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LENDING

Average long-term-mortgage rate rises again

A for-sale sign stands outside a single-family residence on the market last year in southeast Denver. DAVID ZALUBOWSKI — ASSOCIATED PRESS FILE

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THE ASSOCIATED PRESS

The average rate on a 30-year U.S. mortgage edged higher for the second week in a row, though it remains near its low point so far this year.

The average long-term-mortgage rate ticked up to 6.24% from 6.22% last week, mortgage buyer Freddie Mac said Thursday. A year ago, the rate averaged 6.78%.

Just two weeks ago, the average rate was at 6.17%, its lowest level in more than a year.

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners refinancing their home loans, edged lower this week. The rate averaged 5.49%, down from 5.5% last week. A year ago, it was 5.99%, 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.

Note

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The 10-year yield was at 4.10% at midday Thursday, up slightly from a week ago.

When mortgage rates rise they reduce homebuyers' purchasing power. The average rate on a 30-year mortgage has been stuck above 6% since September 2022, the year mortgage rates began climbing from historic lows. The housing market has been in a slump ever since.

Sales of previously occupied U.S. homes sank last year to their lowest level in nearly three decades. Sales have been sluggish this year, but accelerated in September to their fastest pace since February as mortgage rates eased. Note

"Lower rates could finally be prompting some buyers to get into the market, which could lead to a surprisingly busy November and December, a time of the year when home sales activity usually slows," said Lisa Sturtevant, chief economist at Bright MLS.

Applications for loans to buy a home jumped nearly 6% last week to their strongest pace since September, even as mortgage rates ticked higher, according to the Mortgage Bankers Association.

The late-summer pullback in mortgage rates also has benefited homeowners eager to refinance their current home loan to a lower rate. Applications for mortgage refinancing loans accounted for about 56% of all mortgage applications last week, down slightly from the previous week.

Mortgage rates began declining in July in the lead-up to the Federal Reserve's decision in September to cut its main interest rate for the first time in a year amid growing concern over the U.S. labor market. The Fed lowered its key interest rate again last month, but Fed Chair Jerome Powell cautioned that further rate cuts weren't guaranteed. - Note

Wall Street traders have reduced their bets that the Fed will cut its main interest rate at its next meeting in December, now seeing a 53% of that, down from nearly 70% a week ago, according to data from CME Group. Note

The central bank doesn't set mortgage rates, and even when it cuts its short-term rates that doesn't necessarily mean rates on home loans will necessarily decline. ← Note Note Note!

Last fall after the Fed cut its rate for the first time in more than four years, mortgage rates marched higher, eventually reaching just above 7% in January this year. At that time, the 10-year Treasury yield was climbing toward 5%. - Sept 2024

Despite the pullback in mortgage rates from their 2025 highs at the start of the year, affordability remains a major hurdle for many aspiring homeowners following years of skyrocketing home prices. The Trump administration recently said it is considering backing a 50-year mortgage to help alleviate the crisis, though the announcement drew swift criticism from many economists and policymakers.