

Monthly Press Release

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FEDERAL HOUSING FINANCE BOARD REPORTS MOSTLY 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 14 basis points to 6.05 percent during October. The average interest rate on 15-year, fixed-rate loans increased 9 basis points to 5.88 percent during October. These rates pertain to mortgages closed during the October 27-31 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 September.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) decreased 9 basis points to 5.79 percent during October. The effective interest rate, which reflects the amortization of initial fees and charges, decreased 10 basis points to 5.85 percent. The average contract rate on fixed-rate mortgages decreased 7 basis points to 6.03 percent in October, while the average contract rate on adjustable-rate mortgages (ARMs) decreased 1 basis points to 5.08 percent.

Initial fees and charges were 0.39 percent of the loan balance in October, down from 0.43 percent in September. Fifty-five percent of the purchase-money mortgage loans originated in October were "no-point" mortgages, down from 63 percent in September. The average term was 27.3 years in October, up from 26.9 years in September. The average loan-to-price ratio in October was 73.8 percent, up from 73.6 percent in September. The average loan amount increased by \$6,100 to \$169,900 in September, while the average house purchase price increased by \$5,900 to \$243,800.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 5.78 percent based on loans closed in October. 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 November index value will be announced on December 23, 2003.

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 December 23, 2003.

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 24,608 reported loans from 91 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.