



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

NEWS RELEASE

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OFHEO Releases Second Quarter 2000 House Price Index

U.S. House Prices Grew 6.8% Since Second Quarter 1999

San Francisco Bay Area Has Most Rapid House Price Appreciation in U.S.

OFHEO Lists Top and Bottom 20 Metropolitan Statistical Areas in House Price Appreciation

WASHINGTON, D.C. – Armando Falcon, Jr., Director of the Office of Federal Housing Enterprise Oversight (OFHEO), financial safety and soundness regulator for Fannie Mae and Freddie Mac, today released OFHEO's House Price Index (HPI), a quarterly report analyzing housing appreciation trends. OFHEO has determined that average U.S. home prices increased **6.8 percent** from the second quarter of 1999 to the second quarter of 2000, an increase of 0.3 percent from a comparable growth rate reported last quarter, reflecting a continued pattern of strong house price appreciation across the nation.

This HPI report contains four indexes: 1) Percentage Changes in House Price Appreciation by Census Division, 2) A ranking of the 50 States and Washington, D.C., by House Price Appreciation, 3) A ranking of 180 Metropolitan Statistical Areas (MSAs) by House Price Appreciation, and 4) A listing of one-year and five-year House Price Appreciation rates for MSAs not ranked.

OFHEO's House Price Index 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 12.8 million repeat transactions over the past 25 years. 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.

Effective today, OFHEO's HPI report will be posted only on the OFHEO web site at **www.OFHEO.gov** and will not be mailed. Future HPI reports will be posted on the web site **December 1, 2000, April 1, 2001** and **August 1, 2001**. Please e-mail **public_affairs@OFHEO.gov** for a hard copy of the report.

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CENSUS DIVISION SUMMARY FOR THE HOUSE PRICE INDEX 2Q2000

NEW ENGLAND

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

House prices rose 2.3% in the second quarter, and rose 10.5% since the second quarter of 1999.

House prices in New England have risen 35.0% in the five years ending in the second quarter of 2000.

PACIFIC

Alaska, California, Hawaii, Oregon, Washington

House prices rose 2.0% in the second quarter, and rose 8.3% since the second quarter of 1999.

House prices in the Pacific division have risen 30.0% in the past five years.

WEST NORTH CENTRAL

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

House prices rose 2.2% for the second quarter of 2000, and 7.5% for the last year. The five-year increase was 31.9%.

WEST SOUTH CENTRAL

Arkansas, Louisiana, Oklahoma, Texas

House prices rose 2.2% in the second quarter of 2000, and rose 6.8% for the last year. The five-year increase was 24.8%.

MIDDLE ATLANTIC

New Jersey, New York, Pennsylvania

House prices rose 1.4% for the second quarter, and prices rose 6.6% for the last year. For the five years ending in the second quarter of 2000, house prices in the Middle Atlantic division rose 21.1%.

MOUNTAIN

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

House prices increased 2.0% for the second quarter of 2000, and 6.4% for the last year. For the past five years, house prices rose 30.4%.

SOUTH ATLANTIC

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

House prices rose 1.3% for the second quarter and 6.1% for the past year. The five-year increase was 25.1%.

EAST NORTH CENTRAL

Illinois, Indiana, Michigan, Ohio, Wisconsin

House prices rose 1.2% for the second quarter of 2000, and 5.7% since the second quarter of 1999.

The five-year increase was 30.0%.

EAST SOUTH CENTRAL

Alabama, Kentucky, Mississippi, Tennessee

House prices rose 1.6% for the second quarter of 2000, and 4.5% for the last year. The increase over five years was 25.6%.

