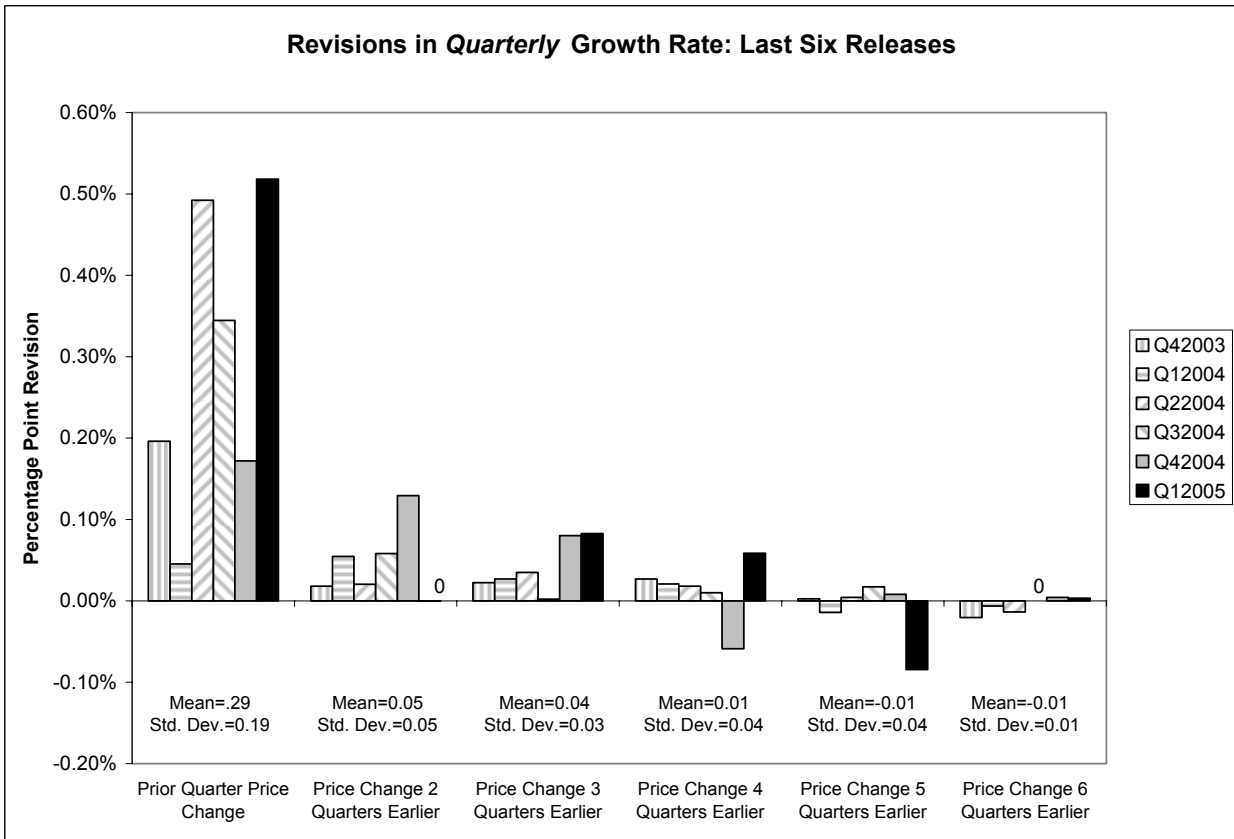


## HPI Revisions

Past values in the HPI are revised each quarter based on the availability of new mortgage and house price information from the Enterprises.<sup>3</sup> In this release, the estimated increase in the United States for the fourth quarter of 2004 has been revised upward by 0.52 percent. This is a relatively large revision when compared with recent HPI updates. The fourth quarter increase is now estimated to have been 2.21 percent. The increase over the four quarters ending with the fourth quarter of 2004 is now estimated to have been 11.88 percent, up from an initial estimate of 11.17 percent.

The graph below puts the recent revision in historical context. For the last six HPI releases, the graph shows the revisions that were made to estimated quarterly price increases for recent periods. This quarter's revision of 0.52 percent for the fourth quarter of 2004 is shown as a black bar in the "Prior Quarter Price Change" below. Similarly, the last release's revision of the third quarter increase was 0.17 percent and is depicted as the solid gray bar.



<sup>3</sup> See Frequently Asked Questions about the House Price Index (HPI), Question #20.

Revisions for recent periods have tended to be positive. Over the last six releases, the revision in the prior period's quarterly growth has averaged +0.29 percentage points. That is—initial estimates for quarterly appreciation rates have tended to be nearly one-third of a percentage point below the updated estimates. Over the last four years, first-period revisions have averaged +0.36 percent. As time passes, the revisions for a given period tend to shrink. Thus, the price change for the quarter that is two quarters earlier has recently averaged only 0.05 percent.

In an appreciating market, positive revisions can be expected. A delay exists between the time in which loans are originated and the time in which they are purchased by the Enterprises. Loans originated in a given quarter may be purchased by the Enterprises in the following quarter or, in some cases, two quarters later. For the past six quarterly releases, OFHEO has included Enterprise data on all loans acquired through the month following the latest quarter reported, through April 30, 2005 for this release. Nonetheless, the additional data about the first quarter of 2005 received before the next release will likely comprise transactions predominantly from the second half of the quarter. If prices grow over the course of a quarter, then the early transactions will tend to reflect lower prices than those occurring later.