

Monthly Press Release

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

FEDERAL HOUSING FINANCE BOARD REPORTS HIGHER 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 increased 18 basis points to 6.25 percent during June. The average interest rate on 15-year, fixed-rate loans increased 11 basis points to 6.25 percent during June. These rates pertain to mortgages closed during the June 24-30 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 May.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) increased 19 basis points to 5.91 percent during June. The effective interest rate, which reflects the amortization of initial fees and charges, increased 20 basis points to 5.97 percent. The average contract rate on fixed-rate mortgages increased 18 basis points to 6.28 percent in June, while the average contract rate on adjustable-rate mortgages (ARMs) increased 30 basis points to 5.34 percent.

Initial fees and charges were 0.38 percent of the loan balance in June, up 3 basis points from 0.35 percent in May. Fifty-one percent of the purchase-money mortgage loans originated in June were "no-point" mortgages, down from 55 percent in May. The average term was 27.8 years in June, up from 27.6 years in May. The average loan-to-price ratio in May was 74.1 percent, unchanged from April. The average loan amount increased by \$5,600 to \$188,800 in June, while the average house purchase price increased by \$6,600 to \$267,600.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 5.96 percent based on loans closed in June. This is an increase of 0.23 percent from the previous month.

Recorded information on this index is available by calling (202) 408-2940. The July index value will be announced on August 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 August 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 29,657 reported loans from 89 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.