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Mortgage Rates

Origination

Mortgage rates hold steady ahead of Powell's Jackson Hole speech

Rates for 15-year and 30-year conforming loans went slightly higher this week

August 20, 2024, 12:46 pm *By Neil Pierson*

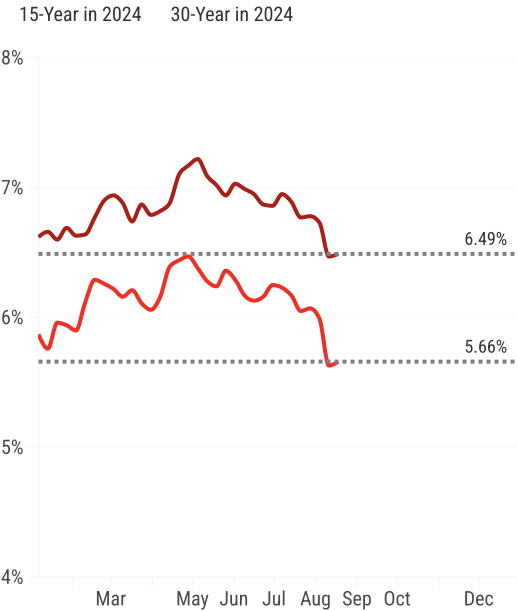
After dropping significantly during the first two weeks of August, mortgage rates have plateaued ahead of a key economic announcement on Friday.

That’s when **Federal Reserve** Chair Jerome Powell is set to speak at the annual Jackson Hole Economic Symposium in Wyoming. Powell is expected to deliver an update on U.S. monetary policy to central bankers, economists and other financial market experts in attendance.

“Powell is widely expected to lay the groundwork for the first Fed funds rate cut in September,” **HousingWire** Lead Analyst Logan Mohtashami wrote on Saturday. “We must remember that even if the Fed had cut rates three times already, they would still be in restrictive policy.”

Year-to-Date Mortgage Rates

Rates hold steady ahead of Powell speech



Data: Freddie Mac

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At HousingWire’s Mortgage Rates Center on Tuesday, rates for 30-year conforming loans averaged 6.69%, up 1 basis point (bps) from a week ago and 5 bps higher than on Friday, when rates reached their lowest point of the year. Rates

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for 15-year conforming loans surged to 6.25%, up 16 bps since bottoming out on Friday.

Last month, the Fed elected to hold benchmark rates steady at a range of 5.25% to 5.5%. The federal funds rate has remained unchanged since July 2023, the last in a series of hikes designed to rein in 40-year high inflation.

More recent data shows that inflation has subsided and is moving closer to the Fed's target of 2% annual growth. The Consumer Price Index rose 2.9% year over year in July, its lowest rate of appreciation since March 2021. Meanwhile, the U.S. unemployment rate grew to 4.3% in July, up from 3.5% one year ago. This is causing recessionary concerns among market observers who believe the Fed may have kept rates too high for too long.

The recent decline in mortgage rates has stoked optimism across the real estate and mortgage sectors after a tepid spring and summer of home sales. Earlier this month, some loan officers reported pricing in the high-5% to low-6% range on government loans and in the mid-6s for conventional loans.

But even after **Fannie Mae** reported that refinance application volume reached a two-year peak, rates remain too high to fuel a refi boom. About 88% of Fannie Mae single-family mortgages include a note rate below 6% and about 81% have a rate below 5%. LOs across the country report that refi activity has yet to see a meaningful increase as many borrowers maintain a "wait-and-see" stance.

Similarly, lower rates have yet to provide a substantial boost to the purchase market. Data from **Altos Research** shows that for-sale inventory grew by less than 1% in the past week, the slowest growth rate in months and an expected pullback given that the typical summer sales window is coming to an end.

"As mortgage rates fall, we'll see if there is any notable uptick in buyer demand," Altos Research President Mike Simonsen wrote on Monday.

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"Payments are still very expensive, of course, but they're at their lowest point of the year. Is there a threshold that motivates buyers? I previously assumed that being at 6.5% would be a visible threshold for increased homebuyer demand, but I haven't seen any confirmation of that."

Redfin observed similar trends in a report released Tuesday. The brokerage found that U.S. home prices increased 6.8% year over year in July, the slowest rate of appreciation since January 2024. On a monthly basis, prices actually declined in 20 of the 50 metro areas analyzed.

"There aren't enough sellers listing their homes to cause prices to fall and there aren't enough buyers to create competition to drive prices up significantly," Redfin Senior Economist Sheharyar Bokhari said in the report. "Relatively low sales and gradual price increases will remain the status quo each month until one of those things changes."

In California, the sales rate for existing single-family homes ticked up in July on both a monthly and yearly basis but remains well below the pre-pandemic pace. The **California Association of Realtors** (CAR) reported on Tuesday that the state's median home price of \$886,560 in July was down 1.6% from June, but the higher level of transactions were being driven by homes priced above \$1 million. Sales of homes priced below \$500,000 were down slightly compared to July 2023.

"As the economy showed more signs of cooling in the past couple of months, mortgage rates continued to come down, reaching the lowest level in 15 months," Jordan Levine, CAR's senior vice president and chief economist, said in a statement. "This improvement in lower borrowing costs could motivate homebuyers on the sideline to reenter the market, especially since home prices began to soften at the tail end of the homebuying season."