



September 1998

Secondary Market Prices & Yields and Interest Rates for Home Loans

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Last revised: December 11, 1998



Secondary Market Report

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Secondary Market Prices and Yields and Interest Rates for Home Loans September 1, 1998

News Release

HUD No. 98-469

L. Richard Keyser (202) 755-7500 x137

www.hud.gov/fha/comp/rpts/fharpts.html.

FOR RELEASE:

September 25, 1998

WASHINGTON – The U.S. Department of Housing and Urban Development today released the results of its latest survey of market conditions for fixed rate, long-term, level payment home loans as well as interest rates for home construction funds.

The September 1, 1998, survey found that the most frequently quoted contract rate for HUD/FHA Section 203(b) mortgages being sold in the secondary market for immediate delivery was 7.00 percent. Typical prices for 7.00 percent contract interest rate loans produced a national average secondary market yield of 7.03 percent.

FHA secondary market yields were mixed. Changes in secondary market yields on the most frequently quoted Section 203(b) contract rate ranged from an increase of 2 basis points in the Northeast region to a decrease of 6 basis points in the Southeast.

In the FHA primary mortgage market, the average FHA effective rate for all reported primary market quotes was 7.05 percent. Lenders reported that the most frequent rate being quoted to potential FHA homebuyers for 60 days or more "lock-in" commitments was 7.00 percent with an average of 12 basis points and an effective interest rate of 7.02 percent. Average basis points for the 7.00 percent primary rate were 100 basis points in the Northeast, zero basis points in the Middle Atlantic, zero basis points in the Southeast, 8 basis points in the North Central, zero basis points in the Southwest, and 13 basis points in the West.

The national average contract rates for commitments on conventional loans for new and existing homes in the primary mortgage market went down 19 basis points to 6.86 percent in new home loans, and down 14 basis points to 6.92 percent in existing home loans.

The proportion of HUD offices reporting an adequate supply of construction funds on September 1, was 94 percent for FHA and 98 percent for conventional financings.

For the trend of builders' plans, in the latest survey the majority of builders remained in the stable building plan category for each home price class. The proportion on September 1 was 75 percent for low-priced homes, 75 percent for moderate-priced homes, and 71 percent for high-priced homes.

On September 1, the proportion of HUD Field Offices reporting a stable trend in builders' unsold inventory of new homes was 73 percent, while 23 percent noted a declining trend and 4 percent an advancing situation.

An advancing trend is indicative of a growing inventory of homes, meaning either over-production and/or slower new home sales. Conversely, a declining inventory of new homes indicates somewhat of a sellers' market, where demand would be relatively stronger than supply. One year ago the proportion of offices reporting a stationary trend was 83 percent, a declining trend 14 percent, and an advancing trend 3 percent.

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Date of next release: October 24, 1998

The entire news release and all tables are now available on the Web: <http://www.hud.gov/fha/comp/rpts/fharpts.html>.

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WHAT'S NEW IN MULTIFAMILY?

The whole perspective has changed! If you do business with HUD on Multifamily Projects and live in the Fort Worth or Miami areas, plan to attend the "Multifamily Housing -- New Perspectives Conference", Friday, November 5 or Wednesday, December 8, respectively. Get your agenda and register [HERE!](#)



PROCESSING MF LOANS FASTER! NEW LINK!

HUD is preparing an accelerated processing system for certain HUD multifamily loan insurance programs. The program is called the Multifamily Accelerated Processing (MAP). Current plans call for it to be operational by May, 2000. Be sure to see the MAP Forums "[Key Issues Paper](#)" and the [Notes from MAP Forums \(new!\)](#)

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TABLE 1

**Net Prices and Average Yields for HUD-Insured
New Home Mortgages (Section 203) Immediate Delivery
Transactions 30-year Maturity - Minimum Downpayment**

	7.00% Mortgages Sep '98		7.00% Mortgages Aug '98	
	Average Price	Average Yield 1/	Average Price	Average Yield 1/
	-----	-----	-----	-----
Northeast	\$ 99.82	7.02%	\$100.00	7.00%
Middle Atlantic	99.20	7.11%	*	*
Southeast	100.05	6.99%	99.63	7.05%
North Central	99.99	7.00%	99.75	7.03%
Southwest	100.00	7.00%	99.98	7.00%
West	99.52	7.06%	99.26	7.10%
United States	\$99.75	7.03%	\$99.63	7.05%

1/-Gross yield to investors, without allowance for servicing costs based on prepayment of the mortgage at the end of 12 years.

