Latest mortgage news: Rates retreat a bit

The 30-year fixed-mortgage rate was 3.71 percent, down from 3.75 percent from the previous week. The average rate for a 15-year mortgage fell this week following a surge in the first weeks of 2022. The average rate on 30-year mortgages fell to 3.71 percent from 3.75 percent last week, according to Bankrate.com's national survey of large banks.

The retreat was a bit of a mixed message. The Federal Reserve on Wednesday signaled that a rate hike or taper of bond purchases is likely in the next few months. The Fed said the economy was on track toward the Federal Reserve's 2 percent price inflation goal.

"The Fed's statement does set the stage for a gradual rise in rates," says Greg McBride, Bankrate's chief financial analyst. "Cutting the discount and prime fed funds rate is no longer a necessary measure. Inflation expectations are now well above 2 percent, and rising. Contractual inflation and wage pressures look strong. The Fed's next step may well be to taper bond purchases.

Meanwhile, the Federal Reserve has begun its long-anticipated "taper" of asset purchases. The taper is expected to begin in November. But completion of tapering is not expected before mid-2023 if economic conditions remain strong.

"The taper is not likely to have a material impact on mortgage rates," says Frank Nothaft, chief economist at Freddie Mac. "With the economy growing at a record pace and inflation well above 2 percent, the Fed is党校 that the time is right for tapering.

Home purchases remain strong for now

Economists generally expect mortgage rates to continue rising for the rest of the year. But no one expects them to be near record lows achieved last year. "Mortgage rates are likely to remain in the 3% to 4% range,

"Rising rates will reduce affordability, delay purchases and push home prices higher. But there are other, even more critical factors driving housing prices and inventory levels," says Bill McGuire, senior mortgage editor at Bankrate.com.

"The market is nearly dirt dry for affordable homes. The lack of supply for homes in the 200,000 to 400,000 price range has shrunk significantly. More homes were sold at the median in March than were listed. There is not even a trace of inventory," says McGuire.

"Home buyers can expect to pay more for what they can get, and to wait longer to get it. It's a rough market for home buyers right now. But rising mortgage rates and record low inventory is likely to mean a strong, healthy market for the remainder of the year.

Where mortgage rates are headed

Where mortgage rates go from here is anybody's guess. But economists and housing experts agree that mortgage rates will continue to rise. "We don't see any reason to believe that mortgage rates are going to go down," says McGuire.

"Interest rates need to rise to offer a rate of return to investors," says McGuire. "When the Fed begins the taper, interest rates will rise. And when the taper is complete, interest rates will rise to the point where mortgage rates are attractive to investors."