REAL ESTATE

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Average rate on a 30-year home loan climbs above 7%

By Alex Veiga
AP BUSINESS WRITER

The average long-term U.S. mortgage rate rose this week above 7% for the first time since January 2025, the latest affordability setback for prospective homebuyers following a five-week run of rate increases.

The weekly average rate on a 30-year fixed-rate home loan rose to 7.03% from 6.95% last week, mortgage buyer Freddie Mac said Thursday. One year ago, the average rate was 6.30%.

The average rate is now the highest it's been since Jan. 16, 2025, when it was at 7.04%.

"Beyond the immediate financial constraints, the 7% threshold is a foreboding psychological barrier," said Lisa Sturtevant, chief economist at Bright MLS. "Crossing this mark could create a chilling effect on the market" that would lead to a considerable slowing of home sales transactions this fall.

Higher mortgage rates can add hundreds of dollars a month to borrowers' costs, limiting homebuyers' purchasing power, and can also lead prospective home shoppers to delay buying.

In late February, the average rate on a 30-year mortgage briefly dipped to 5.98%, its lowest level going back to late 2022. The roughly 1 percentage point increase in the rate since then translates roughly into an additional $276 a month cost for a borrower financing a $400,000 home loan at the current average rate.

Depending on a borrower's income, credit and other factors, they may qualify for a rate on a 30-year mortgage that is below or above the current average.

ortgage rates are influenced by inflation, Federal Reserve policy and bond-market investors' expectations for the economy, among other factors.

SOUND OFF

How might the recent interest rate hike impact the Bay Area real estate market?

A: How might the recent interest rate hike impact the Bay Area real estate market?

The Bay Area housing market is already a pressure cooker, with persistent buyer demand competing for limited inventory. Higher rates will put additional pressure on affordability, particularly for entry-level buyers. The average 30-year fixed mortgage is now around 7.1%, while nearly 10% of mortgage applications are for adjustable-rate mortgages, suggesting buyers are exploring financing alternatives to preserve purchasing power.

San Francisco's entry-level market will likely feel the impact the most. I don't expect higher rates alone to trigger broad price corrections while demand continues to outpace supply in the single family market.

Where I do see opportunity is in entry-level and older condominium buildings, which have already faced stricter lending requirements and attract fewer qualified buyers. With less competition, these properties may offer buyers more negotiating leverage and some of the better opportunities in the current market.

The luxury market is more insulated. Buyers typically have greater financing flexibility, and scarcity continues to support demand.

Until the balance between buyers and available homes shifts meaningfully, well-priced, desirable properties should remain competitive.

Suna Mullins, North Point Real Estate Group, 415-516-3273, suna@npregroup.com.

A: You are referring to the Federal Reserve's recent decision to increase its benchmark interest rate by one-quarter percentage point in an effort to combat inflation.

Higher mortgage rates can make it more difficult for buyers to qualify for financing.

Despite this, our local housing market on the San Mateo Peninsula remains strong. Multiple offers are not unusual for well-priced homes, and I am seeing similar strength in surrounding counties. The abundance of high-paying jobs in AI, high-tech and biotech continues to support strong buyer demand, along with the desire to build generational wealth through homeownership.

There is a saying in the mortgage world: "You date the rate; you marry the home." If buyers find the right home and can comfortably afford it, they may decide to purchase now and refinance later.

The August housing numbers for San Mateo County remain strong. The median home price was $2.225 million, up 13% from $1.998 million a year ago. The 274 homes sold were essentially unchanged from August 2025.

With limited inventory and continued strong demand, the imbalance between supply and demand should continue to support current home prices.

Jeff LaMont, Coldwell Banker Realty, 650-740-8808, jeff@jefflamont.com.

A: When rates rise, lending options expand. Lenders are bringing back adjustable-rate and buy-down loans, which have been around for decades. A rate near 7% is still well within the historical range, especially compared with the early 1980s, when mortgage rates approached 19%.

Over the next couple of months, expect buyers who have been searching for a while to either step back from the market or widen their search and write more offers before the next rate hike.

Sellers may want to use this time to make needed repairs, so buyers don't have to fit those costs into their budgets. Sellers should also consider adjusting their price to match what buyers expected back in summer months. A price adjustment doesn't make a home less desirable. It may simply bring the home back in line with the monthly payments buyers were approved for months ago.

The Fed hopes this rate hike will curb inflation, so we can all shop for groceries, fill up the gas tank, and pay utility bills without another spike in the cost of basics.

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