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Lower Mortgage Rates Could Open Doors for Millions of Homebuyers

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The U.S. housing market may be on the cusp of a significant turnaround if mortgage rates ease modestly. Experts suggest that a drop in 30-year fixed mortgage rates to around 6 percent could unlock homeownership opportunities for millions of Americans currently priced out of the market, potentially revitalizing sluggish home sales.

The National Association of Realtors (NAR) recently highlighted that if mortgage rates fell to 6 percent, an estimated 5.5 million more households, including 1.6 million renters, would

qualify to buy a home. This shift could bring much-needed momentum to a market where ownership rates have hit a post-pandemic low.

Affordability has long been a major barrier to homeownership in America, especially as borrowing costs have stayed elevated.

High borrowing costs have kept many potential buyers on the sidelines. According to data from the Mortgage Bankers Association (MBA) and the Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac, 30-year fixed mortgage rates are currently averaging near 6.75 percent. While this is an improvement from last October's peak of roughly 8 percent, it remains far above the historically low sub-3 percent rates seen during the height of the pandemic.

The impact of these elevated rates is visible in housing inventory. Realtor.com's June Housing Market Trends Report showed a nearly 30 percent increase in homes for sale year over year, marking the 20th consecutive month of rising listings. Zillow's latest market update confirmed that housing inventory hit a five-year high in the same period. More homes on the market usually indicate less demand, which is often driven by affordability challenges for buyers.

NAR's analysis projects that a drop in mortgage rates to 6 percent would spur a 3 percent increase in home sales in 2025 and an even stronger 14 percent growth in 2026. Importantly, around 10 percent of those additional buyers would enter the market within 12 to 18 months of the rate adjustment.

To put it in perspective, *Mortgage News Daily's* loan calculator shows that a 6 percent rate on a \$300,000 mortgage would reduce monthly payments to about \$1,799, down from \$1,946 at current levels. This nearly \$150 per month decrease could make homeownership more accessible for many families.

Certain cities stand to benefit more than others. NAR points to Atlanta, Dallas, Minneapolis, Cleveland, and Kansas City as markets likely to experience the greatest uptick in sales activity if mortgage rates fall to the 6 percent threshold.

Lawrence Yun, Chief Economist at the National Association of Realtors, offered insight on future rate trends: "Mortgage rates will average 6.4 percent in the second half of 2025, and

6.1 percent next year.” If his forecast holds true, the housing market could see a gradual but meaningful recovery as financing costs become more manageable.