

## Monthly Press Release

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For further information contact:  
Timothy D. Forsberg  
(202) 408-2967

### **FEDERAL HOUSING FINANCE BOARD REPORTS LOWER 30-YEAR FIXED-RATE 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 7 basis points to 6.02 percent during February. The rate in February 2003 is 96 basis points lower than in February 2002.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) decreased 6 basis points to 5.87 percent. The effective interest rate, which reflects the amortization of initial fees and charges, also decreased 6 basis points to 5.92 percent. The average contract rate on fixed-rate mortgages decreased 3 basis points to 6.02 percent, while the average contract rate on adjustable-rate mortgages (ARMs) decreased 7 basis points to 5.15 percent.

Initial fees and charges were 0.31 percent of the loan balance in February, down from 0.37 percent in January. Sixty-six percent of the purchase-money mortgage loans originated in February were "no-point" mortgages, up from 61 percent in January. The average term was 26.8 years in February, up from 26.7 years in January. The average loan-to-price ratio in February was 73.4 percent, up from 73.2 percent in January.

Table VI is the regular quarterly table on mortgage rate and term information by Federal Home Loan Bank District.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 5.88 percent based on loans closed in February. This is a decrease of 0.03 percent from the previous month.

Recorded information on this index is available by calling (202) 408-2940. The March index value will be announced on April 28, 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 April 28, 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 32,363 reported loans from 99 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.*