

LENDING

Mortgage rate at highest level in nearly 3 years

Translate

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The Associated Press

Mortgage rates marched higher for the seventh week in a row, driving the average long-term U.S. home loan rate to its highest level in nearly three years.

The benchmark 30-year fixed-rate mortgage climbed to 7.40% from 7.28% last week, mortgage buyer Freddie Mac said Thursday. One year ago, the average rate was 6.30%. The average rate is now the highest it's been since Nov. 16, 2023, when it was at 7.44%.

The housing market has been stuck in a rut this year in large part because of rising mortgage rates, which can add hundreds of dollars a month in costs for borrowers, limiting homebuyers' purchasing power and prompting many to put off buying a home.

Borrowing costs on 15-year fixed-rate mortgages, often sought by borrowers refinancing a home loan, also rose this week. That average rate increased to 6.73% from 6.60% last week. A year ago, it was at 5.53%.

Mortgage rates have been climbing in the months since the start of the U.S. war with Iran in late February. The recent run-up in rates also reflects heightened bond market volatility as surging oil prices due to the war fuel inflation worries.

Rates on home loans are influenced by inflation, Federal Reserve policy and bond-market investors' expectations for the economy, among other factors. They generally follow the trajectory of the 10-year Treasury yield, which lenders use as a guide to pricing home loans.

The 10-year Treasury yield has risen to its highest level since 2002 because of worries about high inflation, big government debt loads and other factors. The yield was at 5.29% at midday Thursday on the bond market. That's well above its 3.97% level from before the war with Iran began.

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 1.42 percentage point increase in the rate since then translates roughly into an additional monthly cost of \$376 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.

Buyers See Boon Despite Rate Rise

Mortgage rates have hit their highest point in nearly three years, but it turns out there is a silver lining for some home buyers. The upward pressure on borrowing costs is starting to force sellers in some metro areas to cut their prices, giving buyers a glimmer of relief. **A2**

Average rate on a 30-year fixed mortgage



Source: Freddie Mac

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