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An aerial view of residential homes in Rancho Cucamonga, Calif. The selloff in the bond market is increasing borrowing costs for home buyers. MARIO TAMA/ GETTY IMAGES

U.S. Mortgage Rates Surge to 7.28%

Biggest rise in 4 years puts a chill in housing market, frustrating buyers and sellers

BY NICHOLAS G. MILLER

Mortgage rates posted their largest increase in four years this week, one of the clearest signs of how the recent bondmarket selloff is spilling into the broader economy.

Rates for 30-year fixed-rate mortgages leapt to 7.28% from 7.03%, the biggest jump since October of 2022, according to Freddie Mac.

Mortgage rates are rising as inflation, a surge in government debt and heavy corporate borrowing for the build-out of AI push up bond yields, which move in the opposite direction of bond prices. The bond-market selloff is raising borrowing costs for home buyers and dealing blow after blow to a limping housing market.

"Showings have stopped basically," said Don Wessel, a real-estate agent in Greenville, S.C. "I've got good listings in downtown Greenville, which is one of the hottest areas, and nobody's looking at them."

In 2022, rates surged as part of postpandemic inflation that ended years of below 5% mortgage rates and ground the housing market to a halt. Home sales still haven't recovered from that rapid freeze four years ago. With rates now at their highest point since 2023, buyers are likely to stay planted on the sidelines, while sellers may take their homes off the market.

For the week ended Sept. 25, mortgage applications fell 6%, the fourth consecutive week of declines, according to the Mortgage Bankers Association.

At the start of the year, mortgage rates touched below 6%, but the beginning of the war in Iran caused them to jump. As the conflict has drawn on, fears of sticky inflation have driven rates higher and higher. Rates began September at 6.71% before a historic bond selloff sent them surging.

Americans feel the pain of a bond selloff most directly and rapidly through the housing market, where mortgage rates closely follow the 10-year Treasury yield, which on Thursday hit its highest point in more than 20 years. The recent run-up in mortgage rates has brought sales activity in the housing market to a standstill. Buyers are already coping with record home prices and stretching to afford down payments. Plus, with sky-high homeowners association fees and property taxes, the math has become challenging for first-time buyers.

Now, the end of 2026, a year that was expected to launch the market's recovery, is likely to be a slog.

"I still see it declining and you're coming into the slow part with the holidays," Wessel said. "I think there's a short window now for sellers to sell and then buyers get out of the market."

Buyers in the upper end of the market, less constrained by affordability, are continuing to show interest, said Anthony Rael, an agent in Denver. "They seem to be flush with cash, bringing 20%, 30% down payments into the mix," he said. "Whereas the lower market, let's just say closer to a half a million and below, is really struggling where we're getting lots of showings and no activity, no offers."

Higher mortgage rates could also halt progress the market has made in freeing up inventory. For years, homeowners have been wary of selling their homes to preserve their low mortgage rates from years ago. That sent inventory plummeting, which has allowed home prices to continue hitting new records, despite weak demand.

There have been signs that the lock-in effect was starting to ease as sellers lost patience and gave up their low rates to move for family reasons or new jobs. In August, inventory approached prepandemic levels.

But now, rates well above 7% could drive sellers away.

In July, Adam Wharton and his wife bought a new house in Georgia but haven't been able to sell their old house, which they listed at the beginning of September. There initially was a flurry of interest, and they accepted an offer, before the buyer backed out.

"We were getting multiple showings a day. Within four days, we had a full-ask offer on it," he said.

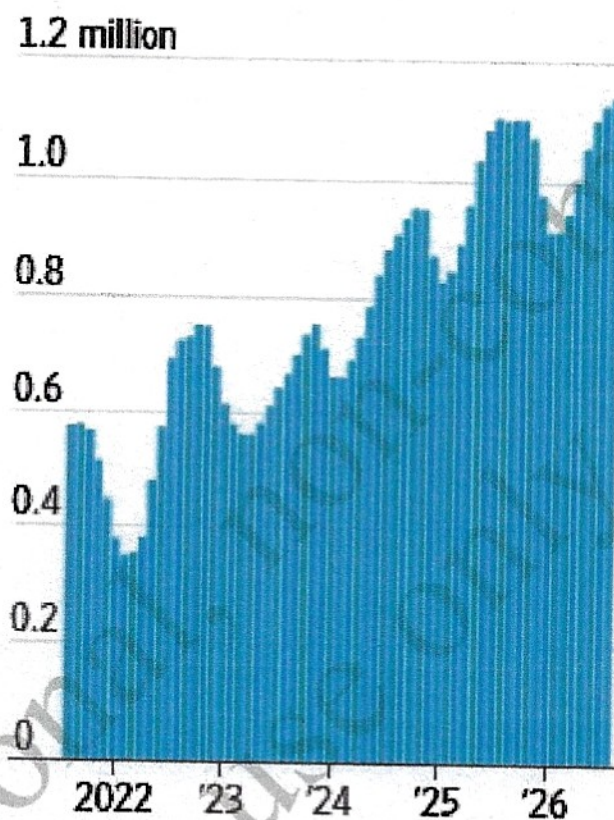
But then after rates jumped, the buyers disappeared. Their last showing was two weeks ago. "Since that, it's been nothing, no scheduled showings, no offers, no nothing from people who have looked at it before," he said.

