



**Title: Risk-Based Capital
Process for Capturing and Utilizing National Average HPI Files**

Approved By: Armando Falcon, Jr.

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I. PURPOSE:

National Average House Price Index (HPI) file is used to update the loan-to-value (LTV) ratio for loans underlying single class mortgage-backed securities (MBS) as detailed in section 3.7.3.1 of the risk-based capital (RBC) regulation. This process includes updating Table-3-60- Historical National Average HPI on a quarterly basis.

II. Scope:

The policy set forth in this guideline applies to OFHEO employees. The information generated through the process is used by OFHEO, the Enterprises, and the public in the production of RBC stress test simulations. OFHEO uses these simulations to determine quarterly risk-based capital classifications.

The Director of OFHEO or his/her designee has the discretion to alter any of the procedures set forth within this guideline.

III. Authority And References:

12 CFR Part 1750

The use of the National Average House Price Index in the stress test is detailed in section 3.7.3.1 along with the accompanying Table-3-60-Historical National Average House Price Index.

IV. Effective Date:

This process is effective beginning the first quarter of 2002.

V. Policy:

The National Average House Price Index is used in the risk-based capital stress test to update the LTV for loans underlying some single-class MBS. This index is calculated quarterly by OFHEO and released to the public on OFHEO's website.

The National Average HPI has a one-quarter lag in production so that the appropriate National Average HPI report for the stress test based on data at the end of any given quarter is the report for the previous quarter. For example, for 1Q02, the appropriate National Average HPI report is the report dated 4Q01. The RBC rule recognizes this quarter lag in its calculation.



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OFHEO produces the National Average along with the census division HPI for each quarter. It is available two months after quarter end. For example the National Average HPI for 1Q02 will be available on May 31, 2002.

The National Average House Price Index is released by OFHEO in model-ready format. OFHEO releases the quarterly House Price Index at month-end in February, May, August, and November.

The Enterprises and public download the National Average HPI by following the steps below:

- <http://www.ofheo.gov>
- **Click House Price Index**
- **Click Downloadable HPI Data**
- Click on Link – **XQXX National Average HPI for use in the YQYY RBC Simulation** to retrieve HPI data (where X and Y represent specific sequential quarters)
- Save file

VI. Definitions:

National Average House Price Index (HPI) – A weighted repeat sales index produced quarterly, measuring average price changes in repeat sales or refinancings on the same properties, and designed to capture changes in the value of single-family homes in the U.S. as a whole.

Loan-to-Value Ratio (LTV) – For a mortgage, the amount of the loan divided by the value of the property.

VII. Responsibilities:

Office of Information Technology (OIT) – Produces the quarterly HPI for release to the public, including the National Average HPI in model-ready format for use in the RBC stress test.

Office of Policy Analysis & Research (OPAR) – Supervises production of the HPI each quarter.

Office of External Relations (OER) – Publishes the HPI, including the National Average, on the OFHEO web-site each quarter.

VIII. Types of Records Created:

Quarterly National Average HPI files.