* Dominant rate not quoted by respondents in region.

		United States		
		Price	Yield	Mtg. Rate
		---- \$ ----	---- % ----	---- % ----
1984	High/Low	97.60/95.00	15.00/12.90	14.00/13.00
1985	High/Low	98.30/95.50	13.43/11.28	13.00/10.50
1986	High/Low	99.40/96.22	10.78/ 9.26	10.50/ 9.50
1987	High/Low	98.54/95.42	11.22/ 8.79	10.50/ 8.50
1988	High/Low	99.49/96.99	10.84/ 9.86	10.50/ 9.50
1989	High/Low	99.65/97.01	11.16/ 9.61	11.00/ 9.50

1990	High/Low	99.25/97.94	10.75/ 9.71	10.50/ 9.50
1991	High/Low	99.57/98.53	9.71/ 8.69	9.50/ 8.50
1992	High/Low	99.60/97.54	8.85/ 8.06	8.50/ 8.00
1993	High/Low	99.95/99.13	8.12/ 7.02	8.00/ 7.00
1994	High/Low	99.88/98.44	9.53/ 7.05	9.50/ 7.00
1995	High/Low	99.97/99.18	9.54/ 7.51	9.50/ 7.50
1996	High/Low	100.00/99.14	8.58/ 7.11	8.50/ 7.00
1997	High/Low	99.91/99.20	8.56/ 7.51	8.50/ 7.50

Data as of: September 1, 1998

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**TABLE 2
Most Frequently Quoted Contract Rates and Yields
for FHA Mortgages Sold in the Secondary Market**

Average		Contract	Average	Contract			
Year		Rate	Yield 1/	Year			
1/					Yield		
-----		-----	-----	-----	-----		
1993	Jan	8.00%	8.12%	1996	Jan	7.50%	7.52%
	Feb	8.00%	8.04%		Feb	7.00%	7.11%
	Mar	7.50%	7.55%		Mar	7.50%	7.57%
	Apr	7.50%	7.57%		Apr	8.00%	8.09%
	May	7.50%	7.56%		May	8.50%	8.52%
	Jun	7.50%	7.59%		Jun	8.50%	8.57%
	Jul	7.50%	7.52%		Jul	8.50%	8.55%
	Aug	7.50%	7.51%		Aug	8.50%	8.56%
	Sep	7.00%	7.02%		Sep	8.50%	8.58%
	Oct	7.00%	7.03%		Oct	8.50%	8.56%
	Nov	7.00%	7.08%		Nov	8.00%	8.00%
	Dec	7.50%	7.51%		Dec	8.00%	8.14%
1994	Jan	7.50%	7.52%	1997	Jan	8.00%	8.06%
	Feb	7.00%	7.05%		Feb	8.00%	8.06%
	Mar	7.50%	7.59%		Mar	8.00%	8.08%
	Apr	8.50%	8.57%		Apr	8.50%	8.55%
	May	8.50%	8.63%		May	8.50%	8.56%
	Jun	8.50%	8.63%		Jun	8.00%	8.05%
	Jul	9.00%	9.03%		Jul	8.00%	8.02%
	Aug	8.50%	8.65%		Aug	7.50%	7.61%
	Sep 2/	8.50%	8.66%		Sep	8.00%	8.02%
	Sep 2/	9.00%	9.03%		Oct	7.50%	7.52%
	Oct	9.00%	9.10%		Nov	7.50%	7.53%
	Nov	9.00%	9.23%		Dec	7.50%	7.51%
	Dec	9.50%	9.53%				
1995	Jan	9.50%	9.54%	1998	Jan	7.00%	7.17%
	Feb	9.00%	9.10%		Feb	7.00%	7.08%

Mar	9.00%	9.05%	Mar	7.00%	7.06%
Apr	8.50%	8.60%	Apr	7.00%	7.09%
May	8.50%	8.56%	May	7.25%	7.37%
Jun	8.00%	8.03%	Jun	7.00%	7.07%
Jul	8.00%	8.00%	Jul	7.00%	7.07%
Aug	8.00%	8.09%	Aug	7.00%	7.05%
Sep	8.00%	8.03%	Sep	7.00%	7.03%
Oct	8.00%	7.61%			
Dec	7.50%				

1/-Gross yield to investors, without allowance for servicing costs based on prepayment of the mortgage at the end of 12 years.

