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Average 30-year mortgage rate ticks upward to 6.49%

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The average long-term U.S. mortgage rate edged higher this week, staying close to 6.5%, where it's been the last six weeks.

The benchmark 30-year fixed rate mortgage rate rose to 6.49% from 6.47% last week, mortgage buyer Freddie Mac said Thursday. One year ago, the average rate was 6.77%.

When mortgage rates rise they can add hundreds of dollars a month in costs for borrowers, reducing their purchasing power.

Borrowing costs on 15-year fixed-rate mortgages, often sought by borrowers refinancing a home loan, also rose this week. That average rate ticked up to 5.84% from 5.81% last week. A year ago, it was at 5.89%, 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.

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.

Oil prices have come down recently amid negotiations between the U.S. and Iran to end their war.

That's helped ease some of the pressure on bond yields. The 10-year Treasury yield was at 4.38% at midday Thursday on the bond market. A week ago, it was at 4.46%, though it got above 4.5% earlier this week. It was just 3.97% in late February, before the war broke out.

Bond yields remain elevated, though, amid worries about inflation.

The Federal Reserve has signaled that it could raise interest rates at least once before the end of the year.

The central bank doesn't set mortgage rates, but its decisions to raise or lower its short-term rate are watched closely by bond investors and can ultimately affect the yield on 10-year Treasuries.

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. Four weeks ago, it reached 6.53%, its highest level since Aug. 28.

Although average long-term mortgage rates remain lower than they were at this time last year, uncertainty about their trajectory amid the war with Iran 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.