3-28-25

LENDING

Average rate on a 30-year mortgage dips to 6.65%

A for sale sign stands outside a home on the market in the Alamo Placita neighborhood in 2024 in Denver. DAVID ZALUBOWSKI — ASSOCIATED PRESS FILE

BY ALEX VEIGA

THE ASSOCIATED PRESS

The average rate on a 30-year mortgage in the U.S. fell slightly this week, a welcome reversal for homebuyers in what's traditionally the housing market's busiest time of the year.

The rate fell to 6.65% from 6.67% last week, mortgage buyer Freddie Mac said Thursday. A year ago, the rate averaged 6.79%.

This is the first decline in the average rate after rising two weeks in a row. The average rate has trended lower since mid-January, when it climbed to just over 7% — a relief for house hunters struggling to afford a home after years of soaring prices.

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners refinancing their home loans, rose this week, however, pushing the average rate to 5.89% from 5.83% last week. A year ago, it averaged 6.11%, Freddie Mac said.

Mortgage rates are influenced by factors including bond market investors' expectations for future inflation, global demand for U.S. Treasurys and the Federal Reserve's interest rate policy decisions.

The overall decline this year in the average rate on a 30-year mortgage loosely follows moves in the 10-year Treasury yield, which lenders use as a guide to pricing home loans.

The yield, which was nearing 4.8% in mid-January, has mostly fallen since then, reflecting rising unease over the Trump administration's escalating tariffs on imported goods, which economists warn could drive inflation higher, hurting economic growth. The yield was at 4.37% in midday trading Thursday.

Bond investors demand higher returns as long as inflation remains elevated, so if inflation ticks upward that could translate into higher yields on the 10-year Treasury note, pushing up mortgage rates.

For now, the economic uncertainty is helping lower mortgage rates, which is encouraging would-be homebuyers just as the spring homebuying season ramps up.

An index tracking applications for loans to buy a home has risen five weeks in a row as of last week, when they climbed 1% from the previous week, according to the Mortgage Bankers Association. Home purchase loan applications are 7% higher than they were a year ago.

"Recent mortgage rate stability continues to benefit potential buyers this spring, as reflected in the uptick in purchase applications," said Sam Khater, Freddie Mac's chief economist.

The U.S. housing market has been in a sales slump since 2022, when mortgage rates began to climb from pandemic-era lows. Sales of previously occupied U.S. homes fell last year to their lowest level in nearly 30 years.

Easing mortgage rates and more homes on the market nationally helped drive sales higher in February from the previous month, though they were down year-over-year.

New data suggest sales may increase in coming months. A measure of pending U.S. home sales rose 2% in February from the previous month, though it was down 3.6% from a year earlier, the National Association of Realtors said Thursday.

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.

"Despite the modest monthly increase, contract signings remain well below normal historical levels," said Lawrence Yun, NAR's chief economist.