



Mortgage rates tumble for the second week in a row

By [Anna Bahney](#), CNN

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Mortgage rates dropped for the second week in a row, falling nearly a quarter of a percentage point over the past two weeks in the face of stronger-than-expected employment and inflation data.

The **30-year fixed-rate mortgage averaged 6.74%** in the week ending March 14, down from 6.88% the previous week, according to data from Freddie Mac released Thursday. **A year ago, the average 30-year fixed-rate was 6.60%.**

But while rates are expected to move around in the next few months, homebuyers shouldn't expect a major drop.

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“Despite the recent dip, mortgage rates remain high as the market contends with the pressure of sticky inflation,” said Sam Khater, Freddie Mac’s chief economist, in a statement. “In this environment, there is a good possibility that rates will stay higher for a longer period of time.”

Over the past four months, mortgage rates have come down from their highest levels of last year: 7.79%. This has brought improved affordability for homebuyers who’ve been struggling in one of the least affordable markets in decades.

But with February’s robust inflation readings and surprisingly strong job numbers, the economy seems to be running hotter than analysts and economists would like.

Buyers continue to be exceptionally rate-sensitive. After rates dropped slightly last week, more would-be buyers came to the market. Applications for mortgages were up 7% in the week ending March 8 from the week before, according to the Mortgage Bankers Association.

Stubborn inflation is keeping mortgage rates elevated

The Federal Reserve’s historic campaign of rate hikes to rein in inflation has brought the measure down considerably over the past two years. But Chair Jerome Powell has said the central bank needs to see more consistent evidence that inflation is improving before initiating rate cuts.

Fed rate cuts are not expected before the summer and may not come until the fall. For a housing market that came into the year thinking cuts could come as early as March, that delay is keeping mortgage rates elevated.

While the Federal Reserve's actions don't directly set mortgage rates, they do influence them.

Mortgage rates tend to track the yield on 10-year US Treasuries, which move based on a combination of anticipation about the Fed actions, what the Fed actually does and investors' reactions.

Reduction in the pace of inflation should eventually lead to lower mortgage rates, Jones said.

"In the short-term, mortgage rates are probably not going to fall much further this month," said Lisa Sturtevant, chief economist at Bright Multiple Listing Service, in a note.

Homebuyers see more inventory, but affordability challenges remain

Some homebuyers are just happy to see rates that are much lower now than they were last fall when they hovered near 8%.

"Any downward trend in rates later this spring will bring more buyers — and sellers — into the market," Sturtevant said.

Rates are roughly a full percentage point lower than they were at their peak last year.

In October, when the median home price was \$391,800, according to the National Association of Realtors, and the average mortgage rate for a 30-year, fixed-rate loan was 7.79% with the homebuyer making a 20% down payment, the typical monthly payment was \$2,254.

This week a home at that price, on which a buyer made a 20% down payment with a mortgage rate of 6.74%, will see a monthly payment of \$2,031 — about \$220 less.

Rising home prices may eat into some of that savings, however.

Currently there is a bit more inventory coming on the market, as is usual during the peak spring homebuying season. But even as affordability improves slightly and mortgage applications rise, some buyers may decide to hold off, hoping that mortgage rates will move even lower, Jones said. But either choice — buying now or waiting — comes with tradeoffs.

For one, falling mortgage rates aren't a given and for another, prices are expected to rise.

“Spring buyers may see higher mortgage rates, but summer buyers are likely to see higher home prices,” said Jones.