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The mortgage rate shift that could change the housing market

Story by Hugh Cameron • 4h • 7-24-2025

Owning a home remains prohibitively expensive for many Americans, but experts believe a modest decline in mortgage rates could inject much-needed momentum into home sales and help revive the broader U.S. housing market.

According to recent analysis from the National Association of Realtors (NAR), were mortgage rates to drop to 6 percent, an additional 5.5 million households would be able to afford a home, including 1.6 million renters.

Why It Matters

Note

Affordability remains one of the key issues threatening the stability of the U.S. housing market. As experts have warned, the rising costs of buying a home—which have dragged ownership rates to a post-pandemic low this year—are exacerbated by persistently high borrowing costs, preventing a large number of Americans from entering the property market.

Economists have recently pointed to higher-than-usual mortgage rates as a critical drag on the U.S. housing market, and others are now dubbing a possible drop to 6 percent as a "magic" figure that would expand the number of Americans who are able to buy.

What To Know

According to data from key organizations within the housing and mortgage markets, including the Mortgage Bankers Association (MBA) and the Federal Home Loan Mortgage Corporation (Freddie Mac), 30-year fixed mortgage rates are currently hovering at around about 6.75 percent.

While these are below the levels seen in October 2023, when 30-year rates surged to around 8 percent, they are a far cry from the lows of under 3 percent during the pandemic.

The rates have pushed homeownership out of reach for many. According to Realtor.com's Housing Market Trends Report for June, the number of homes for sale in the U.S. rose nearly 30 percent year over year, marking the 20th straight month of increases. The latest market report from Zillow similarly showed that housing inventory hit a five-year high in June.

NAR's research found that even a modest drop in rates to 6 percent would boost home sales by an estimated 3 percent in 2025 and by 14 percent in 2026. It added that approximately 10 percent of the additional households now able to buy would do so over 12 to 18 months.

According to Mortgage News Daily's loan calculator, a 6 percent rate on 30-year mortgages would lower the monthly payment on a $300,000 loan to $1,799 from $1,946 at today's rates.

NAR said that Atlanta, Dallas, Minneapolis, Cleveland, and Kansas City would see the greatest increase in home sales activity if rates dropped to 6 percent.

Susan Wachter, an economist and professor of finance and real estate at the University of Pennsylvania's Wharton business school, told *Newsweek* that 6 percent could prove "a magic mortgage number that will push Americans to buy."

However, she added that this will depend on the direction of inflation, and the Federal Reserve's response in the form of lower interest rates.

What People Are Saying

Alexei Morgado, real estate agent and founder of Lexawise, told Realtor.com: "Many of my clients tell me the same thing: They want to buy, but they feel that mortgage rates are holding them back."

"And it's not just about the number itself," he continued. "What I hear most often is the fear of making a bad decision, of getting into something they can't sustain or that will later make them think, 'I rushed into it.' That feeling of paying more for the same thing is frustrating, discouraging, and puts them on hold."

Susan Wachter of the University of Pennsylvania's Wharton School told *Newsweek*: "Six percent could be a magic mortgage number that will push Americans to buy, but only if it comes about because inflation declines, bringing interest rates down, without a recession. The fear of buyers' remorse in a housing slowdown is sidelining buyers, including those who would newly qualify for a mortgage with rate drops."

NAR Chief Economist Lawrence Yun, speaking to real estate professionals at the Residential Economic Issues & Trends Forum last month, said: "Your past clients are all happy. But for new homebuyers, their monthly payment obligation has increased, and this is what's killing the housing market. Mortgage rates are the magic bullet, and we're waiting and waiting until those come down."

What Happens Next?

NAR Chief Economist Yun forecasts that mortgage rates will average 6.4 percent in the second half of 2025, and 6.1 percent next year.