

6. New business.

7. Adjournment.

Status: This meeting is open to the public.

FOR FURTHER INFORMATION CONTACT: Ms. Sally P. Magee, Federal Emergency Management Agency, 500 C Street SW., room 442, Washington, DC 20472, telephone (202) 646-8242 or by facsimile at (202) 646-4596.

SUPPLEMENTARY INFORMATION: Minutes of the meeting will be prepared and will be available upon request 30 days after they have been approved by the next Technical Mapping Advisory Council meeting in October 2000.

Michael K. Buckley,

*Director, Technical Services Division,
Mitigation Directorate.*

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FEDERAL HOUSING FINANCE BOARD

[2000-N-5]

Monthly Survey of Rates and Terms on Conventional 1-Family Nonfarm Mortgage Loans

AGENCY: Federal Housing Finance Board.

ACTION: Notice and request for comments.

SUMMARY: The Federal Housing Finance Board (Finance Board) is seeking comments on several aspects of its Monthly Survey of Rates and Terms on Conventional 1-Family Nonfarm Mortgage Loans. The Finance Board seeks comments on whether it should continue to publish mortgage information by lender type. The Finance Board seeks comments on whether the sampling and weighting design for this survey should draw lenders without regard to lender type. If so, the Finance Board seeks suggestions for alternative sampling and weighting methodologies. The Finance Board also seeks comments on the designation of successor adjustable-rate mortgage indexes if it decides to stop publishing data by lender type or revises the regional information it now publishes.

DATES: Changes to the sampling and weighting methodology will become effective in accordance with section F of the **SUPPLEMENTARY INFORMATION** unless comments dictate otherwise. The Finance Board will accept written comments on or before October 26, 2000.

ADDRESSES: Address comments to Elaine L. Baker, Secretary to the Board, (202) 408-2837, bakere@fhfb.gov,

Federal Housing Finance Board, Office of Information Management and Technology Support, 1777 F Street, NW., Washington, DC 20006. Comments will be available for inspection at this address.

FOR FURTHER INFORMATION CONTACT: Joseph A. McKenzie, Deputy Chief Economist, (202) 408-2845, mckenziej@fhfb.gov, Office of Policy, Research, and Analysis, Federal Housing Finance Board, 1777 F Street, NW., Washington, DC 20006.

SUPPLEMENTARY INFORMATION:

A. Background

The Finance Board conducts and prepares the Monthly Survey of Rates and Terms on Conventional 1-Family Nonfarm Mortgage Loans. This survey, usually called the "Monthly Interest Rate Survey" (MIRS), asks a sample of approximately 300 mortgage lenders to report the terms and conditions on all conventional mortgage loans for the purchase of single-family, nonfarm homes that they close during the last 5 working days of the month. The sample of lenders includes savings associations, mortgage companies, commercial banks, and savings banks that have volunteered to participate in the survey. MIRS provides national and regional data on mortgage interest rates, mortgage terms, and house prices. The Finance Board's regulations describe MIRS more thoroughly. *See* 12 CFR 906.3.

From 1963 to September 1989, the former Federal Home Loan Bank Board conducted MIRS. Identical provisions in the Federal National Mortgage Association Charter Act, 12 U.S.C. 1717(b)(2), and the Federal Home Loan Mortgage Corporation Act, 12 U.S.C. 1454(a)(2), allow these two government-sponsored enterprises annually to adjust the maximum size of mortgage loans they can purchase or guarantee by the October-over-October percentage price change in house prices as reported in MIRS "conducted by the Federal Housing Finance Board."

More recently, the 1994 Department of Housing and Urban Development (HUD) appropriation act tied the high-cost area limits for Federal Housing Administration (FHA)-insured mortgages to the purchase-price limitations of Fannie Mae and Freddie Mac, thus linking the FHA limits indirectly to MIRS. *See* Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, Pub. L. 103-327, 108 Stat. 2298 (Sept. 28, 1994). In addition, the Internal Revenue Service uses the data from MIRS to set the safe-harbor purchase-price limits for

mortgages purchased with the proceeds of mortgage revenue bond issues. *See* 26 CFR 6a.103A-2(f)(5).

Beyond its use for indexing the conforming loan limit, MIRS provides information for general statistical purposes and program evaluation. Economic policy makers use the data to determine interest rates, down payments, terms to maturity, terms on adjustable-rate mortgages (ARMs), initial fees and charges on mortgage loans, and other trends in mortgage markets. Information from MIRS regularly appears in the popular and trade press.

