

## Macro Roundup Article

**Headline:** [The Lock-In Effect of Rising Mortgage Rates](#)

### Article

**Link:** <https://www.fhfa.gov/PolicyProgramsResearch/Research/PaperDocuments/wp2403.pdf>

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**Tweet:** For every 1pp mortgage rate increase above an American homeowner's current rate, the probability of a sale decreases 18%. This "lock-in" effect drove a 5.7% increase in home prices between Q2 '22 and Q4 '24.

**Summary:** In the United States, nearly all 50 million active mortgages have fixed rates, and most have interest rates far below prevailing market rates, creating a disincentive to sell. This paper finds that for every percentage point that market mortgage rates exceed the origination interest rate, the probability of sale is decreased by 18.1%. This mortgage rate lock-in led to a 57% reduction in home sales with fixed-rate mortgages in 2023Q4 and prevented 1.33 million sales between 2022Q2 and 2023Q4. The supply reduction increased home prices by 5.7%, outweighing the direct impact of elevated rates, which decreased prices by 3.3%. These findings underscore how mortgage rate lock-in restricts mobility, results in people not living in homes they would prefer, inflates prices, and worsens affordability. Related: 1.54 million Total Housing Completions in 2023 including Manufactured Homes; Most Since 2007 and The Distribution of Mortgage Interest Rates Outstanding and Higher For Longer and The 2024 Housing Outlook

**Primary Topic:** Business Cycle

**Topics:** Business Cycle, Database, GDP, Government/NGO, Housing, Weekly

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