

Average rate on a 30-year mortgage slips to 6.81%

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The average rate on a 30-year mortgage in the U.S. eased this week, though it remains near 7% after mostly rising in recent weeks.

The rate slipped to 6.81% from 6.84% last week, mortgage buyer Freddie Mac said Wednesday. That's still down from a year ago, when the rate averaged 7.22%.

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners seeking to refinance their home loan to a lower rate, rose this week. The average rate climbed to 6.1% from 6.02% last week. A year ago, it averaged 6.56%, Freddie Mac said.

Mortgage rates are influenced by several factors, including the yield on U.S. 10-year Treasury bonds, which lenders use as a guide to price home loans. The yield, which mostly hovered around 4.4% last week and was below 3.7% in September, has eased this week. It was at 4.23% at midday Wednesday.

Elevated mortgage rates and rising home prices have kept homeownership out of reach of many would-be homebuyers. U.S. home sales are on track for their worst year since 1995.

"The 30-year fixed-rate mortgage moved down this week, but not by much," said Sam Khater, Freddie Mac's chief economist. "Potential homebuyers are also waiting on the sidelines, causing demand to be lackluster. Despite the low sales activity, inventory has only modestly improved and remains dramatically undersupplied."

Mortgage rates slid to just above 6% in September following the Federal Reserve's decision to cut its main interest rate for the first time in more than four years. While the central bank doesn't set mortgage rates, its actions and the trajectory of inflation influence the moves in the 10-year Treasury yield. The central bank's policy pivot is expected to eventually clear a path for mortgage rates to generally go lower. But that could change if the next administration's policies send inflation into overdrive again.

September's pullback in mortgage rates helped drive a pickup in sales of previously occupied U.S. homes last month, and likely helped give a boost to demand early last month.

The National Association of Realtor's pending home sales index rose 2% in October from the previous month, its third straight monthly increase, the trade group said Wednesday. Pending transactions were up 5.4% compared to October last year.

A lag of a month or two usually exists between when a contract is signed and when the home sale is finalized, which makes pending home sales a bellwether for future completed home sales.

Still, because mortgage rates have mostly kept rising in recent weeks, that could dampen sales this month and next in what's already typically a slow season for the housing market.

"Though mortgage rates are likely to decline in the coming weeks, the dip will be too little and too late to boost home sales in December," said Ralph McLaughlin, senior economist at Realtor.com.

Forecasting the trajectory of mortgage rates is difficult, given that rates are influenced by many factors, from government spending and the economy, to geopolitical tensions and stock and bond market gyrations.

Economists predict that mortgage rates will remain volatile this year, but generally forecast them to hover around 6% in 2025.