



NEWS

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FEDERAL HOUSING FINANCE BOARD REPORTS LOWER SECOND HALF 2000 MORTGAGE INTEREST RATES

The Federal Housing Finance Board today reported that mortgage interest rates, after increasing in the first half, decreased in the second half of 2000. The contract interest rate on 30-year, fixed-rate mortgage loans increased 53 basis points to 8.43 percent in June 2000 before falling 75 basis points to 7.68 percent in December 2000. The contract rate on fixed-rate mortgage loans (with all terms to maturity) increased to 8.42 percent in June before falling to 7.70 percent in December.

The percent of loans with adjustable-rates decreased to 15 percent in December 2000 from 30 percent in December 1999. The average initial fees and charges remained relatively stable decreasing to 0.63 percent of the loan amount in December 2000 from 0.65 percent of the loan amount in December 1999. The average term to maturity remained the same at 28.5 years while the average loan-to-price ratio decreased to 76.8 percent in December 2000 from 79.3 percent in December 1999.

The Mortgage Market in December - The average interest rate on conventional 30-year, fixed-rate mortgage loans decreased 17 basis points to 7.68 percent. Interest rates on 15-year, fixed-rate loans decreased by 12 basis points to 7.84 percent during December.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) decreased 13 basis points to 7.54 percent. The effective interest rate, which reflects the amortization of initial fees and charges, also decreased 13 basis points to 7.64 percent. The average contract rate on fixed-rate mortgages decreased 17 basis points to 7.70 percent, while the average contract rate on adjustable-rate mortgages (ARMs) increased 3 basis points to 6.66 percent.

Initial fees and charges were 0.63 percent of the loan balance in December, the same as in November. Thirty-six percent of the purchase-money mortgage loans originated in December were "no-point" mortgages, up from 32 percent in November. The average term was 28.5 years in December, down from 28.6 years in November. The average loan-to-price ratio in December was 76.8 percent, down from 77.1 percent in November. The average loan amount increased by \$800 to \$151,700, while the average house purchase price increased by \$1,300 to \$206,100.

Table IV is the regular quarterly table of mortgage rates and terms for selected metropolitan areas.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by

Combined Lenders, a popular ARM index, was 7.59 percent based on loans closed in December. This is a decrease of 0.14 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, 2001.

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, 2001.

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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 18,046 reported loans from 113 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.