Mortgage Rates Fall Below 6 Percent, Cutting Monthly Payments

February 27, 2026 - Mortgage rates have dropped below the 6 percent level, offering meaningful relief for homebuyers after more than two years of elevated borrowing costs which peaked above 8 percent. Freddie Mac reported this week that the average rate on a 30-year fixed mortgage fell to 5.98 percent, the first time it has dipped under 6 percent since 2022. The decline follows months of easing inflation data and lower Treasury yields, which directly influence mortgage pricing.

For many families, the rate shift can translate into substantial monthly savings. To understand the impact, consider a median priced U.S. home at $405,000. With a 20 percent down payment of $81,000, a buyer would borrow approximately $324,000 on a 30-year fixed loan.

When mortgage rates peaked near 8 percent in late 2023, the monthly principal and interest payment on a $324,000 loan would have been about $2,387. At todayâ€™s average rate of 5.98 percent, that same loan carries a monthly principal and interest payment of roughly $1,942. That represents a difference of about $445 per month, or more than $5,300 per year. These figures exclude property taxes, homeowners insurance, and private mortgage insurance, which vary by location and borrower profile.

While the drop below 6 percent improves affordability, housing costs remain high in many markets due to a variety of factors. Industry economists note that even modest rate changes can influence buyer demand, particularly as the spring home shopping season approaches. Lower rates may also encourage some existing homeowners to refinance if their current mortgage carries a significantly higher interest rate.

The direction of mortgage rates in the coming months will likely depend on inflation trends and Federal Reserve policy signals. If inflation continues to cool, borrowing costs could continue to ease.

For buyers weighing a purchase, the recent decline underscores how sensitive monthly housing costs are to interest rates. A difference of two percentage points can mean hundreds of dollars in monthly expenses, making rate timing a critical factor in long-term affordability.

by Jim Malmberg
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