



November 1998

Secondary Market Prices & Yields and Interest Rates for Home Loans

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Last revised: December 11, 1998



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

News Release

HUD No. 98-631

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

FOR RELEASE:

November 30, 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 November 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 7.07 percent.

FHA secondary market yields were up in all regions. Changes in secondary market yields on the most frequently quoted Section 203(b) contract rate ranged from an increase of 50 basis points in the Southeast and Southwest regions to an increase of 60 basis points in the West.

In the FHA primary mortgage market, the average FHA effective rate for all reported primary market quotes was 6.94 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 30 basis points and an effective interest rate of 7.04 percent.

Average basis points for the 7.00 percent primary rate were: zero basis points in the Northeast, 17 basis points in the Southeast, 33 basis points in the North Central, 50 basis points in the Southwest, and 19 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 up 22 basis points to 6.86 percent in new home loans, and up 20 basis points to 6.85 percent in existing home loans.

The proportion of HUD offices reporting an adequate supply of construction funds on November 1 was 98 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 November 1 was 76 percent for low-priced homes, 64 percent for moderate-priced homes, and 60 percent for high-priced homes.

On November 1, the proportion of HUD Field Offices reporting a stable trend in builders' unsold inventory of new homes was 75 percent, while 14 percent noted a declining trend and 11 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 78 percent, a declining trend 13 percent, and an advancing trend 9 percent.

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Date of next release: November 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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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 Nov '98		6.50% Mortgages Oct '98	
	Average Price	Average Yield 1/	Average Price	Average Yield 1/
Northeast	*	*	*	*
Middle Atlantic	*	*	\$ 98.75	6.63%
Southeast	\$100.00	7.00%	\$100.04	6.50%
North Central	\$ 99.72	7.04%	\$100.08	6.49%
Southwest	\$100.00	7.00%	\$100.00	6.50%
West	\$ 98.97	7.14%	\$ 99.68	6.54%
United States	\$ 99.47	7.07%	\$ 99.78	6.53%

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

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

Contract		Average		Contract	
Average Year	Rate	Yield 1/	Year	Rate	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%	7.50%	Apr	8.00%	8.09%
May	7.50%	7.50%	May	8.50%	8.52%
Jun	7.50%	7.50%	Jun	8.50%	8.57%
Jul	7.50%	7.50%	Jul	8.50%	8.55%
Aug	7.50%	7.50%	Aug	8.50%	8.56%
Sep	7.00%	7.00%	Sep	8.50%	8.58%
Oct	7.00%	7.00%	Oct	8.50%	8.56%
Nov	7.00%	7.00%	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%	7.00%	Feb	8.00%	8.06%
Mar	7.50%	7.50%	Mar	8.00%	8.08%
Apr	8.50%	8.50%	Apr	8.50%	8.55%
May	8.50%	8.50%	May	8.50%	8.56%
Jun	8.50%	8.50%	Jun	8.00%	8.05%
Jul	9.00%	9.00%	Jul	8.00%	8.02%
Aug	8.50%	8.50%	Aug	7.50%	7.61%
Sep 2/	8.50%	8.50%	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%

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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%	8.03%	Oct	6.50%	6.53%
Nov	7.50%	7.61%	Nov	7.00%	7.07%
Dec	7.50%	7.51%			

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		
	-----	-----	-----
	Nov '98	Oct '98	Nov '97
United States	7.00%	6.50%	7.50%
	Average Points		

Northeast	0.00	*	0.42
Middle Atlantic	*	0.00	0.00
Southeast	0.17	0.08	0.04
North Central	0.33	0.00	0.00
Southwest	0.50	0.00	0.00
West	0.19	0.14	0.21
United States	0.30	0.06	0.11
	Effective Rate		

Northeast	7.00%	*	7.56%
Middle Atlantic	*	6.50%	7.50%
Southeast	7.02%	6.51%	7.51%
North Central	7.04%	6.50%	7.50%
Southwest	7.07%	6.50%	7.50%
West	7.03%	6.52%	7.53%
United States	7.04%	6.51%	7.51%

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**TABLE 4
FHA Primary Market Rates**

