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Mortgage Rates Climb, Triggering Sharp Pullback in Loan Demand

As reported by nationalmortgageprofessional.com

Mortgage rates reached their highest level since October 2025, setting off a rapid decline in borrower activity and exposing the fragility of current demand. According to data from the Mortgage Bankers Association, the average 30-year fixed rate rose to 6.43% in the week ending March 20, marking a five-month peak.



The response was immediate. Total mortgage applications dropped 10.5% week over week, with refinance activity leading the downturn. Refinance applications fell roughly 14% to 15%, highlighting how narrow the opportunity set has become. Most homeowners remain locked into sub-4% mortgages, leaving little incentive to refinance under current conditions.

This dynamic continues to compress the refinance market into short, rate-driven windows. When rates dip, activity briefly returns. When they rise, demand disappears just as quickly. Lenders are increasingly shifting toward alternatives such as HELOCs, cash-out refinancing, and non-QM products to compensate for the lack of traditional volume.

Purchase demand also weakened, with applications declining 5.4% on the week. Even marginal increases in borrowing costs are enough to sideline buyers, underscoring the market's sensitivity to affordability pressures.

Beyond housing fundamentals, external forces are shaping the rate environment. Rising Treasury yields, influenced by geopolitical tensions and shifting expectations around Federal Reserve policy, continue to drive volatility. For lenders, that translates into shorter pipelines, faster borrower reactions, and a market defined less by stability and more by timing.