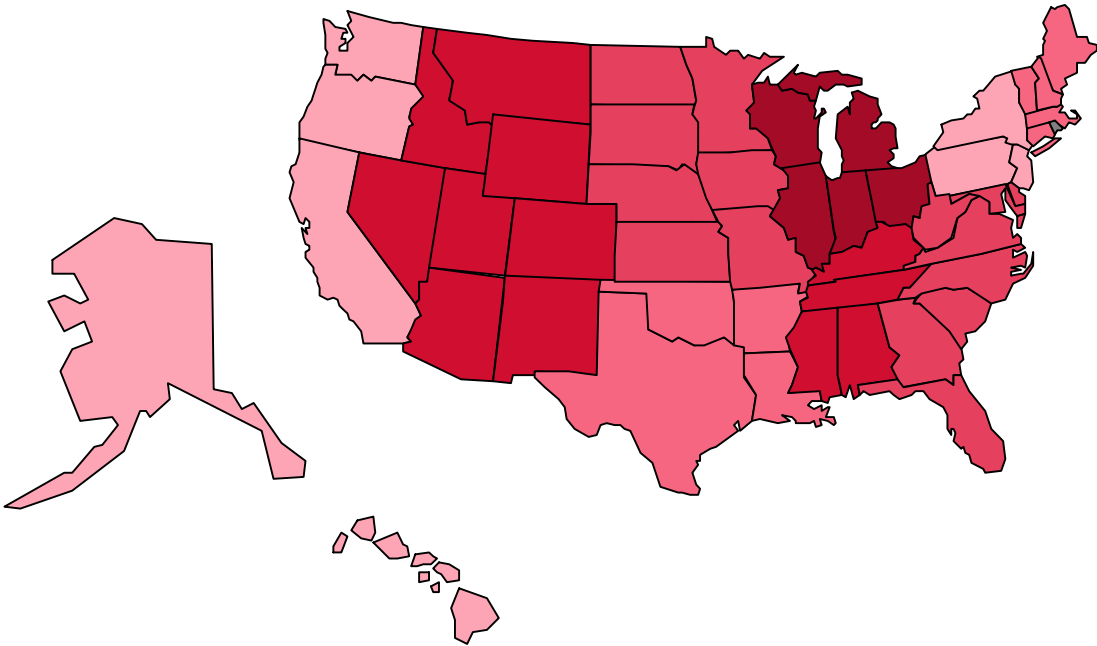


Second Quarter 1999

HOUSE PRICE INDEX



Office of Federal Housing
Enterprise Oversight

House Price Index (HPI)

Second Quarter 1999

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OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

NEWS RELEASE

www.ofheo.gov

For Immediate Release
Wednesday, September 1, 1999

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Government Announces Home Price Appreciation Rates

U.S. House Prices Continue Upward Trend with 5.3 Percent Increase

Five-year Rate Nearly Double That of Non-Housing Inflation

Washington, D.C. – The Office of Federal Housing Enterprise Oversight (OFHEO) announced today that average U.S. home prices increased by 5.3% from the second quarter 1998 to the second quarter 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 over 11.6 million repeat transactions over the past 20 years.

Since the second quarter of 1994, U.S. house prices have grown approximately twice as much as non-housing prices (21.9% versus 10.4%), due mainly to the housing market boom during the past two years. House prices in every census division have experienced appreciation rates above that of non-housing inflation.

From the second quarter 1998 to the second quarter of 1999 the New England, Pacific and West North Central Census Divisions have all seen appreciation rates above the national average (see chart below).

Census Division Rankings (based on % change from 98Q2 to 99Q2)	
New England (CT, MA, ME, NH, RI, VT)	7.8%
Pacific (AK, CA, HI, OR, WA)	6.3%
West North Central (IA, KS, MN, MO, ND, NE, SD)	6.3%
East North Central (IL, IN, MI, OH, WI)	5.2%
Mountain (AZ, CO, ID, MT, NM, NV, UT, WY)	5.1%
West South Central (AR, LA, OK, TX)	4.7%
South Atlantic (DC, DE, FL, GA, MD, NC, SC, VA, WV)	4.4%
Middle Atlantic (NJ, NY, PA)	4.3%
East South Central (AL, KY, MS, TN)	4.2%

Since the first quarter reporting period, Minnesota and the District of Columbia have moved into the top six appreciation rates reported by OFHEO (see chart below).

Top 6 States (Appreciation Rates 98Q2 –99Q2)	
Massachusetts	9.3%
District of Columbia	8.3%
New Hampshire	8.1%
Minnesota	8.1%
Colorado	8.0%
California	7.7%

Price movements contained in the quarterly HPI are based on sales or refinancings of single-family homes whose mortgages have been purchased or securitized by **Fannie Mae** or **Freddie Mac**. The combined mortgage records of these two government-sponsored enterprises 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 mortgages measured by the HPI are both *conforming* and *conventional*. *Conforming* refers to a mortgage that both meets the underwriting guidelines of Fannie Mae or Freddie Mac and doesn't exceed the *conforming loan limit*, now \$240,000 for single-family homes. *Conventional* means that the mortgages are neither insured nor guaranteed by the FHA or VA. As of April 30, 1999, about 91.4% of conventional mortgages had principal amounts under the conforming limit. At year-end 1998, Fannie Mae and Freddie Mac purchased or securitized roughly 45% of all conventional, single-family mortgage loans originated or refinanced.

OFHEO is the government's financial safety and soundness regulator of Fannie Mae and Freddie Mac. These two government-sponsored enterprises (GSEs) 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 packaging them into mortgage-backed securities for resale to investors or holding 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 HPI, including downloadable data, for the Second Quarter 1999 will be available online at www.ofheo.gov/house.

DIVISION SUMMARY :

New England (CT, MA, ME, NH, RI, VT): House prices rose 2.2% in the second quarter, and rose 7.8% since the second quarter of 1998. House prices in New England have risen 22.3% in the five years ending in the second quarter of 1999.

Pacific (AK, CA, HI, OR, WA): House prices rose 1.3% in the second quarter, and rose 6.3% since the second quarter of 1998. House prices in the Pacific division have risen 19.8% in the past five years.

West North Central (IA, KS, MN, MO, ND, NE, SD): House prices rose 2.3% for the second quarter of 1999, and 6.3% for the last year. The five-year increase was 27.5%.

East North Central (IL, IN, MI, OH, WI): House prices rose 1.7% for the second quarter of 1999, and 5.2% since the second quarter of 1999. The five-year increase was 28.9%.

Mountain (AZ, CO, ID, MT, NM, NV, UT, WY): House prices increased 1.5% for the second quarter of 1999, and 5.1% for the last year. For the past five years, house prices rose 31.1%.

West South Central (AR, LA, OK, TX): House prices rose 1.0% in the second quarter of 1999, and rose 4.7% for the last year. The five-year increase was 18.7%.

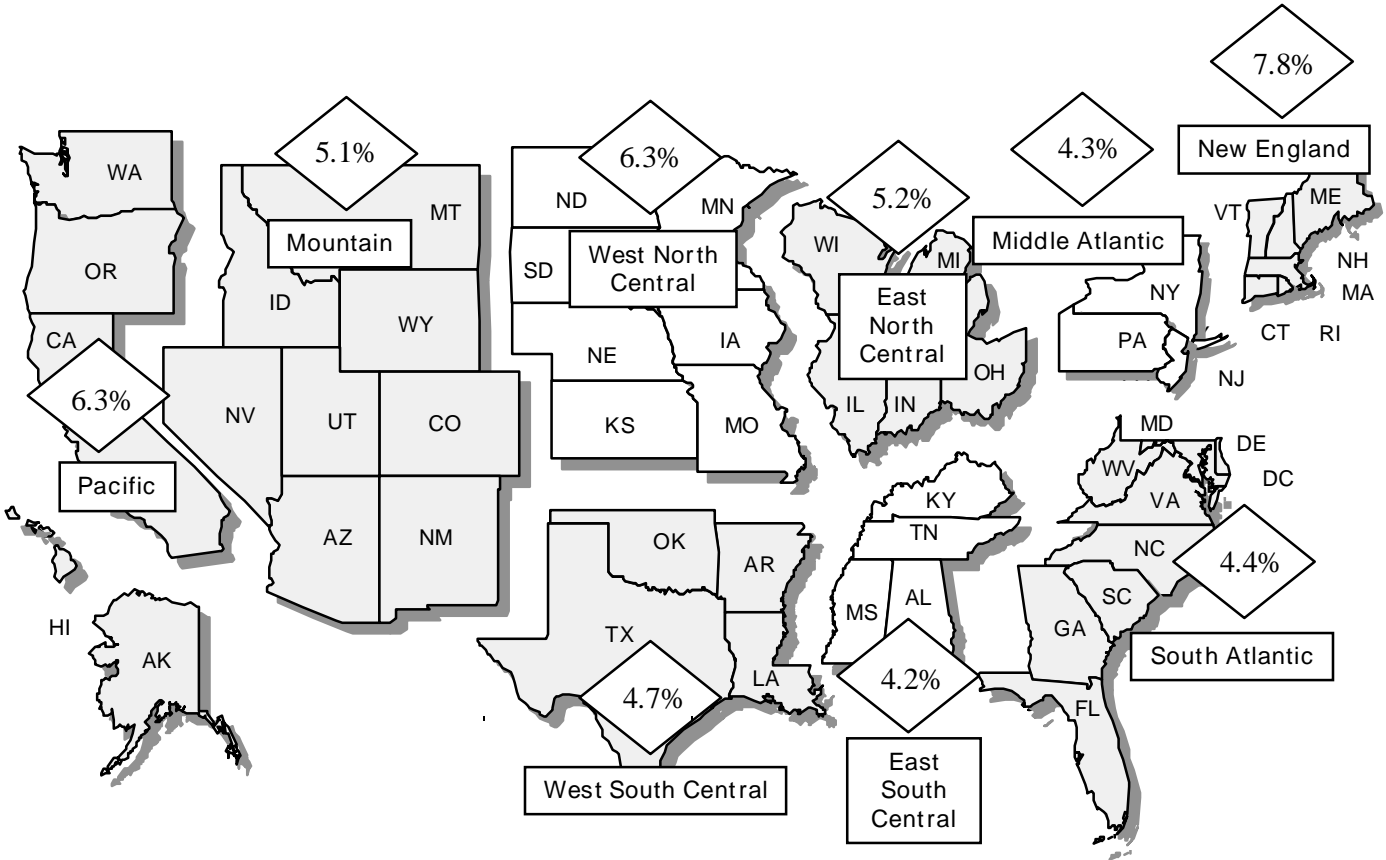
South Atlantic (DC, DE, FL, GA, MD, NC, SC, VA, WV): House prices rose 0.9% for the second quarter and 4.4% for the past year. The five-year increase was 20.0%.

Middle Atlantic (NJ, NY, PA): House prices rose 0.7% for the second quarter, and prices rose 4.3% for the last year. For the five years ending in the second quarter of 1999, house prices in the Middle Atlantic division rose 12.4%.

East South Central (AL, KY, MS, TN): House prices rose 0.7% for the second quarter of 1999, and 4.2% for the last year. The increase over five years was 25.9%.



