



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

NEWS RELEASE

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Contact: Jill Weide
(202) 414-3813
Amy Lakroune
(202) 414-8920

Government Announces Home Price Appreciation Rates

U.S. House Prices Continue Upward Trend with 5.9 Percent Increase

New England Shows Stellar Growth

Washington, D.C. – The Office of Federal Housing Enterprise Oversight (OFHEO) announced today that average U.S. home prices increased by 5.9% from the third quarter 1998 to the third quarter 1999.

OFHEO's House Price Index (HPI) is published on a quarterly basis and tracks average house price changes in repeat sales or refinancings on the same single-family properties. OFHEO's index is based on analysis of data obtained from over 11.9 million repeat transactions over the past 20 years.

From the third quarter 1998 to the third quarter of 1999, the New England, West North Central, and East North Central Census Divisions have all seen appreciation rates above the national average (see chart below). New England's growth was fueled by the continued strong performances in Massachusetts (11.7%) and New Hampshire (10.0%).

Census Division Rankings (based on % change from 98Q3 to 99Q3)	
New England (CT, MA, ME, NH, RI, VT)	9.0%
West North Central (IA, KS, MN, MO, ND, NE, SD)	8.0%
East North Central (IL, IN, MI, OH, WI)	6.1%
Middle Atlantic (NJ, NY, PA)	5.9%
Pacific (AK, CA, HI, OR, WA)	5.5%
West South Central (AR, LA, OK, TX)	5.4%
Mountain (AZ, CO, ID, MT, NM, NV, UT, WY)	5.2%
South Atlantic (DC, DE, FL, GA, MD, NC, SC, VA, WV)	5.0%
East South Central (AL, KY, MS, TN)	4.2%

Since the second quarter reporting period, Michigan has moved into the top six appreciation rates reported by OFHEO (see chart below).

Top 6 States (Appreciation Rates 98Q3 –99Q3)	
District of Columbia (DC)	13.1%
Massachusetts (MA)	11.7%
Minnesota (MN)	10.0%
New Hampshire (NH)	10.0%
Colorado (CO)	9.6 %
Michigan (MI)	8.1%

Price movements contained in the quarterly HPI are based on sales or refinancings of single-family homes whose mortgages have been purchased or securitized by **Fannie Mae** or **Freddie Mac**. The combined mortgage records of these two government-sponsored enterprises form the **nation’s largest database of mortgage transactions**.

The HPI is a *weighted repeat sales* index, meaning that it measures average price changes in repeat sales or refinancings on the same single-family properties. The mortgages measured by the HPI are both *conforming* and *conventional*. *Conforming* refers to a mortgage that both meets the underwriting guidelines of Fannie Mae or Freddie Mac and doesn’t exceed the *conforming loan limit*, now \$240,000 for single-family homes. *Conventional* means that the mortgages are neither insured nor guaranteed by the FHA or VA. About 90% of conventional mortgages have loan amounts under the conforming limit. In 1998, Fannie Mae and Freddie Mac purchased or securitized roughly 48% of all conventional, single-family mortgage loans.

OFHEO is the government’s financial safety and soundness regulator of Fannie Mae and Freddie Mac. These two government-sponsored enterprises (GSEs) are the nation’s largest housing finance institutions. The two GSEs were chartered by Congress to help generate a continuing supply of affordable mortgage credit for homebuyers. They do this through secondary market operations — buying mortgages from primary lenders (commercial banks, thrift institutions and mortgage banks) and either packaging them into mortgage-backed securities for resale to investors or holding the mortgages in their own portfolios.

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NOTE: Division and state rankings reported in the various HPI tables may vary over time due to the following factors: (1) changes in housing values that are observed for holding periods that end with the most recent quarter; (2) differences in Fannie Mae and Freddie Mac purchase patterns that result in changes in the composition of the sample available for analysis; and (3) sampling variability in the estimated index. Each quarter, the beginning and ending points used to calculate the appreciation in housing values are adjusted to the most recently available information. This can result in significant changes in the rankings of states in which the indexes vary from quarter to quarter. Changes in Fannie Mae’s and Freddie Mac’s purchase patterns occur over longer periods of time, but can also have an impact on the underlying samples. Sampling variability in the estimated indexes is largely a function of the size of the samples that can be obtained from GSE mortgage transactions, particularly for less populous states.

The complete HPI, including downloadable data, for the Third Quarter 1999 will be available online at www.ofheo.gov/house.