

The Mortgage Mistake That Costs Americans

BY VERONICA DAGHER

American home buyers and owners pay tens of billions of dollars for not shopping around for the best mortgage. - Note

It is one of the few ways to lower the cost of buying when home prices are prohibitive and mortgage rates are high. But people don't shop around—even high earners.

Those who bought homes since 2022 now collectively pay an estimated \$65 billion annually in avoidable mortgage costs, according to new Bankrate research published last week by Chief Executive Matt Fellowes and business-intelligence analyst Jack O'Connor. They found that people with higher incomes and who are older are often the ones paying the steepest price.

No one likes submitting tax returns and bank statements over and over again, or comparing lenders against one another and negotiating, all on a tight timeline. Research consistently finds many Americans get just one quote, even though mortgage rates have recently been stuck in the mid-to-high 6% range, thanks to a rise in inflation.

On Monday, the 30-year fixedrate mortgage rate averaged 6.54%, according to Bankrate. Note

To measure the cost of borrower complacency, Fellowes analyzed 3.2 million mortgage originations tracked in federal housing data, and benchmarked them against Bankrate's digital loan marketplace.

People who don't shop around for the best mortgage rate end up paying what Fellowes calls a "hidden homeownership tax." Because of how interest costs accumulate, even a fraction of a percent of extra interest adds up over 30 years. For the typical borrower, this complacency compounds to more than \$78,000 over the life of the loan.

Previous research has found that people who aren't savvy about their mortgage choices effectively provide a subsidy to people who make better choices.

But earning more money doesn't automatically make you a smarter mortgage shopper. In fact, the opposite is often true.

Regulatory guardrails embedded in FHA and VA loans such as strict fee caps help protect lower-income borrowers from taking extremely overpriced loans, but many wealthy buyers frequently overpay. Instead of forcing banks to compete for their business, high earners are more likely to trust a single recommendation from a real-estate agent or wealth manager, according to Fellowes.

When it comes to getting a mortgage, older generations face a hidden "seniority tax" because they don't comparison shop as much as younger borrowers, Fellowes found.

The real divide happens during refinancing, when unhurried homeowners get to choose how hard they look for a deal. Adults under 35 turn out to be the savviest shoppers when it comes to refinancing, according to the research. Borrowers

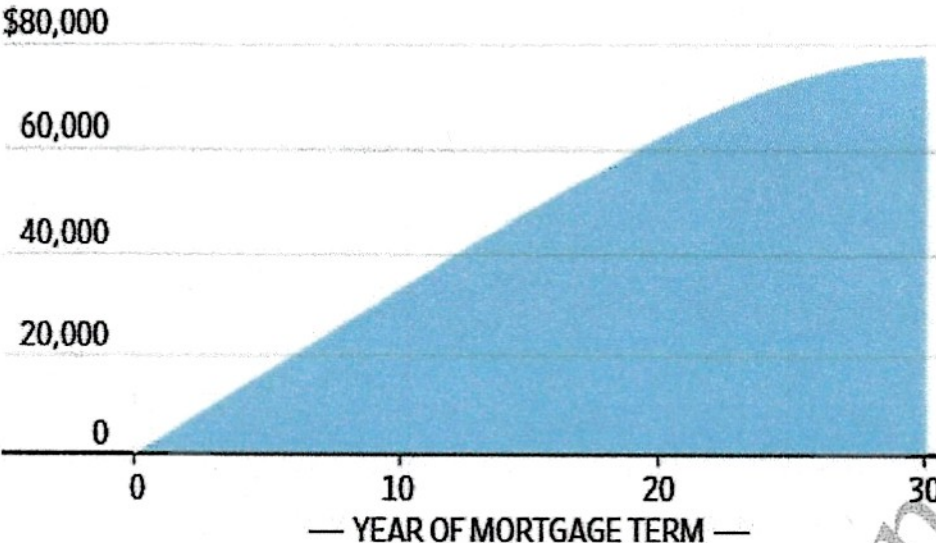
who are highly qualified are often more likely to overpay because their lack of approval anxiety suppresses the motivation to comparison shop, according to the research. Buyers with the lowest debt burdens relative to their incomes tend to have the highest rate of overpayment, the research found.

They frequently miss out on the best available market rates.