2/-The September 1, 1994 survey found two rates reported with equal frequency, evenly balanced between 8.50 and 9.00 percent.

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**TABLE 3
Effective FHA Primary Rates**



"Dominant" Contract Rate

	Sep'98	Aug'98	Sep'97
	-----	-----	-----
United States	7.00%	7.00%	8.00%

Average Points

	-----	-----	-----
Northeast	1.00	2.00	0.50
Middle Atlantic	0.00	1.00	0.06
Southeast	0.00	0.20	0.00
North Central	0.08	0.19	0.20
Southwest	0.00	0.00	0.00
West	0.13	0.00	0.00
United States	0.12	0.24	0.09

Effective Rate

	-----	-----	-----
Northeast	7.09%	7.27%	8.07%
Middle Atlantic	7.00%	7.13%	8.01%
Southeast	7.00%	7.03%	8.00%
North Central	7.01%	7.03%	8.03%
Southwest	7.00%	7.00%	8.00%
West	7.02%	7.00%	8.00%
United States	7.02%	7.03%	8.01%

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**TABLE 4
FHA Primary Market Rates**

	Sep 1, 1998			
	Percentage of Field Offices Reporting	Contract Rate	Average Points	Effective Rate
	-----	-----	-----	-----
Most Active Quote	51%	7.00%	0.12	7.02%
Second Most Popular Quote	11%	7.50%	0.25	7.53%
Third Most Popular Quote	9%	6.75%	0.35	6.80%
All Others	29%	N/A	N/A	N/A
U.S. Average Rate	100%	7.02%	0.22	7.05%
	Aug 1, 1998			
	Percentage of Field Offices Reporting	Contract Rate	Average Points	Effective Rate
	-----	-----	-----	-----
Most Active Quote	38%	7.00%	0.24	7.03%
Second Most Popular Quote	23%	7.25%	0.04	7.23%
Third Most Popular Quote	17%	7.50%	0.17	7.52%
All Others	22%	N/A	N/A	N/A
U.S. Average Rate	100%	7.18%	0.28	7.22%
	Jul 1, 1998			
	Percentage of Field Offices	Contract	Average	Effective

	Reporting -----	Rate -----	Points -----	Rate -----
Most Active Quote	42%	7.00%	0.47	7.06%
Second Most Popular Quote	33%	7.25%	0.00	7.25%
Third Most Popular Quote	10%	7.50%	0.30	7.54%
All Others	15%	N/A	N/A	N/A
U.S. Average Rate	100%	7.18%	0.34	7.23%

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TABLE 5

Average Interest Rates on Conventional First Mortgages

	New Home Loans			Existing Home Loans		
	Sep '98	Aug '98	Jul '97	Sep '98	Aug '98	Jul '97
Northeast	6.89%	7.12%	7.65%	6.89%	7.12%	7.65%
Middle Atlantic	7.00%	7.16%	7.48%	7.00%	7.16%	7.48%
Southeast	6.88%	7.03%	7.68%	6.88%	7.03%	7.68%
North Central	6.91%	7.09%	7.77%	6.94%	7.09%	7.79%
Southwest	6.71%	7.10%	7.69%	6.94%	7.15%	7.69%
West	6.92%	6.91%	7.65%	6.90%	6.90%	7.58%
United States	6.86%	7.05%	7.67%	6.92%	7.06%	7.66%

