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Homebuyers face new hurdles as mortgage rates brush 7%

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Home shoppers holding out for relief from rising mortgage rates may be in for a long wait.



Rate to 6.95%
from 6.76%
last week
one year ago = 6.26%

The weekly average rate on a 30-year fixed-rate home loan has been rising for months and this week climbed to just below 7% — its highest level in over 19 months.

The benchmark 30-year fixed-rate mortgage rate rose to 6.95% from 6.76% last week, mortgage buyer Freddie Mac said Thursday. One year ago, the average rate was 6.26%.

This is the fourth week in a row that mortgage rates have moved higher. The average rate hasn't reached this level since Jan. 30, 2025.

Borrowing costs on 15-year fixed-rate mortgages, often sought by borrowers refinancing a home loan, also rose this week. That average rate increased to 6.26% from 6.09% last week. A year ago, it was 5.41%.

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. The housing market has been stuck in a rut this year in large part because of rising borrowing costs, as mortgage rates have kept marching higher in the months since the war between the U.S. and Iran began in late February. Expectations of higher inflation amid surging oil prices have pushed up the long-term bond yields that lenders use as a guide to pricing home loans, driving mortgage rates higher. 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. That yield, which was at 3.97% in late February, before the war began, breached 5% on Monday for the first time since 2023. It was at 4.94% at midday trading on the bond market Thursday.

Note

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Meanwhile, the Federal Reserve's decision Wednesday to increase its key interest rate for the first time in three years in a bid to tame surging inflation could also put 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 Treasurys. The Fed also signaled Wednesday that another rate hike could occur later this year. *Note*

"The rate hike all but guarantees that mortgage rates will remain stuck at or above the 7% threshold, which creates a psychological and financial barrier that will sharply squeeze affordability and sideline even more prospective buyers," said Lisa Sturtevant, chief economist at Bright MLS.

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 Note*

A sharp run-up in home prices, especially in the early years of this decade, and a chronic shortage of homes nationally worsened by years of below-average home construction have left many aspiring homeowners priced out of the market. *Note*

That has many would-be homebuyers keeping an eye on mortgage rates, which can boost home shoppers' purchasing power when they come down, but also reduce how much homebuyers can afford when rates rise.

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 Fed rate hike and other factors already driving up mortgage rates this year could set the stage for a further slowing in the housing market this year.

Still, it's not clear how much mortgage rates will move up from here, as their rise in recent weeks may already reflect, at least in part, expectations that the Fed would elect to begin hiking interest rates.

"That matters because it tells us how mortgage rates and the bond market might respond to potential Fed hikes," said Jake Krimmel, senior economist at Realtor.com.