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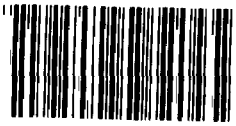
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

April 5, 1984

RESOURCES COMMUNITY
AND ECONOMIC DEVELOPMENT
DIVISION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B-214822

The Honorable Steve Bartlett
House of Representatives

Dear Mr. Bartlett:

Subject: Borrowers Pay Lower Effective Interest Rates for Large Conventional Mortgage Loans (GAO/RCED-84-151)

Your December 23, 1983, letter, requested that we study how the statutory limit (generally referred to as the conforming limit[1]) on the size of home mortgages affects the behavior and pricing policies of lending institutions. Subsequently, we agreed to focus our work on three questions related to the impact of the 1983 statutory limit on home purchases. Specifically, the questions were:

1. What proportion of conventional[2] mortgage loans exceeded the conforming loan limit of $108,300 in 1983?

2. How did interest rates and fees paid by borrowers for conventional loans which exceeded the 1983 conforming limit differ from those paid by borrowers for conventional conforming loans?

3. What income would a hypothetical borrower need to qualify for the maximum conforming loan in various high-cost housing markets if the conforming limit was raised as proposed in H.R. 3420?

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[1]The conforming mortgage loan limit is the maximum value that a home loan purchased by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association can have. Loans which do not exceed the limit are referred to as conforming loans.

[2]Conventional loans are those which are not guaranteed or insured by a federal agency, such as the Federal Housing Administration (FHA), Veterans Administration (VA), or the Farmers Home Administration (FmHA).

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These questions were considered relevant to your consideration of H.R. 3420, the Secondary Mortgage Market Equity Act, which would raise the conforming mortgage limit in high-cost housing markets.

Briefly, our research shows that only about 8.3 percent of all conventional loans in 1983 exceeded the 1983 conforming limit of $108,300 and that borrowers who received these large loans were charged lower effective[3] interest rates than those whose loans fell below the conforming limit. In addition, if the conforming limit was raised in high-cost areas as proposed in H.R. 3420, household incomes of $60,000 to $80,500 would be needed to qualify for mortgages between the 1984 conforming limit of $114,000 and the new limits for high-cost housing areas. The highest conforming limit under the proposed law would be about $152,000.

BACKGROUND

The Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) purchase mortgages from lenders who, in turn, use the funds to make additional home loans. However, these agencies are limited to purchasing mortgages whose principal amounts do not exceed the conforming loan limit. FNMA and FHLMC purchase both conventional mortgages and those guaranteed or insured by the federal government.

The conforming mortgage loan limit for FNMA and FHLMC is set by section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act, as amended (12 U.S.C. 1454(a)(2)(C)) and section 302(b)(2) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(b)(3)), respectively. Both acts require the conforming mortgage loan limit to be adjusted annually based on a Federal Home Loan Bank Board (FHLBB) index of nationwide average home purchase prices. The conforming mortgage loan limit for single-family homes was raised from $108,300 in 1983 to $114,000 in 1984.

H.R. 3420 would raise the conforming mortgage limit in high-cost housing markets by percentages equal to the percentage adjustments made for FHA mortgage limits in these same markets. These FHA high-cost area adjustments are based on a cost index reflecting area differences in the cost of housing. By law FHA adjustments cannot exceed 133-1/3 percent of the nationwide FHA mortgage limit.

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[3]The effective interest is the stated or nominal interest rate plus initial loan fees (or origination charges) amortized over 10 years.

OBJECTIVES, SCOPE, AND METHODOLOGY

To determine the proportion and terms of conventional loans that exceeded the conforming mortgage loan limit of $108,300 in 1983, we initially reviewed testimony concerning the volume of conforming loans presented by FNMA, FHLMC, and the General Electric Credit Corporation in May 1983 hearings before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing, and Urban Affairs. We also discussed the questions with Congressional Budget Office and Congressional Research Service (CRS) housing specialists.

On the basis of our initial efforts, we determined that no entity tracks the number or the terms of all conventional mortgage loans made each year or how these factors differ between conforming and nonconforming mortgages. However, during the first 5 days of each month, FHLBB surveys over 1,500 lenders nationwide to collect such data on conventional mortgages. At our request, FHLBB used its survey data to develop monthly differences in interest rates, initial fees and charges, maturities, and loan-to-price ratios between conventional conforming loans (loans not exceeding $108,300) and conventional nonconforming loans (loans exceeding $108,300) in 1983. Enclosure I describes the FHLBB survey methodology in detail. We also obtained comments on the results of FHLBB's survey from housing finance experts at CRS, FHLBB, FHLMC, Ohio State University, and the Department of Housing and Urban Development (HUD). Our review was made from January to March 1984 and was performed in accordance with generally accepted government auditing standards.