One Year Change in House Prices
U.S. Census Divisions
Second Quarter 1998 to Second Quarter 1999

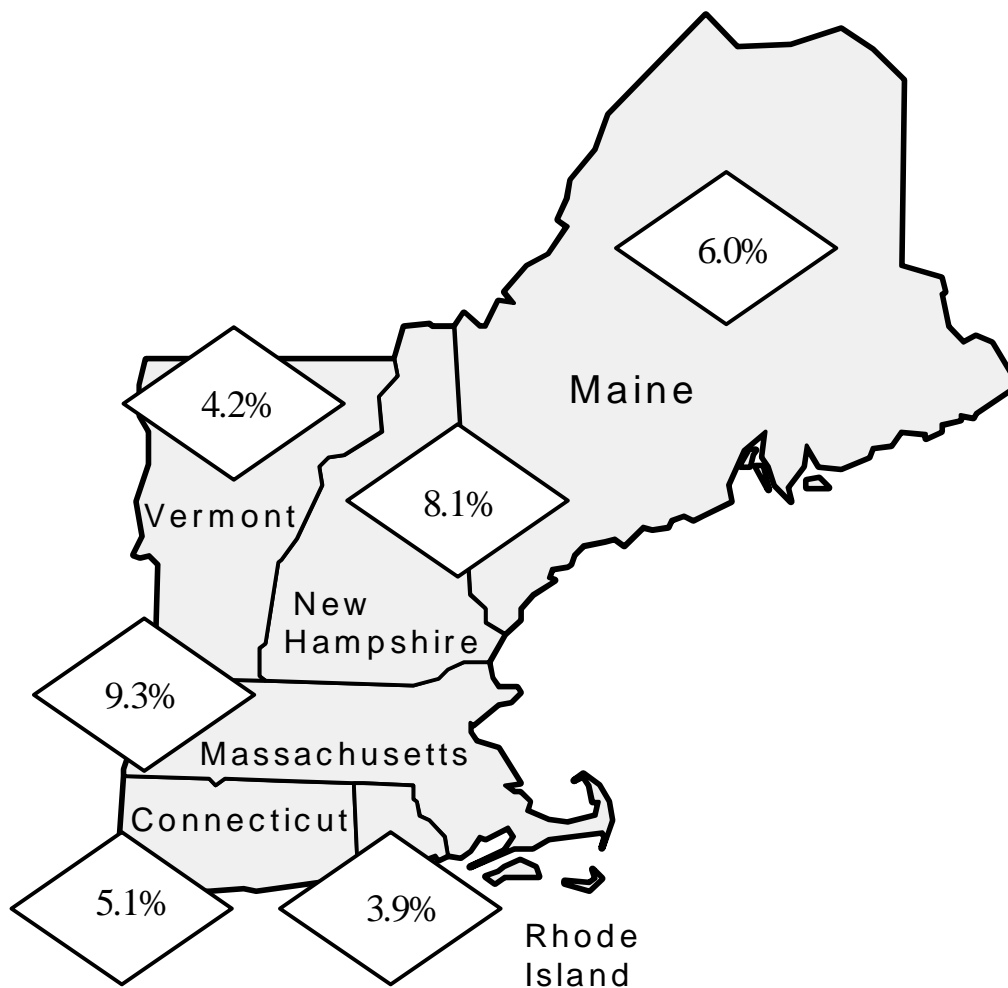


Percent Change in House Prices
 Period Ended June 30, 1999

Division	Division Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
New England	1	7.8	2.2	22.3	216.6
Pacific	2	6.3	1.3	19.8	153.1
West North Central	3	6.3	2.3	27.5	100.0
East North Central	4	5.2	1.7	28.9	128.3
Mountain	5	5.1	1.5	31.1	114.0
West South Central	6	4.7	1.0	18.7	53.3
South Atlantic	7	4.4	0.9	20.0	120.2
Middle Atlantic	8	4.3	0.7	12.4	170.7
East South Central	9	4.2	0.7	25.9	110.0
United States **		5.3	1.3	21.9	126.4



One Year Change in State House Prices
New England Census Division
Second Quarter 1998 to Second Quarter 1999



Percent Change in House Prices
 Period Ended June 30, 1999

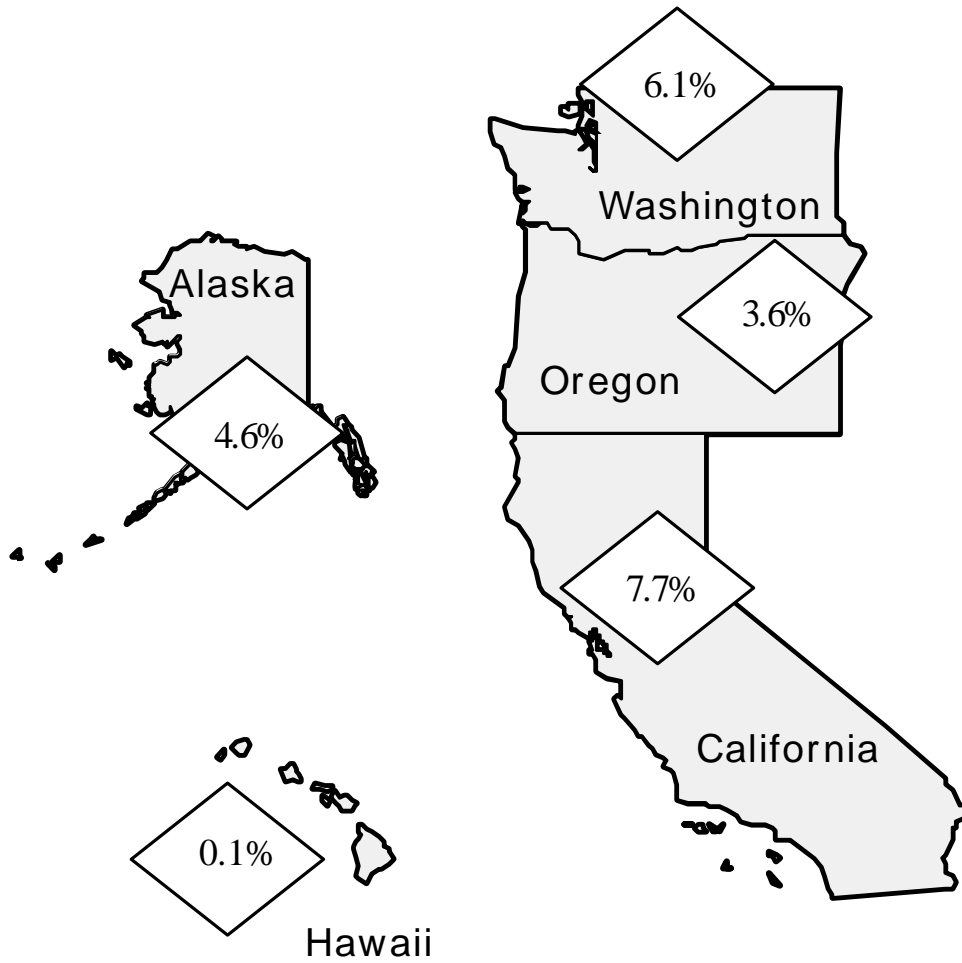
State	Division Ranking *	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
<i>New England</i>		1	7.8	2.2	22.3	216.6
Massachusetts, (MA)	1	1	9.3	3.1	28.8	271.6
New Hampshire, (NH)	2	3	8.1	2.7	22.9	141.3
Maine, (ME)	3	10	6.0	2.0	18.1	155.8
Connecticut, (CT)	4	19	5.1	0.8	11.6	156.4
Vermont, (VT)	5	30	4.2	1.6	9.9	143.3
Rhode Island, (RI)	6	35	3.9	0.8	9.6	169.1
<i>United States **</i>			5.3	1.3	21.9	126.4

* Note: Rankings based on annual percentage change.

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



One Year Change in State House Prices
Pacific Census Division
Second Quarter 1998 to Second Quarter 1999



Percent Change in House Prices
 Period Ended June 30, 1999

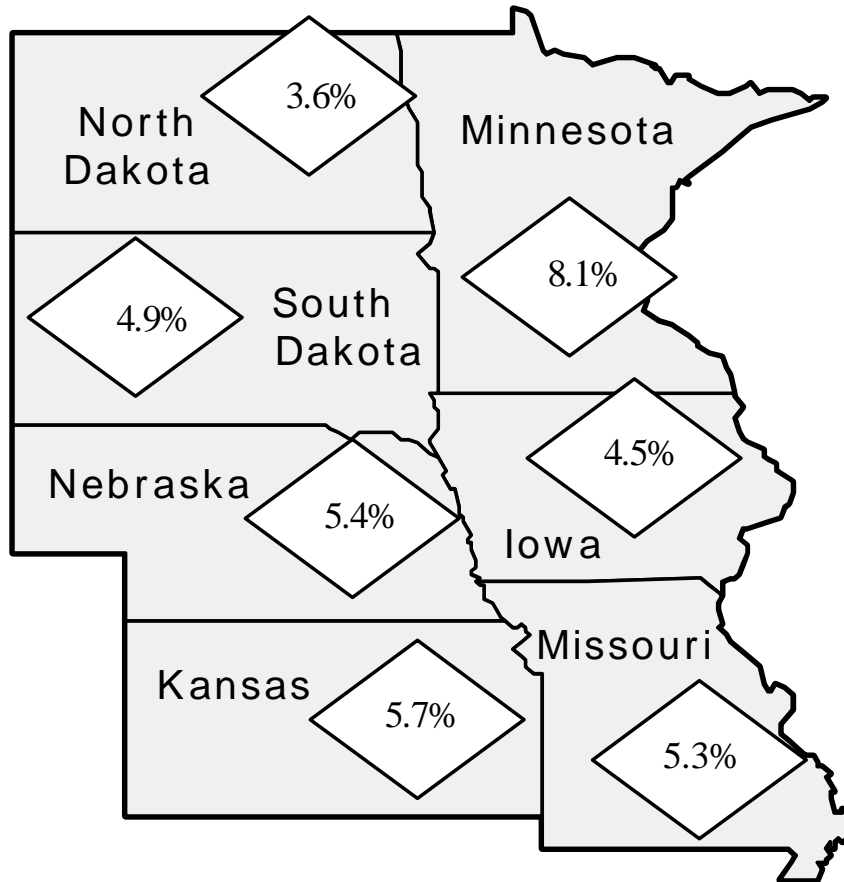
State	Division Ranking *	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
<i>Pacific</i>		2	6.3	1.3	19.8	153.1
California, (CA)	1	6	7.7	1.5	17.2	143.4
Washington, (WA)	2	9	6.1	1.7	25.8	162.3
Alaska, (AK)	3	26	4.6	2.6	20.2	58.2
Oregon, (OR)	4	40	3.6	1.1	37.2	150.1
Hawaii, (HI)	5	51	0.1	0.4	-10.5	148.5
<i>United States **</i>			5.3	1.3	21.9	126.4

* Note: Rankings based on annual percentage change.

