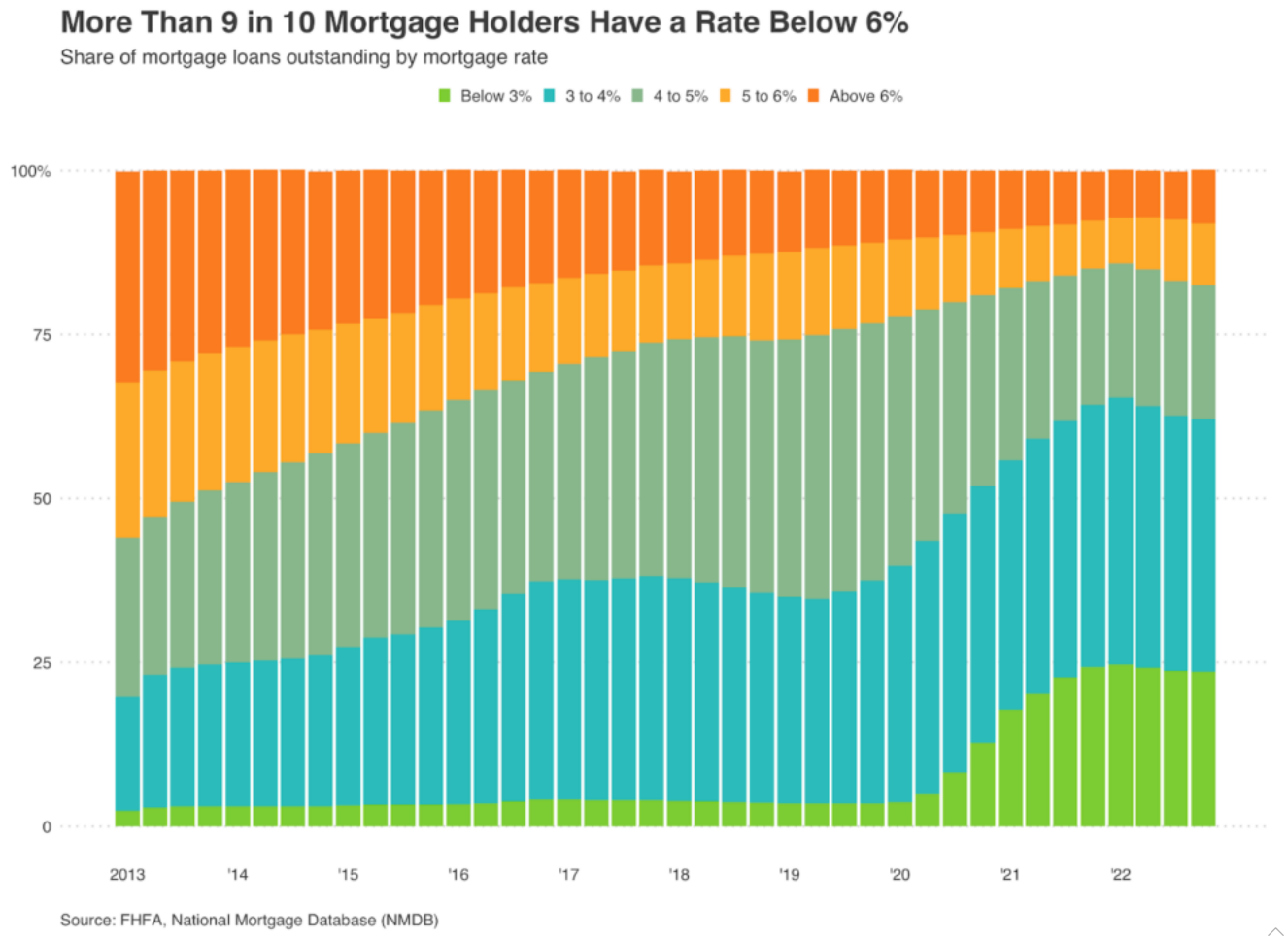
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Nearly Everyone With a Mortgage Has an Interest Rate Below 6%, Prompting Many to Stay Put

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- *Roughly 4 in 5 homeowners with mortgages have an interest rate below 5%, and nearly one-quarter have a rate below 3%.*
- *With rates now close to 7%, many homeowners aren't moving, which is intensifying a shortage of homes for sale.*
- *Rates would need to fall quite a bit to motivate homeowners to put their home on the market. Roughly one-quarter of likely home sellers say they would feel more urgency to sell if rates were to drop to 5% or lower, according to a recent Redfin survey. The share increases to nearly 80% if rates were to 3% or lower.*

More than nine of every 10 (91.8%) U.S. homeowners with mortgages have an interest rate below 6%. That's down just slightly from the record high of 92.9% hit in mid-2022.



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major shortage of new listings.

This is according to a Redfin analysis of Federal Housing Finance Agency (FHFA) data as of the fourth quarter of 2022, the most recent period for which data is available. This analysis is limited to households with outstanding mortgages. See the bottom of this report more on methodology.

Here's the full breakdown of where today's homeowners fall on the mortgage-rate spectrum:

- **Below 6%**: 91.8% of U.S. mortgaged homeowners have a rate below 6%, down from a record high of 92.9% in the second quarter of 2022, as noted above.
- **Below 5%**: 82.4% have a rate below 5%. That's down from a peak of 85.7% in the first quarter of 2022.
- **Below 4%**: 62% have a rate below 4%, also down from a record high (65.3%) hit in the first quarter of 2022.
- **Below 3%**: 23.5% an interest rate below 3%, near the highest share on record. The highest was 24.6% in the first quarter of 2022.

