Mortgage rates have fallen under Trump. Here's what that really means for home buyers.

Interest-rate cuts alone can't fix America's 'structural housing shortage,' Fed Chair Jerome Powell says

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The fundamental problem for home buyers is that housing is in short supply, Fed Chair Jerome Powell says.

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Referenced Symbols

TMUBMUSD10Y 4.186% ↓ FNMA -0.84%

Key Points

About This Summary

- Mortgage rates decreased between January and December 2025, leading to a nearly $3,000 reduction in the annual cost of a new mortgage, according to the White House.
- Housing affordability remains a challenge due to low inventory and high home prices, despite the recent slight easing of mortgage costs.
- The average age of a first-time home buyer reached 40 this year, indicating ongoing difficulties in achieving homeownership.

Buying a house has been unaffordable for many Americans in recent years due to a one-two punch of elevated mortgage rates and a low inventory, which has pushed up home prices to record highs.

But over the course of 2025, one part of the cost of housing has eased, if only slightly: The cost of a mortgage.

Between January and December 2025, mortgage rates have gone down.

As a result, the annual amount that a borrower would spend on payments on a new mortgage for a median-priced new house has fallen by nearly $3,000, the White House said this week in a social-media post.

But overall, the recent drop in mortgage costs hasn't moved the needle much on housing affordability. While the market seems to be becoming more buyer-friendly overall, with some sellers cutting prices on home listings, most buyers are still finding it too expensive to buy a house.

The average age of a first-time home buyer hit an all-time high of 40 this year, the latest sign that affordability is standing in the way of Americans achieving key milestones such as buying their own home.

The fundamental problem is that housing is in short supply, Fed Chair Jerome Powell said after announcing the Fed's quarter-point rate cut on Wednesday. "We can raise or lower interest rates, but we don't really have the tools to address … a structural housing shortage," he said.

Homeowners locked into their low-rate mortgages

Elevated mortgage rates are only one reason so many home buyers have been shut out of the market. Even if rates are down, home prices remain high. That's largely because of the inventory squeeze in the U.S. housing market.

Even current homeowners, who have experienced considerable home-equity gains as home values have skyrocketed over the past few years, are finding it hard to afford a move. The median rate on outstanding mortgages held by homeowners is about 4%, which translates to a monthly mortgage payment of about $1,300, Realtor.com data found.

(Realtor.com is operated by News Corp subsidiary Move Inc.; MarketWatch publisher Dow Jones is also a subsidiary of News Corp.)

But at current rates, that payment would be about $2,200 — over 70% higher than what those homeowners are currently paying.

"Many people have very, very low-rate mortgages from the pandemic period, and they kept refinancing and caught the really lowest, so it's maybe expensive for them to move," Powell said.

Since many of these homeowners are locked into these mortgages and homes, the supply of homes for sale has been relatively low over the past few years. Builders have ramped up home building, but they've found it difficult to sell these homes as buyers find newly built properties unaffordable, or unappealing.

"We haven't built enough housing in the country for a long time, and so a lot of estimates suggest that we just need more housing of different kinds," Powell added.

White House touts lower mortgage costs

President Donald Trump vowed on the campaign trail and later in the White House to bring mortgage rates down to make housing more affordable.

On Tuesday, the White House suggested it had made progress on that goal with a graphic showing that over the course of the Biden administration, the average yearly payment on a new mortgage on a median-priced new house had jumped $15,000, then fallen $3,000 during the first 11 months of Trump's second term.

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The White House later clarified to MarketWatch that it was comparing monthly payment amounts based on mortgage rates between January 2021 and January 2025, with amounts based on mortgage rates between January 2021 and early December 2025. They assumed a 10% down payment, and a median home price of $410,800, which was the cost of a newly built home as of the second quarter of 2025.

The comparison isn't apples to apples, because it puts Biden's full four-year term against the first 11 months of Trump's, but the overall message that mortgage rates have come down during Trump's second term — in stark contrast to the jump in rates during Biden's term — is accurate.

"Presidential terms are long and their impact on the economy doesn't necessarily start and stop exactly as the administrations change over, which can make it easy to use the data to make a favorable case, but harder to prove that credit is really due to the change in president," Danielle Hale, chief economist at Realtor.com, told MarketWatch after reviewing the White House's chart.

Hale also noted that during Biden's term, mortgage rates swung from rock-bottom levels to recent peaks, going up from 2.74% at the start of his term in January 2021 to 6.72% in December 2024.

Rates that low are not likely to appear again in most Americans' lifetimes, most economists have said, unless the U.S. economy crashes hard, or there's some other shock, like a global pandemic.

Over the course of 2025, since Trump took office, rates have dropped from 6.96% to a recent low of 6.17%, she added, which explains why the yearly cost of a mortgage has trended lower over Trump's term. The 30-year mortgage rate stood at 6.22% as of Dec. 11, according to Freddie Mac, down from 6.91% on Jan. 2.

The median price of a new home rose more than 20% over Biden's term, and prices came down about 2% between January, when Trump came into office, and August, the last month for which data is available, Hale added.

Though housing affordability has become a focus for many Americans — and politicians — it has actually improved over the past couple of years, according to a report by Intercontinental Exchange.

In mid-November, when the average rate on the 30-year mortgage was 6.25%, the monthly principal and interest payment for a median-priced home was about $2,100, ICE said, which was about 30% of a median household's income — a level that's considered affordable. That payment-to-income ratio is at the lowest level since early 2023.

"Home affordability is at its best levels in nearly three years, but remains stretched," ICE said in the report.

Trump has blamed Powell for housing affordability woes

Trump repeatedly criticized Powell earlier this year for not cutting interest rates, and said the Fed chair's inaction on rates was preventing Americans from buying houses. But the Fed doesn't directly control mortgage rates.

Instead, they tend to move in tandem with the yield on the 10-year Treasury note **TMUBMUSD10Y 4.186%**, which reacts to how the bond market and investors perceive the direction of the economy and the Fed's next moves. That's why mortgage rates move in unusual ways, sometimes rising when the Fed cuts.

Nonetheless, the White House said in its social-media post that "Trump has slashed the yearly cost of a new mortgage."

Blaming the Biden administration for "surging home prices, skyrocketing mortgage rates and declining real wages," a White House spokesperson told MarketWatch that "President Trump has worked to swiftly implement policies — from rapid deregulation, tax cuts to boost take-home pay, and securing our border to stop the artificial and illegal demand pushing up home and rent prices — to begin reversing these trends."

Mortgage rates are expected to go down in 2026

Most industry forecasts expect mortgage rates to either moderate or fall slightly next year.

In its November forecast for the housing market, housing-finance giant Fannie Mae ↓ **FNMA -0.84%** said it expects the 30-year mortgage to fall to 6.2% in the first quarter of 2026, and end the year at 5.9%.

Plus, more sellers are warming up to price cuts, since many are finding it difficult to get a home sold in the current environment.

"We are heading into better times. I think the high interest rates are in the rearview mirror, and I do believe that lower rates will open up inventory, making purchasing homes more affordable," Michael Read, principal at Bridgeway Mortgage and Real Estate Services in Morristown, N.J., told MarketWatch.

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