Percent Change in House Prices with State Rankings

Period Ended June 30, 2000

State	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
Massachusetts, (MA)	1	13.7	3.4	44.9	326.1
New Hampshire, (NH)	2	12.5	3.0	39.5	173.3
Colorado, (CO)	3	11.8	2.7	44.4	168.9
Minnesota, (MN)	4	10.8	3.4	40.8	141.2
California, (CA)	5	10.4	2.5	32.4	168.7
District of Columbia, (DC)	6	10.1	2.9	30.8	142.4
New York, (NY)	7	8.9	1.4	25.6	256.6
New Jersey, (NJ)	8	8.8	2.9	24.2	190.1
Vermont, (VT)	9	8.3	0.6	17.3	161.4
Texas, (TX)	10	7.9	2.9	25.0	66.7
Michigan, (MI)	11	7.6	1.4	43.0	163.3
Georgia, (GA)	12	7.3	2.4	33.8	149.0
Rhode Island, (RI)	13	6.9	2.5	18.4	187.1
United States **		6.8	1.7	27.6	142.8
Arizona, (AZ)	14	6.6	2.2	30.2	108.0
Connecticut, (CT)	15	6.6	1.3	22.0	174.6
Virginia, (VA)	16	6.5	2.6	19.7	139.9
Florida, (FL)	17	6.3	1.1	23.8	111.5
Delaware, (DE)	18	6.2	1.4	19.4	174.2
Maine, (ME)	19	5.9	1.3	24.8	166.9
Kansas, (KS)	20	5.8	0.4	28.4	87.9
Iowa, (IA)	21	5.8	2.3	26.3	93.5
Kentucky, (KY)	22	5.6	1.4	26.3	128.9
Wisconsin, (WI)	23	5.6	1.9	26.7	127.6
Missouri, (MO)	24	5.5	0.8	26.3	113.0
Illinois, (IL)	25	5.4	1.3	21.4	141.8
Washington, (WA)	26	5.2	1.3	29.4	177.6
Oklahoma, (OK)	27	5.2	1.0	23.5	49.1
North Carolina, (NC)	28	4.9	1.3	28.0	148.8
Maryland, (MD)	29	4.7	0.9	15.5	141.5
South Carolina, (SC)	30	4.6	0.5	29.2	125.0
Nebraska, (NE)	31	4.5	1.9	27.9	110.3
Montana, (MT)	32	4.4	1.1	22.7	112.7
Mississippi, (MS)	33	4.3	3.0	25.4	85.8
Ohio, (OH)	34	4.3	1.0	26.3	126.3
Arkansas, (AR)	35	4.1	1.1	18.5	89.4
Tennessee, (TN)	36	3.9	1.3	26.6	130.8
Louisiana, (LA)	37	3.9	0.0	26.6	64.1
Indiana, (IN)	38	3.8	0.8	24.3	114.9
Alabama, (AL)	39	3.7	1.4	23.3	112.0
Nevada, (NV)	40	3.6	1.6	14.5	93.5
Wyoming, (WY)	41	3.5	-0.2	20.8	56.5
Oregon, (OR)	42	3.3	0.8	30.3	159.1
Pennsylvania, (PA)	43	3.0	0.4	15.0	144.8
South Dakota, (SD)	44	2.5	-1.2	21.9	105.5
Alaska, (AK)	45	2.4	3.3	18.7	62.3
New Mexico, (NM)	46	2.3	1.3	13.9	110.8
Idaho, (ID)	47	1.9	0.7	16.4	101.3
Hawaii, (HI)	48	1.8	-0.1	-8.6	142.4
West Virginia, (WV)	49	1.4	-2.0	18.0	88.7
Utah, (UT)	50	0.7	0.2	28.1	144.2
North Dakota, (ND)	51	0.7	-0.7	16.7	61.9

* Note: Rankings based on annual percentage change.

