

## Monthly Press Release

FOR RELEASE at 8:30 a.m. EDT  
Tuesday October 26, 2004  
FHFB 04-41 (MIRS)

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### 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 20 basis points to 5.90 percent during September. The average interest rate on 15-year, fixed-rate loans decreased 20 basis points to 5.38 percent during September. These rates pertain to mortgages closed during the September 24-30 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 August.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) decreased 15 basis points to 5.63 percent during September. The effective interest rate, which reflects the amortization of initial fees and charges, decreased 14 basis points to 5.70 percent. The average contract rate on fixed-rate mortgages decreased 21 basis points to 5.86 percent in September, while the average contract rate on adjustable-rate mortgages (ARMs) decreased 7 basis points to 5.24 percent.

Initial fees and charges were 0.49 percent of the loan balance in September, up 5 basis point from 0.44 percent in August. Fifty percent of the purchase-money mortgage loans originated in September were "no-point" mortgages, down from 54 percent in August. The average term was 28.4 years in September, up from 28.3 years in August. The average loan-to-price ratio in September was 76.1 percent, down from 76.4 percent in August. The average loan amount increased by \$2,400 to \$191,000 in September, while the average house purchase price increased by \$3,300 to \$264,900.

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 September. This is a decrease of 0.14 percent from the previous month.

Recorded information on this index is available by calling (202) 408-2940. The October index value will be announced on November 30, 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 November 30, 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 24,565 reported loans from 80 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.*