To determine the income which a hypothetical borrower would need to qualify for the maximum conforming loan in various high-cost areas if the conforming limit was raised as proposed in H.R. 3420, we (1) obtained FHA maximum mortgage amounts set by the Secretary of HUD from the Federal Register, (2) computed what the new conforming limit would be under H.R. 3420, and (3) computed annual mortgage payments for maximum conforming loans under these limits. We also obtained data on the prices of typical upper-income homes in these high-cost areas from Nationwide Relocation Services, Incorporated. Nationwide helps people who wish to move select a new area to live in and then refers them to a Nationwide broker in that area. We compared these prices with the prices of homes that could be purchased with the maximum conforming mortgages loan in 28 high-cost areas if H.R. 3420 becomes law.

PORTION OF CONVENTIONAL LOANS WHICH EXCEEDS THE CONFORMING LOAN LIMIT

On the basis of the FHLBB survey data, no more than 10.4 percent of all conventional loans in any month of 1983 exceeded the conforming mortgage limit. The percentage of loans exceeding the limit in each month ranged from 6.5 percent in January to 10.4 percent in December (see enc. II). The unweighted average of

these monthly percentages was 8.3 percent for 1983. The actual average for the year would necessarily fall within the 6.5 to 10.4 percent range.[4]

INTEREST RATES AND LOAN FEES LOWER FOR NONCONFORMING LOANS

We found no studies or published data which compare interest rates (and loan fees) for conforming and nonconforming conventional loans. We therefore asked FHLBB to develop data from its monthly survey of loans which would allow us to make such a comparison. On the basis of the data provided, we found that effective mortgage interest rates for nonconforming loans were consistently lower than those for conforming loans. The unweighted average of monthly effective interest rates from the FHLBB survey in 1983 was 12.40 percent for loans greater than $108,300 and 12.86 percent for loans less than or equal to $108,300 (see enc. V). The difference resulted from both lower nominal interest rates and lower loan fees (or origination charges) for nonconforming loans as compared with conforming loans. The following table summarizes unweighted averages of the monthly data for interest rates and fees in 1983.

	Effective interest rates	Nominal interest rates	Fees and charges (% of loan amount)
	------(percent)------		
Conforming loans	12.86	12.39	2.44
Nonconforming loans	12.40	12.01	2.05

More detailed information on interest rates and fees from the FHLBB survey is shown in enclosures III, IV, and V.

The FHLBB survey results presented in the table include information on both fixed interest rate and adjustable interest rate loans. For a fixed-rate loan, interest is calculated at the same rate over the entire life of the loan. With an adjustable-rate loan, the lender is permitted to adjust the interest rate based on an independent interest rate index. The interest rate for adjustable-rate loans in the FHLBB survey is for the initial loan period before any adjustment is made in the rate. We compared interest rates and fees for fixed- and adjustable-rate loans and found that the same interest rate and loan fee relationships prevailed as for all conventional loans. (See enc. VIII.)

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[4]FHLBB weights the monthly survey data based on the size of the lender as described in enc. I. However, in developing annual averages of loan volume and characteristics, we did not attempt to weight the monthly data based on the size of the lender. Instead, we computed unweighted monthly averages.

We also found that lower interest rates and loan fees for all conventional nonconforming loans could not be attributed to shorter maturities or lower loan-to-price ratios. These comparisons are shown in enclosures VI and VII.

We asked six housing finance experts[5] to help us determine why FHLBB data show that interest rates and fees for conventional nonconforming loans were lower than those for conventional conforming loans in 1983. Several of these experts believed it logical that initial fees and charges represent a lower percent of nonconforming than of conforming loans because some fees, such as application fees and credit reports, are the same for all loans. Thus, these fixed fees would be a smaller percent of the larger (nonconforming) loans than of conforming loans. Similarly, the cost of servicing conventional nonconforming loans would be no higher than for conforming loans because servicing does not vary with the size of the loan, making lower nominal interest rates possible for large loans. These factors may partially explain the lower interest rates and percentage fees for conventional nonconforming loans.