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



One Year Change in State House Prices
West North Central Census Division
Second Quarter 1998 to Second Quarter 1999



Percent Change in House Prices
 Period Ended June 30, 1999

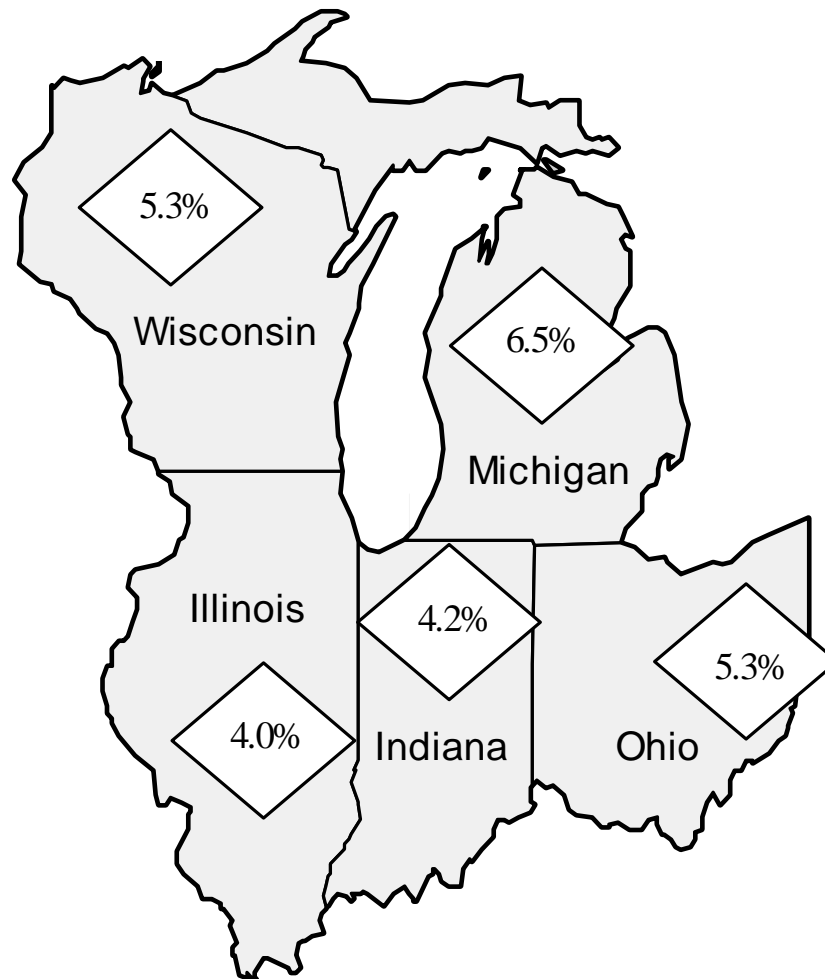
State	Division Ranking *	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
<i>West North Central</i>		3	6.3	2.3	27.5	100.0
Minnesota, (MN)	1	4	8.1	3.0	31.1	115.1
Kansas, (KS)	2	12	5.7	1.7	27.4	76.6
Nebraska, (NE)	3	14	5.4	2.2	28.0	99.6
Missouri, (MO)	4	15	5.3	1.8	23.9	102.2
South Dakota, (SD)	5	23	4.9	2.0	24.6	109.6
Iowa, (IA)	6	28	4.5	1.1	25.1	82.3
North Dakota, (ND)	7	39	3.6	0.9	20.2	61.9
<i>United States **</i>			5.3	1.3	21.9	126.4

* Note: Rankings based on annual percentage change.

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



One Year Change in State House Prices
East North Central Census Division
Second Quarter 1998 to Second Quarter 1999



Percent Change in House Prices
 Period Ended June 30, 1999

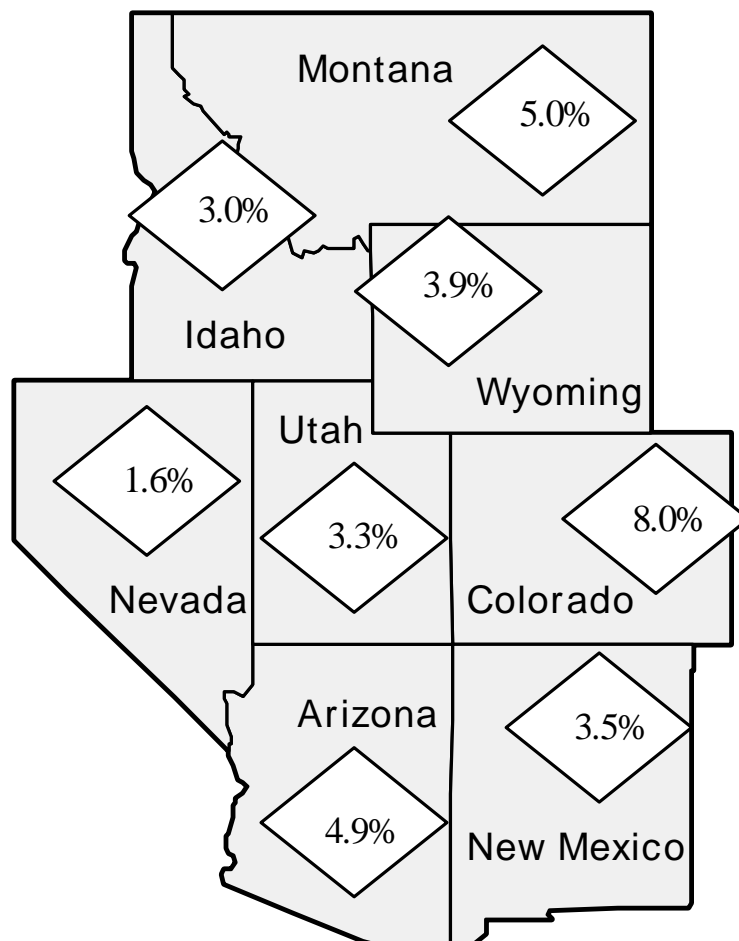
State	Division Ranking *	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
<i>East North Central</i>		4	5.2	1.7	28.9	128.3
Michigan, (MI)	1	8	6.5	2.2	41.4	142.7
Wisconsin, (WI)	2	16	5.3	1.8	26.8	116.4
Ohio, (OH)	3	17	5.3	1.6	26.1	117.1
Indiana, (IN)	4	31	4.2	1.0	25.5	107.3
Illinois, (IL)	5	33	4.0	1.2	18.6	128.4
<i>United States **</i>			5.3	1.3	21.9	126.4

* Note: Rankings based on annual percentage change.

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



One Year Change in State House Prices
Mountain Census Division
Second Quarter 1998 to Second Quarter 1999



Percent Change in House Prices
 Period Ended June 30, 1999

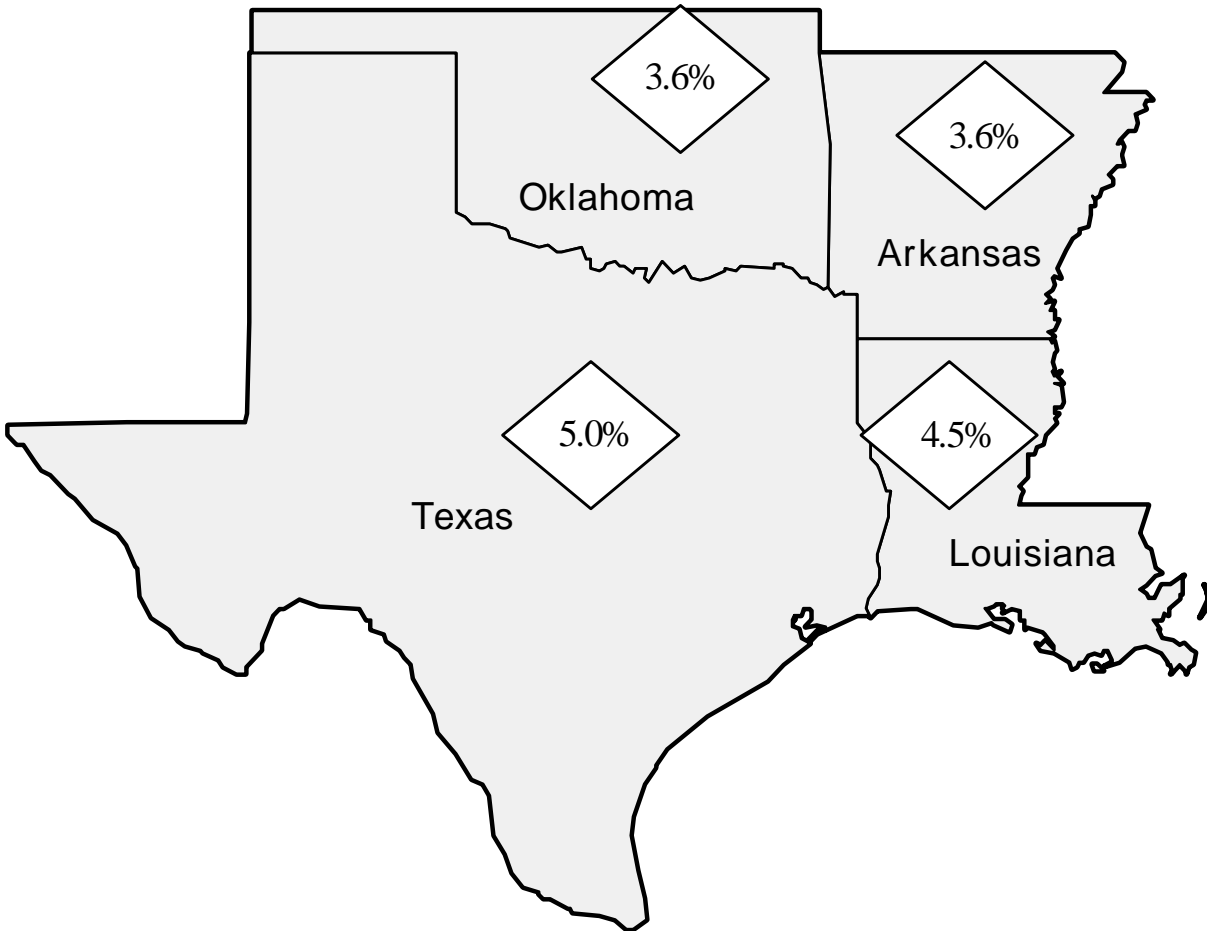
State	Division Ranking *	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
<i>Mountain</i>		5	5.1	1.5	31.1	114.0
Colorado, (CO)	1	5	8.0	2.7	37.4	138.6
Montana, (MT)	2	20	5.0	2.3	25.7	105.9
Arizona, (AZ)	3	22	4.9	1.1	28.4	93.2
Wyoming, (WY)	4	34	3.9	2.1	26.8	51.4
New Mexico, (NM)	5	42	3.5	1.2	19.3	106.3
Utah, (UT)	6	44	3.3	0.4	41.5	144.6
Idaho, (ID)	7	48	3.0	0.4	19.8	98.9
Nevada, (NV)	8	50	1.6	-0.4	14.0	85.4
<i>United States **</i>			5.3	1.3	21.9	126.4

* Note: Rankings based on annual percentage change.

