

Monthly Press Release

FOR RELEASE at 8:30 a.m. EST
Thursday February 24, 2005
FHFB 05-04 (MIRS)

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FEDERAL HOUSING FINANCE BOARD REPORTS MORTGAGE INTEREST RATES

Washington, D.C. – The Federal Housing Finance Board today reported that the average interest rate on conventional 30-year, fixed-rate, mortgage loans was unchanged at 5.90 percent in January. The average interest rate on 15-year, fixed-rate loans decreased 17 basis points to 5.35 percent in January. These rates pertain to mortgages closed during the January 25-31 period. Typically, the interest rate is determined 30 to 45 days before the loan is closed. Thus, the reported rates depict market conditions prevailing in mid to late December.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) was unchanged at 5.78 percent during January. The effective interest rate, which reflects the amortization of initial fees and charges, increased 1 basis point to 5.84 percent. The average contract rate on fixed-rate mortgages decreased 1 basis point to 5.87 percent during January, while the average contract rate on adjustable-rate mortgages (ARMs) increased 4 basis points to 5.62 percent.

Initial fees and charges were 0.41 percent of the loan balance in January, up 2 basis points from 0.39 percent in December. Fifty-two percent of the purchase-money mortgage loans originated in January were "no-point" mortgages, down from 58 percent in December. The average term was 28.3 years in January, down from 28.4 years in December. The average loan-to-price ratio in January was 76.1 percent, down from 76.4 percent in December. The average loan amount increased by \$1,300 to \$197,800 in January, while the average house purchase price increased by \$3,500 to \$275,700.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 5.72 percent based on loans closed in January. This is an increase of 0.01 percent from the previous month.

Recorded information on this index is available by calling (202) 408-2940. The February index value will be announced on March 25, 2005.

The Federal Housing Finance Board maintains telephone lines that give recorded information on the current value of many of the interest rates reported in this release. That phone number is (202) 408-2624. This recording will be next updated on March 25, 2005.

Technical note: The data is based on a monthly survey of major lenders that are asked to report the terms and conditions on all conventional, single-family, fully amortized, purchase-money loans closed the last five working days of the month. The data thus excludes FHA-insured and VA-guaranteed mortgages, refinancing loans, and balloon loans. This month's data is based on 16,619 reported loans from 91 lenders, representing savings associations, mortgage companies, commercial banks, and mutual savings banks. The effective interest rate includes the amortization of initial fees and charges over a 10-year period, which is the historical assumption of the average life of a mortgage loan. The data is weighted to reflect the shares of mortgage lending by lender size and lender type as reported in the latest release of the Federal Reserve Board's Home Mortgage Disclosure Act data.