INCOMES REQUIRED TO OBTAIN MAXIMUM LOANS UNDER H.R. 3420

H.R. 3420, the Secondary Mortgage Market Equity Act, would raise the conforming limit in high-cost housing markets by the same percentages which the Secretary of HUD uses to periodically adjust FHA mortgage limits. In 1984 a borrower would need an income of over $60,000 to qualify for a 30-year fixed interest rate loan of $114,000--the current conforming limit. If H.R. 3420 becomes law, the conforming limit would be raised in a large number of high-cost housing markets, such as Washington, D.C., San Francisco, New York City, and Dallas. In areas receiving the largest permissible increase in mortgage amount, which would be 133-1/3 percent of the present $114,000 limit, the new conforming limit would become approximately $152,000. An income of at least $80,000 would be required to purchase a home with this maximum mortgage.

Enclosure IX shows similar calculations for the conforming limits in 28 high-cost markets which would result from the passage of H.R. 3420. Enclosure IX also shows the home prices implied by the higher conforming limits along with prices for a standardized single-family home in these markets. The standardized home prices were developed by Nationwide Relocation Service, Incorporated. Nationwide's standard home has 2,000 square feet of living space, three bedrooms, two baths, a family room, a two-car garage (and a basement in applicable markets), and is located in a neighborhood

[5]Those consulted were associated with CRS, FHLBB, FHLMC, HUD, and Ohio State University.

judged to be above average for the market area. These home prices give some perspective on the significance of the present and proposed conforming limits in these 28 high-cost markets.

Home prices implied by the proposed high-cost area conforming mortgage limits were calculated using a 75-percent loan-to-price ratio and would range from $153,520 in Oklahoma City to $202,160 in cities receiving the largest increase in the conforming limit, such as Washington, D.C., Minneapolis, and San Diego. In these same cities the prices of standardized three bedroom homes which are shown in the last column of enclosure IX (and range from $94,000 to $150,000) are such that they could be purchased without increasing the conforming limit above its present $114,000 level. Of the 28 housing markets analyzed in enclosure IX, only San Francisco; Los Angeles; New York; and Stamford, Connecticut, have standardized three bedroom home prices which could not generally be purchased under the present conforming limit.

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As arranged with your office, we did not obtain written agency comments on this report. Unless you publicly announce its contents earlier, we will not make any further distribution of this report until 5 days after its issue date. At that time, we will make copies available to other interested parties.

Sincerely yours,

Ralph V. Carlone for

J. Dexter Peach
Director

Enclosures - 9

ENCLOSURE I

FEDERAL HOME LOAN BANK BOARD SURVEY METHODOLOGY

The following paragraphs have been extracted from FHLBB's Data Users Guide for its mortgage interest rate survey of interest rates and other characteristics of conventional first mortgage loans originated on single-family homes. The guide was prepared by the Statistical Division of the Office of Policy and Economic Research in January 1980. Pertinent excerpts from the guide, including underlining, follow.

A. Coverage

All series indicate averages of selected characteristics of fully amortized conventional first mortgage loans closed during the first five full working days of the month by major mortgage lenders for the purchase of single-family nonfarm residential properties.

Single-family nonfarm residential properties include detached and semi-detached primary residences, condominium units, vacation homes, and second homes. Mobile homes are excluded. Newly-built homes are properties where the dwelling units have never been occupied. Previously-occupied homes are properties where the dwelling units have had a prior occupant.

Fully amortized conventional first mortgage purchase loans possess the following properties: (1) they require the complete repayment of the loan principal by the scheduled maturity date (i.e., there is no final "balloon" payment), (2) they are not insured by the federal government, (3) they represent a first lien on the property, (4) they constitute a transfer of property ownership, and (5) they represent permanent, not interim, financing. Included in this definition are combination construction-purchase loans (i.e., loans in which construction financing is coupled with a permanent purchase loan in a single transaction). Loans excluded from coverage are refinancing loans, open-ended advances, junior loans (e.g., second mortgages), property or home improvement loans, interim financing loans, FHA- and VA-insured loans, construction loans, and assumed loans. All partially amortized and unamortized loans are also excluded, regardless of all other characteristics. These latter two types of mortgages, however, represent only some 2 percent of the conventional home mortgage market.

B. Survey Methodology

The average loan characteristics reported are derived from the individual loan data provided by a random, stratified sample of the major mortgage lenders and represent weighted averages.