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



One Year Change in State House Prices
West South Central Census Division
Second Quarter 1998 to Second Quarter 1999



Percent Change in House Prices
 Period Ended June 30, 1999

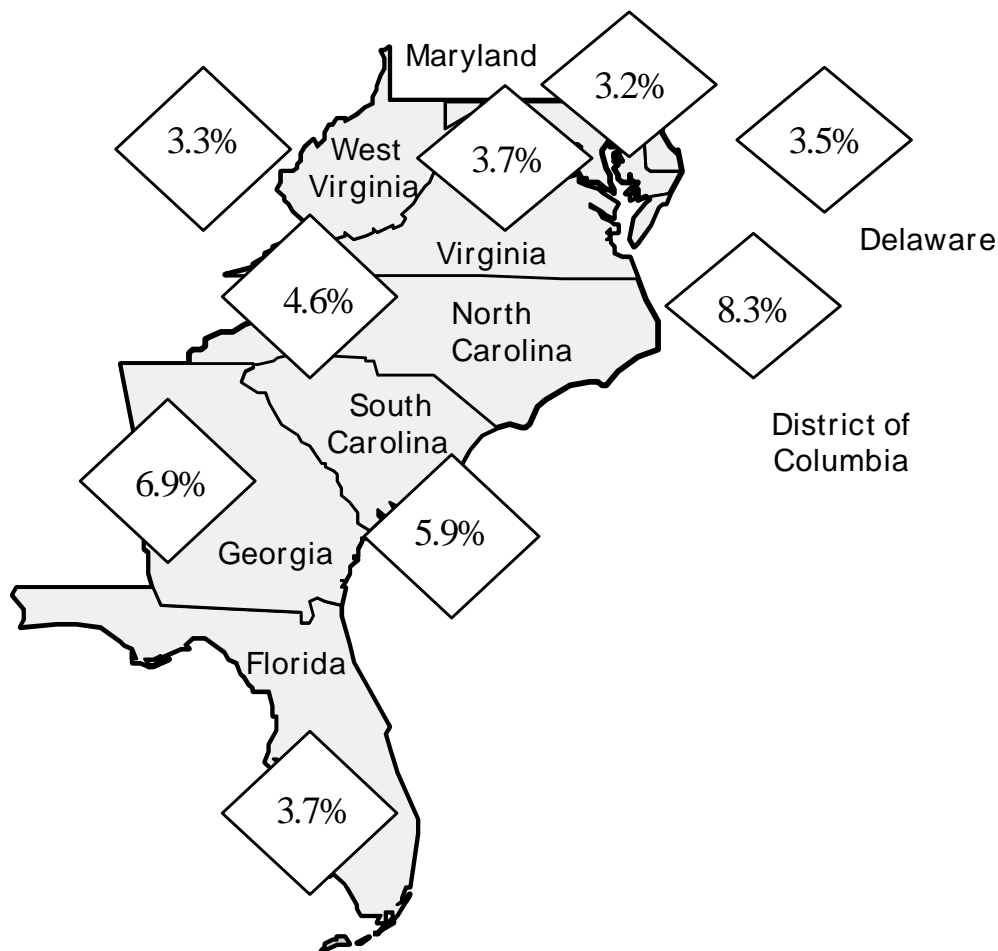
State	Division Ranking *	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
<i>West South Central</i>		6	4.7	1.0	18.7	53.3
Texas, (TX)	1	21	5.0	1.6	16.8	52.5
Louisiana, (LA)	2	29	4.5	0.8	25.8	57.9
Oklahoma, (OK)	3	38	3.6	-0.3	19.4	40.5
Arkansas, (AR)	4	41	3.6	-0.2	19.9	81.4
<i>United States **</i>			5.3	1.3	21.9	126.4

* Note: Rankings based on annual percentage change.

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



One Year Change in State House Prices
South Atlantic Census Division
Second Quarter 1998 to Second Quarter 1999



Percent Change in House Prices
 Period Ended June 30, 1999

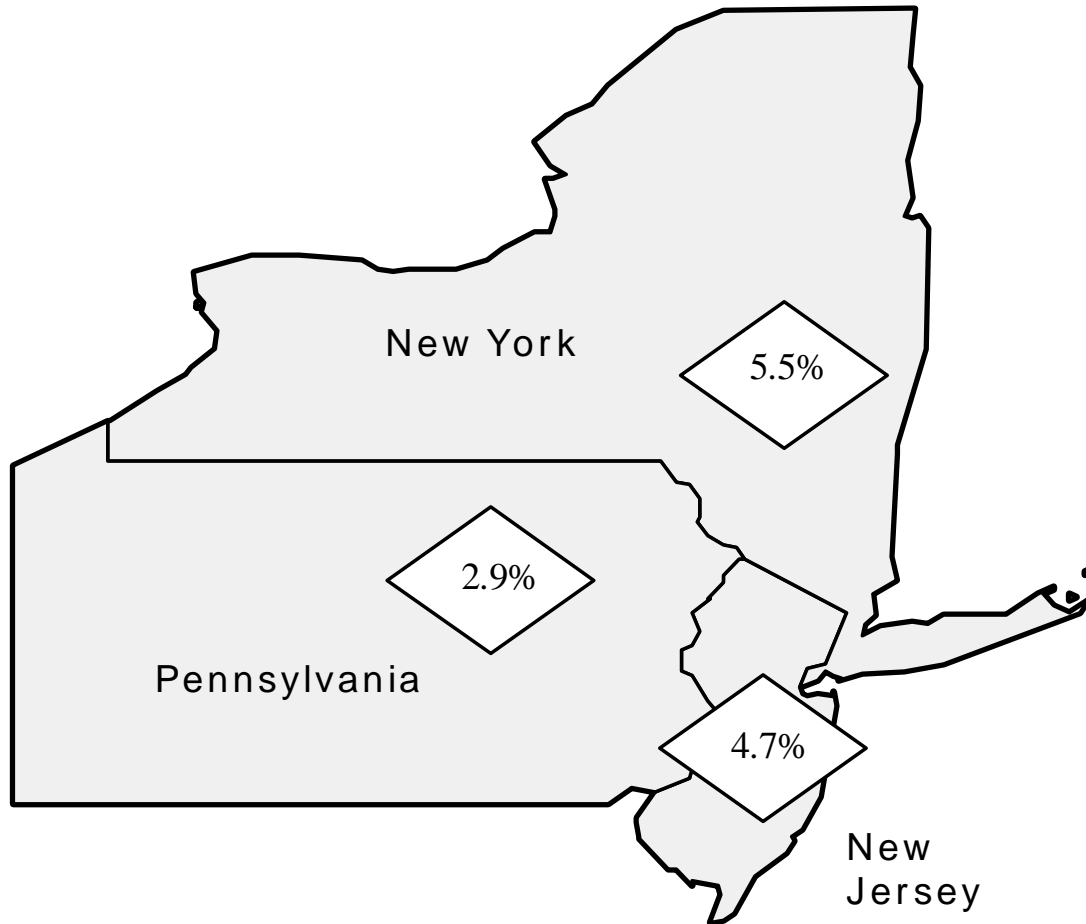
State	Division Ranking *	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
<i>South Atlantic</i>		7	4.4	0.9	20.0	120.2
District of Columbia, (DC)	1	2	8.3	4.2	16.1	117.6
Georgia, (GA)	2	7	6.9	1.9	29.8	136.3
South Carolina, (SC)	3	11	5.9	1.4	26.6	114.8
North Carolina, (NC)	4	27	4.6	1.1	27.1	136.7
Florida, (FL)	5	36	3.7	0.2	18.3	98.2
Virginia, (VA)	6	37	3.7	0.6	12.9	123.4
Delaware, (DE)	7	43	3.5	0.5	10.7	156.5
West Virginia, (WV)	8	45	3.3	-0.4	22.5	86.1
Maryland, (MD)	9	46	3.2	0.6	9.5	130.2
<i>United States **</i>			5.3	1.3	21.9	126.4

* Note: Rankings based on annual percentage change.

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



One Year Change in State House Prices
Middle Atlantic Census Division
Second Quarter 1998 to Second Quarter 1999



Percent Change in House Prices
 Period Ended June 30, 1999

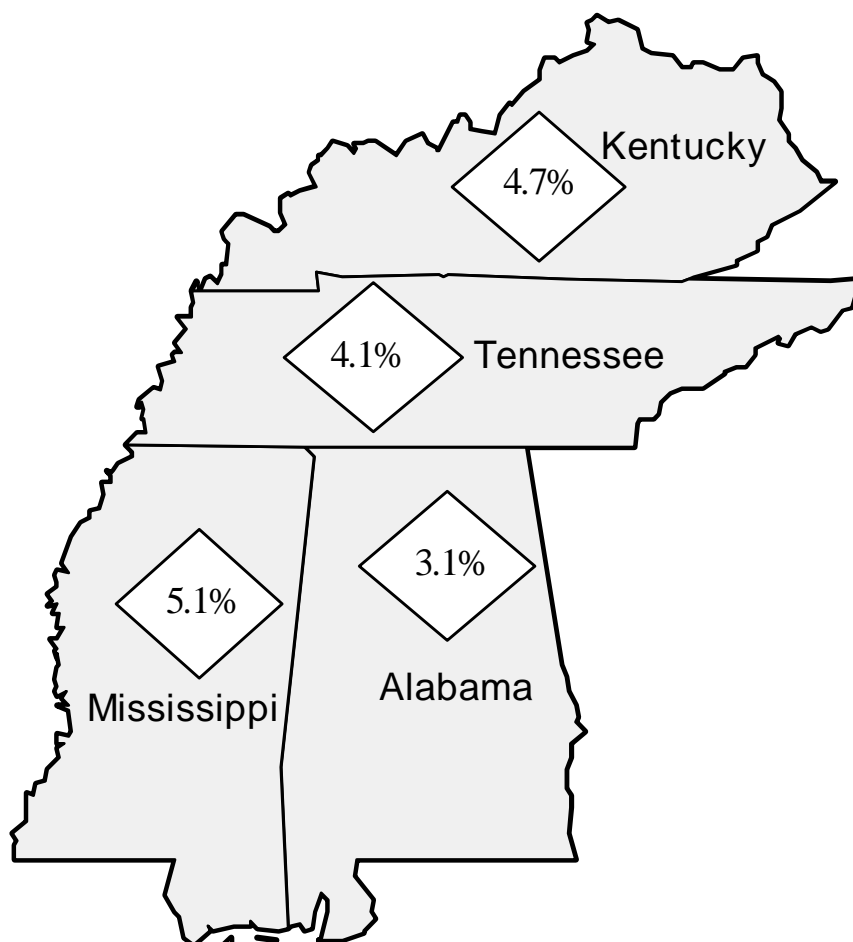
State	Division Ranking *	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
<i>Middle Atlantic</i>		8	4.3	0.7	12.4	170.7
New York, (NY)	1	13	5.5	1.3	13.2	224.5
New Jersey, (NJ)	2	25	4.7	1.0	12.8	167.3
Pennsylvania, (PA)	3	49	2.9	0.0	11.1	135.4
<i>United States **</i>			5.3	1.3	21.9	126.4

* Note: Rankings based on annual percentage change.