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

Top and Bottom 20 MSAs by Annual Growth in Home Price Appreciation Rates
 Period Ended June 30, 2000

MSA	National Ranking *	1-Yr.	Qtr.	5-Yr.
<u>Top 20 - Highest Rates of Home Price Appreciation</u>				
San Jose, CA	1	25.0	7.5	78.1
Santa Cruz-Watsonville, CA	2	23.3	9.8	60.5
Salinas, CA	3	22.4	6.3	45.1
Santa Rosa, CA	4	20.8	4.1	46.0
San Francisco, CA	5	20.6	3.6	59.9
Oakland, CA	6	20.4	5.4	48.7
Barnstable-Yarmouth, MA	7	17.1	7.6	47.8
San Luis Obispo-Atascadero-Paso Robles, CA	8	16.2	5.4	38.4
Vallejo-Fairfield-Napa, CA	9	16.2	3.6	30.3
Denver, CO	10	15.4	4.0	53.2
Boston, MA-NH	11	15.2	4.2	49.8
Boulder-Longmont, CO	12	15.2	3.6	45.2
Lowell, MA-NH	13	14.9	3.4	48.7
San Diego, CA	14	14.8	4.4	40.1
Austin-San Marcos, TX	15	14.7	5.0	36.1
Nassau-Suffolk, NY	16	14.6	2.2	39.4
Yolo, CA	17	13.7	4.6	22.5
New York, NY	18	13.6	4.3	33.5
Rochester, MN	19	12.9	5.4	40.3
Nashua, NH	20	12.7	5.1	39.4
United States		6.8	1.7	27.6
<u>Bottom 20 - Lowest Rates of Home Price Appreciation</u>				
Redding, CA	161	1.7	0.7	4.9
Albuquerque, NM	162	1.7	1.0	9.8
Scranton-Wilkes-Barre-Hazleton, PA	163	1.6	-0.1	17.2
La Crosse, WI-MN	164	1.6	-2.4	27.9
Allentown-Bethlehem-Easton, PA	165	1.6	2.2	11.9
Jackson, MS	166	1.4	0.4	17.2
Reno, NV	167	1.1	-1.1	11.8
Salem, OR	168	1.0	0.1	23.6
Salt Lake City-Ogden, UT	169	0.9	0.8	29.3
Rockford, IL	170	0.7	-0.2	12.4
Youngstown-Warren, OH	171	0.7	-0.3	27.1
Rochester, NY	172	0.4	2.1	7.6
Harrisburg-Lebanon-Carlisle, PA	173	0.2	-2.6	12.5
Buffalo-Niagra Falls, NY	174	-0.2	1.3	5.2
Spokane, WA	175	-0.2	1.3	7.7
Reading, PA	176	-0.6	-3.0	5.5
Bakersfield, CA	177	-0.9	0.8	2.9
York, PA	178	-1.6	0.1	10.3
Honolulu, HI	179	-2.6	-3.0	-14.3
Visalia-Tulare-Porterville, CA	180	-2.6	-2.7	2.7

* Note: Rankings based on annual percentage change, for all 180 MSAs containing at least 15,000 transactions between second quarter 1990 and second quarter 2000.

** United States figures based on weighted division average.

MSA HIGHLIGHTS

San Francisco Bay Area Continues to Dominate the Top 10 MSAs for Most Rapid Home Price Appreciation

Major MSAs in Massachusetts and Colorado Flourish

The **San Francisco Bay** area has been experiencing rapid house price appreciation over the past five years, with especially large increases during the past four quarters. Of the 10 large and medium-sized MSAs with the fastest house price growth from the second quarter 1999 to the second quarter 2000, six are located in the Consolidated Metropolitan Area (CMSA) of San Francisco which includes the **San Jose (1)**, **Santa Cruz-Watsonville (2)**, **Santa Rosa (4)**, **San Francisco (5)**, **Oakland (6)**, and **Vallejo-Fairfield-Napa (9)** MSAs*. **San Jose** has lead the rest of the pack over both the five-year period and the past year with increases of 78 percent and 25 percent, respectively. **Santa Cruz-Watsonville** falls into second place for both time frames with 61 percent appreciation over the past five years and 23 percent over the past year. Among the remaining four, all but **Vallejo** experienced annual appreciation higher than 20 percent, and five-year appreciation in excess of 46 percent. Close neighbors to the **San Francisco CMSA** reaped the benefits of the **San Francisco** boom. **Salinas, CA** experienced over 22 percent annual appreciation, ranking third, and **Yolo (17)** recorded about 14 percent growth. House prices in **San Luis Obispo-Atascadero-Paso Robles (8)**, while a bit further away, grew **16 percent** over the past year. This stellar housing market in the Silicon Valley area and surrounding areas is likely attributable to the Internet boom over the past half decade. Not surprisingly, many of these metro areas also lead the nation in per capita income growth over this time period. While the Silicon Valley consists of the Southern **San Francisco** Bay Area, price growth in Northern **San Francisco** and the surrounding MSAs reflects the local economic expansion in the Silicon Valley.