The sampling strata are defined by the type, size and geographic location of the lender. The sampling fraction is reduced as lender size declines so as to minimize the sampling error for a given size class. This technique results in the selection of virtually all large lenders. The current sample consists of 951 (888) savings and loan associations, 57 (58) mortgage bankers, 405 (488) commercial banks, and 146 (105) mutual savings banks.[1]

The assigned weights are based on the relationship of the single-family conventional mortgage holdings of the sample participants of a lender type--or other measure of lender size--in each of the sample strata to the holdings of all lenders (of the same type) in a stratum. This procedure provides appropriate representation in the averages of smaller lenders which are sampled at a reduced rate. Thus, the averages represent estimates for the entire population of major mortgage lenders and virtually all (95 percent) of all conventional purchase loan activity during the first five full working days of the month.

The seven average loan characteristics reported include: (1) the contract interest rate, (2) initial fees and charges, (3) the effective interest rate, (4) the term to maturity, (5) the mortgage loan amount, (6) the purchase price, and (7) the loan-to-price ratio. Both the contract and effective interest rates are adjusted to exclude the cost of private (i.e., non-government) mortgage insurance when included in the reported contract rate. The effect of this adjustment is minor, reducing the contract rate (and effective rate) by only one or two basis points. Initial fees and charges are defined to include all fees, commissions, discounts, and "points" paid by the borrower, or seller, in order to obtain a loan, including any general charge for making the loan and specific charges made to offset lending expenses. Specific charges included are commitment application fee(s), costs of credit and appraisal reports, cost of property survey, cost of termite inspection and attorney fees for document preparation and closing services (i.e., presence at settlement). Excluded are title, homeowner, life, or private mortgage insurance, property transfer costs, prepaid real estate taxes, and prepaid interest. Also excluded are attorney fees for title search or examination as well as real estate commissions for the sale of the property. The effective interest rate includes the adjusted contract rate plus initial fees and charges amortized over a ten-year period, the latter being a rough estimate of the actual average life of a conventional mortgage. The loan-to-price ratio is the mortgage loan amount divided by the purchase price, expressed as a percentage.

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[1]We inserted the current figures as of March 1984 in parentheses.

C. Data Limitations

Since the first five full working days of a month are surveyed, the averages may not be representative of the entire month, especially during months in which lending terms are in the process of change. Most mortgage lending moreover, is based on prior commitments made by lenders. The averages, therefore, should not be interpreted as measures of "market" rates and terms prevailing during the reporting period. Additionally, month-to-month changes in characteristics may not reflect "pure" changes, but rather shifts in the loan and housing composition surveyed. These shifts may reflect differences in housing characteristics, changes in relative lending volumes (among lender types or sizes and among geographic areas), and variations in loan risk. Averages for metropolitan areas are generally more prone to fluctuation as a result of these factors than are the national averages. Moreover, in those metropolitan areas in which lenders other than those covered are significant in the conventional home loan market, the average may not approach estimates for the total conventional market.

In all cases, users are encouraged to substantiate the published results with collateral information wherever possible. Use of an average of several months of data is recommended in most instances.

1983 FHLBB SURVEY OF CONVENTIONAL MORTGAGE LOANS MADE-PERCENTAGE ABOVE AND BELOW $108,300

Month	Loans $108,300 or less	Loans above $108,300
January	93.5	6.5
February	92.2	7.8
March	93.2	6.8
April	91.9	8.1
May	92.3	7.7
June	92.2	7.8
July	92.2	7.8
August	91.2	8.8
September	91.2	8.8
October	90.3	9.7
November	90.1	9.9
December	89.6	10.4
1983 range	89.6 - 93.5	6.5 - 10.4
Unweighted average	91.7	8.3

Source: FHLBB monthly survey.

ENCLOSURE III

DIFFERENCE IN CONTRACT INTEREST RATES BETWEEN

CONVENTIONAL CONFORMING AND NONCONFORMING LOANS IN 1983

Month	Conforming loans	Nonconforming loans	Difference (col.2-col.3)
	(Percent)		
January	13.05	12.80	0.25
February	12.84	12.53	.31
March	12.76	12.32	.44
April	12.37	11.99	.38
May	12.35	12.08	.27
June	12.21	11.69	.52
July	12.17	11.92	.25
August	12.24	11.88	.36
September	12.37	11.95	.42
October	12.18	11.83	.35
November	12.12	11.65	.47
December	12.01	11.47	.54
1983 range	12.01 - 13.05	11.47 - 12.80	.25 - .54
Unweighted average	12.39	12.01	.38

Source: FHLBB monthly survey.