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



One Year Change in State House Prices
East South Central Census Division
Second Quarter 1998 to Second Quarter 1999



Percent Change in House Prices
 Period Ended June 30, 1999

State	Division Ranking *	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
<i>East South Central</i>		9	4.2	0.7	25.9	110.0
Mississippi, (MS)	1	18	5.1	2.1	27.1	74.7
Kentucky, (KY)	2	24	4.7	1.3	25.5	116.1
Tennessee, (TN)	3	32	4.1	0.0	28.7	121.5
Alabama, (AL)	4	47	3.1	0.1	22.5	101.7
<i>United States **</i>			5.3	1.3	21.9	126.4

* Note: Rankings based on annual percentage change.

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



Percent Change in House Prices with State Rankings

Period Ended June 30, 1999

State	National Ranking *	1-Yr.	Qtr.	5-Yr.	Since 1980
Massachusetts, (MA)	1	9.3	3.1	28.8	271.6
District of Columbia, (DC)	2	8.3	4.2	16.1	117.6
New Hampshire, (NH)	3	8.1	2.7	22.9	141.3
Minnesota, (MN)	4	8.1	3.0	31.1	115.1
Colorado, (CO)	5	8.0	2.7	37.4	138.6
California, (CA)	6	7.7	1.5	17.2	143.4
Georgia, (GA)	7	6.9	1.9	29.8	136.3
Michigan, (MI)	8	6.5	2.2	41.4	142.7
Washington, (WA)	9	6.1	1.7	25.8	162.3
Maine, (ME)	10	6.0	2.0	18.1	155.8
South Carolina, (SC)	11	5.9	1.4	26.6	114.8
Kansas, (KS)	12	5.7	1.7	27.4	76.6
New York, (NY)	13	5.5	1.3	13.2	224.5
Nebraska, (NE)	14	5.4	2.2	28.0	99.6
Missouri, (MO)	15	5.3	1.8	23.9	102.2
Wisconsin, (WI)	16	5.3	1.8	26.8	116.4
Ohio, (OH)	17	5.3	1.6	26.1	117.1
United States **		5.3	1.3	21.9	126.4
Mississippi, (MS)	18	5.1	2.1	27.1	74.7
Connecticut, (CT)	19	5.1	0.8	11.6	156.4
Montana, (MT)	20	5.0	2.3	25.7	105.9
Texas, (TX)	21	5.0	1.6	16.8	52.5
Arizona, (AZ)	22	4.9	1.1	28.4	93.2
South Dakota, (SD)	23	4.9	2.0	24.6	109.6
Kentucky, (KY)	24	4.7	1.3	25.5	116.1
New Jersey, (NJ)	25	4.7	1.0	12.8	167.3
Alaska, (AK)	26	4.6	2.6	20.2	58.2
North Carolina, (NC)	27	4.6	1.1	27.1	136.7
Iowa, (IA)	28	4.5	1.1	25.1	82.3
Louisiana, (LA)	29	4.5	0.8	25.8	57.9
Vermont, (VT)	30	4.2	1.6	9.9	143.3
Indiana, (IN)	31	4.2	1.0	25.5	107.3
Tennessee, (TN)	32	4.1	0.0	28.7	121.5
Illinois, (IL)	33	4.0	1.2	18.6	128.4
Wyoming, (WY)	34	3.9	2.1	26.8	51.4
Rhode Island, (RI)	35	3.9	0.8	9.6	169.1
Florida, (FL)	36	3.7	0.2	18.3	98.2
Virginia, (VA)	37	3.7	0.6	12.9	123.4
Oklahoma, (OK)	38	3.6	-0.3	19.4	40.5
North Dakota, (ND)	39	3.6	0.9	20.2	61.9
Oregon, (OR)	40	3.6	1.1	37.2	150.1
Arkansas, (AR)	41	3.6	-0.2	19.9	81.4
New Mexico, (NM)	42	3.5	1.2	19.3	106.3
Delaware, (DE)	43	3.5	0.5	10.7	156.5
Utah, (UT)	44	3.3	0.4	41.5	144.6
West Virginia, (WV)	45	3.3	-0.4	22.5	86.1
Maryland, (MD)	46	3.2	0.6	9.5	130.2
Alabama, (AL)	47	3.1	0.1	22.5	101.7
Idaho, (ID)	48	3.0	0.4	19.8	98.9
Pennsylvania, (PA)	49	2.9	0.0	11.1	135.4
Nevada, (NV)	50	1.6	-0.4	14.0	85.4
Hawaii, (HI)	51	0.1	0.4	-10.5	148.5

* Note: Rankings based on annual percentage change.

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



Five-Year Census Division House Price Appreciation.

Regional housing markets tend to differ extensively in house price behavior, driven by many factors including regional economic conditions, demographic change, and land use regulation. For this reason, it is interesting to compare relative house price movements across different regions within the U.S. The graphs that follow exhibit house price growth patterns for the 5-year period between the second quarter of 1994 and the second quarter of 1999 for the nine Census Divisions and the nation. Census Division trends are grouped according to the Census Region to which they belong.¹

The strength of housing markets as a whole can also be gauged by comparing house price growth to price growth in other industries. When house prices are growing more rapidly than the prices of non-housing goods, the sale of a home affords a seller additional buying power from the time of purchase. The national rate of inflation for non-housing goods over the five-year time period addressed is also depicted on each graph.²

Since the second quarter of 1994, **U.S.** house prices have grown approximately twice as much as non-housing prices (**21.9%** versus **10.4%**), mainly owing to the housing market boom during the past 2 years. Further, house prices in every division have experienced appreciation above the rate of non-housing inflation.

House price appreciation in **Mountain, East North Central, West North Central, East South Central and New England Divisions** was above the national rate of house price appreciation during this period. On the other hand, **South Atlantic, Pacific, West South Central, and Middle Atlantic Divisions** experienced less growth than the U.S. as a whole.

Midwest Region

- The **East North Central Division** led the **Midwest Region** over the five year period beginning in the second quarter of 1994. Cumulative house price appreciation in this division was 28.9 percent, approximately 7 percent more than the national average (21.9%)
-
- The **West North Central Division** was not far behind its **Midwest** counterpart, with 27.5 percent house price appreciation. Over the past year in particular, the **West North Central Division** has gained momentum. Since second quarter of 1998, house prices appreciated 6.3 percent, compared to 5.2 percent in the **East North Central Division**.

¹ The Midwest Region consists of the East North Central and West North Central Divisions; the South Census Region consists of the East South Central, the West South Central, and the South Atlantic Divisions; the West Census Region consists of the Mountain and Pacific Divisions; and the Northeast Census Region consists of the Middle Atlantic and New England Census Divisions.

² The non-housing inflation rate is taken from the Consumer Price Index (CPI), compiled by the Bureau of Labor Statistics.



South Region

- The **East South Central Division** experienced the highest five year growth rate in the **South Region**, at 25.9 percent. Within this region, **East South Central** is the only division that experienced house price appreciation above the U.S. level.
- Growth in the **West South Central** and **South Atlantic Divisions** followed generally similar growth paths as the U.S. over the first few years, and began to drop slightly relative to the U.S. after the first quarter of 1996. House prices in the two divisions grew 18.7 percent and 20.0 percent, respectively, over the five-year period.

West Region

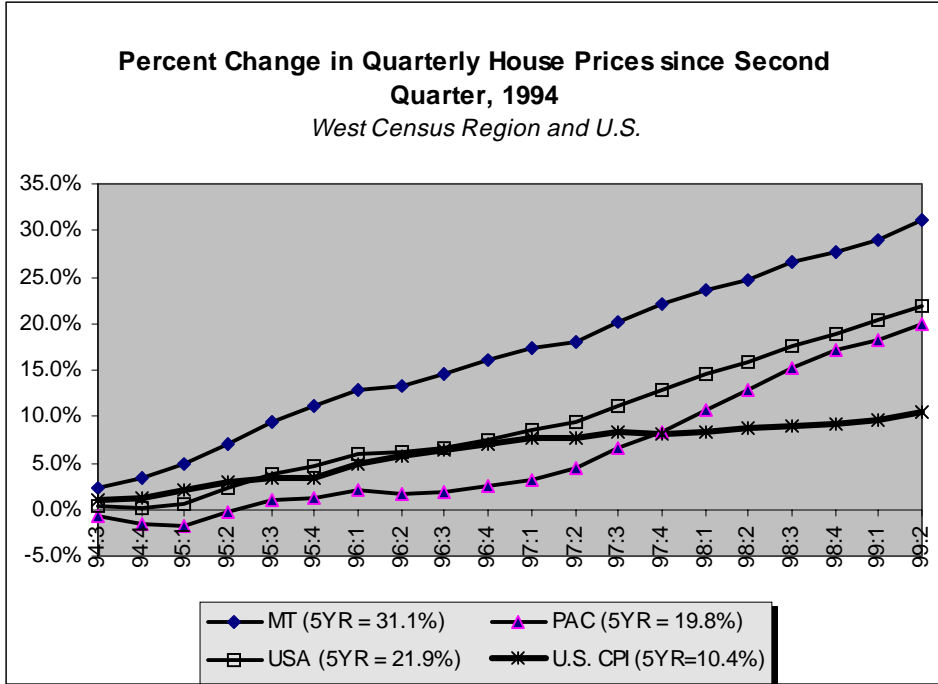
- **Mountain States** experienced the strongest house price appreciation of any division over this time period (31.1%). House prices in the **Mountain Division** gained most of their momentum between 1994 and 1997. Since then, house prices in this division have grown a pace similar to the U.S.
- House prices in the **Pacific Division** grew at a rate lower than the U.S. average for this time period (19.8% compared to 21.9%). Growth was most sluggish in this division in the period prior to first quarter 1997 (growth since second quarter of 1994 was 5.3% lower than average at this point). Over the past two years, this division has steadily gained ground relative to the U.S., as it has been enjoying a house price boom. Annual growth has been well above the national average since late-1997.

