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The war with Iran and the on-again, off-again closure of the Strait of Hormuz – the April cease-fire collapsed on 7/8/2026 when Iran resumed attacks on commercial shipping – have pushed oil back above \$100 a barrel, with WTI crude near \$103 and Brent near \$108 as of 9/16/2026, up more than 20% in September alone. At the pump, diesel crossed \$6 a gallon for the first time ever earlier this month and now sits around \$6.39, an all-time record and up from \$3.70 a year ago. Regular gasoline is around \$4.43, the highest ever for this time of year, versus \$3.20 last September. On top of the energy shock, the Trump tariffs continue to raise the cost of imported goods – the Tax Foundation estimates the effective tariff rate at 7.2% for 2026, roughly \$820 per household – which keeps core goods prices from providing the offset they normally would when energy spikes.

Diesel deserves special attention because it is the price that moves everything else. Every truck, train, tractor, and container ship runs on it, so a record diesel price works its way into groceries, building materials, and shipping costs over the following months. That is why the Fed is not waiting to see whether oil comes down on its own. The Fed just did something it has not done in three years, and the bond market rewarded it with lower yields rather than higher ones. That tells me the market believes the Fed will keep inflation contained even with \$100 oil. The risk is on the other side: one more escalation in the Gulf, or one more hot CPI print, and the 10-year is back above 5% with mortgage rates pushing toward 7.25%.

If you are buying, a rate in the high 6s with a plan to refinance when energy prices normalize is a reasonable strategy – and sellers are far more negotiable now than they were in the spring.

If you are considering a refinance, a HELOC, or a cash-out to consolidate higher-rate debt, let's run the numbers now while we have this breather. I give free consultations for refinances, primary homes, second homes, and investment properties.

If you are curious to see how you can use the current market conditions to your benefit, please reach out for a free consultation. Stay tuned here for future updates and feel free to reach out for a free consultation if you want to understand more about interest rates and mortgage products. As always, your mortgage guy,

Viral (Vic) Joshi
Home of Real Mortgage Advice©

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Vic's Mortgage Report

“Home of REAL Mortgage Advice®”



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My mission is to help buyers qualify for the best loan available for their circumstance. I spend a generous amount of time with each client to educate them about how the mortgage industry works, through free “Mortgage 101” consultations, so they can make good decisions and get the best loan possible. I’ve revamped my website to give clients the best resources to supplement my consultations.

When I’m not doing loans, I’m an avid scuba diver and certified Rescue Diver. Eventually, I’d like to become a dive instructor, so I can share the joys of this ocean sport with others.

I give back to the Monterey Bay Aquarium, Divers Alert Network (DAN), and the National Outdoor Leadership School (NOLS).

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The Fed Hikes, and the Bond Market Exhales

Hi Friends,

September has been a reminder of how quickly the mortgage market can turn. On 9/16/2026 the Federal Reserve raised the Fed Funds rate by 0.25% to a range of 3.75% to 4.00% – its first rate hike since 2023 – in a unanimous 12–0 vote. The statement said inflation “remains elevated” and that the increase “will support a timelier return to the Committee’s 2 percent goal.” Fed Chair Kevin Warsh put it plainly: inflation has been “too high for too long,” citing a strong labor market, above-target inflation, and Middle East tensions as the three reasons for moving now.



Counterintuitive as it sounds, the hike actually helped mortgage rates. Bond yields had been climbing since the 9/10/2026 Houthi drone strikes on the pumping stations of Saudi Arabia’s East-West pipeline – the one route that lets Saudi crude bypass the Strait of Hormuz. With the pipeline shut and Saudi Arabia canceling crude cargoes, the 10-year Treasury yield crossed 5% on 9/15/2026 for the first time since 2007. The Fed’s decision the next day told the bond market that it is serious about anchoring inflation, and the 10-year pulled back below 5% on 9/17/2026 – its first decline in nine trading sessions. A rate hike that mutes long-term yields is exactly what mortgage borrowers want to see.

The Fed’s “dot plot” of projections is where the real message is. The median projection for year-end 2026 is 4.1%, which implies one more 0.25% hike before the year is out. Of the 18 Fed officials who submitted projections, 12 see exactly one more hike

this year, 4 see two, and only 2 see none. The 2027 outlook is far less settled – 8 officials project another hike, 6 see a hold, and 4 see cuts – so the market will be reading every

inflation report between now and the next FOMC meeting on 10/27/2026 – 10/28/2026.

Here is how far we have come. On 2/26/2026 – two days before the U.S. began the war with Iran on 2/28/2026 – Freddie Mac’s average 30-year fixed rate

had fallen to 5.98%, the first time below 6% in three and a half years. As of 9/17/2026 that same average is 6.95%, up from 6.76% the prior week, with daily rate sheets running at 7% and above.

That is a rise of nearly a full percentage point in under seven months. It also means rates are now higher than they were a year ago, when the 30-year averaged 6.26% – the year-over-year comparison flipped against borrowers this month. The 15-year fixed tells the same story at 6.26% versus 5.41% a year ago.

The driver is inflation, and the driver of inflation is energy. The August 2026 CPI report, released 9/11/2026, showed headline consumer prices up 0.4% for the month and 3.4% for the year. Energy is up 16.3% over the past 12 months and gasoline is up 27.4%; gasoline alone accounted for more than a third of August’s monthly increase. Core CPI, which strips out food and energy, rose 0.3% for the month and 2.4% for the year – still above the Fed’s target, but it shows the problem is concentrated at the pump and the port rather than across the whole economy. Two policy choices are feeding that.

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