DIFFERENCE IN LOAN FEES AS A PERCENT OF THE LOAN

BETWEEN CONVENTIONAL CONFORMING AND NONCONFORMING

Month	LOANS IN 1983		
	Conforming loans	Nonconforming loans	Difference (col.2-col.3)
January	2.51	2.20	0.31
February	2.69	2.45	.24
March	2.25	2.05	.20
April	2.33	1.84	.49
May	2.39	1.99	.40
June	2.41	2.00	.41
July	2.42	2.11	.31
August	2.36	1.92	.44
September	2.48	2.06	.42
October	2.40	2.05	.35
November	2.52	1.97	.55
December	2.50	2.00	.50
1983 range	2.25 - 2.69	1.84 - 2.45	.20 - .55
Unweighted average	2.44	2.05	.39

Source: FHLBB monthly survey.

ENCLOSURE V

DIFFERENCE IN EFFECTIVE INTEREST RATES BETWEEN CONVENTIONAL CONFORMING AND NONCONFORMING LOANS IN 1983

Month	Conforming loans	Nonconforming loans	Difference (col.2-col.3)
	(Percent)		
January	13.55	13.27	0.28
February	13.37	13.02	.35
March	13.21	12.71	.50
April	12.82	12.34	.48
May	12.82	12.47	.35
June	12.68	12.06	.62
July	12.63	12.32	.31
August	12.69	12.25	.44
September	12.85	12.33	.52
October	12.64	12.21	.43
November	12.61	12.02	.59
December	12.49	11.84	.65
1983 range	12.49 - 13.55	11.84 - 13.27	.28 - .65
Unweighted average	12.86	12.40	.46

Source: FHLBB monthly survey.

DIFFERENCE IN MATURITIES BETWEEN CONVENTIONAL

CONFORMING AND NONCONFORMING LOANS IN 1983

Month	Conforming loans	Nonconforming loans	Difference (col.2-col.3)
	(Years)		
January	25.7	25.6	0.1
February	26.1	27.0	(.9)
March	24.4	27.7	(3.3)
April	25.6	26.7	(1.1)
May	26.1	27.2	(1.1)
June	25.9	27.3	(1.4)
July	26.4	27.7	(1.3)
August	25.8	27.8	(2.0)
September	25.9	27.8	(1.9)
October	25.7	27.7	(2.0)
November	25.8	26.9	(1.1)
December	26.3	28.0	(1.7)
1983 range	24.4 - 26.4	25.6 - 28.0	(3.3) - .1
Unweighted average	25.8	27.3	(1.5)

Source: FHLBB monthly survey.

ENCLOSURE VII

DIFFERENCE IN LOAN-TO-PRICE RATIOS BETWEEN CONVENTIONAL CONFORMING AND NONCONFORMING LOANS IN 1983

Month	Conforming loans	Nonconforming loans	Difference (col.2-col.3)
January	72.80	78.30	(5.50)
February	73.66	77.28	(3.62)
March	71.96	78.19	(6.23)
April	72.35	77.95	(5.60)
May	74.26	76.52	(2.26)
June	73.47	78.90	(5.43)
July	73.86	76.70	(2.84)
August	72.60	76.39	(3.79)
September	75.27	77.87	(2.60)
October	74.96	77.23	(2.27)
November	75.77	80.26	(4.49)
December	76.27	79.71	(3.44)
1983 range	71.96 - 76.27	76.39 - 80.26	(6.23) - (2.26)
Unweighted average	73.94	77.94	(4.01)

Source: FHLBB monthly survey.

ENCLOSURE VIII

COMPARISONS OF CHARACTERISTICS OF FIXED RATE AND ADJUSTABLE RATE CONVENTIONAL LOANS IN 1983

	Fixed rate	Adjustable rate	All conventional loans
Loans in FHLBB survey (percent)			
Conforming	92.4	89.7	91.7
Nonconforming	7.6	10.3	8.3
Interest rates (percent)			
Conforming	12.61	12.06	12.39
Nonconforming	12.13	11.86	12.01
Fees and charges (percent of loan)			
Conforming	2.45	2.42	2.44
Nonconforming	1.99	2.13	2.05
Effective interest rates (percent)			
Conforming	13.09	12.52	12.86
Nonconforming	12.52	12.27	12.40
Maturity (years)			
Conforming	25.49	26.01	25.80
Nonconforming	25.67	29.03	27.30
Loan-to-price ratio			
Conforming	73.16	75.18	73.94
Nonconforming	78.31	77.39	77.94

Source: FHLBB monthly survey.