Northeast Region

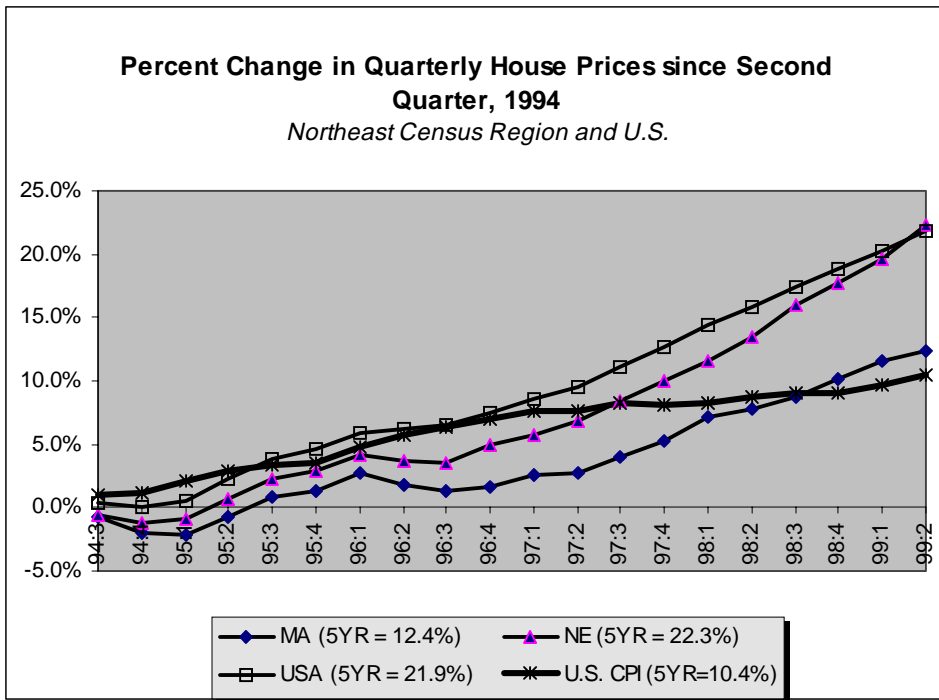
- The **New England Division** experienced the same house price growth as the U.S. over this time period. House prices in this division grew at a slightly slower pace than the U.S. from second quarter 1994 to third quarter 1996, and began to gain momentum in subsequent years. House prices in the **New England Division** experienced marked appreciation over the last year. In fact, appreciation from second quarter 1998 to second quarter 1999 was highest among all divisions (7.8%).
- The **Middle Atlantic Division** behaved differently in terms of house price appreciation than its Northeast counterpart during this time period. The **Middle Atlantic Division** has generally been losing ground relative to the U.S. throughout this time period. Five-year growth was 12.4 percent, 9.5 percent lower than the U.S. average. This division ranked lowest of all divisions for growth during this five-year period.



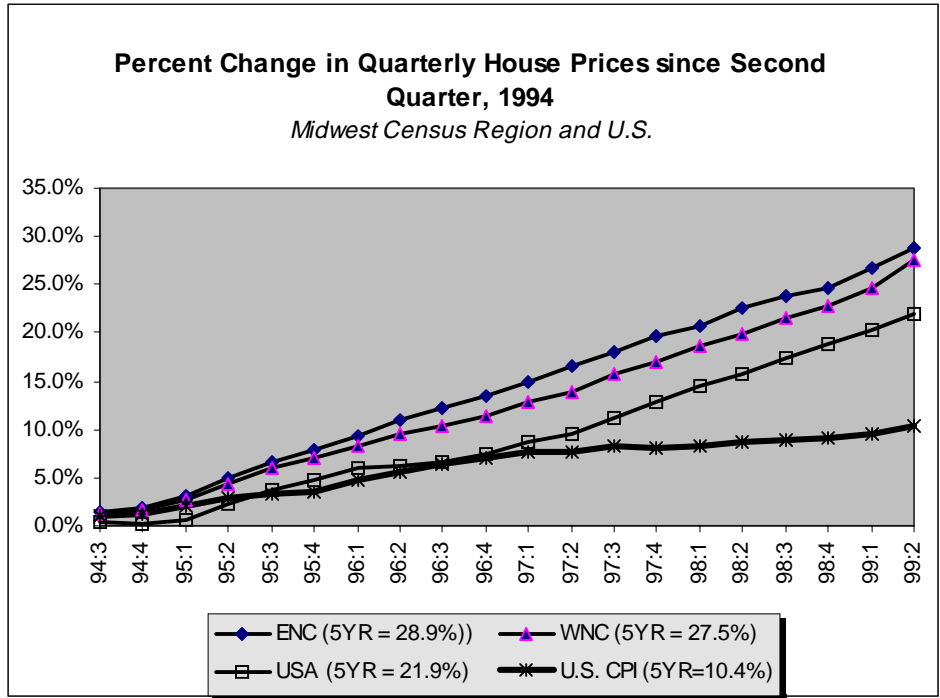
WEST REGION



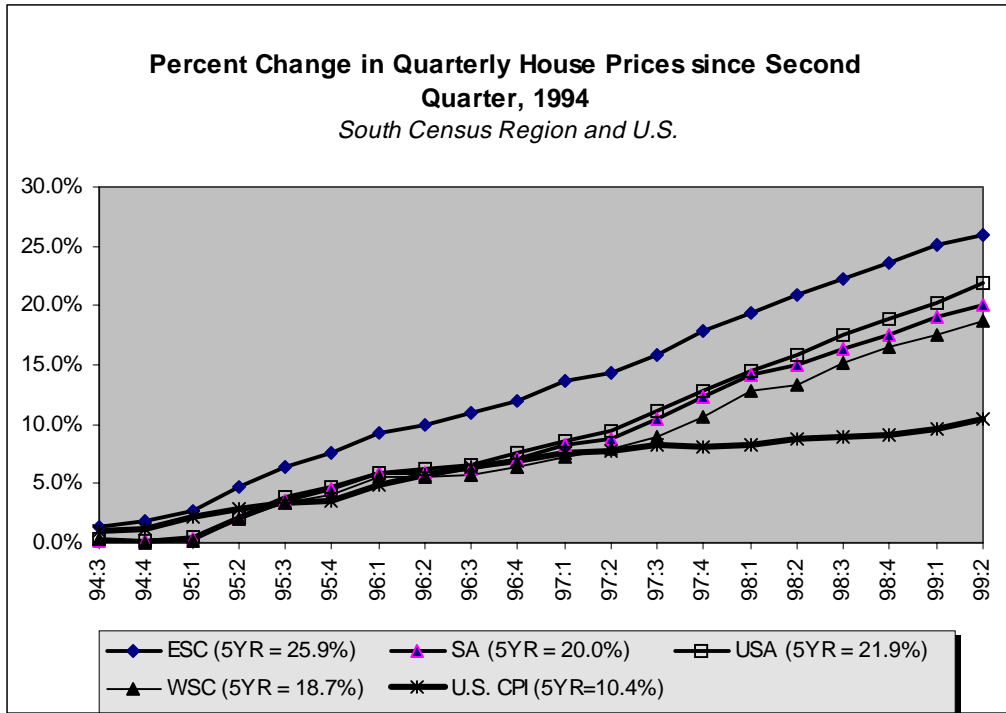
NORTHEAST REGION



MIDWEST REGION



SOUTH REGION



QUESTIONS AND ANSWERS ABOUT THE 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, 1999 will be released in late November, 1999.

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 and the District of Columbia. A weighted average index figure for the United States as a whole is also included.

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. There are more than 11.6 million repeat transactions in this national statistical sample. 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 \$240,000. “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 11.6 million repeat transactions over 20 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 20-year quarterly index series covering 11.6 million 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 20 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.

How can I obtain more information on the HPI?

Questions and requests for additional information should be directed to:

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HOUSE PRICE INDEX (HPI) STATISTICAL REPORT

House Price Index Series 1st Quarter 1985* to 2nd Quarter 1999

This report contains the index number and standard error for each quarterly regional and state HPI calculation since the first quarter of 1985. The boldface number in each column is the index number. The number in parenthesis is the standard error, which indicates the relative precision of the index number estimate. The higher the standard error, the larger the range of possible statistical error. Higher error numbers are generally associated with areas with relatively few repeat transactions and also with areas where the economy has experienced more pronounced ups and downs with resulting wide swings in house prices.

This report also contains house price volatility parameter estimates and annualized volatility estimates for each division and state index. For details on the index methodology and derivation of standard errors and volatility estimates, see the paper *OFHEO House Price Indexes: HPI Technical Description*. This paper is available on request from OFHEO.

***Due to space limitations information is reported from 1985 to the present. To receive information from 1980 through 1985 please contact the Office of Public Affairs at (202)414-6922 or visit OFHEO's website at www.ofheo.gov.**



OFHEO House Price Indexes : 1999 Q2
 U.S. Combined* and Census Division Indexes
 (1980 Q1=100)

