



NEWS

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FEDERAL HOUSING FINANCE BOARD REPORTS MORTGAGE INTEREST RATES

The Federal Housing Finance Board today reported that the average interest rate on conventional 30-year, fixed-rate, mortgage loans increased 13 basis points to 6.46 percent in December. The average interest rate on 15-year, fixed-rate loans increased 24 basis points to 6.07 percent in December. These rates pertain to mortgages closed during the December 23-30 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 November.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) was 6.29 in December up 10 basis points from 6.19 percent during November. The effective interest rate, which reflects the amortization of initial fees and charges, increased 10 basis points to 6.35 percent. The average contract rate on fixed-rate mortgages increased 13 basis points to 6.46 percent during December, while the average contract rate on adjustable-rate mortgages (ARMs) increased 2 basis points to 5.86 percent.

Initial fees and charges were 0.41 percent of the loan balance in December, up 1 basis point from 0.40 percent in November. Fifty-two percent of the purchase-money mortgage loans originated in December were "no-point" mortgages, up from 51 percent in November. The average term was 28.8 years in December, up from 28.7 years in November. The average loan-to-price ratio in December was 74.8 percent, up 0.7 percent from 71.1 percent in November. The average loan amount increased by \$1,700 to \$221,300 in December, and the average house purchase price decreased by \$3,300 to \$311,100.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 6.29 percent based on loans closed in December. This is an increase of 0.07 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, 2006.

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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 14,454 reported loans from 75 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.

The Federal Housing Finance Board is an independent agency in the executive branch that oversees the safety, soundness, and mission of the 12 regional Federal Home Loan Banks. The Banks are government-sponsored enterprises created in 1932 to provide low-cost funding for housing finance. They have more than 8,100 financial institutions as members, including commercial banks, savings and loans, insurance companies and federally insured credit unions. More information can be found at <http://www.FHFB.gov>

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