

## Monthly Press Release

FOR RELEASE at 8:30 a.m. EST  
Tuesday November 30, 2004  
FHFB 04-43 (MIRS)

For further information contact:  
David L. Roderer  
(202) 408-2967

### **FEDERAL HOUSING FINANCE BOARD REPORTS OCTOBER AVERAGE HOUSE PRICE OF \$264,540**

Washington, D.C. -- The Federal Housing Finance Board today reported that the national average one-family house purchase price in October was \$264,540. The October 2004 data are based on 23,466 reported loans from 77 lenders, representing savings institutions, mortgage companies, and commercial banks. The October 2004 average price compares with a national average one-family house purchase price of \$243,756 in October 2003.

By statute, the Federal Housing Finance Board is responsible for providing the October average house price. Also by statute, Fannie Mae and Freddie Mac determine for the upcoming year the maximum size loan that they can purchase, known as the conforming loan limit, based on the average house price information provided by the Finance Board.

The Federal National Mortgage Association Charter Act and the Federal Home Loan Corporation Act make reference to the October average house price. The Housing and Community Development Act of 1980 amended both of these acts to include a provision that allows both enterprises to adjust each year the maximum size of mortgage loans that they can purchase based on the percent change in the October average house price compared with the October average house price in the previous year.

The average house price is based on a monthly survey of major lenders that report to the Finance Board the terms and conditions on all conventional, single-family, fully amortized, purchase-money loans closed during the last five working days of the month. The data exclude FHA-insured and VA-guaranteed mortgages, refinancing loans, and balloon loans.

The Federal Housing Finance Board implemented several methodological changes to its Monthly Interest Rate Survey (MIRS) in January 2003. Those changes were published in the Federal Register on December 27, 2002, and their effect explained in more detail in subsequent communications with both Fannie Mae and Freddie Mac. Based on parallel testing from August 2001 through December 2002, the Finance Board estimated the average effect of those methodological changes was to increase the reported average house price by \$1,647. To appropriately compare the October 2003 average house price to the October 2002 average house price, the enterprises should have subtracted \$1,647 from the October 2003 survey data, but that one-time adjustment was not made last year when the enterprises calculated the conforming loan limit for 2004.

Had the enterprises made the \$1,647 adjustment to the October 2003 average house price, the conforming loan limit for 2004 would have been 2.71 percent greater than the 2003 limit, not 3.41 percent greater as calculated by the enterprises. In calculating the conforming loan limit for 2005, the percent change in unadjusted average house prices from October 2003 to October 2004 should be applied to the corrected conforming loan limit for 2004.