

Average long-term mortgage rate ticks down to 6.18%

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WASHINGTON · The average rate on a 30-year U.S. mortgage ticked down modestly this week, remaining in the same narrow range of the past two months.

The average long-term mortgage rate fell to 6.18% from 6.21% last week, mortgage buyer Freddie Mac said Wednesday. A year ago, the rate averaged 6.85%. — *Note*

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners refinancing their home loans, rose this week. The rate averaged 5.50%, up from 5.47% last week. A year ago it averaged 6%, 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. They generally follow the trajectory of the 10-year Treasury yield, which lenders use as a guide to pricing home loans.

The 10-year yield was at 4.15% at midday Wednesday, up modestly from last week's 4.12%.

The average rate on a 30-year mortgage has been mostly holding steady in recent weeks since Oct. 30 when it dropped to 6.17%, its lowest level in more than a year. *Note*

Mortgage rates began easing in July in anticipation of a series of Fed rate cuts, which began in September and continued this month.

The Fed doesn't set mortgage rates, but when it cuts its short-term rate that can signal lower inflation or slower economic growth ahead, which can drive investors to buy U.S. government bonds. That can help lower yields on long-term U.S. Treasurys, which can result in lower mortgage rates.

Even so, Fed rate cuts don't always translate into lower mortgage rates.

Home shoppers who can afford to pay cash or finance at current mortgage rates are in a more favorable position than they were a year ago. Home listings are up sharply from last year, and many sellers have resorted to lowering their initial asking price as homes take longer to sell, according to data from Realtor.com.

Still, affordability remains a challenge for many aspiring homeowners, especially first-time buyers who don't have equity from an existing home to put toward a new home purchase. Uncertainty over the economy and job market are also keeping many would-be buyers on the sidelines.

Sales of previously occupied U.S. homes rose in November from the previous month, but slowed compared to a year earlier for the first time since May despite average long-term mortgage rates holding near their low point for the year. Through the first 11 months of this year, home sales are down 0.5% compared to the same period last year.

Economists generally forecast that the average rate on a 30-year mortgage will remain slightly above 6% next year.