

85% of Homeowners with Mortgages Have a Rate Far Below Today's Level, a Factor Prompting Many to Stay Put

Some Americans are hesitant to sell their homes as mortgage rates soar because they have a low interest rate locked in. That's contributing to a nearly 20% slump in new listings.

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — Roughly six of every seven (85%) U.S. homeowners with mortgages have a mortgage interest rate far below today's level of 6%, according to a new [report](#) from Redfin ([redfin.com](https://www.redfin.com)), the technology-powered real estate brokerage.

With rates now at the highest since the 2008 financial crisis, some of those homeowners are discouraged from moving because selling their home and buying another could mean giving up their low mortgage rate and taking on a larger monthly housing bill. That's according to a Redfin analysis of Federal Housing Finance Agency (FHFA) data. Redfin defines a mortgage rate far below today's level as one under 5%.

The high share of homeowners who feel locked into their low mortgage rate is contributing to a steep decline in the number of homes hitting the market. New listings slumped 19% year over year during the four weeks ending Sept. 11, the largest drop since May 2020.

This "lock-in" effect is manifesting in markets across the country. For example, Redfin found that in Atlanta, Chicago, Los Angeles and Washington, D.C., homeowners with a mortgage rate below 3.5% were 7.6% less likely to put their homes up for sale in August than homeowners with a rate above 3.5%.

Listings are also on the decline because many homeowners are hesitant to put their house up for sale at a time when the market is slowing and home prices are starting to fall in some areas. Some homeowners are opting to rent their properties out instead of selling to cash in on rising rents.

"The plunge in new listings is hindering growth in housing supply, which is keeping home prices relatively high even though the market is slowing down," said Redfin Deputy Chief Economist Taylor Marr. "Housing supply fell 1% in August from the month before; normally, it would rise during a downturn."

Mortgage rates last week eclipsed 6% for the first time since November 2008—when the country was in a deep recession—as the Federal Reserve seeks to quell inflation. Rising rates have pushed the typical homebuyer's monthly mortgage payment up 42% from a year ago, fueling a broad slowdown in the housing market.

"The good news is that people who already own homes have locked in relatively low

mortgage payments,” Marr said. “The bad news is that homeownership is moving further out of reach for other folks as rising rates, elevated home prices and the persisting housing shortage make buying a house more expensive.”

It’s worth noting that not everyone with a mortgage rate far below today’s level is deterred from selling. Many homeowners have built hundreds of thousands of dollars worth of home equity during the pandemic thanks to skyrocketing housing prices. For some, that means moving and taking on a higher interest rate isn’t a huge deal—especially when moving to a more affordable place. That said, the prospect of cashing out big on that home equity is starting to wane as price-growth slows and homebuyer demand dries up.

Utah, Colorado and Idaho Have Highest Share of Homeowners With Rates Below 5%

In Utah, 93% of homeowners with mortgages have a mortgage rate below 5%—a higher share than any other state. Next comes Colorado (92%), Idaho (92%), Oregon (91%) and Montana (91%). Many parts of these states, including Salt Lake City and Boise, saw large increases in net domestic migration during the pandemic, when mortgage rates hit a record low. That may explain the relatively high share of homeowners with low rates.

Meanwhile, just 77% of homeowners with mortgages in West Virginia have a mortgage rate below 5%—the lowest share in the country. Rounding out the bottom five are Mississippi (78%), Louisiana (80%), New York (80%) and Oklahoma (82%).

To view the full report, including charts, state-level data and methodology, please visit: <https://www.redfin.com/news/homeowners-locked-into-low-mortgage-rates>

About Redfin

Redfin (www.redfin.com) is a technology-powered real estate company. We help people find a place to live with brokerage, instant home-buying (iBuying), rentals, lending, title insurance, and renovations services. We sell homes for more money and charge half the fee. We also run the country's #1 real-estate brokerage site. Our home-buying customers see homes first with on-demand tours, and our lending and title services help them close quickly. Customers selling a home can take an instant cash offer from Redfin or have our renovations crew fix up their home to sell for top dollar. Our rentals business empowers millions nationwide to find apartments and houses for rent. Since launching in 2006, we've saved customers more than \$1 billion in commissions. We serve more than 100 markets across the U.S. and Canada and employ over 6,000 people.

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