

For release at 8:30 a.m. EST
Friday, January 25, 2002
FHFB 02-03 (MIRS)

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*Federal Housing Finance Board Announces
LOWER 2001 MORTGAGE INTEREST RATES*

Washington, D.C. – The Federal Housing Finance Board today reported that mortgage interest rates declined during 2001. The contract interest rate on 30-year, fixed-rate, mortgage loans decreased 79 basis points to 6.89 percent in December of 2001 from 7.68 percent in December 2000. The contract rate on fixed-rate mortgages (with all terms to maturity) decreased 91 basis points to 6.79 percent in December 2001.

The percent of loans with adjustable-rates remained stable during 2001, moving within a range of between 10 and 15 percent. The average initial fees and charges declined to 0.52 percent of the loan amount in December 2001 from 0.63 percent in December 2000. The average term to maturity declined by 21 months to 26.6 years in December 2001 while the average loan-to-price ratio decreased to 74.6 percent in December 2001 from 76.8 percent one year earlier. This is the lowest average loan-to-price ratio since February 1992 when the ratio was 74.5 percent.

The Mortgage Market in December - The average interest rate on conventional 30-year, fixed-rate mortgage loans increased 22 basis points to 6.89 percent during December. Interest rates on 15-year, fixed-rate loans increased by 8 basis points to 6.47 percent during December.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) increased 13 basis points to 6.69 percent. The effective interest rate, which reflects the amortization of initial fees and charges, increased 15 basis points to 6.77 percent. The average contract rate on fixed-rate mortgages increased 17 basis points to 6.79 percent, while the average contract rate on adjustable-rate mortgages (ARMs) remained the same at 6.02 percent.

Initial fees and charges were 0.52 percent of the loan balance in December, up from 0.45 percent in November. Fifty-one percent of the purchase-money mortgage loans originated in December were "no-point" mortgages, up from 48 percent in November. The average term was 26.6 years in December, down from 27.0 percent in November. The average loan-to-price ratio in December was 74.6 percent, down from 75.1 percent in November. The average loan amount decreased by \$1,900 to \$155,700 in December, while the average house purchase price decreased by \$1,000 to \$221,700.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 6.69 percent based on loans closed in December. This is an increase of 0.13 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 27, 2002.

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 27, 2002.

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 25,743 reported loans from 104 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 type as reported in the latest release of the Federal Reserve Board's Home Mortgage Disclosure Act data.