Ranked first for house price growth among states, **Massachusetts** contributes three metropolitan areas, which are all members of the **Boston CMSA**, to the top 20 MSA performers since second quarter 1999. **Barnstable-Yarmouth, MA (7)** leads the other **Massachusetts** MSAs with 17 percent annual appreciation, and **Boston, MA-NH (11)** and **Lowell, MA-NH (14)** recorded about 15 percent annual appreciation. Parts of the **Boston** and **Lowell** MSAs fall into **New Hampshire**, which ranks second among states this quarter. **Nashua, NH (20)**, also included in the **Boston CMSA**, experienced a healthy **13 percent** appreciation. All four of these metropolitan areas have experienced five-year appreciation in excess of **39 percent**, and growth over the past three years has been especially strong. As one of the top three high technology centers on the East Coast, the **Boston** area has reaped the benefits of the Internet boom. Healthy economic growth resulting from the technological developments and the associated spillover effects into other sectors of the economy are primary catalysts for strong

housing markets in the **Boston CMSA**. Note also that the **Boston** and **San Francisco** areas have historically experienced high price growth in response to economic stimuli. This is partially due to the fact that limited available land and high regulation in the building industry inhibits the ability of housing supply to expand commensurate with growth in demand.

Healthy economies in **Denver, CO** (10) and **Boulder-Longmont, CO** (12), demonstrated by high per capita income growth over the past few years have been accompanied by strong house price growth. The two Colorado cities have experienced over **15 percent** appreciation over the past year, and **53 and 45 percent** growth, respectively, over the past five years. Solid house price performance in these areas has enabled **Colorado** to rank third among states for growth since second quarter of 1999 (12%).

Nassau-Suffolk, NY (16) and **New York City, NY** (18) have boosted New York State's (7) ranking over the past year. While New York state had been experiencing moderate appreciation throughout much of the late 1990s, house price growth throughout 1999 and into 2000 has been fairly strong. **New York state** recorded close to **9 percent** appreciation since second quarter 1999. **Upstate New York MSAs** have not followed the **New York City/Nassau-Suffolk** trend. In fact, most of **upstate New York** has been experiencing appreciation well below average. **Buffalo-Niagara Falls** (ranked 174th out of the 180 with 0 percent annual appreciation) and **Rochester** (ranked 172nd with 0 percent annual appreciation) appear in the bottom 20 MSAs for appreciation over the past year. House price appreciation in **Syracuse** (144) and **Albany-Schenectady-Troy** (137) is also well below average with annual growth in both MSAs slightly higher than 3 percent.

Over the one-year and five-year time periods, many of the MSAs experiencing slow or negative growth are located in **Pennsylvania**, adjacent to upstate New York. This is reflected in the relatively low state ranking of **Pennsylvania** (43), which contains five of the worst performers: **Scranton-Wilkes-Barre-Hazleton** (163), **Allentown-Bethlehem-Easton** (165), **Harrisburg-Lebanon-Carlisle** (173), **Reading** (177), and **York** (178). These metropolitan areas are similar in demographic and topographic characteristics to the upstate New York metropolitan areas.

