



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

NEWS RELEASE

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OFHEO Announces Fourth Quarter U.S. Home Price Appreciation Rates

*House Prices Continue Upward Trend with 6.4 Percent Increase Up from 5.4 Percent in 1998
Significant Growth in New England, West North Central and East North Central Divisions*

WASHINGTON, D.C. – Armando Falcon, Jr., Director of the Office of Federal Housing Enterprise Oversight (OFHEO), the independent office within the Department of Housing and Urban Development (HUD), charged with ensuring the financial safety and soundness of Fannie Mae and Freddie Mac, released the figures from OFHEO's quarterly report analyzing housing appreciation trends. OFHEO has determined that average U.S. home prices increased by 6.4 percent from the fourth quarter of 1998 to the fourth quarter of 1999.

OFHEO's House Price Index (HPI) is published on a quarterly basis and tracks average house price changes in repeat sales or refinancings on the same single-family properties. OFHEO's index is based on analysis of data obtained from Fannie Mae and Freddie Mac from over 12.2 million repeat transactions over the past 20 years.

From the fourth quarter 1998 to the fourth quarter of 1999, the New England, West North Central, and East North Central Census Divisions have all seen appreciation rates above the national average (see chart below). New England's growth was fueled by the continued strong performances in Massachusetts (12.6 percent versus 7.8 percent in 1998) and New Hampshire (10.4 percent versus 7.2 percent in 1998).

Census Division Rankings (Based on % change from 98Q4 to 99Q4)	
New England (CT, MA, ME, NH, RI, VT)	9.7%
West North Central (IA, KS, MN, MO, ND, SD, NE)	8.9%
East North Central (IL, IN, MI, OH, WI)	6.9%
Pacific (AK, CA, HI, OR, WA)	6.0%
Middle Atlantic (NJ, NY, PA)	5.8%
West South Central (AR, LA, OK, TX)	5.7%
Mountain (AZ, CO, ID, MT, NM, NV, UT, WY)	5.7%
South Atlantic (DC, DE, FL, GA, MD, NC, SC, VA, WV)	5.7%
East South Central (AL, KY, MS, TN)	4.5%

Four out of this year's top five state performers experienced double-digit growth in 1999. Massachusetts ranks number one for the highest growth in 1999. The Top Five are no surprise, as they have generally been the strongest performers in the mid-to-late nineties.

Top 5 States (Appreciation Rates 98Q4 99Q4)	
Massachusetts (MA)	12.6%
Minnesota (MN)	11.3%
Colorado (CO)	11.2%
New Hampshire (NH)	10.4%
Michigan (MI)	9.1 %

The HPI reflects price movements on a quarterly basis of sales or refinancings of single-family homes whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. OFHEO analyzes the combined mortgage records of these two government-sponsored enterprises which form the nation's largest database of mortgage transactions.

The HPI is a weighted repeat sales index, meaning that it measures average price changes in repeat sales or refinancings on the same single-family properties. The HPI measures both conforming and conventional mortgages. A conforming mortgage meets both the underwriting guidelines of Fannie Mae or Freddie Mac and doesn't exceed the conforming loan limit, now \$252,700 (as of January 2000) for single-family homes. A conventional mortgage is a mortgage that is neither insured nor guaranteed by the Federal Housing Administration (FHA) or Veterans Administration (VA). Approximately 90 percent of conventional mortgages have loan amounts under the conforming limit.

Fannie Mae and Freddie Mac are the nation's largest housing finance institutions. The two GSEs were chartered by Congress to help generate a continuing supply of affordable mortgage credit for homebuyers. They do this through secondary market operations — buying mortgages from primary lenders (commercial banks, thrift institutions and mortgage banks) and either package them into mortgage-backed securities for resale to investors or hold the mortgages in their own portfolios.

