

Average 30-year mortgage rate falls to 6.47%

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THE ASSOCIATED PRESS

WASHINGTON>> The average long-term U.S. mortgage rate fell this week, tracking Treasury yields that have retreated since a deal to end the war with Iran was announced.

The benchmark 30-year fixed rate mortgage rate fell to 6.47% from 6.52% last week, mortgage buyer Freddie Mac said Thursday. One year ago, the average rate was 6.81%.

Borrowing costs on 15-year fixed-rate mortgages, often sought by borrowers refinancing a home loan, also came down this week. That average rate fell to 5.81% from 5.84% last week. A year ago, it was at 5.96%, 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. They generally follow the trajectory of the 10-year Treasury yield, which lenders use as a guide to pricing home loans.

With inflation still well above the Federal Reserve's 2% target, officials at the U.S. central bank left the benchmark interest rate where it was on Wednesday. It was the first meeting with new Fed Chair Kevin Warsh, who replaced Jerome Powell after his eight-year run as the U.S. central bank's leader.

A number of Fed policymakers said they are actually willing to consider at least one interest rate hike this year.

Rates have been mostly trending higher since the conflict between the U.S. and Iran began in late February, disrupting the flow of crude oil from the Persian Gulf to customers worldwide. That's sent oil prices sharply higher, helping drive up inflation, bond yields and mortgage rates.

However, earlier this week, the U.S. and Iran came to a tentative agreement to end the war and allow Iran to open the Strait of Hormuz and sell its oil freely.

That sent the yield on the U.S. 10-year Treasury note down from 4.53% last week to 4.44% Thursday. It was just 3.97% in late February, before the war broke out.

As recently as late February, the average rate on a 30-year mortgage had slipped just under 6% for the first time since late 2022. It's hasn't fallen below that threshold since. Two weeks ago, it climbed to 6.53%, its highest level since Aug. 28.

While average long-term mortgage rates remain lower than they were at this time last year, their mostly upward trajectory and uncertainty over how much higher they may go has kept many would-be homebuyers on the sideline.

Sales of previously occupied U.S. homes declined in the first three months of the year compared to a year earlier, extending a nationwide housing slump that dates back to 2022 when mortgage rates began to climb from pandemic-era lows.

Sales were essentially flat in April, but accelerated in May to their fastest pace since December.

Still, sales of existing U.S. homes continue to hovering close to a 4-million annual pace, far short of the historic norm that is closer to 5.2-million.

Though mortgage applications fell according to the most recent Mortgage Bankers Association survey, they jumped 10.8% the week before.

Pending home sales also rose last month, an encouraging sign for the housing market heading into the second half of the year after a lackluster spring homebuying season.