Year	Qtr	United States	New England	Middle Atlantic	South Atlantic	East South Central
1985	1	122.33	170.73 (1.41)	141.15 (0.67)	123.48 (0.41)	109.15 (0.81)
1985	2	123.38	182.26 (1.50)	145.47 (0.68)	119.49 (0.39)	115.25 (0.84)
1985	3	125.94	191.91 (1.57)	149.19 (0.69)	125.67 (0.41)	113.39 (0.81)
1985	4	127.88	202.86 (1.66)	154.01 (0.72)	127.05 (0.41)	116.82 (0.84)
1986	1	130.98	211.41 (1.73)	157.84 (0.74)	130.65 (0.42)	119.15 (0.85)
1986	2	134.42	221.92 (1.81)	168.09 (0.77)	133.21 (0.42)	122.03 (0.85)
1986	3	137.72	234.14 (1.91)	177.38 (0.81)	136.11 (0.43)	122.63 (0.86)
1986	4	140.71	246.14 (2.01)	185.28 (0.85)	138.78 (0.44)	127.74 (0.90)
1987	1	143.50	255.75 (2.09)	192.26 (0.89)	140.18 (0.45)	129.01 (0.91)
1987	2	146.77	265.23 (2.17)	201.76 (0.93)	144.30 (0.46)	131.32 (0.93)
1987	3	150.13	274.16 (2.26)	212.15 (0.98)	147.68 (0.48)	133.71 (0.97)
1987	4	151.83	279.22 (2.32)	217.80 (1.02)	150.13 (0.49)	134.34 (0.99)
1988	1	154.48	283.70 (2.36)	221.70 (1.05)	152.89 (0.51)	136.95 (1.01)
1988	2	157.86	288.21 (2.37)	227.76 (1.06)	156.69 (0.51)	137.48 (0.99)
1988	3	159.66	287.90 (2.37)	230.35 (1.07)	158.83 (0.52)	138.23 (0.99)
1988	4	161.45	290.19 (2.39)	231.47 (1.08)	160.70 (0.52)	138.32 (1.00)
1989	1	163.58	288.65 (2.38)	232.86 (1.09)	162.94 (0.54)	139.48 (1.02)
1989	2	165.95	287.53 (2.36)	232.65 (1.08)	165.08 (0.54)	140.72 (1.01)
1989	3	169.63	291.32 (2.39)	235.56 (1.09)	167.62 (0.54)	142.05 (1.01)
1989	4	171.37	292.25 (2.39)	237.48 (1.09)	169.01 (0.54)	143.10 (1.02)
1990	1	172.14	288.27 (2.37)	237.25 (1.10)	169.96 (0.55)	143.55 (1.02)
1990	2	172.21	280.43 (2.30)	234.81 (1.08)	170.11 (0.55)	144.07 (1.02)
1990	3	172.69	276.59 (2.27)	233.81 (1.08)	170.46 (0.55)	144.47 (1.02)
1990	4	172.00	270.08 (2.22)	231.85 (1.07)	169.87 (0.55)	144.11 (1.02)
1991	1	173.24	269.06 (2.21)	232.14 (1.07)	171.19 (0.55)	146.11 (1.03)
1991	2	174.20	265.57 (2.17)	232.68 (1.07)	172.75 (0.55)	147.34 (1.03)
1991	3	174.26	262.41 (2.15)	232.52 (1.07)	172.26 (0.55)	147.94 (1.03)
1991	4	176.56	264.66 (2.16)	235.39 (1.08)	175.23 (0.56)	150.18 (1.05)
1992	1	177.74	264.30 (2.15)	237.72 (1.08)	176.58 (0.56)	151.39 (1.05)
1992	2	177.53	260.50 (2.12)	235.88 (1.08)	176.33 (0.56)	152.09 (1.06)
1992	3	179.15	261.35 (2.13)	238.26 (1.09)	178.26 (0.56)	154.24 (1.07)
1992	4	179.97	261.75 (2.13)	239.33 (1.09)	179.09 (0.56)	155.25 (1.08)
1993	1	179.78	259.66 (2.12)	238.32 (1.09)	178.84 (0.57)	156.05 (1.09)
1993	2	181.22	261.06 (2.13)	240.75 (1.10)	180.39 (0.57)	157.98 (1.10)
1993	3	182.38	261.64 (2.13)	241.22 (1.10)	181.59 (0.57)	159.91 (1.11)
1993	4	183.85	262.98 (2.14)	242.97 (1.11)	182.83 (0.58)	161.66 (1.12)
1994	1	184.94	262.80 (2.15)	242.59 (1.11)	183.59 (0.58)	163.95 (1.14)
1994	2	185.82	258.86 (2.12)	240.89 (1.11)	183.51 (0.59)	166.74 (1.17)
1994	3	186.42	257.51 (2.12)	239.01 (1.11)	183.87 (0.59)	168.94 (1.19)
1994	4	186.05	255.73 (2.11)	236.23 (1.11)	183.80 (0.59)	169.91 (1.19)
1995	1	186.85	256.45 (2.11)	235.74 (1.11)	184.27 (0.60)	171.36 (1.20)
1995	2	189.99	260.45 (2.14)	239.21 (1.12)	187.18 (0.60)	174.73 (1.22)
1995	3	192.91	264.70 (2.17)	242.98 (1.13)	190.10 (0.61)	177.40 (1.24)
1995	4	194.49	266.48 (2.18)	243.95 (1.13)	191.90 (0.62)	179.32 (1.25)
1996	1	196.89	269.53 (2.20)	247.40 (1.15)	194.31 (0.62)	182.20 (1.27)
1996	2	197.30	268.27 (2.20)	245.09 (1.14)	194.31 (0.62)	183.46 (1.28)
1996	3	198.06	268.00 (2.20)	244.05 (1.14)	194.81 (0.63)	185.06 (1.29)
1996	4	199.79	271.56 (2.23)	245.00 (1.15)	196.44 (0.63)	186.73 (1.31)
1997	1	201.80	273.63 (2.25)	247.07 (1.16)	198.67 (0.64)	189.39 (1.33)
1997	2	203.47	276.57 (2.27)	247.64 (1.15)	199.66 (0.64)	190.61 (1.33)
1997	3	206.47	280.60 (2.30)	250.65 (1.17)	202.72 (0.65)	193.29 (1.35)
1997	4	209.50	284.86 (2.33)	253.55 (1.18)	206.10 (0.66)	196.47 (1.37)
1998	1	212.71	289.01 (2.36)	258.03 (1.19)	209.48 (0.67)	199.02 (1.38)
1998	2	215.15	293.76 (2.40)	259.62 (1.20)	210.90 (0.67)	201.45 (1.40)
1998	3	218.29	300.25 (2.45)	261.97 (1.21)	213.65 (0.68)	203.92 (1.42)
1998	4	220.74	304.59 (2.49)	265.28 (1.22)	215.75 (0.68)	206.21 (1.43)
1999	1	223.51	309.66 (2.53)	268.69 (1.24)	218.32 (0.70)	208.52 (1.46)
1999	2	226.44	316.57 (2.61)	270.68 (1.28)	220.24 (0.72)	209.99 (1.49)

* U.S. Combined Index is average of Census Division Indexes (weights are 1-unit detached housing units from 1990 Census). Standard error of index number in parentheses. For details on index methodology and derivation of standard errors see: OFHEO House Price Index : Technical Description, Office of Federal Housing Enterprise Oversight, Washington, D.C., 1996.



OFHEO House Price Indexes : 1999 Q2
 U.S. Combined* and Census Division Indexes
 (1980 Q1=100)

Year	Qtr	West South Central	West North Central	East North Central	Mountain	Pacific
1985	1	122.62 (0.54)	112.27 (0.60)	105.36 (0.31)	119.98 (0.72)	122.98 (0.28)
1985	2	122.84 (0.53)	113.60 (0.59)	107.32 (0.31)	120.13 (0.70)	121.03 (0.26)
1985	3	122.37 (0.51)	109.06 (0.55)	108.94 (0.31)	119.55 (0.67)	127.07 (0.27)
1985	4	119.95 (0.51)	114.89 (0.59)	109.76 (0.32)	117.70 (0.66)	127.62 (0.27)
1986	1	122.94 (0.51)	117.02 (0.59)	111.94 (0.32)	124.00 (0.69)	128.49 (0.27)
1986	2	126.07 (0.50)	116.63 (0.58)	113.83 (0.32)	124.16 (0.67)	130.90 (0.27)
1986	3	123.43 (0.50)	120.18 (0.60)	116.60 (0.33)	124.89 (0.68)	134.35 (0.27)
1986	4	121.44 (0.50)	121.70 (0.61)	118.89 (0.34)	122.93 (0.67)	137.32 (0.28)
1987	1	122.08 (0.50)	122.82 (0.62)	120.00 (0.34)	127.10 (0.69)	141.08 (0.29)
1987	2	116.32 (0.47)	126.13 (0.63)	124.47 (0.36)	127.07 (0.69)	143.58 (0.30)
1987	3	114.83 (0.49)	127.56 (0.65)	127.48 (0.37)	124.43 (0.70)	147.65 (0.31)
1987	4	111.75 (0.50)	127.01 (0.67)	129.22 (0.39)	122.67 (0.70)	151.10 (0.33)
1988	1	111.62 (0.49)	128.13 (0.68)	131.19 (0.39)	123.88 (0.71)	156.73 (0.34)
1988	2	112.61 (0.48)	129.80 (0.66)	134.46 (0.39)	124.42 (0.69)	162.63 (0.34)
1988	3	110.36 (0.47)	129.98 (0.67)	136.72 (0.40)	123.86 (0.69)	169.41 (0.36)
1988	4	109.76 (0.47)	130.51 (0.67)	137.82 (0.40)	123.32 (0.69)	176.92 (0.38)
1989	1	110.04 (0.48)	130.90 (0.69)	139.82 (0.41)	123.38 (0.70)	184.99 (0.40)
1989	2	111.30 (0.47)	132.46 (0.68)	142.16 (0.41)	124.02 (0.69)	193.84 (0.41)
1989	3	113.32 (0.47)	133.90 (0.68)	145.30 (0.42)	126.23 (0.69)	204.82 (0.42)
1989	4	112.77 (0.47)	134.78 (0.68)	146.40 (0.42)	126.66 (0.69)	211.26 (0.43)
1990	1	112.67 (0.47)	135.03 (0.69)	148.21 (0.43)	126.89 (0.70)	214.44 (0.44)
1990	2	113.66 (0.47)	135.42 (0.68)	150.13 (0.43)	127.35 (0.69)	215.63 (0.45)
1990	3	114.02 (0.47)	135.91 (0.68)	151.65 (0.43)	128.71 (0.69)	217.54 (0.45)
1990	4	113.57 (0.47)	135.63 (0.68)	152.04 (0.44)	128.97 (0.70)	217.44 (0.45)
1991	1	114.72 (0.47)	137.24 (0.69)	153.60 (0.44)	130.85 (0.70)	219.07 (0.45)
1991	2	116.15 (0.47)	138.39 (0.69)	155.78 (0.44)	132.35 (0.70)	218.73 (0.44)
1991	3	116.41 (0.47)	138.85 (0.69)	157.07 (0.45)	132.79 (0.71)	218.38 (0.44)
1991	4	117.87 (0.48)	140.80 (0.70)	158.91 (0.45)	135.24 (0.72)	220.90 (0.45)
1992	1	119.41 (0.47)	141.66 (0.70)	160.41 (0.45)	136.95 (0.72)	220.65 (0.44)
1992	2	119.42 (0.48)	142.62 (0.70)	162.00 (0.46)	138.32 (0.73)	218.85 (0.44)
1992	3	121.24 (0.48)	144.07 (0.71)	163.55 (0.46)	140.37 (0.74)	219.32 (0.44)
1992	4	121.95 (0.48)	145.11 (0.72)	165.13 (0.47)	142.60 (0.75)	218.33 (0.44)
1993	1	122.45 (0.49)	145.96 (0.72)	165.97 (0.47)	144.31 (0.76)	215.80 (0.44)
1993	2	123.85 (0.49)	147.30 (0.73)	167.63 (0.47)	147.26 (0.78)	215.22 (0.43)
1993	3	125.54 (0.50)	148.96 (0.74)	169.42 (0.48)	150.47 (0.79)	214.36 (0.43)
1993	4	126.96 (0.50)	150.70 (0.74)	171.08 (0.48)	154.04 (0.81)	214.56 (0.43)
1994	1	128.05 (0.51)	152.74 (0.76)	173.60 (0.49)	157.65 (0.83)	213.73 (0.43)
1994	2	129.13 (0.52)	156.86 (0.78)	177.16 (0.50)	163.29 (0.87)	211.20 (0.44)
1994	3	129.50 (0.53)	158.89 (0.80)	179.64 (0.51)	167.05 (0.89)	209.75 (0.44)
1994	4	129.20 (0.53)	159.57 (0.80)	180.54 (0.52)	168.75 (0.90)	207.71 (0.44)
1995	1	129.34 (0.53)	160.93 (0.81)	182.62 (0.52)	171.20 (0.91)	207.59 (0.44)
1995	2	131.74 (0.54)	163.82 (0.82)	185.96 (0.53)	174.77 (0.93)	210.63 (0.44)
1995	3	133.45 (0.54)	166.12 (0.83)	188.86 (0.54)	178.65 (0.95)	213.58 (0.44)
1995	4	134.45 (0.55)	167.93 (0.84)	191.26 (0.54)	181.30 (0.96)	214.01 (0.44)
1996	1	136.34 (0.55)	169.80 (0.84)	193.52 (0.55)	184.19 (0.97)	215.77 (0.44)
1996	2	136.29 (0.55)	171.82 (0.86)	196.69 (0.56)	185.05 (0.98)	214.78 (0.45)
1996	3	136.53 (0.55)	173.13 (0.86)	198.95 (0.57)	186.95 (0.99)	215.03 (0.45)
1996	4	137.38 (0.56)	174.85 (0.87)	201.16 (0.57)	189.58 (1.01)	216.70 (0.45)
1997	1	138.44 (0.57)	176.94 (0.88)	203.70 (0.58)	191.57 (1.02)	218.09 (0.46)
1997	2	139.30 (0.56)	178.78 (0.89)	206.39 (0.59)	192.84 (1.02)	220.75 (0.46)
1997	3	140.69 (0.57)	181.49 (0.90)	209.17 (0.59)	196.20 (1.04)	225.16 (0.47)
1997	4	142.80 (0.58)	183.64 (0.91)	211.87 (0.60)	199.46 (1.06)	228.99 (0.47)
1998	1	145.68 (0.58)	185.96 (0.92)	213.74 (0.60)	201.69 (1.06)	233.85 (0.48)
1998	2	146.39 (0.59)	188.17 (0.93)	216.98 (0.61)	203.69 (1.08)	238.17 (0.49)
1998	3	148.70 (0.60)	190.71 (0.95)	219.52 (0.62)	206.66 (1.09)	243.55 (0.50)
1998	4	150.53 (0.60)	192.56 (0.95)	220.92 (0.62)	208.55 (1.10)	247.54 (0.50)
1999	1	151.71 (0.61)	195.55 (0.97)	224.54 (0.64)	210.78 (1.12)	249.80 (0.51)
1999	2	153.28 (0.64)	199.97 (1.01)	228.32 (0.66)	214.01 (1.15)	253.12 (0.54)

* U.S. Combined Index is average of Census Division Indexes (weights are 1-unit detached housing units from 1990 Census). Standard error of index number in parentheses. For details on index methodology and derivation of standard errors see: OFHEO House Price Index : Technical Description, Office of Federal Housing Enterprise Oversight, Washington, D.C., 1996.



