

Monthly Press Release

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For further information contact:
David L. Roderer
(202) 408-2967

FEDERAL HOUSING FINANCE BOARD REPORTS MORTGAGE INTEREST RATES

Washington, D.C. – The Federal Housing Finance Board today reported that mortgage interest rates remained low throughout 2003. In July of 2003, the average contract interest rate on all loans was at 5.36 percent, 67 basis points lower than at December 2002. By December 2003, the average contract interest rate was back up to 5.70 percent, still 33 basis points lower than December 2002.

The percent of loans with adjustable rate mortgages rose to 29 percent by December 2003, and showed a steady increase in the second half of the year. The average initial fees and charges increased to 0.52 percent of the loan amount in December 2003 from 0.39 percent of the loan amount in December 2002. The average term to maturity increased nearly a year to 27.5 years on December 2003 from 26.6 years on December 2002. The average loan-to-price ratio increased 1.7 percent to 75.7 percent in December 2003 from 74.0 percent one year earlier.

The Mortgage Market in December – The average interest rate on conventional 30-year, fixed-rate, mortgage loans decreased 6 basis points to 6.00 percent during December. The average interest rate on conventional 15-year, fixed-rate loans decreased 3 basis points to 5.79 percent during December. These rates pertain to mortgages closed during the December 24-31 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 November.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) decreased 10 basis point to 5.70 percent during December. The effective interest rate, which reflects the amortization of initial fees and charges, decreased 10 basis points to 5.77 percent. The average contract rate on fixed-rate mortgages decreased 5 basis points to 5.98 percent in December, while the average contract rate on adjustable-rate mortgages (ARMs) decreased 13 basis points to 5.00 percent.

Initial fees and charges were 0.52 percent of the loan balance in December, up from 0.47 percent in November. Forty-eight percent of the purchase-money mortgage loans originated in December were "no-point" mortgages, up from 45 percent in October. The average term was 27.5 years in December, unchanged from November. The average loan-to-price ratio in December was 75.7 percent, up from 74.6 percent in November. The average loan amount decreased by \$7,000 to \$167,500 in December, while the average house purchase price decreased by \$12,800 to \$233,900.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 5.74 percent based on loans closed in December. This is a decrease of 0.05 percent from the previous month.

Recorded information on this index is available by calling (202) 408-2940. The January index value will be announced on February 26, 2004.

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 February 26, 2004.

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 15,168 reported loans from 76 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