Nov 1, 1998				
	Percentage of Field Offices Reporting	Contract Rate	Average Points	Effective Rate
	-----	-----	-----	-----
Most Active Quote	40%	7.00%	0.30	7.04%
Second Most Popular Quote	15%	6.50%	0.39	6.55%
Third Most Popular Quote	13%	6.75%	0.33	6.79%
All Others	32%	N/A	N/A	N/A
U.S. Average Rate	100%	6.90%	0.32	6.94%
Oct 1, 1998				
	Percentage of Field Offices Reporting	Contract Rate	Average Points	Effective Rate
	-----	-----	-----	-----
Most Active Quote	49%	6.50%	0.06	6.51%
Second Most Popular Quote	16%	7.00%	0.06	7.01%
Third Most Popular Quote	15%	6.75%	0.38	6.80%
All Others	20%	N/A	N/A	N/A
U.S. Average Rate	100%	6.67%	0.25	6.70%
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%

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TABLE 5

Average Interest Rates on Conventional First Mortgages



	New Home Loans			Existing Home Loans		
	Nov '98	Oct '98	Nov '97	Nov '98	Oct '98	Nov '97
Northeast	6.83%	6.84%	7.75%	6.83%	6.84%	7.75%
Middle Atlantic	7.02%	6.83%	7.16%	7.02%	6.83%	7.16%
Southeast	6.80%	6.64%	7.43%	6.80%	6.65%	7.43%
North Central	6.89%	6.64%	7.60%	6.89%	6.67%	7.59%
Southwest	6.88%	6.55%	7.58%	6.82%	6.59%	7.60%
West	6.83%	6.57%	7.34%	6.83%	6.58%	7.36%
United States	6.86%	6.64%	7.48%	6.85%	6.65%	7.48%

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

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

	HUD/FHA *			CONVENTIONAL	
	Nov '98	Oct '98	Nov '97	Nov '98	Oct '98
Northeast 8.50%	8.25%	8.08%	8.48%	8.58%	8.42%
Middle Atlantic 8.00%	7.47%	7.32%	8.14%	7.24%	7.07%
Southeast 9.02%	8.98%	8.38%	8.86%	8.90%	8.70%
North Central 8.17%	7.99%	7.81%	8.19%	7.77%	7.84%
Southwest 8.90%	7.83%	7.39%	9.27%	8.21%	7.24%
West 8.94%	8.19%	8.30%	9.01%	8.73%	8.33%
United States 8.66%	8.14%	7.92%	8.68%	8.32%	7.97%

* Type of financing planned for permanent loans.

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

	Nov '98	Oct '98	Nov '97
FHA-Insured	98%	92%	97%

Conventional

98%

96%

97%

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)**

	Nov 1998			Nov 1997		
	Down	Stable	Up	Down	Stable	Up
Low-Priced	4%	76%	20%	9%	79%	12%
Mod-Priced	2%	64%	33%	3%	71%	26%
High-priced	4%	60%	36%	5%	72%	23%
All	2%	75%	23%	3%	78%	19%

	Oct 1998			Oct 1997		
	Down	Stable	Up	Down	Stable	Up
Low-Priced	17%	70%	13%	9%	82%	9%
Mod-Priced	4%	79%	17%	5%	69%	26%
High-priced	4%	74%	22%	7%	71%	22%
All	2%	81%	17%	4%	79%	17%

	Sep 1998			Sep 1997		
	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%

PERCENTAGE POINT DIFFERENCE

	SEP 1998 - NOV 1998			SEP 1997 - NOV 1997		
	Down	Trend Stable	Up	Down	Trend Stable	Up
Low-Priced	-11%	1%	10%	2%	0%	-2%
Mod-Priced	0%	-11%	11%	0%	-3%	3%
High-priced	2%	-11%	9%	2%	-4%	2%
All	2%	- 6%	4%	3%	-5%	2%

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TABLE 9

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

	Nov '98 -----	Nov '97 -----
Declining	14%	13%
Stationary	75%	78%
Advancing	11%	9%
Total	100%	100%
	Oct '98 -----	Oct '97 -----
Declining	17%	14%
Stationary	74%	79%
Advancing	9%	7%
Total	100%	100%
	Sep '98 -----	Sep '97 -----
Declining	23%	14%
Stationary	73%	83%
Advancing	4%	3%
Total	100%	100%
Percentage Point Difference		
	Sep '98- Nov '98 -----	Sep '97- Nov '97 -----
Declining	-9%	-1%
Stationary	2%	-5%

Advancing

7%

6%

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