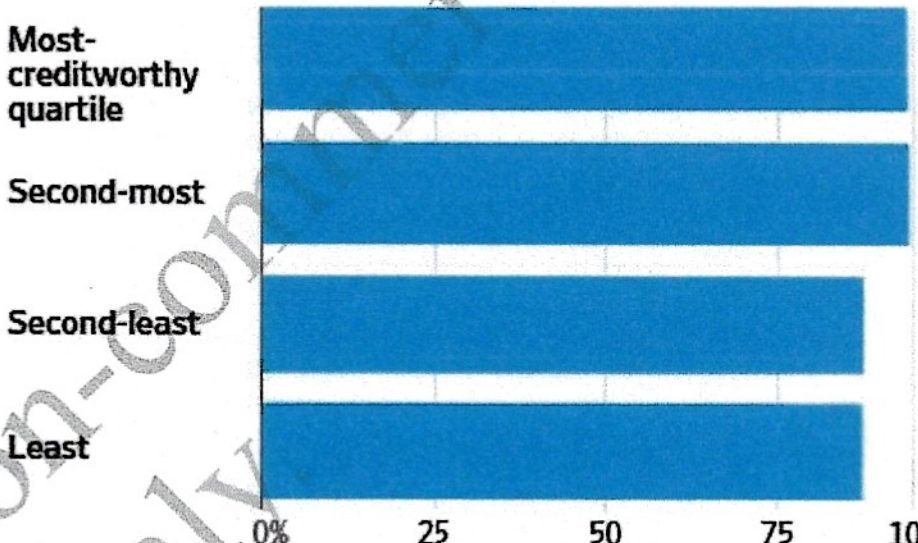
In contrast, financially stretched buyers closer to their lending limits tend to secure better overall pricing largely because financial necessity forces them to shop harder.

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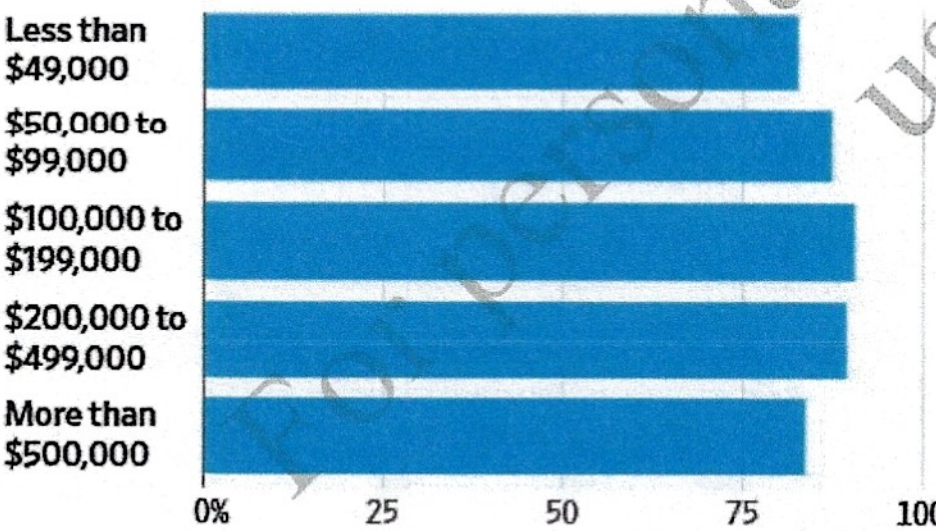
Cumulative cost of not getting the lowest mortgage rate



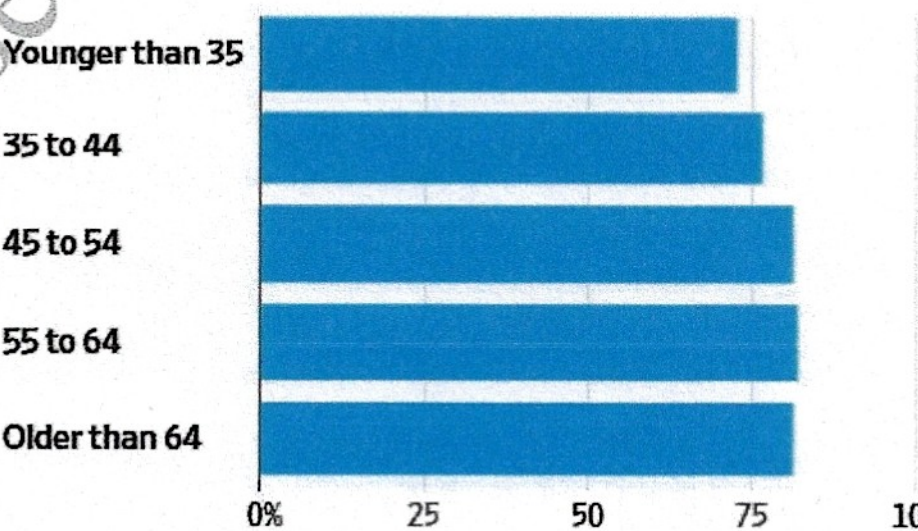
Share of borrowers overpaying on purchase mortgages, by debt-to-income quartile



Share of all mortgage borrowers overpaying, by annual income*



Share of mortgage borrowers overpaying when they refinance, by age*



*Measures share of borrowers whose contracted interest rate exceeds matched Bankrate benchmark
Source: Bankrate analysis of 2025 HMDA data and Bankrate winning auction bids

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