The mortgage they have on the house, with a rate of 3.35% and a monthly payment under \$1,000, is extremely cheap, and so Wharton isn't in any rush to sell. Now, they are considering taking it off the market and renting it out if they don't get any offers, waiting for the market to loosen up before listing it again.

"Everybody has in their minds these two and three and four percent mortgages," he said.

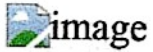
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**Number of active listings of
U.S. homes for sale**



Source: Realtor.com via St. Louis Fed

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High Rates, Prices Stymie House Hunters

BY NICHOLAS G. MILLER

With mortgage rates breaking through 7%, some home buyers are considering the familiar strategies for lowering their monthly payments such as putting more money down, using adjustable-rate mortgages and even buying in cash.

House hunters still face a financial double whammy rarely seen: rapidly rising mortgage rates and home prices that, while growing more slowly, keep hitting record highs. That has made the postpandemic housing market one of the most challenging in recent memory and limits the financial maneuvering available to would-be buyers.

Increasing the size of the down payment would help offset the monthly bill that comes with a higher mortgage rate. But home prices are up more than 50% since 2019, and many buyers are struggling to find the cash to boost their deposits above the typical 10% to 15% down.

That has scrambled the usual buyer playbook for adjusting to higher borrowing costs. Typically, when mortgage rates rise, sellers have to cut prices to keep buyers in the market. But for years, supply has lagged behind as many homeowners have opted to stay put to preserve the 3% to 4% mortgage rates that they secured in the wake of the Covid pandemic.

This lock-in effect—homeowners refusing to sell and give up a low mortgage rate they locked in years ago—has allowed prices to continue rising, even as demand has sagged. The national median existing-home price in August increased 1.6% from a year earlier, to \$429,100, an August record. That is despite sales falling to their lowest level and interest rates pushing to their highest point in more than a year.

Median down payments have increased a bit this year as the rise in mortgage rates has encouraged buyers to spend more money upfront to lower their monthly payments. The median down payment in January of this year was \$23,053, according to Realtor.com. In August, it was up to \$27,166. Over the same period, the median down payment percentage has risen to 13.8% from 12.8%.

But Christina Beitler, who runs a mortgage brokerage firm in Austin, said the recent rise in rates has ground the market to a halt.

“We’ve all hit a wall. We’ve pretty much seen a very large stalling of activity,” she said. “I do think right now, buyers are taking a step back, taking a moment of pause.”

Even in the wake of the 2008 housing crash, when home sales sank, buyers with good credit could take advantage of lower mortgage rates than today and a fall in home prices. Supply benefited from lenders looking to unload millions of foreclosed homes.

Beitler said she recently quoted someone a mortgage rate on a Monday, and by the time they went under contract on a Thursday, the rate had increased over half a percentage point.

"They literally just said, 'I can't do this,'" she said, adding that the person terminated the contract.

As older homeowners often point out, before 2001, mortgage rates were just about always above 7%, and in the 1980s, they reached as high as 18.63%, according to Freddie Mac.

As a result, housing affordability was even worse back then, but low home prices allowed buyers to put down larger-percentage down payments to help mitigate the higher rate.

In 1980, the median home value was \$47,200, while median household income was \$17,710, according to the Census Bureau. Now, home values are up to \$368,700, according to Zillow, outpacing income, which in 2025 was up to \$87,460. That means that for many buyers, down payments have become far more of a financial burden.

Continued growth in down payments could be modest, mostly because many buyers are already putting down as much as they can and simply can't afford to contribute any more, said First American chief economist Mark Fleming. "For a lot of the affordability-constrained borrowers, they don't have the option," Fleming said.

Buyers who can are already turning to family members and financial assets to help fund their down payments.

According to a survey from the National Association of Realtors released in 2025, 26% of buyers used assets such as stocks and 401(k)s, whether through withdrawals or loans, to help with their down payments, while 22% received help from relatives or friends.

For Emma Finestone and her wife, first-time buyers currently closing on a house in Cleveland, the recent surge in rates is an issue. "Right now, we're dealing with this huge jump at the last minute, and as first-time home buyers, that's something we weren't expecting," she said.

They considered putting 25% down instead of 20%, but didn't want to stretch themselves too much. "My parents, for example, might consider putting more down, but for us it's like, when it's your first time purchasing a home, you still want to have a safety net," she said.

One strategy that economists expect to pick up substantially as rates rise and home prices remain high: creative mortgage structures.

At the beginning of the year, just 6.3% of mortgage applications were for adjustable-rate mortgages, according to the Mortgage Bankers Association. For the week of Sept. 18, that portion was up to 9.8%, which doesn't even account for the latest run-up in mortgage rates.

Adjustable-rate mortgages offer a lower fixed-rate, typically for a period of three to 10 years, before returning to market rates once that period ends. In a higher-rate environment, more buyers are willing to gamble on rates in the future for a lower monthly payment now.

