"NATIONAL SURVEY OF MORTGAGE BORROWERS"

OMB NUMBER 2590-00XX

REVISED SUPPORTING STATEMENT

BACKGROUND

The Federal Housing Finance Agency (FHFA) is seeking OMB clearance under the Paperwork Reduction Act (PRA) for a new collection of information called the "National Survey of Mortgage Borrowers" (NSMB). The NSMB will be a quarterly survey of individuals who have recently obtained a loan secured by a first mortgage on single-family residential property. The survey will be carried out primarily by a contractor under the direction of FHFA. The survey questionnaire will consist of approximately 80-85 questions designed to obtain information about individual residential mortgages and borrowers that is not available elsewhere. This includes specific information on: the terms of the mortgage obtained; the mortgaged property; the borrower's experience with the loan application and closing processes; and the borrower's financial resources and financial knowledge. A copy of the draft survey questionnaire, revised as of November 22, 2013, is attached to this supporting statement.

The NSMB is one component of a larger project, known as the "National Mortgage Database." The National Mortgage Database is a joint effort of FHFA and the Consumer Financial Protection Bureau (CFPB) and is a uniquely comprehensive database of information on the residential mortgage origination market. Although the overall National Mortgage Database project is being co-sponsored by FHFA and CFPB, FHFA alone is responsible for administering the NSMB. In order to provide the context for this collection of information, the background of the National Mortgage Database project is summarized below.

The need for the National Mortgage Database grew out of the subprime mortgage crisis that began in the United States in 2007. The subprime crisis, and the financial crisis that followed, revealed the extent to which regulators lacked sufficient data to foresee and adequately respond to a crisis in the mortgage markets.

Section 1324 of the Housing and Economic Recovery Act of 2008 (HERA) addressed one important mortgage finance-related data deficiency by requiring that FHFA conduct a monthly survey to collect data on the characteristics of individual prime and subprime mortgages, and on the borrowers and properties associated with those mortgages. Specifically, FHFA is required to collect data on: the sales price of the mortgaged property; the loan-to-value ratio of the mortgage; the terms of the mortgage; the creditworthiness of the borrowers; whether borrowers on subprime mortgages would have qualified for prime lending; and whether the mortgage was purchased by

Fannie Mae or Freddie Mac (both of which are regulated by FHFA).[1] The stated purposes of the monthly mortgage survey required under HERA are: (1) to enable FHFA to prepare a detailed annual report on the mortgage market activities of Fannie Mae and Freddie Mac relative to the rest of the market for the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives;[2] and (2) to compile a database of timely and otherwise unavailable residential mortgage market information to be made available to the public.[3]

In order to fulfill those and other statutory mandates, as well as to support policymaking and research efforts, FHFA, along with CFPB, committed in July 2012 to fund, build and manage the National Mortgage Database. A key purpose of the National Mortgage Database is to make accessible accurate, comprehensive information for monitoring the residential mortgage market. Some key uses are monitoring the relative health of mortgage markets and consumers; gaining new insights on consumer decision making; monitoring new and emerging products in the mortgage market; examining both first and second lien mortgages for a given borrower; and understanding the impact of consumers' overall debt burden.

FHFA purchases the core data for the National Mortgage Database from Experian—one of the three national credit repositories—which maintains a common database of credit information on individual consumers with the two other repositories (Equifax and Trans Union). The credit repositories maintain the largest (close to the universe) and most representative set of mortgage data currently available. Because the credit repositories archive their data, FHFA has been able to create the National Mortgage Database retrospectively, building a random 1-in-20 sample of all first-lien residential mortgages in Experian's database outstanding at any time between January 1998 and June 2012. Since June 2012, Experian has provided, and going forward will continue to provide, an additional random 1-in-20 sample of newly-reported mortgages drawn each quarter.

This credit repository data complements information from the Home Mortgage Disclosure Act (HMDA) database that is maintained by the Federal Financial Institutions Examination Council,[4] property valuation models, and data files maintained by Fannie Mae and Freddie Mac. As explained more fully below, the purpose of the NSMB is to complete the National Mortgage

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[1] *See* 12 U.S.C. § 4544(c).