Also notable is the continued poor performance in **Bakersfield, CA** (177), **Honolulu, HI** (179), and **Visalia-Tulare-Porterville, CA** (180). House prices in **Bakersfield** and **Visalia-Tulare-Porterville** have grown by less than 3 percent over the past five years. Over the past year, prices in **Bakersfield** declined 1 percent and prices in **Visalia-Tulare-Porterville** declined almost 3 percent. Housing values in **Honolulu** show no signs of recovery from the downward cycle of the late 1990s. Over the past year, they declined another 3 percent and have fallen a total of 14 percent over the five years beginning in second quarter 1995.

* For this purpose, "large and medium-sized MSAs" comprise the 180 metropolitan areas that provided 15,000 or more repeat transaction observations since second quarter of 1990.

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.

QUESTIONS AND ANSWERS ABOUT OFHEO'S HOUSE PRICE INDEX (HPI)

What is the House Price Index?

It is a measure designed to capture changes in the value of single-family homes in the U.S. as a whole, in various regions of the country, and in the individual states and the District of Columbia. The HPI is published by the **Office of Federal Housing Enterprise Oversight (OFHEO)** using data provided by **Fannie Mae** and **Freddie Mac**.

How often will the HPI be published?

Every three months, approximately two months after the end of the previous quarter. The HPI reflecting home price figures for the quarter ending **September, 2000** will be released **December 1, 2000**.

What is the value of the HPI?

The HPI is a broad measure of the movement of single-family house prices. Because of the breadth of the sample, it provides more information than is available in other house price indexes. The HPI serves as a timely, accurate indicator of house price trends at various geographic levels. It also provides housing economists with an improved analytical tool that is useful for estimating changes in the rates of mortgage defaults, prepayments and housing affordability in specific geographic areas.

What geographic areas are covered by the House Price Index?

The HPI includes house price figures for the nine Census Bureau divisions. In addition, the Index contains separate house price indexes for the 50 states, the District of Columbia, and **328** Metropolitan Statistical Areas (MSAs). OMB recognizes 331 MSAs, and based on a minimum number of transactions criteria (described in the next FAQ), OFHEO produces indexes for 328 MSAs that are characterized by varying starting points. OFHEO publishes MSA rankings and annual, quarterly, and five-year rates of change for 180 MSAs that contained at least 15,000 total transactions between second quarter, 1990 and second quarter, 2000. One-year and five-year rates of change are published for an additional 137 MSAs that contained less than 15,000 transactions over this time period, but still met the minimum number of transactions criteria by at least 1 year ago. Therefore, it should be noted that there may be slight variation in the group of MSAs published in this smaller list from quarter to quarter. A weighted average index figure for the United States as a whole is also included.

Additional MSAs may be added to the list over time as they meet evaluation criteria.

How are Metropolitan Statistical Areas (MSAs) defined in the HPI Report and what criteria are used to determine whether an MSA index is published?

MSA definitions are taken directly from the Office of Management and Budget. OFHEO aggregates to either MSA or PMSA, depending on which is available for a given area. The Census website describes the definitions of MSA and PMSA in great detail.

MSAs are finer levels of geographic aggregation than states and also vary significantly in their relative populations. For these reasons, OFHEO requires that an MSA must have obtained at least 1000 total transactions before it may be published. Application of this criteria results in different starting points for different MSAs. Additionally, an MSA must have experienced at least 10 transactions in any given quarter for that quarterly value to be published. Blanks are displayed where criteria are not met.

Where can I access MSA index numbers and standard errors for each year and quarter?

In addition to the information displayed in the MSA tables, OFHEO makes available MSA indexes and standard errors. The data is available in ascii format and may be accessed from the OFHEO website.

How is the HPI computed?

The HPI is a *weighted repeat sales* index, meaning that it measures average price changes in repeat sales or refinancings on the same properties. This information is obtained by reviewing repeat mortgage transactions on single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac since January 1975. The HPI is updated each quarter as additional mortgages are purchased or securitized by Fannie Mae and Freddie Mac. The new mortgage acquisitions are used to identify repeat transactions for the most recent quarter and for each quarter since the first quarter of 1975.

What transactions are covered in the HPI?

