

## Monthly Press Release

FOR RELEASE at 8:30 a.m. EST  
Thursday, February 26, 2004  
FHFB 04-15 (MIRS)

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

### FEDERAL HOUSING FINANCE BOARD REPORTS LOWER 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 decreased 8 basis points to 5.92 percent during January. The average interest rate on 15-year, fixed-rate loans decreased 17 basis points to 5.62 percent during January. These rates pertain to mortgages closed during the January 26-30 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 December.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) decreased 12 basis points to 5.58 percent during January. The effective interest rate, which reflects the amortization of initial fees and charges, decreased 11 basis points to 5.66 percent. The average contract rate on fixed-rate mortgages decreased 10 basis points to 5.88 percent in January, while the average contract rate on adjustable-rate mortgages (ARMs) decreased 9 basis points to 4.91 percent.

Initial fees and charges were 0.49 percent of the loan balance in January, down from 0.52 percent in December. Fifty-two percent of the purchase-money mortgage loans originated in January were "no-point" mortgages, up from 45 percent in December. The average term was 27.4 years in January, down from 27.5 years in December. The average loan-to-price ratio in January was 75.3 percent, down from 75.7 percent in December. The average loan amount increased by \$4,300 to \$171,800 in January, while the average house purchase price increased by \$7,900 to \$241,800.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 5.63 percent based on loans closed in January. This is a decrease of 0.11 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 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 March 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 12,390 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*