



"MONTHLY SURVEY OF RATES AND TERMS ON CONVENTIONAL 1-FAMILY NONFARM MORTGAGE LOANS (MIRS)"

OMB NUMBER 3069-0001

SUPPORTING STATEMENT

A. Justification

1. The Federal Housing Finance Board's (Finance Board) predecessor, the former Federal Home Loan Bank Board (FHLBB), first provided data concerning a survey of mortgage interest rates in 1963. No statutory or regulatory provision explicitly required the FHLBB to conduct this survey, commonly known as the Monthly Interest Rate Survey or MIRS, although references to the MIRS did appear in several federal and state statutes. Responsibility for conducting the MIRS was transferred to the Finance Board upon dissolution of the FHLBB in 1989. *See* Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Pub. L. No. 101-73, tit. IV, § 402(e)(3)-(4), 103 Stat. 183, *codified at* 12 U.S.C. § 1437 note, and tit. VII, § 731(f)(1) and (f)(2)(B), 103 Stat. 433 (Aug. 9, 1989). In 1993, the Finance Board promulgated a final rule describing the method by which it conducts the MIRS. *See* 58 Fed. Reg. 19195 (Apr. 13, 1993), *codified at* 12 C.F.R. § 906.3. Since its inception, the MIRS has provided the only consistent source of information on mortgage interest rates and terms and house prices for areas smaller than the entire country.

Statutory references to the MIRS include the following:

- Pursuant to their respective organic statutes, Fannie Mae and Freddie Mac use the MIRS results as the basis for required annual adjustments to the maximum dollar limits for their purchase of conventional mortgages. *See* 12 U.S.C. §§ 1454(a)(2) and 1717(b)(2). The Fannie Mae and Freddie Mac limits were first tied to the MIRS by the Housing and Community Development Act of 1980. *See* Pub. L. No. 96-399, tit. III, § 313(a)-(b), 94 Stat. 1644-1645 (Oct. 8, 1980). At that time, the nearly identical statutes required Fannie Mae and Freddie Mac to base the dollar limit adjustments on "the national average one-family house price in the monthly survey of all major lenders conducted by the [FHLBB]." *See* 12 U.S.C. §§ 1454(a)(2) and 1717(b)(2) (1989). When Congress abolished the FHLBB in 1989, it replaced the reference to the FHLBB in the Fannie Mae and Freddie Mac statutes with a reference to the Finance Board. *See* FIRREA, tit. VII, § 731(f)(1) and (f)(2)(B), 103 Stat. 433.
- Also in 1989, Congress required the Chairperson of the Finance Board to take necessary actions to ensure that indices used to calculate the interest rate on adjustable-rate mortgages (ARMs) remain available. *See* FIRREA, tit. IV, § 402(e)(3)-(4), 103 Stat. 183, *codified at* 12 U.S.C. § 1437 note. At least one ARM index, known as the National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, is derived from the MIRS data. The statute permits the Finance Board to substitute a different ARM index after notice and comment only if the new ARM index is based upon data

substantially similar to that of the original ARM index and substitution of the new ARM index will result in an interest rate substantially similar to the rate in effect at the time the new ARM index replaces the existing ARM index. *See* 12 U.S.C. § 1437 note.

- Congress indirectly connected the high cost area limits for mortgages insured by the Federal Housing Administration (FHA) of the Department of Housing and Urban Development to the MIRS in 1994 when it statutorily linked these FHA insurance limits to the purchase price limitations for Fannie Mae. *See* Pub. L. No. 103-327, 108 Stat. 2314 (Sept. 28, 1994), *codified at* 12 U.S.C. § 1709(b)(2)(A)(ii).
- The Internal Revenue Service uses the MIRS data in establishing “safe-harbor” limitations for mortgages purchased with the proceeds of mortgage revenue bond issues. *See* 26 C.F.R. § 6a.103A-2(f)(5).
- Statutes in several states and U.S. territories, including California, Michigan, Minnesota, New Jersey, Wisconsin and the Virgin Islands, refer to, or rely upon, the MIRS. *See, e.g.*, Cal. Civ. Code 1916.7 and 1916.8 (mortgage rates); Mich. Comp. Laws 445.1621(d) (mortgage index rates); Minn. Stat. 92.06 (payments for state land sales); N.J. Rev. Stat. 31:1-1 (interest rates); Wis. Stat. 138.056 (variable loan rates); V.I. Code Ann. tit. 11, sec. 951 (legal rate of interest).

