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Mortgage rates rise in defiance of Trump's \$200B push

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After months of a gradual decline, mortgage rates are trending back up because of the war with Iran, defying President Donald Trump's efforts to lower them and undercutting Republicans on the key issue of affordability.



As of Monday, the average rate on a 30-year fixedrate mortgage has risen to nearly 6.5%, according to Mortgage News Daily, which tracks rates daily.

That is up significantly from February, just after Trump announced that the government would buy \$200 billion in mortgage bonds to lower rates. In that month, rates fell below 6% for the first time since 2022, according to Freddie Mac, which tracks rates weekly.

The rising rates are a problem for Republicans, as the difficulty of homebuying is a major factor in affordability, and affordability and inflation dominate polling on what voters are most concerned about. Mark Hamrick, senior economic analyst at Bankrate, told the Washington Examiner that, for someone buying a median-priced home, the recent uptick in mortgage rates equates to a homebuyer paying roughly \$100 more per month than before the increase.

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“And of course, among the most inelegant parts about that is that the housing market has already been facing significant challenges, and housing activity has been constrained since the peaks of the pandemic,” Hamrick said.

“So it’s really adding insult to injury for housing affordability when it relates to the financing part of that and, of course, more broadly, and it also causes damage with respect to Americans’ top economic concern, which has been affordability,” he added.

The biggest driver of the recent uptick in mortgage rates has been the war with Iran, which has driven up energy prices and caused concerns that inflation will not subside.

“The ramifications of the energy piece of that — everybody’s expecting it to get worse, so there’s added uncertainty ... and the prospect of just higher prices in general,” Norbert Michel, vice president and director of the Cato Institute’s Center for Monetary and Financial Alternatives, told the Washington Examiner.

Hamrick pointed out that mortgage rates are primarily correlated with the yield on the 10-year Treasury and that yields on the 10-year have risen “fairly strongly” following the start of the war because of the likelihood that inflation will be further exacerbated.

The 10-year Treasury yield has increased from 3.96% just before the start of the war to 4.35% as of Monday afternoon.

Trump announced the major mortgage bond purchases in January. He said that, because he chose not to sell Fannie and Freddie in his first term, the government-sponsored enterprises are now flush with \$200 billion in cash.

“Because of this, I am instructing my Representatives to BUY \$200 BILLION DOLLARS IN MORTGAGE BONDS,” the president said. “This will drive Mortgage Rates DOWN, monthly payments DOWN, and make the cost of owning a home more affordable. It is one of my many steps in restoring Affordability, something that the Biden Administration absolutely destroyed.”

Dennis Shea, executive vice president and chairman of the Bipartisan Policy Center’s housing policy center, told the Washington Examiner that the proposal to purchase \$200 billion of mortgage-backed securities increased demand for them.

“And that, I think, had the impact of narrowing the mortgage spread, which is the gap between the 10-year Treasury yield in the 30-year mortgage rate,” Shea said.

But the mortgage bond plan didn’t affect housing supply, which is a major factor in housing affordability.

“We’ve seen higher housing costs and rents as a result of the mismatch between the demand for housing and inadequate supply,” Shea said.

There is bipartisan legislation on Capitol Hill designed to boost housing supply. The measure passed the Senate 89-10 but now faces a challenging path in the House of Representatives, where Republicans, who have the majority, are fearful of being forced into a bad deal.

Trump himself has been ambivalent about lowering housing prices and reportedly told House Speaker Mike Johnson (R-LA) that “no one gives a s*** about housing.”

The housing bill has also taken a backseat, at least in terms of media coverage and discussion, as Republicans have been more focused on national voter ID legislation.

Still, Shea said he thinks that if the Iran war concludes, mortgage rates would likely fall.

“I would suspect, though, that if the conflict does subside, then rates would likely decline,” he said.

