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High Mortgage Rates Keep US Homeowners ‘Locked In’

July 22, 2025

– Categories: Real Estate



In 2025, more American homeowners are choosing to stay in their current properties, with many unwilling to sell under current market conditions. A new survey from Bankrate shows that over half of U.S. homeowners would feel uncomfortable selling their home this year, regardless of mortgage rates. That marks a 12-point increase from last year, highlighting a deepening grip of the so-called “lock-in” effect.

This phenomenon refers to homeowners hesitating to sell because they would lose their low fixed-rate mortgages. Many secured these favorable rates before the Federal Reserve

began increasing interest rates in 2022. Swapping a 3 percent or 4 percent loan for one closer to 7 percent is not appealing for most.

“Mortgage rates haven’t been below 6% in nearly three years, so buyers and sellers alike have reluctantly adjusted to high rates,” said Greg McBride, chief financial analyst for Bankrate.

Market Standoff

This standoff is stalling movement across the housing market. With fewer homeowners putting their properties up for sale, inventory remains tight, pushing prices higher and making it more difficult for new buyers to enter the market. Many people who might have considered upsizing, downsizing, or relocating are now holding back because of the added financial burden.

The same Bankrate survey found that nearly 40 percent of homeowners would only feel comfortable buying a home this year if mortgage rates dropped below 6 percent. While that threshold is still above the ultra-low rates seen during the pandemic, it suggests buyers are adjusting expectations but remain wary.

“While many would-be buyers are holding out for lower mortgage rates, what constitutes ‘lower’ has evolved. Many that were pining for a return to 3% or 4% rates would probably jump for joy if rates fell into the fives,” McBride explained.

The issue extends to refinancing as well. A large portion of Americans locked in rates below 5 percent prior to 2022 and see no financial incentive to refinance under today’s conditions.

“With so many homeowners having bought or refinanced at sub-5-percent rates prior to 2022, there isn’t much of an appetite or incentive to refinance at today’s comparatively high rates,” McBride added.

According to Freddie Mac, also known as the Federal Home Loan Mortgage Corporation, the average 30-year fixed-rate mortgage for the week ending July 17 was 6.75 percent. That figure is nearly identical to what it was a year ago. These averages do not include fees or points, and rates may differ based on location and lender.

Unless borrowing costs fall meaningfully, the housing market may remain sluggish, with homeowners clinging to historically low rates and buyers hesitant to take out expensive

loans. Until then, the lock-in effect will likely continue to keep many Americans where they are.