

Monthly Press Release

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FEDERAL HOUSING FINANCE BOARD REPORTS HIGHER 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 increased 35 basis points to 5.88 percent during August. The average interest rate on 15-year, fixed-rate loans increased 35 basis points to 5.54 percent during August. These rates pertain to mortgages closed during the August 25-29 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 July.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) increased 26 basis points to 5.62 percent during August. The effective interest rate, which reflects the amortization of initial fees and charges, increased 27 basis points to 5.68 percent. The average contract rate on fixed-rate mortgages increased 36 basis points to 5.82 percent in August, while the average contract rate on adjustable-rate mortgages (ARMs) increased 18 basis points to 4.85 percent.

Initial fees and charges were 0.40 percent of the loan balance in August, up from 0.37 percent in July. Fifty-four percent of the purchase-money mortgage loans originated in August were "no-point" mortgages, down from 58 percent in July. The average term was 26.9 years in August, up from 26.6 years in July. The average loan-to-price ratio in August was 73.3 percent, down from 73.9 percent in July. The average loan amount increased by \$3,800 to \$174,600 in July, while the average house purchase price increased by \$6,500 to \$253,900.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 5.61 percent based on loans closed in August. This is an increase of 0.27 percent from the previous month.

Recorded information on this index is available by calling (202) 408-2940. The September index value will be announced on October 27, 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 October 27, 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 43,401 reported loans from 88 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.