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NOTE: Division and state rankings reported in the various HPI tables may vary over time due to the following factors: (1) changes in housing values that are observed for holding periods that end with the most recent quarter; (2) differences in Fannie Mae and Freddie Mac purchase patterns that result in changes in the composition of the sample available for analysis; and (3) sampling variability in the estimated index. Each quarter, the beginning and ending points used to calculate the appreciation in housing values are adjusted to the most recently available information. This can result in significant changes in the rankings of states in which the indexes vary from quarter to quarter. Changes in Fannie Mae's and Freddie Mac's purchase patterns occur over longer periods of time, but can also have an impact on the underlying samples. Sampling variability in the estimated indexes is largely a function of the size of the samples that can be obtained from GSE mortgage transactions, particularly for less populous states.

The complete House Price Index (including downloadable data) for the Fourth Quarter 1999 will be available at www.ofheo.gov/house.

CENSUS DIVISION SUMMARY

NEW ENGLAND

Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island and Vermont

House prices rose 1.8% in the fourth quarter, and rose 9.7% since the fourth quarter of 1998. House prices in New England have risen 30.5% in the five years ending in the fourth quarter of 1999.

WEST NORTH CENTRAL

Iowa, Kansas, Minnesota, Missouri, North Dakota, South Dakota, Nebraska

House prices rose 1.6% for the fourth quarter of 1999, and 8.9% for the last year. The five-year increase was 31.4%.

EAST NORTH CENTRAL

Illinois, Indiana, Michigan, Ohio, Wisconsin

House prices rose 1.2% for the fourth quarter of 1999, and 6.9% since the fourth quarter of 1999. The five-year increase was 30.8%.

PACIFIC

Alaska, California, Hawaii, Oregon, Washington

House prices rose 2.0% in the fourth quarter, and rose 6.0% since the fourth quarter of 1998. House prices in the Pacific division have risen 25.8% in the past five years.

MIDDLE ATLANTIC

New Jersey, New York, Pennsylvania

House prices rose 1.1% for the fourth quarter, and prices rose 5.8% for the last year. For the five years ending in the fourth quarter of 1999, house prices in the Middle Atlantic division rose 18.8%.

WEST SOUTH CENTRAL

Arkansas, Louisiana, Oklahoma, Texas

House prices rose 1.4% in the fourth quarter of 1999, and rose 5.7% for the last year. The five-year increase was 23.2%.

MOUNTAIN

Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

House prices increased 1.4% for the fourth quarter of 1999, and 5.7% for the last year. For the past five years, house prices rose 30.5%.

SOUTH ATLANTIC

Washington, D.C., Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

House prices rose 1.6% for the fourth quarter and 5.7% for the past year. The five-year increase was 24.0%.

EAST SOUTH CENTRAL

Alabama, Kentucky, Mississippi, Tennessee

House prices rose 1.2% for the fourth quarter of 1999, and 4.5% for the last year. The increase over five years was 26.9%.