[2] *See* 12 U.S.C. §§ 4544(a), (b).

[3] *See* 12 U.S.C. § 4544(c)(3).

[4] HMDA was enacted by Congress in 1975 and was implemented by the Federal Reserve Board's Regulation C. Effective July 21, 2011, the rule-writing authority over Regulation C was transferred to the CFPB. Regulation C requires that certain financial institutions, including banks, savings associations, credit unions, and other mortgage lending institutions periodically report specified information about each mortgage loan that is originated during the reporting period. Using the loan data submitted by these financial institutions, the Federal Financial Institutions Examination Council creates aggregate tables for each metropolitan statistical area or metropolitan division, and individual institution disclosure reports. This data is made available to the public in order to assist: in determining whether financial institutions are serving the housing needs of their communities; public officials in distributing public-sector investments so as to attract private investment to areas where it is needed; and in identifying possible discriminatory lending patterns. The HMDA Loan/Application Register, by which the HMDA database information is collected, is currently assigned OMB control number 7100-0247, with an expiration date of September 30, 2013.

Database, by obtaining critical information that is not available from those existing sources. Together, this information will allow for more accurate analysis of the current stock of outstanding mortgages, new originations and terminations, as well as historic performance going back to 1998.

A. JUSTIFICATION

1. Circumstances necessitating the collection of information

FHFA is required to conduct a monthly mortgage market survey under section 1324 of HERA. As part of that mandate, FHFA must collect information on the characteristics of individual subprime and nontraditional mortgages, as well as on the characteristics of borrowers on such mortgages, including information on the creditworthiness of those borrowers and information sufficient to determine whether those borrowers would have qualified for prime lending.[5] The NSMB questionnaire is designed to elicit this information directly from borrowers, who are likely to be the most reliable and accessible—and, in some cases, the only—source for this information. In addition, the questionnaire is designed to elicit more complete information on mortgage terms, mortgaged properties, and borrowers' household demographics than can be obtained from the existing sources.

In the judgment of FHFA, the information obtained from the NSMB, in combination with that obtained from the existing sources described above, will make the National Mortgage Database a high quality, and timely resource for information on developments in the residential mortgage finance market. The NSMB will be especially critical in ensuring that the National Mortgage Database contains uniquely comprehensive information on the range of nontraditional and subprime mortgage products being offered, the methods by which these mortgages are being marketed and the characteristics, and particularly creditworthiness, of borrowers for these types of loans. These data will enable FHFA to fulfill its regulator mandate set out in HERA and support general rulemaking. .

2. Use of data

The information in the National Mortgage Database, including that obtained through the NSMB, will be used for three primary purposes: (1) to prepare the report to Congress on the mortgage market activities of Fannie Mae and Freddie Mac that FHFA is required to submit under section 1324 of HERA; (2) for research and analysis by FHFA and other federal agencies that have regulatory and supervisory responsibilities/mandates related to mortgage markets; and (3) to provide a resource for research and analysis by academics and other interested parties outside of the government. Generally, the National Mortgage Database will allow Congress, regulators and other interested parties to track emerging trends in the mortgage origination process throughout the United States and will allow them to determine more quickly and accurately when the mortgage origination process is changing in a way that may adversely affect financial markets, borrowers, and consumers. FHFA intends that the availability of this information, as well as the research and

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[5] *See* 12 U.S.C. § 4544(c)(2).

analyses derived from it, will provide sufficient warning to allow it and other regulators to take steps to avoid, or at least to mitigate, major mortgage market crises in the future.

3. Use of information technology

The NSMB will primarily use machine-readable paper questionnaires. Completed questionnaires will be scanned and the responses will be automatically uploaded into the electronic National Mortgage Database. However, the survey materials will also give recipients the option of completing the survey online in either English or Spanish.