OFHEO House Price Indexes : 1999 Q2
 State-Level Indexes*
 (1980 Q1=100)

Year	Qtr	West Virginia	Wisconsin	Wyoming
1985	1	113.95 (4.47)	101.66 (0.92)	99.01 (2.92)
1985	2	115.11 (4.23)	105.08 (0.94)	98.19 (2.65)
1985	3	114.00 (4.16)	106.89 (0.94)	96.48 (2.55)
1985	4	97.56 (3.44)	107.63 (0.96)	97.37 (2.57)
1986	1	114.34 (4.28)	109.45 (0.97)	99.30 (2.62)
1986	2	117.27 (4.01)	110.75 (0.97)	100.87 (2.49)
1986	3	115.82 (4.00)	111.23 (0.98)	95.27 (2.36)
1986	4	119.94 (4.17)	112.34 (0.99)	93.76 (2.40)
1987	1	119.30 (4.18)	112.93 (1.00)	96.08 (2.42)
1987	2	121.18 (4.24)	114.64 (1.01)	90.94 (2.35)
1987	3	118.13 (4.25)	116.68 (1.06)	85.56 (2.37)
1987	4	121.53 (4.58)	118.08 (1.12)	84.37 (2.30)
1988	1	118.40 (4.55)	118.46 (1.10)	82.38 (2.36)
1988	2	122.85 (4.48)	120.65 (1.09)	78.58 (2.15)
1988	3	124.80 (4.52)	122.66 (1.12)	85.06 (2.25)
1988	4	120.40 (4.46)	123.50 (1.13)	84.80 (2.32)
1989	1	123.87 (4.60)	124.42 (1.16)	80.95 (2.31)
1989	2	126.69 (4.54)	127.21 (1.15)	86.51 (2.34)
1989	3	124.21 (4.37)	129.37 (1.15)	86.28 (2.27)
1989	4	126.45 (4.45)	130.26 (1.16)	86.19 (2.30)
1990	1	128.05 (4.62)	132.01 (1.18)	91.63 (2.56)
1990	2	128.53 (4.54)	134.46 (1.20)	88.13 (2.30)
1990	3	132.37 (4.62)	136.19 (1.21)	93.44 (2.40)
1990	4	129.19 (4.56)	136.68 (1.22)	92.11 (2.40)
1991	1	132.73 (4.65)	138.26 (1.22)	91.80 (2.34)
1991	2	134.86 (4.64)	140.40 (1.23)	95.94 (2.36)
1991	3	133.08 (4.59)	142.65 (1.25)	98.14 (2.40)
1991	4	137.32 (4.72)	143.82 (1.26)	99.18 (2.45)
1992	1	137.58 (4.67)	145.51 (1.27)	99.83 (2.40)
1992	2	140.51 (4.78)	148.22 (1.30)	101.02 (2.44)
1992	3	141.29 (4.81)	149.84 (1.31)	103.62 (2.50)
1992	4	143.08 (4.86)	151.87 (1.33)	104.95 (2.52)
1993	1	142.54 (4.87)	152.91 (1.34)	105.46 (2.57)
1993	2	144.45 (4.89)	155.17 (1.36)	108.26 (2.59)
1993	3	149.08 (5.06)	157.44 (1.38)	111.06 (2.66)
1993	4	148.52 (5.02)	159.40 (1.40)	113.54 (2.71)
1994	1	151.46 (5.17)	163.81 (1.44)	116.60 (2.81)
1994	2	151.93 (5.21)	170.62 (1.51)	119.36 (2.90)
1994	3	157.47 (5.44)	174.46 (1.55)	123.27 (3.00)
1994	4	156.06 (5.41)	174.83 (1.56)	124.03 (3.03)
1995	1	158.06 (5.49)	176.74 (1.57)	126.63 (3.07)
1995	2	161.05 (5.54)	180.37 (1.59)	129.44 (3.13)
1995	3	163.60 (5.61)	182.91 (1.61)	130.71 (3.15)
1995	4	162.91 (5.61)	185.28 (1.63)	132.88 (3.21)
1996	1	165.57 (5.67)	186.40 (1.64)	135.69 (3.27)
1996	2	169.24 (5.79)	188.91 (1.67)	135.80 (3.27)
1996	3	167.15 (5.73)	190.67 (1.68)	137.22 (3.32)
1996	4	169.02 (5.82)	192.83 (1.70)	137.82 (3.36)
1997	1	169.48 (5.83)	194.75 (1.72)	138.92 (3.40)
1997	2	172.78 (5.90)	196.74 (1.73)	140.51 (3.40)
1997	3	173.49 (5.92)	199.42 (1.75)	141.40 (3.43)
1997	4	177.59 (6.07)	201.46 (1.77)	143.74 (3.50)
1998	1	179.41 (6.09)	202.92 (1.78)	146.26 (3.51)
1998	2	180.27 (6.13)	205.55 (1.81)	145.75 (3.51)
1998	3	182.85 (6.23)	207.61 (1.83)	146.85 (3.54)
1998	4	185.96 (6.30)	208.28 (1.83)	147.28 (3.53)
1999	1	186.92 (6.37)	212.65 (1.87)	148.28 (3.58)
1999	2	186.13 (6.47)	216.41 (1.93)	151.40 (3.75)

* Standard error of index number in parentheses. For details on index methodology and derivation of standard errors see: OFHEO House Price Indexes : HPI Technical Description, Office of Federal Housing Enterprise Oversight, Washington, D.C., 1996.



1999 Q2

Volatility Parameter Estimates

Division / State	\bar{A}	\bar{B}	Annualized Volatility Estimate (Year 1)
East North Central	0.0018875	-0.000005094	0.08642
East South Central	0.0020231	-0.000001021	0.08987
Middle Atlantic	0.0023777	0.000002380	0.09772
Mountain	0.0025673	-0.000018893	0.09983
New England	0.0020342	-0.000006806	0.08960
Pacific	0.0024577	-0.000015930	0.09786
South Atlantic	0.0021322	-0.000000436	0.09231
West North Central	0.0019156	-0.000004428	0.08713
West South Central	0.0025944	-0.000016006	0.10061
Alaska	0.0023957	-0.000027239	0.09564
Alabama	0.0021277	0.000002927	0.09251
Arkansas	0.0024369	-0.000014362	0.09756
Arizona	0.0021665	-0.000012607	0.09200
California	0.0015134	-0.000005554	0.07723
Colorado	0.0020830	-0.000016139	0.08985
Connecticut	0.0020073	-0.000008963	0.08880
District of Columbia	0.0025109	-0.000017276	0.09883
Delaware	0.0011309	-0.000000780	0.06716
Florida	0.0026589	0.000000662	0.10318
Georgia	0.0018485	0.000009620	0.08688
Hawaii	0.0032130	-0.000021867	0.11181
Iowa	0.0015137	-0.000006909	0.07710
Idaho	0.0025473	-0.000019830	0.09936
Illinois	0.0014243	0.000011828	0.07672
Indiana	0.0019351	-0.000011338	0.08694
Kansas	0.0020934	-0.000011998	0.09045
Kentucky	0.0017035	-0.000004111	0.08215
Louisiana	0.0021731	-0.000014496	0.09198
Massachusetts	0.0017848	-0.000005180	0.08400
Maryland	0.0012997	-0.000004353	0.07162
Maine	0.0020371	-0.000009931	0.08938
Michigan	0.0019193	-0.000011632	0.08655
Minnesota	0.0020572	-0.000003270	0.09042
Missouri	0.0013879	0.000000012	0.07451
Mississippi	0.0025659	-0.000016666	0.09998
Montana	0.0024433	-0.000018584	0.09734
North Carolina	0.0017677	-0.000003124	0.08379
North Dakota	0.0013708	-0.000005268	0.07348
Nebraska	0.0018559	-0.000007880	0.08543
New Hampshire	0.0017416	-0.000012470	0.08226
New Jersey	0.0019669	-0.000007981	0.08798
New Mexico	0.0020851	-0.000011878	0.09028
Nevada	0.0011576	-0.000003458	0.06764
New York	0.0029548	-0.000000488	0.10868
Ohio	0.0017918	-0.000005358	0.08415
Oklahoma	0.0025170	-0.000021759	0.09859
Oregon	0.0025564	-0.000019760	0.09955
Pennsylvania	0.0016294	0.000008265	0.08155
Rhode Island	0.0017102	-0.000010798	0.08166
South Carolina	0.0020004	-0.000003930	0.08910
South Dakota	0.0015527	0.000008337	0.07965
Tennessee	0.0017983	0.000000622	0.08487
Texas	0.0025197	-0.000013234	0.09933
Utah	0.0019849	-0.000014742	0.08777
Virginia	0.0014172	-0.000003600	0.07491
Vermont	0.0016071	-0.000008805	0.07929
Washington	0.0023074	-0.000012606	0.09501
Wisconsin	0.0018498	-0.000007894	0.08528
West Virginia	0.0021924	-0.000003637	0.09334
Wyoming	0.0026101	-0.000023859	0.10029





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 a Director appointed by the President for a five-year term. Mark Kinsey, OFHEO's Deputy Director, currently serves as Acting Director.

OFHEO's primary mission is ensuring the capital adequacy and financial safety and soundness of two government-sponsored enterprises (GSEs) the **Federal National Mortgage Association (Fannie Mae)** and the **Federal Home Loan Mortgage Corporation (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 \$1.9 trillion.

Fannie Mae and Freddie Mac are Congressionally--chartered, publicly--owned corporations whose shares are 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 includes:

- Conducting broad -based examinations of Fannie Mae and Freddie Mac;
- Developing a risk-based capital standards, using a “stress test,” that simulates stressful 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 of 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 such other federal financial regulators 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.)

