



**Title: Risk Based Capital
Process for Capturing and Utilizing National Average HPI Files**

Approved By: Stephen Blumenthal

Date: 12/14/05

I. PURPOSE:

The purpose of this guideline is to set forth the process for capturing and utilizing national average HPI files. The National Average House Price Index (HPI) file is used to update the loan-to-value (LTV) ratio for loans underlying single class mortgage-backed securities (MBS) as detailed in section 3.7.3.1 of the Risk-Based Capital (RBC) regulation. This process includes updating Table-3-60- Historical National Average HPI on a quarterly basis.

II. Scope:

This guideline applies to OFHEO employees. The information generated through the process set forth in this guideline is used by OFHEO, the Enterprises, and the public in the production of RBC stress test simulations. OFHEO uses these simulations to determine quarterly Risk-Based Capital classifications.

The OFHEO Director may amend this guideline at his or her discretion.

III. Authority And References:

12 USC 4611
12 CFR Part 1750

IV. Effective Date:

This guideline is effective immediately upon approval by the Director of OFHEO.

V. Policy:

It shall be the policy of OFHEO to determine the RBC requirement for each Enterprise at least quarterly.

VI. Process:

The National Average House Price Index is used in the Risk-Based Capital stress test to update the LTV for loans underlying some single-class MBS. This index is calculated quarterly by OFHEO and released to the public on OFHEO's website.

The National Average HPI has a one-quarter lag in production. The appropriate National Average HPI report for the stress test at the end of any given quarter is the report for the previous quarter. For example, for 1Q04, the appropriate



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National Average HPI report is the report dated 4Q03. The RBC rule recognizes this quarter lag in its calculation.

OFHEO produces the National Average HPI along with the census division HPI for each quarter. It is available two months after quarter end. For example the National Average HPI for 3Q04 was available on December 1, 2004.

The National Average House Price Index is released by OFHEO in model-ready format. OFHEO releases the quarterly House Price Index on the first business day of March, June, September and December.

The Enterprises and public download the National Average HPI by following the steps below:

- <http://www.ofheo.gov>
- **Capital Requirements**
- **National Average HPI Index Files**
- Click on Link – **XQ XXXX National Average HPI for use in the YQ YYYY Risk-Based Capital Stress Test** to retrieve HPI data (where X and Y represent specific sequential quarters)
- Save file

VI. Definitions:

National Average House Price Index (HPI) – A weighted repeat sales index produced quarterly, measuring average price changes in repeat sales or refinancings on the same properties, and designed to capture changes in the value of single-family homes in the U.S. as a whole.

Loan-to-Value Ratio (LTV) – For a mortgage, the amount of the loan divided by the value of the property.

VII. Responsibilities:

Office of Technology and Information Management (OTIM) – Produces the quarterly HPI for release to the public and the National Average HPI in model-ready format for use in the RBC stress test.

Office of Capital Supervision (OCS) – Uses the National Average HPI Files in the Risk-Based Capital stress test (RBC) to update the LTV for loans underlying some single-class MBS.



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Office of Policy Analysis & Research (OPAR) – Supervises production of the HPI each quarter.

Office of External Relations (OER) – Places the HPI, including the National Average, on the OFHEO web-site each quarter.

VIII. Types of Records Created:
Quarterly National Average HPI files.

This Guideline was last updated on: 5/28/02