



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

SUPPORTING STATEMENT

A. Justification

1. Circumstances Necessitating Collection of Information

The Federal Housing Finance Agency's (FHFA) Monthly Survey of Rates and Terms on Conventional 1-Family Non-Farm Mortgage Loans, commonly referred to as the "Monthly Interest Rate Survey" or "MIRS," is a monthly survey of mortgage lenders that solicits information on the terms and conditions on all conventional, single-family, fully amortized, purchase-money mortgage loans closed during the last five working days of the preceding month. The MIRS collects monthly information on interest rates, loan terms, and house prices by property type (*i.e.*, new or previously occupied), by loan type (*i.e.*, fixed- or adjustable-rate), and by lender type (*i.e.*, mortgage companies, savings associations, commercial banks, and savings banks), as well as information on 15-year and 30-year fixed-rate loans. In addition, the survey collects quarterly information on conventional loans by major metropolitan area and by Federal Home Loan Bank district. The MIRS does not collect information on loans insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA), loans secured by multifamily property or manufactured housing, or loans created by refinancing another mortgage. The MIRS is the most timely and comprehensive source of information on conventional mortgage rates and terms in the United States.

The MIRS originated with one of FHFA's predecessor agencies, the former Federal Home Loan Bank Board (FHLBB) in the 1960s. Among other things, the FHLBB used data collected through the MIRS to derive its National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders (ARM Index), which was used by lenders to set mortgage rates on adjustable rate mortgages (ARMs). No statutory or regulatory provision explicitly required the FHLBB to conduct the MIRS. However, for a period in the early 1980s, federally chartered savings institutions were required to use the MIRS-derived ARM Index in setting interest rates on ARMs. Few, if any, loans from that period remain. After 1981, an unknown but likely very small proportion of lenders used the ARM Index to set interest rates on their new ARMs.

In 1989, Congress enacted the Financial Institutions Reform Recovery and Enforcement Act (FIRREA), which abolished the FHLBB and created the Federal Housing Finance Board to assume many of the FHLBB's powers and responsibilities. FIRREA required the Chairperson of the Finance Board to "take such actions as may be necessary" to ensure that

the ARM Index prepared by the FHLBB continued to be available.¹ Although there was no explicit reference in FIRREA to the continuation of the MIRS, the Finance Board viewed that statutory requirement to continue to produce the ARM Index as a mandate to continue also to conduct the MIRS, from which the data used to derive the ARM Index was obtained. The Finance Board conducted the MIRS and produced the ARM Index from 1989 through 2008, when Congress abolished that agency and transferred its responsibilities to FHFA.²

Since 2008, FHFA has continued to conduct the MIRS and produce the ARM Index.³ By statute, MIRS data is one of the factors that FHFA is required to consider in assessing the national average one-family house price for purposes of periodically adjusting the conforming mortgage loan limits of Fannie Mae and Freddie Mac.⁴ In addition, 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.⁵

2. Use of the Data

The MIRS information collection is used for the purposes described in the answer to Item 1. A few lenders use FHFA's ARM Index, derived from MIRS data, to set interest rates on fixed rate loans. In addition, businesses, trade associations, and government agencies at both the federal and state level rely upon the MIRS data for various business and regulatory purposes. For example, 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. As noted in its comment letter, discussed under item #8, the Bureau of Economic Analysis of the U.S. Department of Commerce uses MIRS as a key component of some of the economic statistics it is responsible for tracking.

3. Use of Improved Information Technology to Reduce Burden

In 2012, FHFA completely revised the MIRS data submission process by establishing a web interface through which respondents can upload their monthly data. This has made it easier

¹ See Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. 101-73, Title IV, § 402(e)(3), 103 Stat. 183, *codified at* 12 U.S.C. § 1437 *note*. The statute permitted the Finance Board to substitute a different ARM index after notice and comment, but only if the new index was based upon data substantially similar to that of the original ARM Index and substitution of the new ARM index would result in an interest rate substantially similar to the rate in effect at the time the new ARM index replaced the existing ARM Index. See FIRREA § 402(e)(4).

² See Housing and Economic Recovery Act of 2008 (HERA), Pub. L. 110-289, Div. A, Title III, § 1312, 122 Stat. 2794, *codified at* 12 U.S.C. § 4511 *note*.

³ The MIRS and the ARM Index are described at 12 CFR § 906.5.

⁴ See 12 U.S.C. § 4542.

⁵ 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).

for respondents to submit data accurately. Most respondents now submit their MIRS data through the web interface. Several, primarily larger, respondents transmit an electronic data file to FHFA, which then uploads the data directly into its electronic database. A few respondents still 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. MIRS is unique in its timeliness, in that it spans a long period of time, and in that it provides information on both fixed and adjustable rates combined.