4. Efforts to identify duplication

As explained above, the vast majority of data included in the National Mortgage Database has been and will continue to be drawn from existing sources—*i.e*., one of the consumer credit databases maintained by the national credit repositories; the HMDA database maintained by the Federal Financial Institutions Examination Council; and other information in the possession of FHFA, its regulated entities or CFPB. The NSMB is designed to obtain needed information that is not available from these other sources.

5. Impact on small entities

The information collection will not have a significant economic impact on a substantial number of small entities. The survey recipients will be individuals only.

6. Consequences of less frequent collection and obstacles to burden reduction

Section 1324 of HERA requires that FHFA undertake a survey of mortgage markets on a monthly basis.[6] While the performance data on existing mortgages in the National Mortgage Database is pulled from the credit repository database on a monthly basis, newly-originated mortgages are added to the National Mortgage Database on a quarterly basis. The NSMB questionnaires will be sent to borrowers that originated their mortgage in the year and quarter that corresponds to the quarterly draws from the credit depository database for newly-originated mortgages. One important purpose of the survey is to monitor loan origination trends. Ideally, monthly housing surveys would provide the best feedback; however, quarterly surveys are sufficient.

The NSMB questionnaire will be sent out quarterly to a simple, random sample of 7,000 borrowers of newly originated mortgages. The sampling frame for these mortgages corresponds to loans in the

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[6] *See* 12 U.S.C. § 4544(c).

National Mortgage Database.[7] This NSMB sample size assumes a 40 percent overall response rate.[8] It allows for representative samples of targeted subpopulations that are of particular interest and that make up about 10 percent of the sample, such as those mortgages where borrowers received counseling, mortgages for first-time homebuyers, and mortgages on homes purchased from builders.

7. Circumstances requiring special information collection

There are no special circumstances that require FHFA to conduct the information collection in a manner inconsistent with the guidelines provided in Item 7.

8. Solicitation of comments on information collection

In accordance with the requirements of 5 CFR 1320.8(d), FHFA published a request for public comments regarding this information collection in the *Federal Register* on April 25, 2013. *See* 78 FR 24420 (Apr. 25, 2013). The 60-day comment period closed on June 24, 2013. FHFA received no public comments.

9. Provision of payments or gifts to respondents

Survey recipients will receive a cash payment, currently expected to be five dollars, as an inducement to complete and return the NSMB questionnaire. Recipients who fail to respond to the first two survey solicitations may receive an additional cash inducement of a similar amount.

10. Assurance of confidentiality

Section 1324 of HERA authorizes FHFA to modify the mortgage data released to the public as necessary to ensure that it contains no "representation of information that permits the identity of a borrower to which the information relates to be reasonably inferred by either direct or indirect means."[9] The National Mortgage Database, including data obtained pursuant to the NSMB, will not contain any personally identifiable information and the agencies will take appropriate precautions to ensure that individual consumers cannot be identified through the database or through any datasets that may be made available to researchers or the public. The NSMB questionnaire will contain a statement to this effect and, in addition, will make clear that respondents should not include their name, address or any other personally identifiable information on the completed questionnaire.

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[7] The credit repository database contains data on mortgages originated by borrowers. On average, about 2.5 million mortgages are originated quarterly. The National Mortgage Database is a random sample of 1-in-20 (*i.e.*, about 125,000 mortgage tradelines) of the mortgages reported to Experian quarterly.

[8] The 40 percent overall response rate assumes the NSMB will yield a minimum of 2,800 surveys responses.

[9] *See* 12 U.S.C. § 4544(c)(3), (4).

FHFA published a System of Records (SORN) notice for the National Mortgage Database in the Federal Register on December 10, 2012.[10] However, as the National Mortgage Database project has evolved, the benefits of additional data collection have become apparent. Therefore, FHFA is currently developing a revised SORN covering a broader range of record categories. FHFA will provide OMB with a copy of the revised SORN as soon as it is finalized.

11. Questions of a sensitive nature

The information collection does not contain any questions of a sensitive nature.

