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Mortgage rates jump to 3.69% as economy normalizes

Rates reached the highest level since the pandemic onset

The average 30-year-fixed rate mortgage climbed to 3.69% for the week ending Feb. 3, up eight basis points from the previous week. It's the highest level since the start of the pandemic, according to the latest **Freddie Mac** PMMS Mortgage Survey.

Before the uptick, the rates remained flat at 3.55% for three weeks, reflecting the impact of the Omicron variant in the economy.

A year ago, the 30-year fixed-rate mortgage averaged 2.73%. The PMMS report is focused on conventional, conforming, fully amortizing home purchase loans for borrowers who put 20% down and have excellent credit.

"The normalization of the economy continues as mortgage rates jumped to the highest level since the emergence of the pandemic," Sam Khater, Freddie Mac's chief economist, said in a statement.

Mortgage rates usually move in concert with the 10-year Treasury yield, which reached 1.92% yesterday, compared to 1.78% on the previous Wednesday. The 15-year-fixed-rate mortgage averaged 2.93% last week, up from 2.77% the week prior. A year ago at this time, it averaged 2.19%.

Most economists believe rates will climb in the months ahead – but will still be close to record-low levels. The **Mortgage Bankers Association** (MBA) forecasts that 30-year mortgage rates will reach 4% by the end of 2022.

"Rate increases are expected to continue due to a strong labor market and high inflation, which likely will have an adverse impact on homebuyer demand," Khater said.

The expectation of higher mortgage rates is based on the fact that the **Federal Reserve** will raise interest rates. The central bank said it will happen "soon," though an exact timetable has not yet been disclosed.

"With inflation well above 2% and a strong labor market, the Committee expects it will soon be appropriate to raise the target range for the federal funds rate," the **Federal Open Markets Committee** said in a statement.

Rising rates are impacting borrowers' appetite.

Mortgage applications decreased 8.1% from the previous week, a response to an uptick in mortgage rates and record houses prices, according to the MBA survey for the week ending Feb. 4. The average loan size again hit another record high at $446,000. The seasonally adjusted refi index fell 7.3% while the purchase index dropped 9.6%.