2. The information collection is used for the purposes described in the answer to Question 1. In addition, the Finance Board uses the information collection to produce the MIRS and for general statistical purposes and program evaluation. Economic policy makers, such as the Board of Governors of the Federal Reserve System and the Council of Economic Advisors, use the MIRS data to determine trends in the mortgage markets, including interest rates, down payments, terms to maturity, terms on ARMs, and initial fees and charges on mortgage loans. Other federal banking agencies use the MIRS results for research purposes. Information concerning the MIRS is published regularly in the popular and trade press, in Finance Board press releases, including a monthly 1-page ARM index release, a monthly 8- or 12-page release with mortgage rate and term data, and an annual summary all available via the Finance Board’s web site, and in publications of other federal agencies, including The Economic Report of the President and Statistical Abstract of the United States. The Finance Board also responds to approximately 1,000 telephone calls annually and 1,400 to 1,900 inquiries monthly to its automated telephone answering system for the ARM index and other MIRS information.

3. The Finance Board collects approximately 95 percent of the responses to the information collection electronically. The Finance Board has strongly encouraged respondents to report electronically since first instituting electronic reporting in November 1991.

4. The information collection avoids duplication by collecting all necessary information on a single form known as Form FHFB 10-91 or through the MIRS software. The information collected generally is not available from any other source and provides the only national survey of home prices covering both new and existing homes.

5. The information collection does not have a significant economic impact on a substantial number of small entities.

6. Pursuant to the statutory requirements described in the answer to Question 1, the Finance Board conducts the information collection on a monthly basis. Since data on mortgage rates and terms and home prices is vital economic information, collecting the information less frequently would affect the ability of policy makers to make informed judgments about economic conditions. In addition, most ARM contracts linked to the MIRS rely upon the data provided monthly.

7. There are no special circumstances that require the Finance Board to conduct the information collection in a manner inconsistent with the guidelines in Question 7.

8. In accordance with the requirements of 5 C.F.R. § 1320.8(d), the Finance Board published a request for public comments regarding this information collection in the *Federal Register* on April 11, 2007. See 72 Fed. Reg. 18246 (Apr. 11, 2007). The 60-day comment period closed on June 11, 2007. The Finance Board received no comments

9. The Finance Board does not provide a payment or gift to any respondent.

10. The Finance Board does not provide any assurance of confidentiality to respondents. However, when the Finance Board responds to requests for individual loan data, which is similar to information contained in public land records, it does not disclose the identity of the lender or any loan identification number. The MIRS report contains no borrower identifier more specific than a ZIP code.

11. The information collection does not include questions of a sensitive nature.

12. The estimated annualized cost to respondents of the information collection is \$21,000. The estimated annualized hour burden is 600 hours. The Finance Board based these estimates on the following calculations:

Clerical staff completes and submits Form FHFB 10-91 or provides information through the MIRS software.

- Review/processing time: 0.5 hours
- Total forms: 1,200 (200 respondents x 6 monthly reports)
- Total hours: 600
- Hourly rate: \$35 (includes salary, benefits, and overhead)
- Total cost: \$21,000

13. The Finance Board has not identified any costs to respondents other than the costs discussed in detail in the answer to Question 12.

14. The estimated annualized cost to the Finance Board of the information collection is \$80,125. The estimated annualized hour burden is 1,144 hours. The Finance Board based these estimates on the following:

- \$80,125 for Finance Board staff salaries and benefits, which includes 40 percent of the time of the principal analyst, 10 percent of the time of a senior information technology specialist, 5 percent of the time of the program supervisor, and a 25 percent allowance for benefits.

15. The reduction reported by the Finance Board in Item 13 of OMB Form 83-I is the result of consolidation in the mortgage lending industry.

16. The Finance Board issues several types of releases based on the MIRS data in tabular form including a monthly 1-page ARM index release, a monthly 8- or 12-page release with mortgage rate and term data, and an annual summary all available via the Finance Board's web site. The Finance Board does not use any complex analytical techniques.