12. Estimates of the hour burden of the information collection

FHFA has analyzed the cost and hour burden on members of the public associated with this information collection.

The estimated total annual hour burden on the public is 14,000 hours. FHFA estimates that it will take one survey respondent approximately 30 minutes to gather the necessary information and to complete the survey questionnaire. This estimate is based on the reported experience of respondents to a series of similar surveys that were conducted by Freddie Mac (these are described in detail in part B).

- Completion time: 0.5 hours per survey.
- Total surveys: 28,000 per year (4 x 7,000 per quarter)
- Total hours: 14,000 hours per year.

13. Estimated total annualized cost burden to respondents

There will be no costs imposed upon the respondents by this information collection. Postage costs to return the survey questionnaire will be pre-paid by the survey contractor.

14. Estimated cost to the federal government

The estimated annual burden to the federal government is $452,800 and 40 hours, calculated as follows:

FHFA analyst embeds NSMB data into query-based electronic database:

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[10] See 77 Fed. Reg. 73464 (Dec. 10, 2012). The currently-effective SORN can be viewed at: http://www.fhfa.gov/webfiles/25097/FHFA-21%20SORN.pdf.

- Processing time: 10 hours per quarterly survey
- Total surveys: 4 surveys per year
- Total hours: 40
- Hourly rate: $70 (includes salary, benefits, and overhead)
- Total cost: $2,800

Approximately $450,000 will be paid annually to the contractor hired to conduct the surveys. Of this, approximately $215,000 will be attributable to the cash incentive payments to survey recipients; approximately $60,000 will be for printing costs; and approximately $50,000 will be for postage costs.

15. Reasons for change in burden

This is a new information collection, so there is no change in burden from any previous estimates.

16. Plans for tabulation, statistical analysis and publication

There are no specific plans for tabulation, statistical analysis or publication at this time, other than those items discussed in the answer to question #2 above. In the future, FHFA may produce periodic reports for the public based on aggregate data or make high-level data available to the public in electronic form.

The project schedule is attached to this revised supporting statement. The project schedule assumes a December 23, 2013 start date. However, FHFA now anticipates that week 1 of the "Prepare for Mailing" phase, as identified in the project schedule, will occur in January 2014.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why display would be inappropriate

FHFA plans to display the expiration date for OMB approval.

18. Explain each exception to the topics of the certification statement identified in "certification for paperwork reduction act submission."

There are no exceptions to the topics of the certification statement identified in the "Certification for Paperwork Reduction Act Submission."

B. COLLECTIONS OF INFORMATION INVOLVING STATISTICAL METHODS

Background—Freddie Mac Surveys

The methodology for National Mortgage Database, including the NSMB, is based upon methodology that was developed and tested during a series of three surveys funded and carried out by Freddie Mac between 2010 and 2012. Freddie Mac (which purchases, but does not originate, mortgage loans) undertook those surveys with the intent of obtaining a better understanding of the gaps and potential problems borrowers may face when obtaining home mortgages, and of ways to improve the mortgage origination process from the borrower's perspective. The Freddie Mac survey questionnaires requested information on borrowers' knowledge of and experience with shopping for a mortgage, the mortgage loan received, the property associated with the mortgage, characteristics of household members, and borrowers' expectations.

In considering how to fulfill the statutory mandate for a monthly mortgage market survey imposed by HERA, FHFA looked closely at the Freddie Mac surveys and decided upon a larger and more complete version of those surveys as the appropriate means of fulfilling that mandate. In developing the NSMB, FHFA has worked closely with those who developed and implemented the Freddie Mac surveys in order to ensure that the lessons learned in conducting those surveys are carried over to the NSMB. Freddie Mac's experience with its surveys are discussed in the answers below to explain the reasons for FHFA's intended approach to the NSMB and to support FHFA's estimates as to the response rates.

> **Question 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.**

The NSMB will represent a universe of 8 to 10 million mortgages that are newly originated in the U.S. annually. As mentioned above, a 1-in-20 simple random sample, or 400,000 to 500,000, of those newly originated mortgages is added to the National Mortgage Database annually.