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

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

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

FHFA conducts the MIRS on a monthly basis. This allows the agency to provide information on the terms and conditions of mortgages that have been completed as recently as 30 days prior to the release of the information—the most up-to-date information currently available on completed mortgages. If FHFA were to conduct the MIRS less frequently, the information obtained would be much less timely, thereby greatly diminishing its usefulness.

7. Explanation of any Special Circumstances

Respondents are asked to report data to FHFA on a monthly basis. The justification for this reporting frequency is given in Item #6. In addition, as discussed in part B, the data sample sizes have become deficient and FHFA possesses limited means to compel survey recipients to provide additional data. Despite this, the agency believes it is required by law to continue to carry out the survey, and its results are relied upon by many outside parties, as discussed in Items #1, 2 and 8.

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

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 January 30, 2014. See 79 FR 4907 (Jan. 30, 2014). The 60-day comment period closed on March

31, 2014. FHFA received one comment letter, from the Bureau of Economic Analysis of the U.S. Department of Commerce (BEA). In its letter, BEA states that it strongly supports FHFA's continued collection of data for the MIRS, noting that the data are "crucial to key components of BEA's economic statistics." Specifically, BEA uses MIRS data to track contract rates of interest and to estimate financial costs as part of its estimate of rental income of persons in the national income and product accounts (NIPAs). Indirectly, the data are used in the industry annual and quarterly Input-Output and GDP-by-Industry accounts in the estimates of gross output and value added for the real estate sub-sector.

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

12. Estimates of Respondents Burden

FHFA estimates that it will receive about 420 submissions annually. This estimate is derived from the fact that FHFA received a total of 1210 submissions from 70 unique survey respondents over the period 2010-2012. This represents an average of 5.76 submissions annually from each unique respondent, which FHFA has rounded up to 6 submissions annually for purposes of this estimate (although data is to be reported monthly, not all respondents have new mortgage loan data to report every month).

FHFA estimates that the annualized hour burden will be 140 hours and the annualized cost to respondents will be \$5,880, based upon the following calculations:

Clerical staff uploads monthly data to FHFA's web portal, sends electronic data to FHFA for uploading by the agency or completes and submits FHFA Form #075.

- Review/processing time: 0.33 hours
- Total submissions: 420 (70 respondents x 6 monthly reports)

- Total hours: 140 hours
- Hourly rate: \$42 (includes salary, benefits, and overhead)
- Total cost: \$5,880

13. Estimated Total Annual Cost Burden to Respondents

FHFA has not identified any costs to respondents other than the hourly personnel costs detailed under item #12.

14. Estimated Total Annual Cost Burden to the Federal Government

The estimated annualized cost to FHFA of the information collection is \$20,500. The estimated annualized hour burden is 300 hours. FHFA based these estimates on the following:

Research assistant processes information:

- Total hours: 200 per year
- Hourly rate: \$55 (includes salary, benefits, and overhead)
- Total cost: \$11,000

Senior financial analyst manages process and reviews work product of research assistant:

- Total hours: 100 per year
- Hourly rate: \$95 (includes salary, benefits, and overhead)
- Total cost: \$9,500

15. Reasons for Program Changes or Adjustments Reported on the Burden Worksheet.

The estimated hour burden on respondents fell to 140 from 200 in the prior supporting statement. Although the estimate number of unique respondents fell only slightly—from 76 to 70—the estimated average number of annual submissions per respondent fell from 8 to 6. The latter factor is the primary reason for the lower hour burden estimate. The estimated annualized cost to respondents fell from \$7,000 to \$5,880 because of the lower hour burden estimate, although this was offset to some extent by an increase in the hourly cost for the data entry clerk from \$35 an hour to \$42 an hour.

The estimated hour burden on FHFA fell from 1,144 to 300, while the estimated annualized cost fell from \$80,125 to \$20,500. The decrease was due to the reconfiguration of the MIRS database system that occurred in 2012, which automated many tasks that were formerly done manually.

16. Plans for tabulation, statistical analysis and publication

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. 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 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 2012, FHFA collected information from 49 institutions on 60,464 conventional single-family home purchase loans. Pursuant to the Home Mortgage Disclosure Act (HMDA),⁶ 7,400 separate mortgage loan originators reported data on 1,684,548 conventional single-family home purchase loans for 2012 (the most recent data available). The MIRS collected data from approximately 0.7% of mortgage originators and on 3.6% of mortgage purchase loans in 2012. This percentage is influenced by the fact that the MIRS collects data for only the last five business days of the month, to reduce the burden on the survey respondents. It is also worth noting that for 2013, the MIRS collected data from 41 institutions on 72,802 conventional single-family home purchase originations, a 20 percent increase in number of loans. 2013 HMDA data will not be publicly available until the second half of 2014.

- 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.**

⁶ 12 U.S.C. §§ 2801-2810.

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.