in recent months on worries about high inflation, gargantuan government debts and other factors, the U. S. Treasury Department said Wednesday that it would at least double the amount of U. S. government bonds that it planned to buy back over the next few months. The move helped helped pull yields down after the 10-year Treasury's yield had hit its highest level in more than a year.

The 10-year Treasury yield was 4.71% as of midday Thursday on the bond market. Before the war, it was just 3.97% in late February.