FED HOLDS RATES STEADY — WHAT IT MEANS FOR MORTGAGE RATES THROUGH YEAR-END

Fed holds rates steady — what it means for mortgage rates through year-end. What happened: The Fed held its benchmark rate at 3.5%–3.75% for a fourth straight meeting, under new Chair Kevin Warsh. The vote was unanimous. CPI is running at 4.2% (more than double the Fed's 2% target) and May added 172,000 jobs, a combination that gives the Fed little urgency to cut.

The notable shift: Nine of 19 Fed officials now project a rate hike by year-end, not a cut, the median forecast moved from 3.4% to 3.8%. Markets have followed: futures now price in meaningfully higher odds of a hike in July/September, where a few months ago the conversation was "when will they cut," not "will they cut at all."
What this means for mortgage rates (6–12 month view):

- Don't expect mortgage rate relief from a Fed cut anytime soon, that's effectively off the table for 2026.
- Mortgage rates track the 10-year Treasury and inflation expectations more than the Fed's policy rate directly. That's actually the one source of potential upside: if the preliminary U.S.-Iran agreement holds and energy prices stay down, inflation expectations could ease and pull yields (and mortgage rates) lower even without a Fed cut.

- Counterpoint: persistent deficits and heavy Treasury issuance are an offsetting upward pressure on long-term rates, regardless of what the Fed does.
- Net: plan for a "higher-for-longer" environment. Watch the 10-year yield and energy prices more closely than the Fed's next meeting.

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