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Mortgage demand from homebuyers drops 19% from a year ago, as interest rates surge abruptly higher

Story by Diana Olick 2026-9-17

- Last week's average rate on the 30-year fixed was 6.97%, but it has since surged to 7.22% — Note
- Applications to refinance a home loan dropped 9% for the week and were 65% lower than the same week one year ago. — Note
- Applications for a mortgage to purchase a home dropped 1% for the week and were 19% lower than the same week one year ago.

Fast-rising interest rates are taking their toll on mortgage demand, as both potential homebuyers and current homeowners head to the sidelines. Total mortgage application volume dropped 4.1% last week compared with the previous week, according to the Mortgage Bankers Association's seasonally adjusted index. Last week's results include a separate adjustment for the Labor Day holiday. — Note

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The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances, $832,750 or less, increased to 6.97% from 6.85% percent, with points rising to 0.72 from 0.67, including the origination fee, for loans with a 20% down payment. That is a weekly average run by the MBA, but by last Thursday, rates had moved over 7%, according to a separate survey from Mortgage News Daily.

"Ongoing market concerns over spiking energy prices, persistently high inflation, and future monetary policy pushed bond yields and mortgage rates higher last week," said Joel Kan, vice president and deputy chief economist at the MBA.

Note — Note

Applications to refinance a home loan, which are most sensitive to weekly rate changes, dropped 9% for the week and were 65% lower than the same week one year ago. Last year at this time, the interest rate on the 30-year fixed was 58 basis points, or more than half a percentage point, lower.

"The current level of rates eliminated much of the benefit to refinance for many borrowers, resulting in declines in conventional, FHA, and VA refinance applications," Kan added.

Applications for a mortgage to purchase a home dropped 1% for the week and were 19% lower than the same week one year ago. Potential buyers are still contending with high home prices. While the supply of homes for sale has been gaining in much of the country, much of that supply is on the higher end of the market. — Note

Note

Mortgage rates continued to move higher to start this week. The average rate on the 30-year fixed hit 7.22% on Tuesday, according to Mortgage News Daily, just ahead of the next meeting of the Federal Reserve on Wednesday. Rates are now almost a full percentage point higher than they were a year ago.

"Over the past 6 [business] days, the average is up 0.33%, which is is the most abrupt jump since October 2024," wrote Matthew Graham, chief operating officer at Mortgage News Daily. "At least some of the recent volatility is due to the implications of recent economic data and oil price implications on Fed policy."