

Monthly Press Release

FOR RELEASE at 8:30 a.m. EDT
Friday, July 25, 2003
FHFB 03-25 (MIRS)

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FEDERAL HOUSING FINANCE BOARD REPORTS CONTINUED 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 24 basis points to 5.50 percent during June. The average interest rate on 15-year, fixed-rate loans decreased 21 basis points to 5.31 percent during June. These rates pertain to mortgages closed during the June 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 May.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) decreased 22 basis points to 5.37 percent during June. The effective interest rate, which reflects the amortization of initial fees and charges, also decreased 22 basis points to 5.42 percent. The average contract rate on fixed-rate mortgages, decreased 23 basis points to 5.47 percent in June, while the average contract rate on adjustable-rate mortgages (ARMs) decreased 28 basis points to 4.65 percent.

Initial fees and charges were 0.33 percent of the loan balance in June, down from 0.35 percent in May. Sixty-five percent of the purchase-money mortgage loans originated in June were "no-point" mortgages, unchanged from May. The average term was 26.7 years in June, the same as in May. The average loan-to-price ratio in June was 72.6 percent, down from 72.7 percent in May. The average loan amount increased by \$3,200 to \$169,400 in June, while the average house purchase price increased by \$3,500 to \$247,800.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 5.36 percent based on loans closed in June. This is a decrease of 0.22 percent from the previous month.

Recorded information on this index is available by calling (202) 408-2940. The July index value will be announced on August 26, 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 August 26, 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 47,660 reported loans from 103 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.