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FOURTH STRAIGHT WEEKLY DECLINE

Average rate on a 30-year mortgage eases to 6.87%

A "For Sale by Owner" sign is displayed in front of a home in Niles, Ill., in November 2024. NAM Y. HUH — ASSOCIATED PRESS FILE

BY ALEX VEIGA

THE ASSOCIATED PRESS

The average rate on a 30-year mortgage in the U.S. eased for the fourth week in a row, an encouraging sign for prospective home shoppers as the spring homebuying season gets underway.

The average rate fell to 6.87% from 6.89% last week, mortgage buyer Freddie Mac said Thursday. A year ago, it averaged 6.77%.

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners seeking to refinance their home loan to a lower rate, rose this week. The average rate increased to 6.09% from 6.05% last week. A year ago, it averaged 6.12%, Freddie Mac said.

Mortgage rates are influenced by several factors, including how the bond market reacts to the Federal Reserve's interest rate policy decisions. The average rate on a 30-year mortgage briefly fell to a 2-year low last September, but has been mostly hovering around 7% this year. That's more than double the 2.65% record low the average rate hit a little over four years ago.

Rising home prices and elevated mortgage rates, which can add hundreds of dollars a month in costs for borrowers, have kept many prospective home shoppers on the sidelines, especially first-time buyers who don't have equity from an existing home to put toward a new home purchase.

Sales of previously occupied U.S. homes fell last year to their lowest level in nearly 30 years, extending a national home sales slump that began in 2022 as mortgage rates began to climb from their pandemic-era lows.

The average rate on a 30-year mortgage is now at its lowest level since Dec. 26, when it was 6.85%.

The latest pullback in rates echoes a decline in the 10-year Treasury yield, which lenders use as a guide for pricing home loans.

The yield was at 4.79% just a few weeks ago, reflecting fears that inflation may remain stubbornly higher amid a solid U.S. economy and the potential impact of tariffs and other policies proposed by the Trump administration.

A report on Thursday said inflation at the wholesale level was hotter than economists expected last month, following a similar report on inflation at the U.S. consumer level that came the day before.

Still, Treasury yields eased. The 10-year yield was at 4.54% in midday trading Thursday.

Given the latest inflation snapshots, mortgage rates are unlikely to drop significantly any time soon. That's because bond investors demand higher returns as long as inflation remains elevated, which should put upward pressure on the 10-year Treasury yield. And then there's the Fed, which has signaled a more cautious approach as it gauges where inflation is headed and what policies the Trump administration will pursue.

The central bank left its benchmark interest rate unchanged last month after cutting it three times in a row to close 2024. While the Fed doesn't set mortgage rates, its decision to hold its main interest rate steady suggests mortgage rates won't budge much in the near term.

Forecasts from several economists mostly call for the average rate on a 30-year mortgage to remain above 6% this year, with some economists including an upper range as high as 6.8%