The sampling frame for the NSMB is a simple random sample of borrowers. Based on the second and third of the Freddie Mac surveys conducted between 2010 and 2012, FHFA expects the response rate for useable NSMB questionnaires to be between 40 and 57 percent. The sample size allows for representative samples of targeted subpopulations that are of particular interest and that make up about 10 percent of the sample, such as those mortgages where borrowers received counseling, mortgages for first-time homebuyers, and mortgages on homes purchased from builders. Assuming a universe of 10 million mortgages annually (or a random simple sample of

125,000 mortgages quarterly), a measurement error of 3 percent, 40 percent overall response rate, the survey sample will be sent quarterly to approximately 7,000 borrowers.

The first Freddie Mac survey was conducted in 2010. The sampling frame for that survey was tied to a prototype database supplied by Experian that was one-twenty-fifth the size of the National Mortgage Database. A random sample of 1,500 loans originated between January and December 2009 and consisting of a mix of purchases and refinances of primary residences, second homes, and investment properties was selected from the Experian credit bureau data. Simmons Research, a contractor, was retained to conduct a mail survey, which was fielded from May 25 to July 22, 2010.

The 2010 Freddie Mac survey validated the use of the credit repository database from which to draw the sampling frame, pretested and fielded the survey components of the project, and allowed for evaluation of the quality and feasibility of matching external data elements to the repository data. Relatively few problems were uncovered with the survey questions, but the response rate was low—only 16 percent. In order to improve the response rate for its second survey, Freddie Mac engaged Dr. Don A. Dillman, a leading national expert in mail surveys, to help in revising the presentation of the survey questionnaire.

The second Freddie Mac survey was conducted in 2011. For the 2011 survey, a revised random sample of 1,000 borrowers on mortgages originated between October and December 2010 and sold to Freddie Mac was drawn from the Experian database. The sample represented a mix of purchases and refinances of primary residences, second homes, and investment properties. Freddie Mac fielded a mail survey from February 28 to April 29, 2011. Based upon Dr. Dillman's advice, the survey questions remained the same as those used in the 2010 survey, but a number of changes in the appearance of the questionnaire, survey communications, and packaging were made. As a result, Freddie Mac's 2011 survey had a vastly improved overall response rate of 60 percent.

The third Freddie Mac survey was conducted in 2012. Dr. Dillman remained a consultant on the 2012 survey and reviewed all proposed changes prior to survey execution. The execution and communication strategies for the 2012 mail survey were the same as those for the 2011 survey, except for one minor change to the questionnaire to clarify skip directions relating to whether the borrower had a refinanced loan or a home purchase loan. For the 2012 survey, a representative sample of 5,000 borrowers on newly originated mortgages was drawn from the credit repository database. Simmons Research was again retained to conduct the survey, which was fielded between September 17 and November 19, 2012. Although unauthorized changes to the communications package made by Simmons Research lowered the response rate for the 2012 survey, the response rate was still over 40 percent, which confirmed the effectiveness of the repository sampling frame. The changes made by Simmons and their effect on the response rate are discussed in more detail in response to Question B.2.

Table 1 provides further detail of responses to the mail questionnaire for the 2011 and 2012 surveys. In 2011, 1,000 mail surveys were mailed to borrowers at the mortgage property address. The net sample consisted of 928 borrowers after 72 packages were returned as undeliverable. A total of 556 questionnaires, or 60 percent, were returned completed: 436 in the first mailing and 120 in the second mailing. Of these only 527 questionnaires had usable

responses, thus lowering the effective response rate to 57 percent. The difference was screened out in question 1, where 25 respondents indicated they did not have a mortgage in 2011. Purchase loans made up 46 percent of responses and refinances made up the remaining 54 percent of responses.

