Mortgage rate averages climb to nearly 7%

Weekly 30-year, fixed loan hits 6.95%, highest since January 2025



The jump in average mortgage interest rates comes after the Federal Reserve raised short-term interest rates for the first time since 2023. Shown as multifamily buildings in Long Beach, New York. (Johnny Milano/CoStar)

By CoStar News Staff

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Mortgage rates skyrocketed to their highest weekly average since January 2025 as markets continue to contend with increased inflationary pressures and rising economic uncertainty.

In the week ended Thursday, the 30-year, fixed-rate mortgage averaged 6.95%, 19 basis points higher than a week earlier, according to mortgage giant Freddie Mac. It's a significant jump, rivaling the weekly increases last seen in 2023, when rates reached nearly 8%.

This week last year, the 30-year, fixed-rate mortgage averaged 6.26%.

The 15-year, fixed-rate mortgage also increased, averaging 6.26% as of Thursday. That's higher than last week and up from a year earlier.

Weekly average US home mortgage rates



Source: Freddie Mac, September 2026
Chart: Moira Ritter

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Expert: Fed hike has 'nothing to do' with high mortgage rates

Thursday's data comes a day after the Federal Reserve announced that it would raise short-term interest rates for the first time since 2023 and signaled it would make another hike before the end of the year.

The central bank sets short-term rates, not long-term borrowing costs like mortgages, but its policy and the reasoning behind it can influence other parts of the market. In the case of the mortgage market, lenders were focused more on Fed Chair Kevin Warsh's economic outlook than the actual rate hike itself, which was expected and had already been priced into borrowing costs.

Following the announcement on Wednesday, daily measures of mortgage rates, typically more volatile than weekly measures, moved higher: Both the 30-year and 15-year, fixed-rate loans climbed two basis points from the previous day. As of Wednesday afternoon, the 30-year, fixed-rate mortgage was 7.24%, and the 15-year, fixed-rate mortgage was 6.84%, according to Mortgage News Daily.

But the Fed's rate hike "had nothing to do" with that, according to Matthew Graham, chief operating officer at Mortgage News Daily, who noted that the mortgage market moved only after Warsh's post-meeting speech.

"Warsh had [the] option to use the press conference to characterize [the] rate hike as some sort of 'close call' made out of an 'abundance of caution' over the inflation outlook," Graham wrote in a Wednesday blog post. "Instead, he said the economy was strong, inflation hadn't made any real progress recently, and that the Fed needed to 'remove some accommodation' from the economy."

That signaled to lenders that they needed to factor in not just one interest rate hike, but the possibility of a higher-rate environment in the months ahead. In response, mortgage rates increased as lenders adjusted pricing to reflect those expectations.

Even so, the effects of Warsh's comments likely haven't yet appeared in the weekly average, according to Brad Case, chief residential economist at Homes.com. Instead, because the Freddie Mac figure accounts for a week of data, those effects will likely appear in a future reading.

Mortgage rates are high because there's 'a lot of demand for capital'

That said, the mortgage market is also facing pressure because "there is a lot of demand for capital," according to Case.

"A good part of that demand is for business investment in things like AI infrastructure, but mortgage borrowers are also competing against the federal government, which has to borrow to finance its huge deficits and payments due on its huge debt," he said. "At the same time, investors simply aren't willing to supply enough capital without getting paid a higher interest rate for it."

Average 30-year mortgage calculations

Date	Home price	30-year, fixed-rate mortgage	Monthly payment	Interest over loan term	Total paid
5 years ago	$400,000	2.86%	$1,656	$196,291	$596,291
1 year ago	$400,000	6.26%	$2,465	$487,569	$887,569
Sep. 17, 2026	**$400,000**	**6.95%**	**$2,648**	**$553,205**	**$953,205**

Source: Freddie Mac, September 2026
Note: Monthly payment is the principal and interest after 0% down.

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That's put upward pressure on the term premium — the compensation investors want for locking up their money in long-term loans — because of "greater uncertainty about future inflation, future Fed policy and the chance that supply shocks push the economy into stagflation," he added.

On top of that, there's also still the war in Iran that's creating uncertainty and disrupting supply chains.

Homebuying activity is taking a hit

Higher mortgage rates have seriously hamstrung homebuyer activity this year, and it looks like that trend will continue.

On Thursday, the National Association of Realtors released its latest pending home sales data and reported a 4.7% decrease in contracts signed in August compared with a year ago. The data measures contracts signed for home purchases and is typically viewed as a leading indicator of the health of the overall market.

"The housing market is still sluggish," NAR Chief Economist Lawrence Yun said in a statement. "This is due to higher mortgage rates offsetting the increased buying power created by job gains and income growth outpacing home price growth."

Indeed, Yun added that pending transactions are about 30% lower than before the COVID-19 pandemic.

"Transaction activity peaked in 2021 when mortgage rates fell to near 3%, a historic low, and has not approached that level since," he said.

This story was originally reported by Moira Ritter for Homes.com News.

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