But some home buyers struggle to qualify for them, with lenders hesitant to offer them to people who might not be able to afford a significantly higher rate in the future, Beitler said.

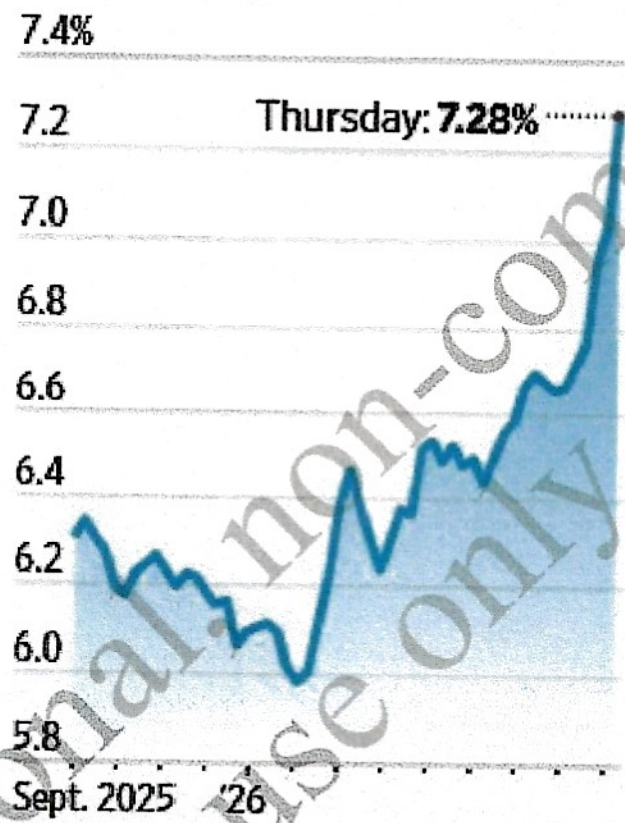
Jan Otto closed on a home in South Carolina at the end of July. He borrowed money from a family trust to buy in cash to close immediately and is now taking out an adjustable-rate mortgage with an initial rate of 5.75%.

The rise in mortgage rates did force him to buy at a lower purchase price than he otherwise would have been able to afford, and given where rates are now, he felt an adjustable-rate mortgage made sense to save in the short term.

"We totally wanted to save cash flow right now," he said.

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Average rate on a 30-year
fixed mortgage



Source: Freddie Mac

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HOME LOANS

Mortgage rate at highest level in nearly 3 years

Translate

By Michelle Chapman
The Associated Press

NEW YORK>> The average long-term U.S. mortgage rate jumped this week to its highest level in nearly three years.

The benchmark 30-year fixed-rate mortgage rose to 7.28% from 7.03% last week, mortgage buyer Freddie Mac said Thursday, the biggest leap in four years. A year ago, the average rate was 6.34%.

It is the sixth consecutive week that mortgage rates have increased. *← Note ↓*

The average rate is now the highest it's been since Nov. 22, 2023, when it reached 7.29%, and it's not climbed this fast week-to-week since October 2022.]

Borrowing costs on 15-year fixed-rate mortgages, often sought by borrowers refinancing a home loan, also climbed this week. That average rate increased to 6.60% from 6.42% last week. A year ago, it was at 5.55%. 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. *Note*

In late February, the average rate on a 30-year mortgage briefly dipped to 5.98%, its lowest level going back to late 2022. The roughly 1 percentage point increase in the rate since then translates roughly into an additional \$276 a month cost for a borrower financing a \$400,000 home loan at the current average rate.

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 housing market has been stuck in a rut this year in large part because of elevated mortgage rates, which have been climbing in the months since the U.S. and Israel attacked Iran in late February. Mortgage rates are influenced by inflation, Federal Reserve policy and bond-market investors' expectations for the economy, among other factors. *Note*

They generally follow the trajectory of the 10-year Treasury yield, which lenders use as a guide to pricing home loans.

Expectations of higher inflation amid surging oil prices have pushed up the 10-year Treasury yield, which was at 3.97% in late February, before the war began.

It surged to 5.27% in midday trading on the bond market Thursday. That puts it roughly back to where it was in 2007, on the eve of the real estate-induced financial crisis. High yields slow the overall economy by making it more expensive for everyone to borrow money, while undercutting prices for stocks and other investments.

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.

Last month the National Association of Realtors said that existing home sales fell 2% in August from July to a seasonally adjusted annual rate of 3.98 million units. That was their slowest annual pace in more than a year.

And many potential homeowners are now hitting the brakes.

Mortgage applications, which include loans to buy a home or refinance an existing mortgage, tumbled 6% last week from the previous week, according to the Mortgage Bankers Association. This marks the fourth straight weekly drop.

Applications for loans to refinance existing mortgages also declined.

The elevated mortgage rates are driving more prospective homebuyers to adjustable-rate mortgages, or ARMs.

Such loans, which typically offer lower initial interest rates than traditional 30-year, fixed-rate mortgages, accounted for more than 10% of all mortgage applications last week, MBA said.