Percent Change in House Prices with State Rankings

Period Ended December 31, 1999

State	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
Massachusetts, (MA)	1	12.6	2.1	38.6	297.2
Minnesota, (MN)	2	11.3	1.9	37.7	128.4
Colorado, (CO)	3	11.2	2.2	41.5	153.4
New Hampshire, (NH)	4	10.4	1.9	32.8	155.1
Michigan, (MI)	5	9.1	1.5	43.6	154.5
Maine, (ME)	6	8.6	3.2	26.3	170.1
Georgia, (GA)	7	8.4	2.2	34.8	147.0
New York, (NY)	8	8.1	1.6	21.8	234.4
South Dakota, (SD)	9	8.0	3.0	25.6	116.4
Kansas, (KS)	10	7.7	1.3	29.5	84.4
California, (CA)	11	7.7	2.4	25.6	153.1
District of Columbia, (DC)	12	7.6	-0.2	24.0	123.9
Missouri, (MO)	13	7.5	1.4	26.8	109.5
Vermont, (VT)	14	7.3	2.3	14.2	153.7
Wisconsin, (WI)	15	7.2	1.1	27.8	123.2
Nebraska, (NE)	16	6.9	1.6	30.0	107.1
Iowa, (IA)	17	6.8	1.8	27.3	89.6
Delaware, (DE)	18	6.6	2.2	17.7	167.4
New Jersey, (NJ)	19	6.5	1.1	19.3	177.3
Texas, (TX)	20	6.5	1.3	22.1	58.6
United States **		6.4	1.5	26.1	134.5
Connecticut, (CT)	21	6.4	1.3	19.0	167.5
Arizona, (AZ)	22	6.1	1.5	29.3	99.6
Kentucky, (KY)	23	5.8	1.6	27.3	123.6
Oklahoma, (OK)	24	5.8	1.6	24.6	47.2
Washington, (WA)	25	5.5	0.8	28.1	168.4
South Carolina, (SC)	26	5.4	0.0	27.9	118.8
North Carolina, (NC)	27	5.4	1.4	27.7	143.6
Louisiana, (LA)	28	5.3	1.3	28.6	62.9
Virginia, (VA)	29	5.3	1.3	17.0	131.2
Illinois, (IL)	30	5.2	0.8	20.5	133.7
Ohio, (OH)	31	5.0	1.1	26.8	121.4
Maryland, (MD)	32	5.0	2.3	15.4	138.2
Indiana, (IN)	33	4.5	0.8	26.3	111.7
Tennessee, (TN)	34	4.1	1.1	28.9	126.1
Florida, (FL)	35	4.1	1.1	21.3	103.2
Montana, (MT)	36	3.9	-0.1	23.4	108.2
Mississippi, (MS)	37	3.8	-0.1	23.7	75.8
Wyoming, (WY)	38	3.8	0.3	23.0	52.3
Alabama, (AL)	39	3.8	1.5	25.2	107.7
Rhode Island, (RI)	40	3.5	0.3	14.6	172.9
Hawaii, (HI)	41	3.4	4.2	-7.3	153.0
Arkansas, (AR)	42	3.1	1.0	20.3	85.5
West Virginia, (WV)	43	3.1	0.7	22.7	91.6
Pennsylvania, (PA)	44	3.1	0.8	15.3	140.1
Oregon, (OR)	45	2.9	0.5	33.2	153.5
New Mexico, (NM)	46	2.6	1.4	16.5	108.8
Alaska, (AK)	47	2.3	-0.7	18.6	56.3
North Dakota, (ND)	48	2.0	-1.6	20.1	62.4
Utah, (UT)	49	2.0	1.2	35.2	145.5
Nevada, (NV)	50	1.2	-0.4	14.6	88.2
Idaho, (ID)	51	1.2	-0.8	16.3	96.7

* Note: Rankings based on annual percentage change.

** Note: United States figures based on weighted division average.

House Price Index Trends for 1999

U.S. House Prices Grew a Healthy 6.4 Percent in 1999, Up from 5.4 Percent in 1998¹

Census Division Highlights

Seven of the nine divisions experienced higher growth in 1999 than in 1998.

- Especially outstanding performers in 1999 were the New England (9.7%), West North Central (8.9%), and East North Central (6.9%) Divisions. All experienced annual house price growth above the national average (6.4%).
- Only the Pacific Division experienced notably slower growth in 1999 than in 1998 (6.0% versus 8.0%). This is not necessarily a sign that growth in the Pacific Division is cooling, however. This division experienced the highest growth from the third to the fourth quarter of 1999 (2.0%).
- The East South Central Division witnessed the slowest appreciation over 1999, at 4.5 percent (compared to 5.1 percent in 1998).

State Highlights

Four out of this year's top five state performers experienced double digit growth in 1999.

