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Mortgage rates were 7% in 1997, too—here's why buying a home feels more expensive today

Story by Mike Winters 2026-11-16

Mortgage rates around 7% may seem prohibitively expensive to today's homebuyers, especially after more than two decades of much lower rates. Historically, though, they're not unusual.

The average 30-year fixed mortgage rate has been about 7.7% since Freddie Mac began tracking it in 1971, slightly higher than today's rate of roughly 7.2%.

But if buying a home feels more expensive today than it did a generation ago, that's because it is.

Home prices have risen much faster than incomes, leaving buyers facing larger mortgage payments and down payments that can equal a year's salary.

"A 7% mortgage rate isn't historically outrageous, but a 7% mortgage on today's home prices is a completely different animal," says Corinna Rose, a certified financial planner at Bell Investment Advisors in the San Francisco Bay area.

Even at the same mortgage rate, buying a median-priced home today consumes a substantially larger share of household income than it did nearly 30 years ago, leaving less money for everything else.

How much more expensive is buying a home today?

To see how homebuying costs have changed, consider 1997, when the average 30-year fixed mortgage rate was 7.18% for the week ending Nov. 20 — roughly the same as today's rate.

Using median existing single-family home prices from the National Association of Realtors and median household income from the U.S. Census Bureau, here's how much of a typical household's income would go toward mortgage payments in each period.

Both calculations assume a 30-year fixed mortgage at 7.18% as of Monday, with a 20% down payment. Monthly payments include principal and interest only.

In 1997:

- Median existing single-family home price: $129,000
- Median annual household income: $37,010
- Monthly mortgage payment: $699

- **Share of monthly income spent on mortgage: 23%**

Today:

- Median existing single-family home price: $422,700 (September 2026)
- Median annual household income: $87,460 (2025)
- Monthly mortgage payment: $2,291
- **Share of monthly income spent on mortgage: 31%**

Relative to household income, buying a typical home now takes a substantially bigger share of a household's budget.

If today's buyers spent the same share of their income on a mortgage as buyers did in 1997, their payment would be roughly $1,650 instead of $2,291.

That's about $640 more per month that buyers would have to spend on their mortgage rather than savings, transportation or other expenses.

The calculations exclude property taxes, insurance and maintenance, which further add to the cost of homeownership.

And incomes haven't kept up: Since 1997, the median existing single-family home price has more than tripled, increasing 228%, while median household income has risen 136%, according to CNBC Make It calculations using NAR and Census Bureau data.

"Home prices have gotten way out of whack with incomes because home price growth has well exceeded wage growth over the last 10, 15 years," says Hannah Jones, senior economic research analyst at Realtor.com.

Part of today's affordability problem can be traced to the unusually low mortgage rates of the pandemic, which boosted buyers' purchasing power and helped fuel bidding wars. When mortgage rates subsequently climbed, home prices didn't fall enough to offset the higher borrowing costs.

Why haven't mortgage rates fallen further?

Mortgage rates are closely tied to the bond market, particularly yields on 10-year U.S. Treasury bonds. Lenders typically charge a higher rate than those yields to account for the additional risks and costs of making home loans.

Inflation is a major driver of Treasury yields, since investors demand higher returns when they expect their money to lose purchasing power over time. Higher Treasury yields, in turn, tend to push mortgage rates up.

That helps explain why mortgage rates peaked above 18% in 1981, when inflation was running in double digits, before gradually declining over subsequent decades as inflation cooled. Rates were often below 4% during the 2010s and reached record lows near 2.7% during the Covid-19 pandemic.

Today, persistent inflation and large federal borrowing needs are helping keep long-term interest rates elevated. Growing investment in AI, data centers and other infrastructure is also increasing competition for borrowed money, putting upward pressure on rates, says Selma Hepp, chief economist at Cotality.

Mortgage rates aren't expected to fall substantially anytime soon. In its October housing forecast, Fannie Mae projected that the average 30-year fixed mortgage rate would remain at 7.5% throughout 2027.

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