Many would-be sellers are staying put rather than listing their home to avoid taking on a much higher mortgage rate when they purchase their next house. This "lock in" effect has pushed inventory down to record lows this spring. New listings of homes for sale and the *total* number of listings have both dropped to their lowest level on record for this time of year, which is fueling homebuyer competition in some markets and preventing home prices from falling further even amid tepid demand.

Even though the share of homeowners with mortgage rates below 5% or 6% has come down slightly because more people have bought homes with today's elevated rates, it's still true that nearly every homeowner would take on a higher mortgage rate if they moved. That's making most people who don't *need* to move stay put, which means it's slim pickings for buyers. Pending home sales are down about 17% from a year ago.

"High mortgage rates are a double whammy because they're discouraging both buyers and sellers–and they're discouraging sellers so much that even the buyers who *are* out there are having trouble finding a place to buy," said Redfin Deputy Chief Economist Taylor Marr. "The lock-in effect is unlikely to go away in the near future. Mortgage rates probably won't drop below 6% before the end of the year, and most homeowners wouldn't be motivated to sell unless rates dropped further. Some of them simply don't want to take on a 6%-plus mortgage rate and some can't afford to."

Just over one-quarter (27%) of U.S. homeowners who are considering listing their home in the next year would feel more urgency to sell if rates dropped to 5% or below. That's according to a Redfin survey conducted by Qualtrics in early June. Roughly half (49%) would feel more urgency if rates were to drop to 4% or below, and the share increases to 78% if they were to drop to 3% or below—a situation that is highly unlikely any time in the near future.

"The only people selling right now are the ones who need to," said Atlanta Redfin Premier agent Jasmine Harris. "The last three potential sellers I've met are people who are moving out of the country. I'm also working with someone who's moving out of town for a new job and another person who needs a smaller home for health reasons. So there are some homes coming on the market, but not nearly as many as there would be if rates weren't so high. In more typical times, we'd also have people selling simply because they wanted to move to a different neighborhood or wanted a bigger home and/or one with different features."

It's worth noting that for some homeowners, the fact that home prices soared throughout the pandemic means they have enough equity to justify selling and taking on a higher rate. Home prices have come down from the peak they hit in 2022, but the median U.S. sale price is still more than 30% higher than it was just before the pandemic started. People who are buying a less expensive home than the one they're selling, perhaps because they're relocating to a more affordable part of the country or downsizing, may be more likely to move even if it means taking on a higher rate.

The typical monthly mortgage payment has increased $1,000 over the last three years as rates have risen from record lows and home prices have increased

The typical homebuyer purchasing today's median-priced U.S. home (roughly $380,000) at the current average 6.7% mortgage rate would take on a monthly payment of roughly **$2,600**, a record high. That's up more than $300 from a year ago and up more than $1,000 from three years ago, using the median sale price and average mortgage rates from those time periods.

Nearly everyone has a mortgage rate below the one they would get if they bought a home today, but the difference in monthly payments varies depending on each individual situation. A mortgage holder in the 3% to 4% range is more likely to feel handcuffed to their home than someone in the 5% to 6% range, for instance.

Consider these hypothetical homeowners:

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Bought in 2019: Buyer A bought their home when the median U.S. home price was around $290,000 and the average 30-year $2,600 it would be if they bought a home at today's median home price with today's rate.

- **Bought in late 2020**: Buyer B bought their home when the typical home was selling for around $320,000 and the average rate was about 3%. Their monthly payment is also around **$1,540** per month, more than **$1,000 lower** than it would be if they bought a home with today's prices and rates.
- **Bought in mid-2022**: Buyer C bought their home when the typical home was selling for about $425,000 and rates were around 5%. Their monthly payment is around **$2,400** per month. That's just **$200 lower** than it would be today, as home prices have come down since then and rates were already on the rise. That buyer may not feel locked in by their mortgage rate, but they're also not very likely to consider selling their home, as they just bought it one year ago.

Methodology

This report is based on a Redfin analysis of fourth quarter 2022 data from the FHFA's National Mortgage Database, which is a nationally representative 5% sample of residential mortgages in the U.S. The fourth quarter is the most recent period for which data on outstanding mortgages is available. Homebuyer mortgage rates don't typically change significantly from quarter to quarter, as most homebuyers take out 30-year mortgages.

Redfin applied FHFA's data to the roughly 80 million owner-occupied households we estimate existed in the U.S. in 2022 based on Census data. We refer to these households as "homeowners" throughout this analysis. Roughly 60% of homeowners have an outstanding mortgage.

Editor's note: This report has been updated. A previous version erroneously stated that 60% of mortgage holders have lived in their home for four years or less; in fact, 60% of mortgage holders have either gotten a new mortgage or refinanced an existing mortgage within the last four years.



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As a data journalist at Redfin, Dana Anderson writes about the numbers behind real estate trends. Redfin is a full-service real estate brokerage that uses modern technology to make clients smarter and faster. For more information about working with a Redfin real estate agent to buy or sell a home, visit our Why Redfin page.

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