

Average rate falls to lowest level in nearly a year



A development of new homes in Eagleville, Pa. The average rate on a 30-year U.S. mortgage fell this week to its lowest level in nearly a year. MATT ROURKE — ASSOCIATED PRESS FILE

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The average rate on a 30-year U.S. mortgage fell this week to its lowest level in nearly a year, reflecting a pullback in Treasury yields ahead of an expected interest rate cut from the Federal Reserve next week.

The long-term rate eased to 6.35% from 6.5% last week, mortgage buyer Freddie Mac said Thursday. A year ago, the rate averaged 6.2%.

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners refinancing their home loans, also fell. The average rate slipped to 5.5% from 5.6% last week. A year ago, it was 5.27%, 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.

Rates have been mostly declining since late July amid growing expectations that the Fed will cut its benchmark short-term interest rate for the first time this year at the central bank's meeting of policymakers next week.

While the Fed doesn't set mortgage rates, its actions can influence bond investors' appetite for long-term U.S. government bonds, like 10-year Treasury notes. Lenders use the yield on 10-year Treasuries as a guide to pricing home loans. The yield was at 4% Thursday afternoon. Note

The Fed has kept its main interest rate on hold this year because it's been more worried about inflation potentially worsening because of President Donald Trump's tariffs than about the job market. Note

But in a high-profile speech last month, Federal Reserve Chair Jerome Powell signaled the central bank may cut rates in coming months amid concerns about weaker job gains following a grim July jobs report, which included massive downward revisions for June and May.

More recent job market data have fueled speculation that the central bank could be preparing to lower rates. The Labor Department said last week that the economy added just 22,000 jobs in August. And on Tuesday, revised jobs data from the government showed the U.S. job market had been much weaker last year and this year than earlier data suggested.

Meanwhile, the latest weekly snapshot of unemployment benefit claims shows more U.S. workers applied for unemployment benefits last week, an indication that the number of layoffs could be rising.

The housing market has been in a slump since 2022, when mortgage rates began climbing from historic lows. Sales have remained sluggish so far this year as the average rate on a 30-year mortgage has mostly hovered above 6.5%.

The average rate is now at its lowest level since Oct. 10, when it was 6.32%.

A similar pullback in rates happened last year in the weeks leading up to the Fed's interest rate policy meeting in September. That's when the Fed cut its key interest rate for the first time since March 2020, in the early days of the pandemic. Back then, the average rate on a 30-year mortgage got down to a 2-year low of 6.08%, but soon after climbed again, reaching above 7% by mid-January. Note

Mortgage rates could follow a similar trajectory this time, given that expectations of a Fed rate cut have already brought mortgage rates lower.

"We should not expect rates to drop much further, and in fact, there is a possibility that mortgage rates could actually increase after the Fed cut," said Lisa Sturtevant, chief economist at Bright MLS.