United States Average

		New Home Loans	Existing Home Loans
1984	High/Low	14.65/13.20	14.67/13.21
1985	High/Low	13.26/11.56	13.28/11.58
1986	High/Low	11.03/ 9.47	11.03/ 9.47
1987	High/Low	10.84/ 9.04	10.87/ 9.04
1988	High/Low	10.55/ 9.80	10.56/ 9.81
1989	High/Low	10.93/ 9.70	10.95/ 9.69
1990	High/Low	10.46/ 9.75	10.48/ 9.76
1991	High/Low	9.66/ 8.67	9.65/ 8.66
1992	High/Low	8.91/ 7.95	8.92/ 7.95
1993	High/Low	8.19/ 6.89	8.19/ 6.89
1994	High/Low	9.34/ 7.13	9.34/ 7.13
1995	High/Low	9.32/ 7.46	9.33/ 7.46
1996	High/Low	8.67/ 7.73	8.65/ 7.73
1997	High/Low	8.25/ 7.38	8.25/ 7.39

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**TABLE 6
Average Interest Rate for Home Construction Financing**

	HUD/FHA *			CONVENTIONAL		
	Sep '98	Aug '98	Sep '97	Sep '98	Aug '98	Sep '97
Northeast	7.82%	7.89%	8.20%	7.67%	8.09%	8.35%
Middle Atlantic	7.58%	7.70%	7.73%	7.25%	7.30%	8.30%
Southeast	8.26%	8.55%	8.82%	8.36%	8.59%	9.05%
North Central	7.92%	8.01%	8.29%	8.01%	7.95%	8.22%
Southwest	7.98%	8.46%	9.00%	7.95%	8.28%	8.78%
West	8.44%	8.68%	8.88%	8.40%	9.03%	8.82%
United States	8.04%	8.27%	8.55%	8.07%	8.31%	8.63%

* Type of financing planned for permanent loans.

**TABLE 7
National Percent of HUD Offices Reporting Adequate Construction Funds Available for Homes**

	Aug '98	Jul '98	Aug '97
FHA-Insured	94%	92%	100%
Conventional	98%	94%	100%

These data are not based on actual transactions. They are compiled from the best information available to HUD Field Offices throughout the US.

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TABLE 8

**Trend of Builder's Plans Compared to Previous Month
by Housing Price Category
(Percent of Field Offices Reporting)**

	Sep 1998			Sep 1997		
	Trend			Trend		
	Down	Stable	Up	Down	Stable	Up
Low-Priced	15%	75%	10%	7%	79%	14%
Mod-Priced	2%	75%	23%	3%	74%	23%
High-priced	2%	71%	27%	3%	76%	21%
All	0%	81%	19%	0%	83%	17%

	Aug 1998			Aug 1997		
	Trend			Trend		
	Down	Stable	Up	Down	Stable	Up
Low-Priced	17%	75%	8%	7%	80%	13%
Mod-Priced	2%	85%	13%	2%	76%	22%
High-priced	2%	79%	19%	3%	75%	22%
All	0%	87%	13%	0%	85%	15%

	Jul 1998			Jul 1997		
	Trend			Trend		
	Down	Stable	Up	Down	Stable	Up
Low-Priced	9%	78%	13%	6%	79%	15%
Mod-Priced	22%	76%	2%	2%	82%	16%
High-priced	26%	70%	4%	5%	77%	18%
All	19%	79%	2%	0%	87%	13%

PERCENTAGE POINT DIFFERENCE

	Jul 1998 - Sep 1998			Jul 1997 - Sep 1997		
	Down	Stable	Up	Down	Stable	Up
Low-Priced	6%	-3%	-3%	1%	0%	-1%
Mod-Priced	-20%	-1%	21%	1%	-8%	7%
High-priced	-24%	1%	23%	-2%	-1%	3%
All	-19%	2%	17%	0%	-4%	4%

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TABLE 9

**Unsold Inventory of New Homes Compared
to Previous Month
(Percent of Field Offices Reporting)**



	Sep ' 98 -----	Sep ' 97 -----
Declining	23%	14%
Stationary	73%	83%
Advancing	4%	3%
Total	100%	100%
	Aug ' 98 -----	Aug ' 97 -----
Declining	20%	8%
Stationary	74%	90%
Advancing	6%	2%
Total	100%	100%
	Jul ' 98 -----	Jul ' 97 -----
Declining	20%	12%
Stationary	80%	83%
Advancing	0%	5%
Total	100%	100%

Percentage Point Difference

	Jul '98- Sep '98 -----	Jul '97- Sep '97 -----
Declining	3%	2%
Stationary	-7%	0%
Advancing	4%	-2%

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