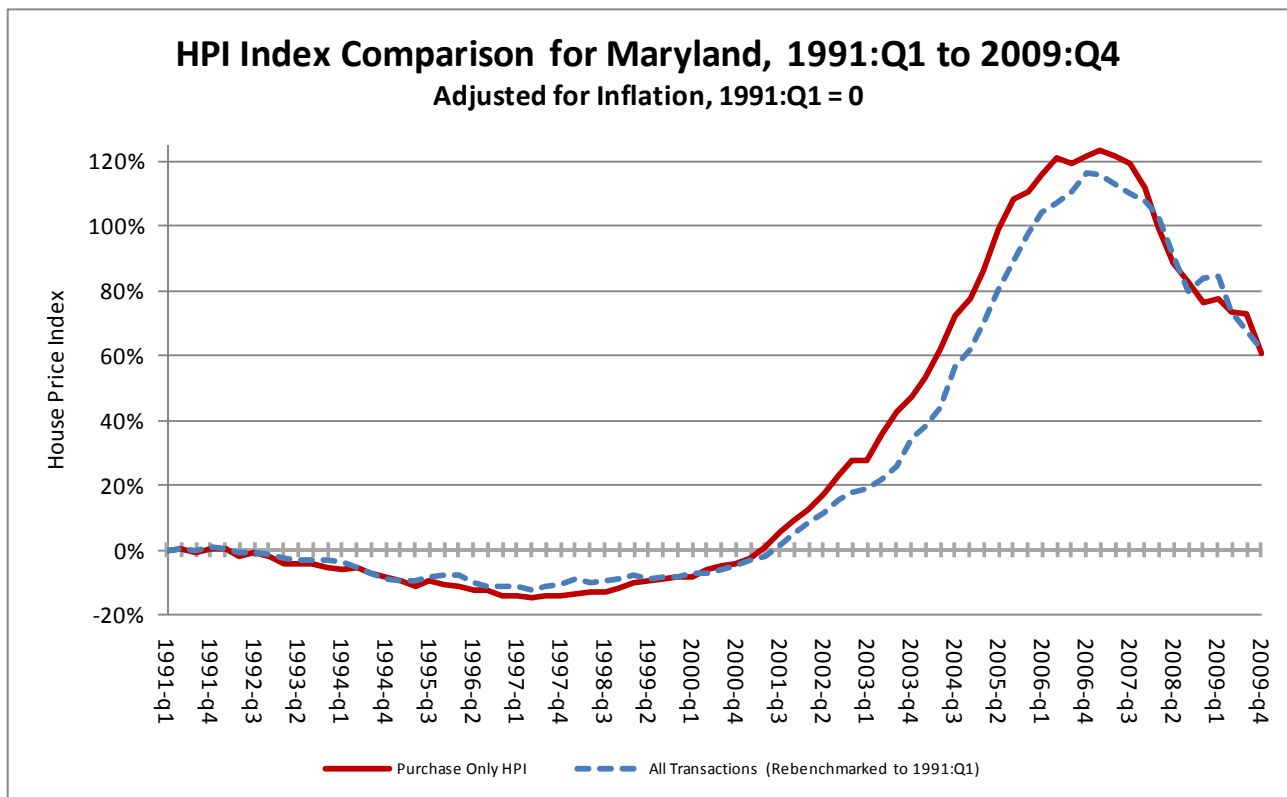


An Overview of the FHFA House Price Indexes (HPI) for Maryland

The Federal Home Finance Agency (FHFA) publishes multiple indexes of home prices, all based on data collected from the mortgage lending institutions that it oversees. We track three of these indexes:

- The **All-Transactions Index** for Maryland, which covers the entire state and tracks house value change from the first quarter of 1975 to the present.
- The **All-Transactions Index Core Based Statistical Areas** in Maryland, which covers most of Maryland's MSAs and MSADs. Since coverage of the various CBSAs starts at different dates, we analyze the index starting from the first quarter of 1995.
- The **Purchase-Only Index** for Maryland, which covers the entire state and tracks house price change from the first quarter of 1991 to the present.

As the names imply, the two All-Transactions indexes cover all mortgage transactions, whether they are used to purchase or refinance a home, while the Purchase-Only Index only tracks mortgages used to purchase homes.



Source: Quarterly House Price Index, Fourth Quarter 2009, Federal Housing Finance Agency, 2010

All three indexes track the purchase of existing homes that have been previously financed with a mortgage, tracking the change in price/value of each home over time. By necessity, this method of tracking price change excludes newly-built homes, as each home has to be sold at least twice to be included in the index. Also, the FHFA uses data on mortgages purchased by the Federal National Mortgage Association (Fannie

Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), government-sponsored enterprises (GSEs) that are restricted to purchasing mortgages that conform to certain lending rules set by Congress and values set by the FHFA (known as conforming mortgages). Therefore, to be included in the indexes a home has to be financed by a conforming mortgage at least twice. Finally, the indexes only track single-family detached homes, not attached homes, condominiums, or co-operatively-owned homes.

Since 2001 there has been a divergence between the All-Transactions Index and the Purchase-Only Index, with the largest gap (19.0%) in 2005:Q3, when the Purchase Only Index gained 108.1 percent in value over 1991:Q1, while the All-Transactions Index had gained only 89.1 percent. This is likely due to the lag time between home sales prices and their effect on the assessed values of existing housing (mostly estimated through computer models based on comparable property sales). By 2007:Q4, price change trends for both indexes essentially merged, and between that point and 2008:Q3 were essentially the same. From 2008:Q3 to 2009:Q3, however, the indexes diverged again, driven by the effect of the Federal Housing Tax Credit, which is credited with increasing sales of lower-priced homes and with holding those home prices steady, while more expensive homes are less likely to sell and are more likely to reduce in value. However, the effect of the tax credit seems to have waned, and prices for purchased housing units have decreased significantly in the most recent quarter (-7.5 percent from the same quarter in the previous year).

For a description of the All-Transactions Index in Maryland see [The House Price Index \(HPI\) for All Mortgage Types for Maryland, 1975 – 2009](#). Inflation-adjusted price change data related to this index is available in [Table 1](#).

For a description of the All-Transactions Index in Maryland's CBSAs see [The All Transactions House Price Index \(HPI\) for Maryland's MSAs, 1995 – 2009](#). Inflation-adjusted price change data related to this index is available in [Table 2](#). Maps showing each CBSAs change over time are provided ([Maps 1, 2, 3](#) and [4](#)).

For a description of the Purchase-Only Index in Maryland see [The House Price Index \(HPI\) for Purchase Only Mortgage Transactions in Maryland, 1991 – 2009](#). Inflation-adjusted price change data related to this index is available in [Table 3](#).

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