17. The Finance Board plans to display the expiration date for OMB approval of the information collection.

18. There are no exceptions to the certification statement identified in Item 19 of OMB Form 83-I.

B. Collections of Information Employing Statistical Methods

1. The potential respondent universe includes the following:

- A target sample of 105 of approximately 1,074 savings associations. In 2006, 69 savings associations responded to the information collection.
- A target sample of 45 of approximately 3,480 commercial banks and savings banks with (a) total assets greater than \$1 billion with mortgage-related assets of 10 percent, or (b) total assets less than \$1 billion with mortgage-related assets of 20 percent. In 2006, 39 commercial banks responded to the information collection.
- A sample of mortgage companies. Since mortgage companies are not subject to uniform regulation or registration and are not subject to geographic restrictions on their operation, the total universe and target sample are difficult to quantify. In 2006, 13 mortgage companies responded to the information collection, including several very large mortgage companies that operate in multiple states.

Approximately 50 percent of the lenders in the sample respond either every month or almost every month, 25 percent respond infrequently, and the remaining 25 percent respond about every other month. Lenders that do not respond in a 12-month period generally are dropped from the sample. In 2006, the Finance Board collected information on over 217,000 loans.

2. The survey is stratified on the basis of lender type and geographical location. The Finance Board publishes monthly aggregate data by lender type, quarterly data for 32 selected large metropolitan areas and the 12 Federal Home Loan Bank (Bank) districts, and annual data for all states. The sampling method draws savings banks, commercial banks and savings associations with equal probabilities of selection from a lender type/geo stratum.

The MIRS data is post-stratified or balanced on the basis of two considerations. First, the shares of weighted loans are adjusted so the frequency distribution of weighted loans by lender type matches the lender-type distribution in the latest Home Mortgage Disclosure Act (HMDA) release of the Board of Governors of the Federal Reserve System. Second, the resulting weights are adjusted so the frequency distribution of weighted loans by Bank district matches the geographic pattern of mortgage originations annually reported in the HMDA file. Finally, individual loan weights are capped at three standard deviations over the mean weight for the particular lender type. As a practical matter, the balancing has the effect of weighting up loans reported by commercial banks and weighting down loans reported by savings associations.

The Finance Board believes the national MIRS data is reliable and accurate for its intended purposes. For some of the less populous states and smaller metropolitan areas, the inferences drawn must be qualified by the sample size. The Finance Board tested the accuracy of the mortgage rate data by comparing the average rate on 30-year conforming fixed-rate loans with similar data reported in Freddie Mac's commitment-rate survey. After adjusting for a one month lag between mortgage commitment and mortgage closing, the two series differed by an average of 0.04 percent. It is not possible to test directly the reported home price data against other home-price series. The data reported by the National Association of Realtors is median price data on purchase transactions and includes some homes financed by FHA-insured mortgages. The MIRS specifically excludes FHA mortgages and reports average, not median, prices. The new home price series of the Census Bureau also includes some homes financed with FHA mortgages. The repeat-sales price index jointly published by Fannie Mae and Freddie Mac excludes jumbo and other types of nonconforming loans that are within the scope of the MIRS, and the repeat-sales index is likely to include fewer ARMs than the MIRS.

3. The Finance Board prepares an internal monthly report indicating whether a lender responded to the information collection and the number of loans it reported. Follow-up procedures generally include the following:

- Asking any of the 10 largest respondents that failed to report to do so before the monthly data is tabulated.
- Contacting a regular respondent by telephone if the respondent has failed to report for two or three months. In most cases, the break in reporting is due to personnel changes at the respondent.
- Sending out address update forms each May to all respondents and again in July to respondents that do not return the form.

- Notifying respondents each October of the urgency of reporting October data for the purposes of determining the Fannie Mae and Freddie Mac conforming loan limit.
- Enlisting the survivor when a respondent merges or is acquired. These efforts are met with limited success.

The Finance Board also addresses the issue of non-response by having the individual weights be the number of lenders in the lender type/geo stratum divided by the number that actually report from that lender type/geo stratum, including those lenders that report closing no loans. The reporting system allows a no loans closed response, and lenders are periodically reminded of the importance of this feature in the weighting scheme.

4. Form FHFB10-91 and the MIRS software were tested when last revised in June 1999. No testing with individual respondents has occurred in conjunction with this request.

5. The sampling and weighting framework are attributable to Dr. Martin R. Frankel. The framework, established in late 1991, has not been changed in any material respect. At that time, Dr. Frankel was on the faculty of Baruch College, City University of New York. Dr. Frankel has not been contacted in conjunction with this request.

The supervisory program official at the Finance Board is Dr. Joseph A. McKenzie, Deputy Chief Economist, Office of Supervision, 202-408-2845 or mckenziej@fhfb.gov. The analyst responsible for the day-to-day operation of the MIRS is David Roderer, 202-408-2540 or rodererd@fhfb.gov.