



NEWS

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Contact: David Roderer
(202) 408-2540
RodererD@FHFB.gov

1625 Eye St., N.W., Washington, D.C. 20006

FEDERAL HOUSING FINANCE BOARD REPORTS MORTGAGE INTEREST RATES

The Federal Housing Finance Board today reported that the average interest rate on conventional 30-year, fixed-rate, mortgage loans of \$417,000 or less increased 7 basis points to 6.49 percent in August. The average interest rate on 15-year, fixed-rate loans of \$417,000 or less decreased 5 basis points to 6.10 percent in August. These rates pertain to mortgages closed during the August 25-31 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 July.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) was 6.42 percent in August up 5 basis points from 6.37 percent in July. The effective interest rate, which reflects the amortization of initial fees and charges, was 6.50 percent in August up 5 basis points from 6.45 percent in July. The average contract rate on fixed-rate mortgages increased 5 basis points to 6.46 percent in August, while the average contract rate on adjustable-rate mortgages (ARMs) decreased 2 basis points to 5.89 percent in August.

Initial fees and charges were 0.56 percent of the loan balance in August, up 0.01 percent from July. Forty-seven percent of the purchase-money mortgage loans originated in August were "no-point" mortgages, unchanged from July. The average term was 28.4 years in August, down 0.1 years from 28.5 years in July. The average loan-to-price ratio in August was 76.3 percent, up 0.1 percent from 76.2 percent in July. The average loan amount increased by \$1,500 to \$221,200 in August, while the average house purchase price decreased \$1,800 to \$307,300.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 6.46 percent based on loans closed in August. This is an increase of 0.05 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 28, 2008.

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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 7,953 reported loans from 64 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.

The Federal Housing Finance Board (FHFB) was merged into the Federal Housing Finance Agency (FHFA) an independent agency in the executive branch, in July 2008. The FHFB portion of FHFA oversees the safety, soundness, and mission of the 12 regional Federal Home Loan Banks. The Banks are government-sponsored enterprises created in 1932 to provide low-cost funding for housing finance. They have more than 8,100 financial institutions as members, including commercial banks, savings and loans, insurance companies and federally insured credit unions. More information can be found at <http://www.FHFB.gov>

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