The House Price Index is based on transactions involving conforming, conventional mortgages purchased or securitized by Fannie Mae or Freddie Mac. Only mortgage transactions on single family properties are included. "Conforming" refers to a mortgage that both meets the underwriting guidelines of Fannie Mae or Freddie Mac and that doesn't exceed the conforming loan limit, a figure linked to an index published by the Federal Housing Finance Board. The conforming limit for single-family homes is now \$252,700 as of January 2000. "Conventional" means that the mortgages are neither insured nor guaranteed by the FHA, VA, or other federal government entity.

What transactions are not covered in the HPI?

Mortgages on properties financed by government-insured loans, such as FHA or VA mortgages, are excluded from the HPI, as are properties with mortgages whose principal amount exceeds the conforming loan limit. Mortgage transactions on attached or multi-unit properties are also excluded.

Why is the HPI based on Fannie Mae or Freddie Mac mortgages?

OFHEO has access to this information by virtue of its role as the federal regulator responsible for ensuring the financial safety and soundness of these two government-sponsored enterprises. Chartered by Congress for the purpose of creating a reliable supply of mortgage funds for homebuyers, Fannie Mae and Freddie Mac are by far the largest mortgage finance institutions in the United States. The combined mortgage records of these two GSEs are the nation's largest database of mortgage transactions.

Why is OFHEO publishing the HPI?

OFHEO is required by its enabling statute — *The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Title XIII of P.L. 102-550)* — to develop and administer a quarterly risk-based capital stress test to measure the capital adequacy of Fannie Mae and Freddie Mac. In the stress test, the statute requires OFHEO to use a house price index to account for changes in the loan-to-value (LTV) ratios of mortgages held or guaranteed by Fannie Mae or Freddie Mac. To account for changes in LTV ratios, the statute specifies that OFHEO use the Commerce Department's annual Constant Quality Home Price Index (CQHPI) "or any index of similar quality, authority and public availability that is regularly used by the Federal Government." OFHEO has concluded that an index based on GSE mortgages offers significant advantages over the Commerce Department survey.

Why is the House Price Index an improvement on the CQHPI?

The HPI published by OFHEO covers far more transactions, and appears more frequently, than the Commerce Department survey. The CQHPI covers sales of new homes and homes for sale, based on a sample of about 12,000 transactions annually, gathered through monthly surveys. OFHEO's quarterly HPI is based on **12.8** million repeat transactions over 25 years. This gives a more accurate reflection of current property values than the Commerce index. The HPI also can be updated efficiently using data collected by Fannie Mae and Freddie Mac in the normal course of their business activity.

What role do Fannie Mae and Freddie Mac play in the House Price Index?

OFHEO uses data supplied by Fannie Mae and Freddie Mac in compiling the HPI. Each of the Enterprises had previously created a weighted repeat sales index based on property matches within its own database. In the first quarter of 1994, Fannie Mae and Freddie Mac began publishing a joint index, the Conventional Mortgage Home Price Index. The CMHPI is a 25-year quarterly index series covering a similar number repeat home sales or refinancings.

How is the HPI updated?

Each quarter, Fannie Mae and Freddie Mac provide information on their most recent mortgage transactions. These data are combined with the data of the previous 25 years to establish price differentials on properties where more than one mortgage transaction has occurred. The data are merged, creating an updated historical database that is then used to estimate the HPI.

What is the methodology used by OFHEO in computing the Index?

The methodology is a modified version of the Case-Shiller geometric weighted repeat sales procedure. A detailed description of the HPI methodology is available online at http://www.ofheo.gov/house/hpi_tech.pdf or by request.

A Note Regarding Downloadable ASCII Data

Users should note that the ASCII data for MSAs is normalized to the first quarter of 1995. That is, the HPI equals 100 for all MSAs in the first quarter of 1995. States and divisions are normalized to 100 in the first quarter of 1980. The difference in normalization dates has no impact on appreciation rates obtained from the index.

How can I obtain more information on the HPI?

Questions and requests for additional information should be directed to:

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