



**MONTHLY SURVEY OF RATES
AND TERMS ON
CONVENTIONAL
1-FAMILY NONFARM MORTGAGE LOANS (MIRS)
OMB NUMBER 2590-0004**

SUPPORTING STATEMENT

Introduction

The Federal Housing Finance Agency (FHFA) MIRS collection of information is in transition as the result of the enactment of the Housing and Economic Reform Act of 2008 (HERA), which amended the Federal Housing Safety and Soundness Act of 1992 (Safety and Soundness Act) (12 U.S.C. 4501 *et seq.*) and the Federal Home Loan Bank Act (12 U.S.C. 1421 *et seq.*) to establish FHFA as an independent agency of the Federal government.¹

Because FHFA has no authority to compel the reporting of data, the number of respondents to MIRS has been decreasing and the sample size has become deficient. In December 2006, 121 institutions reported 217,422 loans; in December 2009, 76 institutions reported 82,517 loans. The most recent news release on MIRS in December 2010, indicated that 34 institutions reported 3,943 loans. The decline in the number of participants reflects, in part, the consolidation within the mortgage lending industry, while the decline in the number of loans reflects that and lower volumes of new originations, generally. The news release noted that FHFA's report on interest rates contains no data on adjustable-rate mortgages due to insufficient sample size, only partly reflecting the current unpopularity of such loans. See http://www.fhfa.gov/webfiles/19615/Dec_MIRS_Dec_2010_final.pdf.

In light of the deficient sample size, the current survey has many limitations. FHFA is actively seeking a method to obtain from other sources the necessary information to assess the national average one-family house price for use for adjusting the conforming loan limitations of Freddie Mac and Fannie Mae. FHFA intends to retire the MIRS after such method is found and implemented.

A. Justification

1. Circumstances Necessitating Collection of Information

The MIRS collection of information began with one of FHFA's predecessor agencies, the former Federal Housing Finance Board (Finance Board). MIRS, is a monthly survey of major lenders that are asked to report the terms and conditions on all conventional, single-

¹ See Division A, titled the "Federal Housing Finance Regulatory Reform Act of 2008," tit. I, section 1101 of HERA.

family, fully amortized, purchase-money loans closed the last five working days of the month. MIRS excludes FHA-insured and VA-guaranteed loans, multifamily loans, mobile home loans, and loans created by refinancing another mortgage. Respondents are requested to submit the information on a monthly basis. MIRS is described in 12 CFR 906.5.

FHFA considers MIRS, among other indexes or measures FHFA determines are appropriate, in establishing and maintaining a method to assess the national average one-family house price for use for adjusting the conforming loan limitations of Freddie Mac and Fannie Mae. 12 U.S.C. 4542.

Statutory references of the MIRS include the following:

- 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 the Financial Institutions Reform, Recovery and Enforcement Act of 1989(FIRREA), tit. IV, section 402, paragraphs (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 FHFA 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. For a period in 1980 and 1981, an ARM index derived from MIRS was the only ARM index that federally chartered savings institutions could use. Few, if any, loans from that 1980-1981 period remain. Subsequent to 1981, an unknown but likely very small proportion of new ARMs used this index. There was no reference in FIRREA to the continuation of the MIRS survey of housing prices.
- 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, § 951 (legal rate of interest).

2. Use of the Data

The information collection is used for the purposes described in the answer to Item 1. In addition, FHFA uses the information collection to produce the MIRS and for general statistical purposes. The MIRS provides monthly information on interest rates, loan terms, and house prices by property type (all, new, previously occupied) and by lender type (savings associations, mortgage companies, commercial banks, and savings banks), as well as information on 15-year and 30-year fixed-rate loans. In addition, the MIRS provides

quarterly information on conventional loans by major metropolitan area and by Federal Home Loan Bank district.

Mortgage lenders report voluntarily the terms and conditions on all single-family, fully amortized, purchase-money, non-farm loans that they close during the last five business days of the month. The MIRS excludes FHA-insured and VA-guaranteed loans, multifamily loans, mobile home loans, and loans created by refinancing another mortgage. Respondents are requested to submit the information on a monthly basis.

Economic policy makers have used 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, such as the Board of Governors of the Federal Reserve System and the Council of Economic Advisors, have used the MIRS results for research purposes.

3. Use of Improved Information Technology to Reduce Burden

Most (90%) of the respondents submit the requested information electronically using the MIRS software in a format similar to FHFA Form #075 (supersedes FHFB Form 10-91). Some respondents elect to complete FHFA Form #075 and submit it by facsimile.

4. Efforts to Identify Duplication

The information collected generally is not available from any other source and MIRS is unique in that it spans a long period of time, and it provides information on both fixed and adjustable rates combined.

5. Methods to Minimize Burden on Small Businesses or Other Small Entities

The collection of information does not affect small businesses or other small entities.

6. Consequences of Less Frequent Collection on Federal Programs or Policy Activities

Pursuant to the statutory requirements described in the answer to Item 1, FHFA conducts the information collection on a monthly basis. In addition, a few remaining ARM contracts linked to the MIRS rely upon the data provided monthly.

7. Explanation of any Special Circumstances

FHFA will collect information under this clearance in a manner that complies with 5 CFR 1320.5(d) (2). FHFA also contemplates that there are no special circumstances that require FHFA to conduct the information collection in a manner inconsistent with the guidelines in Item 7 of the Certification Requirements for Paperwork Reduction Act.

