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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 twelve basis points to 6.99 percent during May. The average interest rate on 15-year, fixed-rate loans was 6.82 percent during May, down from 6.85 percent in April.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) decreased 14 basis points to 6.71 percent. The effective interest rate, which reflects the amortization of initial fees and charges, decreased 13 basis points to 6.79 percent. The average contract rate on fixed-rate mortgages decreased 10 basis points to 6.97 percent, while the average contract rate on adjustable-rate mortgages (ARMs) decreased nineteen basis points to 5.72 percent.

Initial fees and charges were 0.51 percent of the loan balance in May, up from 0.49 percent in April. Forty-five percent of the purchase-money mortgage loans originated in May were "no-point" mortgages, up from 43 percent in April. The average term was 27.9 years in May, up from 27.7 years in April. The average loan-to-price ratio in May was 77.0 percent, up from 76.8 percent in April. The average loan amount increased by \$2,700 to \$165,800 in May, while the average house purchase price increased by \$2,200 to \$226,300.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 6.74 percent based on loans closed in May. 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 June index value will be announced on July 25, 2002.

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 July 25, 2002.

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 26,825 reported loans from 107 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 type as reported in the latest release of the Federal Reserve Board's Home Mortgage Disclosure Act data.