Mortgage rates continue th

Even as rates have dropped over the p affordability constraints continue to har activity

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Mortgage rates continue to move lower this week even as higher borrowing costs have kept activity subdued across many areas of the housing market.

According to data at **HousingWire**'s Mortgage Rates Center, the average rate for 30-year conforming loans was at 7.01% on Tuesday, down 5 basis points from one week ago and 10 basis points lower than two weeks ago. The rate for 15-year conforming loans averaged 6.66% on Tuesday, compared to 6.79% a week ago.

HousingWire Lead Analyst Logan Mohtashami recently wrote that higher mortgage rates "have increased recession risk by targeting the one sector that always falls before every recession: residential construction workers. And higher rates are also impacting the future supply of homes, as housing permits have been in a downtrend for a while."

Data from the **U.S. Census Bureau** and the **U.S. Department of Housing and Urban Development** (HUD) showed that housing starts shrank 4.4% year over year in June. But this pullback was led by the multifamily sector, where starts dropped 23.4% compared to June 2023. Single-family starts rose 4.4% during the year. Permits fell by 3.1% year over year, including a 1.3% decrease in single-family permits.

Housing completions also grew by 15.5% during the year, although the bulk of this was tied to multifamily (40.2% growth). There were a record number of apartments delivered in many markets last year, but builders appear to be pulling back to avoid a glut of supply.

Lower mortgage rates are having a positive impact on application levels, with the **Mortgage Bankers Association** (MBA) reporting last week that applications were up 3.9% on a yearly basis during the week of July 12. Most of this growth was tied to refinance applications, which were up 37% year over year.

Fannie Mae economists project two rate cuts by the end of 2024. In a report released Tuesday, the government-sponsored enterprise anticipated the **Federal Reserve** would cut benchmark rates in September and December, resulting in the average 30-year rate declining to 6.8% in 2024 and to 6.4% in 2025.

Fannie also upwardly revised its forecast for purchase mortgage origination volume to $1.22 trillion due to home price appreciation that is expected to finish 2024 higher than previously anticipated. Fannie reduced its forecast for refinance originations to $346 billion this year but expects $563 billion in refis next year. In total, Fannie is forecasting $2.11 trillion in origination volume in 2025, up from a projected $1.70 trillion this year.

Survey data released Tuesday by **Bright MLS** concluded that "affordability is increasingly becoming more of a challenge for potential homebuyers." The survey of 1,180 real estate agents across six Mid-Atlantic states and the District of Columbia found that 14% of sellers in June saw a contract fall through due to a buyer's inability to secure financing, which was up from 11% in May.

The surveyed agents also noted that affordability was the No. 1 reason for a buyer pausing their home search efforts over the past six months, while high mortgage rates were the No. 2 reason. Each of these factors were cited by nearly 60% of respondents.

"With mortgage rates hovering around 7% and home prices continuing to rise, financing is a growing challenge for buyers, and this is beginning to impact a buyer's ability to make it across the finish line," Bright MLS chief economist Lisa Sturtevant said in a statement.

Good news, however, came in the form of less competition. In June, 38% of buyers successfully completed a purchase through Bright MLS while submitting only a single offer. That was up from 31.2% one year ago.

More: Bright MLS | Fannie Mae | Home Sales | Mortgage Bankers Association

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