The 2012 Freddie Mac survey consisted of a sample of 5,000 borrowers. 54 survey questionnaires were returned as undeliverable, for a net sample of 4,946. The returned questionnaires totaled 2,167, or 44 percent. In the first mailing, 1,739 were returned, accounting for 80 percent of the returned surveys. 186 of the 2,167 returned questionnaires were not usable because the respondents indicated that they had no mortgage in 2012. Accordingly, 1,981 of the returned questionnaires, or 40 percent of the net sample, had usable responses. New loans accounted for 39 percent and refinances accounted for 61 percent of the useable returns in the 2012 survey.

Table 2 breaks down non-response rates by question for the 2011 and 2012 Freddie Mac surveys. Improvements in response rates between the two surveys are attributable to the clarification of skip directions relating to whether the borrower had a refinanced loan or a home purchase loan. For the majority of the questions the non-response rate was less than 3 percent of respondents. Generally the non-response rate improved from 2011 to 2012 with one exception (question 74).

Question 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 frequently than annual) data collection cycles to reduce burden.**

Data for the NSMB will be collected through a single-blind mail survey format. Questionnaires will be mailed to the borrower(s) on the mortgage at the property address associated with the mortgage. Borrowers are not identified on the questionnaire and, therefore, respondents will remain anonymous. A key is maintained to track respondents while maintaining their anonymity.

A mail survey reduces costs but can substantially lower response rates. The methodology for maximizing response rate is discussed earlier in Question 1. The response rate for the usable survey is expected to be 40 to 57 percent.

The survey's sample selection is discussed earlier in Question 1. The NSMB is a simple, random sample of mortgage originations and is not stratified. Alternatives designed for stratifying, clustering, or cut-off samples were not considered. While subpopulations are of interest, the key purpose of the survey is to gather more information on the origination characteristics of the sampled borrowers. Not enough information exists on the relationship between origination and subpopulation to demonstrate that cut-off samples would be more precise or bias free. As more information is available as an outgrowth of this survey, this issue could be revisited. No estimate

procedures are needed in interpreting the survey responses. Similarly, no hypotheses are being tested and no unusual problems exist that require specialized sampling procedures.

Question 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.

As mentioned in the response to Question 1, Freddie Mac hired Dr. Don Dillman, a leading expert in modern survey methods, to guide its 2011 survey after the survey response rate for its 2010 survey had been only 16 percent. Dr. Dillman's recommendations resulted in important improvements in three critical areas of the survey: the execution/implementation; the communications package; and the questionnaire content and format. These changes greatly improved the response rate, which improved to 60 percent for the 2011 survey.

One important recommendation that was implemented for the 2011 and 2012 Freddie Mac surveys was to have four planned mail contacts with borrowers. The first contact with potential respondents consisted of the questionnaire, an upfront five dollar incentive, and a cover letter. The second contact, a reminder letter sent to all respondents, occurred in the second week of implementation. The third contact, in the fifth week, was sent only to non-responders and included a second reminder letter, another copy of the questionnaire, and a second five dollar incentive. The final contact, a third reminder letter, was sent in the seventh week to non-responders only. A due date for returning the survey questionnaire was included in the last mailing, which closed the communication loop with potential respondents.

Another adopted recommendation resulted in a change to two features of the communications package. First, the tone of the communications was made friendlier to reflect a personal and sincere request for help. All correspondence was signed by an officer of the survey sponsor (Freddie Mac) and included contact information for authenticity. Second, the questionnaires were mailed in a plain white envelope so as not be mistaken for "junk mail". The envelope had only the return address for Freddie Mac visible to provide legitimacy to the survey. These features were incorporated successfully into the materials for the 2011 Freddie Mac survey, leading to a dramatic increase in the response rate.

Freddie Mac contracted with Simmons Research to conduct the survey in 2012. Simmons Research failed to follow Dr. Dillman's protocols for the communications package, which likely gave recipients the impression that the envelopes contained "junk mail" and resulted in a lower-than-expected response rate of 44 percent for the 2012 survey. Specifically, Simmons Research: used address labels instead of hand writing the addresses on the envelop; did not use the plain white envelope that was specified; and printed Experian's logo instead of Freddie Mac's logo on the return envelope, which created an inconsistency with the information in the cover letter.