8. Notice and Comments & Consultation with those whose information will be obtained on Availability of Data, Frequency of Collection, Clarity of Instructions and Forms, and Data Elements

FHFA published a 60-day notice in the *Federal Register* on May 12, 2010 (75 FR 26756), as required by 5 CFR 1320.8(d) soliciting comments on the information collection prior to submission to OMB. FHFA received comments from three organizations, which are posted on its web site at

<http://www.fhfa.gov/Default.aspx?Page=89&ListNumber=5&ListID=14707&ListYear=2010&SortBy=#14707>. The commenters support continuation of the MIRS. One commenter suggested enhancing the utility of the MIRS by including mortgages that are backed by FHA or the Department of Veterans Affairs. Another commenter suggested a new sampling frame using Home Mortgage Disclosure Act data to enhance the utility of the MIRS data. FHFA also published a 30-day notice in the *Federal Register* on August 27, 2010 (75 FR 52747), as required by 5 CFR 1320.8. One comment was received, which is posted on its web site at http://www.fhfa.gov/webfiles/16595/75_FR_52747_08-27-2010.pdf. That commenter also supported the continuation of MIRS.

Although the commenters support the continuation of MIRS, because of the continuing issue of insufficient sample size, FHFA is seeking alternative sources of data rather than enhancing MIRS

9. Explanation of Decision to Provide any Payment or Gift to Respondents

No payments or gifts will be made to respondents.

10. Description of Assurance of Confidentiality to Respondents

FHFA will not provide any assurance of confidentiality to respondents. However, when FHFA 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. Justification of Sensitive Questions

The MIRS will not ask questions or collect data of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

12. Estimates of Respondents Burden

The estimated annualized hour burden is 200 hours. FHFA based these estimates on the following calculations:

Clerical staff completes and submits FHFA Form #075 (supersedes FHFBS Form 10-91) or provides information through the MIRS software.

- Review/processing time: 0.33 hours
- Total forms: 608 (76 respondents x 8 monthly reports)
- Total hours: 200

13. Estimated Total Annual Cost Burden to Respondents

The estimated annualized cost to respondents of the information collection is \$7,000. This estimate is based on the following calculations:

Clerical staff completes and submits FHFA Form #075 (supersedes FHFBS Form 10-91) or provides information through the MIRS software.

- Review/processing time: 0.33 hours
- Total forms: 608 (76 respondents x 8 monthly reports)
- Total hours: 200

Hourly rate: \$35 (includes salary, benefits, and overhead)

- Total cost: \$7,000

14. Estimated Total Annual Cost Burden to the Federal Government

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

- \$80,125 for FHFA 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. Reasons for Program Changes or Adjustments Reported on the Burden Worksheet.

In 2006, 121 institutions reported 217,422 loans. In 2009, 76 institutions reported 82,517 loans. There was a lower burden to the institutions because fewer institutions were reporting fewer loans.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

Information concerning the MIRS is published regularly on the FHFA web site, <http://www.fhfa.gov>, in FHFA press releases, in the popular and trade press, 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 FHFA's web site. Information is also available in publications of other Federal agencies, including The Economic Report of the President and Statistical Abstract of the United States. FHFA publishes on its web site the phone number for an automated telephone answering system that provides callers a recorded message about the ARM index and other MIRS information. FHFA does not use any complex analytical techniques.

17. Explanation if Seeking Approval to not Display the OMB Expiration Date

FHFA is not seeking such approval.

18. Exceptions to the Certification Statement

No exception to the certification statement is being requested.

B. Collections of Information Employing Statistical Methods

1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection methods to be used. Data on the number of entities (e.g., establishments, State and local government units, households, or persons) in the universe covered by the collection and in the corresponding sample are to be provided in tabular form for the universe as a whole and for each of the strata in the proposed sample. Indicate expected response rates for the collection as a whole. If the collection had been conducted previously, include the actual response rate achieved during the last collection.

In 2009, FHFA collected information from 76 respondents on 82,517 loans:

- A sample of 105 of approximately 1,074 savings associations. In 2009, 46 savings associations responded to the information collection. [FHFA has a longstanding good relationship with savings banks, because FHFA is descended from the Federal Home Loan Bank Board. Because of this, more savings banks agree to participate in the survey and continue to submit monthly data.]
- A 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 2009, 24 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. FHFA has severe difficulties getting any mortgage companies to participate in the survey. FHFA would describe the selection of mortgage companies as “every single one that agreed to participate.” In 2009, 6 mortgage companies responded to the information collection, including several very large mortgage companies that operate in multiple states.

The samples have become convenience samples and no further requests for samples will be undertaken.

2. **Describe the procedures for the collection of information including: statistical methodology for stratification and sample selection, estimation procedure, degree of accuracy needed for the purpose described in the justification, unusual problems requiring specialized sampling procedures, and, any use of periodic (less frequent than annual) data collection cycles to reduce burden.**

Not applicable because sample size has become deficient.

3. **Describe methods to maximize response rates and to deal with issues of non-response. The accuracy and reliability of information collected must be shown to be adequate for intended uses. For collections based on sampling, a special justification must be provided for any collection that will not yield "reliable" data that can be generalized to the universe studied.**

Not applicable because sample size has become deficient and FHFA has no authority to compel a response.

4. **Describe any tests of procedures or methods to be undertaken.**

Not applicable.

5. **Provide the name and telephone number of individuals consulted on statistical aspects of the design and the name of the agency unit, contractor(s), grantee(s), or other person(s) who will actually collect and/or analyze the information for the agency.**

Not applicable.