Commentary: Week of May 17, 2026

The recent surge in mortgage rates has pushed the 30-year fixed rate above 6.5% once again, partly due to higher fuel costs combined with rising concerns over growing global public debt.

Given the higher cost of borrowing, many prospective homeowners are turning to adjustable-rate mortgages and other alternative lending options.

The share of adjustable-rate mortgages (ARMs) rose to nearly 10% of total applications, the highest since October 2025. ARMs are considered riskier because their rates reset after a fixed period. The average rate on a five-year ARM last week was 5.76%.

Borrowers are also turning to non-conforming loans which aren't underwritten by Fannie Mae and Freddie Mac, and may allow lenders to count income from outside traditional employment. These loans generally carry a higher interest rate for the borrower, but they offer an opportunity for home buyers who might not otherwise qualify for traditional loans and also appeal to investors buying homes to rent.

The share of mortgages using alternative lending practices is still a small portion of the market, but it has doubled in size over the past three years. These loans were nearly 6% of all home loan originations in 2025, the highest percentage since the housing crash two decades ago.