A critical lesson from the 2012 Freddie Mac survey is that Dr. Dillman's recommendations on the communications package need to be followed exactly to avoid: (1) the survey mailing being perceived as junk mail by the borrower; (2) undermining the legitimacy of the survey as a FHFA effort by using Experian's address on the return envelope; and (3) inconsistency and confusion about who is conducting the survey—*i.e*., FHFA and not Experian. The NSMB will incorporate all of Dr. Dillon's recommendations regarding the multiple mail contacts and the content, tone and appearance of the communications package.

To further increase response rates, survey recipients will also be given the option of completing the survey online in either English or Spanish. The first mailing will contain an insert, in both English and Spanish, that will inform recipients of those options and provide the appropriate web addresses to access those electronic versions of the survey. The insert will also provide Spanish-speaking recipients with a telephone number through which they may request a paper copy of the survey in Spanish. In addition, the survey package will include instructions on how to log onto the FHFA website and view a video in which the Director of FHFA will explain the importance of the survey and thank recipients for taking the time to complete the questionnaire.

In the NSMB, two types of non-response may occur. The first type is unit nonresponse. It occurs when data is not obtained for the sample unit, *i.e*., a respondent chooses not to participate in survey. The second type is item non-response. It occurs when a respondent fails to answer one or more questions on the survey. To correct for these biases, non-response adjustment weights will be created and applied to the survey responses.

National Mortgage Database staff will document unit and item non-response at the conclusion of each survey. Survey response will be evaluated to determine if any biases between respondents and non-respondents exist. Other administrative data will be used to compare respondents and non-respondents characteristics to determine if response rates between the two groups vary. Staff will use proven methodology to create non-response adjustments. Weights will be employed to estimated probability of response and actual response rates for mutually exclusive subgroups of the sample. Based on its findings, National Mortgage Database staff will determine future steps in addressing any biases found.

Response rates will be tracked and reported based on the week the survey response was received. All responses will be totaled two weeks after the third reminder letter (sent in Week 7) and divided by all survey units that were identified as being eligible. The numerator of the response rate will include all surveys that included all the required items for the report period.

Question 4. Describe any tests of procedures or methods to be undertaken. Testing is encouraged as an effective means of refining collections of information to minimize burden and improve utility. Tests must be approved if they call for answers to identical questions from 10 or more respondents. A proposed test or set of tests may be submitted for approval separately or in combination with the main collection of information.

As explained in detail above, the three surveys conducted by Freddie Mac on its own initiative between 2010 and 2012 allowed for extensive testing of the procedures and methods that have now been adopted for the National Mortgage Database generally and for the NSMB specifically. FHFA has worked closely with those that planned and executed the Freddie Mac surveys to ensure that the lessons learned in carrying out those surveys are reflected in the procedures and methods for the NSMB. Therefore, FHFA has no plans to undertake any further testing of these methods or procedures, or of the survey questions, prior to fielding the first survey in the first quarter of 2014.

Question 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.

All stakeholders including those who will analyze the data are provided in the list in Table 3. The name and telephone number of individuals consulted on statistical aspects of the design include staff from CFPB, NMDB and Freddie Mac, and Dr. Don Dillman.

Table 1
Summary of Survey 2 and Survey 3 Responses

	Sample	Bounce Backs	Net Sample	1st Mailing	2nd Mailing	Surveys Returne	No Mortgage	Useable Response	Useable Responses Purchase	Refinance	Unknown
Survey 2	1,000	72	928	436	120	556	25	527	241	286	0
Percent of Surveys				78%	22%				46%	54%	0%
Response Rate						**60%**		**57%**			
Survey 3	5,000	54	4,946	1739	428	2,167	186	1,981	778	1,198	5
Percent of Surveys				80%	20%				39%	61%	0%
Response Rate						**44%**		**40%**			