- Massachusetts ranks number 1 for the highest growth in 1999 (12.6%), up from 2nd in 1998 (7.8%). New Hampshire continues to follow in the footsteps of its New England counterpart, ranking fourth (same as last year) and achieving 10.4 percent growth in 1999, up from 7.2 percent last year. These states are the only 2 that also received a top 5 ranking both years.
- The other three states in the top five for 1999 were Minnesota (2nd at 11.3%), Colorado (3rd at 11.2%) and Michigan (5th at 9.1%). These states also received top ten rankings in 1998.
- The states placing in the top 5 are no surprise, as they have generally been the nation's strongest performers during the mid to late nineties. Ranking the top five 1999 states by their 5 year growth results in Michigan (1st at 43.6%), Colorado (2nd at 41.5%), Massachusetts (3rd at 38.6%), Minnesota (4th at 37.7%), and New Hampshire (7th at 32.8%). Interestingly, the two states receiving ranks of 5 and 6 over the five year period, Utah (35.2%) and Oregon (33.2%), rank in the bottom 10 for growth in 1999.
- Similar to the 1998 trend, many of the states ranking in the bottom five for 1999 are Mountain States. In fact, Utah (2.0%), Nevada (1.2%), and Idaho (1.2%) rank the lowest among states, respectively, and all other Mountain states with the exception of Colorado grew below the national average rate (6.4%).
- Hawaii managed to pull out of the rough by the end of 1999, with 3.4 percent annual growth (resulting in a rank of 41) and 4.2 percent quarterly growth (notably the largest quarterly growth among states). Hawaiian house prices experienced -0.6 percent growth over 1998 and remains 7.3% below their level of 5 years ago. Given this prolonged downward cycle, it is too early to judge whether Hawaii is on the road to recovery.
- Although the District of Columbia experienced healthy appreciation in 1999 (7.6%) and 1998 (7.2%), the District actually declined by 0.2 percent this past quarter. This is not necessarily a sign of cooling. Lower numbers of transactions comprising the city's index than would be observed in most states make quarterly data for the District less certain statistically.

¹ Growth for 1999 is the percentage change in the index value from fourth quarter 1998 to fourth quarter 1999 (and similarly for 1998.) Note also that all 1998 growth rates are computed using the most currently estimated index. Due to revisions induced from increased numbers of available transactions, those rates will not match exactly those published in the fourth quarter 1998 HPI Report.

OVERVIEW OF OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT (OFHEO)

The **Office of Federal Housing Enterprise Oversight (OFHEO)** was established as an independent entity within the Department of Housing and Urban Development by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Title XIII of P.L. 102-550). The Office is headed by Armando Falcon, Jr. appointed by the President for a five-year term. Mr. Falcon was confirmed as OFHEO's second Director in September 1999.

OFHEO's primary mission is ensuring the capital adequacy and financial safety and soundness of two government-sponsored enterprises (GSEs) the **Fannie Mae** and the **Freddie Mac**.

Fannie Mae and Freddie Mac are the nation's largest housing finance institutions. They buy mortgages from commercial banks, thrift institutions, mortgage banks, and other primary lenders, and either hold these mortgages in their own portfolios or package them into mortgage-backed securities for resale to investors. These secondary mortgage market operations play a major role in creating a ready supply of mortgage funds for American homebuyers. At present, combined assets and off-balance sheet obligations of Fannie Mae and Freddie Mac are more than \$2.1 trillion.

Fannie Mae and Freddie Mac are Congressionally-chartered, publicly-owned corporations listed on the New York Stock Exchange. Under terms of their GSE charters, they are exempt from state and local taxation and from registration requirements of the Securities and Exchange Commission. Each firm has a backup credit line with the U.S. Treasury.

OFHEO's oversight responsibilities include:

- Conducting broad -based examinations of Fannie Mae and Freddie Mac;
- Developing a risk-based capital standard using a "stress test," that simulates fluctuating interest rate and credit risk scenarios;
- Making quarterly findings of capital adequacy based on a minimum capital standards and, when completed, a risk-based standard;
- Prohibiting excessive executive compensation;
- Issuing regulations concerning capital and enforcement standards; and
- Taking necessary enforcement actions.

OFHEO is funded through assessments on Fannie Mae and Freddie Mac. OFHEO's operations represent no direct cost to the taxpayer.

In its safety and soundness mission, OFHEO has regulatory authority similar to other federal financial regulators such as the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision and the Board of Governors of the Federal Reserve System.

The legislation that established OFHEO also requires Fannie Mae and Freddie Mac to meet certain affordable housing goals set annually by the Secretary of Housing and Urban Development. These goals specify the share of mortgages that the two GSEs are required to purchase annually from low-income, moderate-income and central-city homebuyers.