



NEWS

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FEDERAL HOUSING FINANCE BOARD REPORTS SIGNIFICANTLY LOWER MORTGAGE INTEREST RATES

The Federal Housing Finance Board today reported that the average interest rate on conventional 30-year, fixed-rate mortgage loans decreased 37 basis points to 7.31 percent. Interest rates on 15-year, fixed-rate loans decreased by 25 basis points to 7.59 percent during January.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) decreased 31 basis points to 7.23 percent. The effective interest rate, which reflects the amortization of initial fees and charges, decreased 32 basis points to 7.32 percent. The average contract rate on fixed-rate mortgages decreased 36 basis points to 7.34 percent, while the average contract rate on adjustable-rate mortgages (ARMs) decreased 15 basis points to 6.51 percent.

Initial fees and charges were 0.58 percent of the loan balance in January, down from 0.63 percent in December. Thirty-five percent of the purchase-money mortgage loans originated in January were "no-point" mortgages, down from 36 percent in December. The average term was 28.5 years in January, the same as in December. The average loan-to-price ratio in January was 77.0 percent, up from 76.8 percent in December. The average loan amount increased by \$800 to \$152,500, while the average house purchase price increased by \$1,700 to \$207,800.

Table VIII is the special annual table of mortgage rates and terms for a larger group of metropolitan areas than reported each quarter. Table IX is the special annual table of mortgage rates and terms for states. The user is cautioned about small sample sizes in some of the smaller metropolitan areas and states.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 7.25 percent based on loans closed in January. This is a decrease of 0.34 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 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 March 27, 2001.

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 16,177 reported loans from 102 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.