14

Table 2
Non-response Comparison
Survey 2 and Survey 3

	NO ANSWER	
LOAN APPLICATION PROCESS	**S3%**	**S2%**
Q3 Co-signers	**	**
Q4 Mortgage literacy – familiar [+]	**	3.8
Q5 Useful services NEW [+]	**	na
Q6 Mortgage application with	*	**
Q7 First contact	*	**
Q8 Choosing a lender – important [+]	9.7	13.1
Q9 Idea of mortgage you wanted [+]	**	**
Q10 Information lender provided NEW [+]	6.1	na
Q11 Lender ask you about NEW [+]	9.2	na
Q12 Actions taken during application [+]	3.6	10.9
Q13 Choosing a mortgage – important NEW[+]	4.5	na
Q14 Satisfaction with mortgage NEW [+]	**	na
Q15 Satisfaction with lender [+]	**	**
Q16 Get Counseling	*	**
Q31 Unpleasant surprises	**	**
MORTGAGE		
Q20 Mortgage amount	**	5.9
Q21 Monthly payment	**	5.1
Q22 Taxes/Insurance included	*	**
Q23 Interest rate	3.5	5.7
Q24 ARM loan	*	**
Q25 Discount points paid	**	3.2
Q26 Origination points paid	**	4.4
Q27 Rate lock	**	**
Q28 Prepayment penalty	**	**
Q28 Credit life insurance	**	3.6
Q28 Escrow account	**	**
Q28 Non-amort payment [NEW]	4.8	na
Q29 Take out another loan (=No)	*	18.2
Q30 Amount of 2nd loan	16	*
Q45 Acquisition cost	5.1	6.7
Q49 Property value today	3.1	3.2
NEW LOAN		
Q29 Take out another loan (=Yes)	**	11.4
Q33 Pre-approval	**	*
Q34 Proceeds from another sale	*	**
Q35 How much money used	7.5	12.3
Q36 Down payment percent	**	**
Q37 Down payment sources [+]	30.5	35.3
Q38 Closing costs paid [+]	37.4	44.7

* ≤ 1%

** < 3%

[+] Multiple response question – worst case provided

Table 2 (continued)
Non-response Comparison
Survey 2 and Survey 3

	NO ANSWER	
REFINANCE	**S3 %**	**S2%**
Q39 Why refinance-important [+]	14.2	22.7
Q40 Refinanced amount	9.1	24.5
Q41 Size of new loan	3.6	14.3
Q42 Use of new money [+]	27	19.5
MORTGAGED PROPERTY		
Q43 When acquired property	2.9	7.1
Q44 Investment or good place to live	**	**
Q46 Acquire from	**	**
Q47 Type of dwelling	*	*
Q50 Rent property	**	**
Q52 Property primary residence	**	4.4
Q53 When moved into property	10.7	15.8
HOUSEHOLD DEMOGRAPHICS		
Q55 Marital status	**	**
Q57 Age	4	4.8
Q58 Gender	**	**
Q59 Owned other properties	**	3.2
Q60 Education	**	**
Q61 Hispanic/Latino	**	**
Q62 Race	**	4
Q63 Work status	**	**
Q67 Others in household	**	3.4
Q70 Help pay expenses	4.1	*
Q71 Income	6.3	8.4
Q72 Change in income NEW	3.4	na
LIFE EVENTS/EXPECTATIONS		
Q73 Life events [+]	7.8	8.8
Q74 Financial events [+]	8.4	6.5
Q75 Financial crisis [+]	7.3	10.3
Q76 Financial knowledge NEW [+]	3.8	na
Q77 Financial risk	2.7	4.4
Q78 Agree/disagree NEW [+]	6.4	na
Q79 Income vs cost of living	3.3	5.3
Q80 Future home prices	**	4
Q81 Likely to move/refinance [+]	5.2	9.1
Q82 Likelihood of a personal crisis [+]	6.3	7

* ≤ 1%

** < 3%

[+] Multiple response question – worst case provided

Table 3
NMDB Stakeholders

Stakeholder company	Stakeholder name	Location/Time zone	Email Address	Phone Numbers
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17