COMPARISON OF HUD MAXIMUM MORTGAGE AMOUNT

IN VARIOUS HIGH COST AREAS

High-cost areas	HUD maximum mortgage amount[a] (2)	HUD high-cost maximum as a multiple of $67,500 (3)	Conforming mortgage limit if H.R. 3420 is passed col. 3 x $114,000 (4)	Home sale price assuming 75% loan-to-price ratio and a loan for the amount in column 4 (5)	Downpayment for home price in col. 5 assuming 25% down col. 5 - col. 4 (6)	Annual income required to obtain loan in col. 4[b] (7)	Cost of comparable homes in various high-cost areas[c] (8)
Austin	$77,000	1.14	$129,960	$173,280	$43,320	$69,127	$112,500
Atlanta	78,500	1.16	132,240	176,320	44,080	70,211	96,500
Baltimore	74,700	1.11	126,540	168,720	42,180	67,185	92,500
Boston	72,700	1.08	123,120	164,160	41,040	70,147	114,000
Chicago	83,600	1.24	141,360	188,480	47,120	75,053	85,000
Columbus, Ohio	81,100	1.20	136,800	182,400	45,600	72,632	93,000
Dallas	85,000	1.26	143,640	191,520	47,880	76,264	140,000
Denver	76,000	1.13	128,820	171,760	42,940	68,395	98,500
Detroit	75,300	1.12	127,680	170,240	42,560	67,790	81,000
Ft.Worth-Arlington	85,000	1.26	143,640	191,520	47,880	76,264	100,000-110,000[d]
Houston	72,900	1.08	123,120	164,160	41,040	65,369	105,000
Kansas City	81,600	1.21	137,940	183,920	45,980	73,238	77,500
Los Angeles	90,000	1.33	151,620	202,160	50,540	80,500	150,000-325,000[e]
Memphis	75,000	1.11	126,540	168,720	42,180	67,185	92,000
Milwaukee	73,500	1.09	124,260	165,680	41,420	65,973	85,000
Minneapolis	90,000	1.33	151,620	202,160	50,540	80,500	144,500
New York	90,000	1.33	151,620	202,160	50,540	80,500	123,000-154,500[f]
Oklahoma City	68,000	1.01	115,140	153,520	38,380	61,132	94,000
Philadelphia	70,200	1.04	118,560	158,080	39,520	62,948	104,000
St. Louis	85,500	1.27	144,780	193,040	48,260	76,869	109,500
Salt Lake City	75,000	1.11	126,540	168,720	42,180	67,185	93,000
San Antonio	77,000	1.14	129,960	173,280	43,320	69,001	84,000
San Diego	90,000	1.33	151,620	202,160	50,540	80,500	150,000
San Francisco	90,000	1.33	151,620	202,160	50,540	80,500	225,000
Seattle	85,200	1.26	143,640	191,520	47,880	76,264	110,000
Stamford	90,000	1.33	151,620	202,160	50,540	80,500	165,000
Tampa	71,500	1.06	120,840	161,120	40,280	64,159	87,500
Washington, D.C.	90,000	1.33	151,620	202,160	50,540	80,500	135,000

ENCLOSURE IX

[a]Source: Federal Register, Vol.48, No.235, Dec. 6, 1983. This figure, which is the lesser of: (1) 133-1/3% of $67,500 (i.e., $90,000) and (2) 95% of the median one-family house price in area, is the maximum amount of loan HUD will guarantee in the high-cost area.

[b]Assuming a 13% interest rate on a 30-year fixed-rate mortgage, with principal and interest payments equal to 25% of gross personal income.

[c]Published as of June 1983 by Nationwide Relocation Service, Inc. This house has 2,000 sq.ft., 3 bedrooms, 2 baths, family room, 2-car garage, and basement (if applicable) and is located in a neighborhood the Nationwide broker judged to be above average to prime.

[d]$100,000 in Ft. Worth and $110,000 in Arlington.

[e]Los Angeles County range includes San Fernando Valley, $165,000; San Gabriel Valley, $150,000; Westside, $325,000; and South Bay, $240,000.

[f]New York City range includes New Jersey suburban, $127,500; New York suburban, $146,000; Connecticut suburban, $154,500; and Long Island suburban, $123,000.

ENCLOSURE IX