Around the 26th of each month, the Finance Board publishes a MIRS press release with mortgage rate and term information by property type (all, newly built, and previously occupied; Table I), by loan type (adjustable-rate and fixed-rate; Table II), and by lender type (savings association, mortgage company, commercial bank, savings bank; Table III), and a table providing data on 15- and 30-year conforming fixed-rate loans (Table V). In addition, it publishes quarterly tables with rate and term information for metropolitan areas (Table IV) and for Federal Home Loan Bank districts (Table VI).

An ARM index derived from MIRS—the National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes—was the only ARM index that Federally chartered savings institutions could use for a period in the early 1980's. A very small proportion of existing ARMs may use another interest-rate series from MIRS as an ARM index.

B. Current Sampling and Weighting of the Data

The Finance Board samples savings associations, mortgage companies, commercial banks, and savings banks for MIRS because it publishes monthly aggregate data by lender type. In addition, the Finance Board samples lenders representing all regions because it publishes quarterly data for 31 selected large metropolitan areas, quarterly data for the 12 Federal Home Loan Bank districts, and annual data for all 50 states and for 60 metropolitan statistical areas (MSAs).

As with most survey data, the tabulated MIRS data reflect the weighting of the individual responses. The current weighting draws depository institutions with equal probabilities of selection from "lender-type geo strata" (for example, commercial banks in Nebraska, savings associations from the Cincinnati MSA, or savings banks from the Boston CMSA). Since the sample of loans reported in a given month may differ from true lending experience (for

example, over- or under-representing certain regions), the MIRS data is weighted to comport with information on lending patterns derived from independent sources:

(1) The data is adjusted so that the distribution of loans by lender type matches the lender-type distribution in the latest Home Mortgage Disclosure Act (HMDA) release of the Board of Governors of the Federal Reserve System, and

(2) The data is adjusted so that the distribution of loans by Federal Home Loan Bank district matches the state pattern of mortgage originations annually reported in the HMDA data.

The weighting process builds up the national data from four separate subsamples based on lender type, where the shares of loans by lender type come from the HMDA data. On balance, this weighting process significantly increases the importance of loans reported by commercial banks and reduces the importance of loans reported by savings associations because commercial bank loans are under-represented in the sample. Regional adjustment of the data does not have a significant effect on the results because the geographic pattern of responses approximates aggregate lending patterns.

C. Proposed Sampling by Lender Type

The Finance Board publishes data by lender type principally as a historical matter and drawing four separate subsamples corresponding to savings associations, mortgage companies, commercial banks and, savings banks. However, as the financial services sector has evolved significantly, the distinctions between commercial banks and thrifts continue to erode. With institutional homogenization, publishing data by lender type may no longer be useful or meaningful.

MIRS presents a "clustered sampling" problem. The item of interest is individual loans, but the Finance Board must sample lenders to get the individual loan data. The loans must come from all regions and must represent all lender types. Several recent developments have improved the geographical dispersion of MIRS loans. First, some large national mortgage companies participate in MIRS. This means that 1 lender may report loans from 20 or more states. Second, the continuing trend toward the consolidation of depository institutions has resulted in large institutions that originate loans in many states.

The reported MIRS data for both region and lender type show considerable variation in the average

terms across region and across lender type. However, most of these differences are attributable to the mix of loans made. Interest rates on standard 30-year conforming loans differ little across lender type and across region. This similarity calls into some question the need to sample lenders by region and by lender type and the wisdom of reporting MIRS interest-rate data by region and lender type. There is, of course, considerable house price variation across regions.

The geographic dispersion of MIRS loans is not an issue. As stated earlier, the existing sample includes a number of national mortgage companies with broadly dispersed lending patterns. It is not necessary to sample lenders from many geo strata to get good geographic coverage of actual loans reported.

In light of the continuing trend toward consolidation and homogenization of depository institutions, a more meaningful MIRS weighting methodology would be a size-stratified methodology based on mortgage originations. Lenders with small origination volumes would be sampled at lower frequencies and higher weights; lenders with high origination volumes would be sampled at higher frequencies and lower weights. The HMDA file could be the source for establishing weights as it contains mortgage origination data for all but the smallest lenders. This proposed sampling would not select lenders based on lender type but could use location as a sampling factor.

The Finance Board specifically requests comments on the following:

- Should it continue to report MIRS data by lender type?
- Should it continue to sample MIRS lenders by lender type?
- Do institutional changes render the data by lender type meaningless?

D. MIRS Reports

The monthly MIRS report contains a table on mortgage rates and terms by lender type (savings association, commercial bank, mortgage company, and savings bank). (This is Table III of the monthly MIRS release.) Because of institutional homogenization and no economic differences in mortgage rates, the Finance Board is considering the elimination of this monthly table.

Each quarter, the Finance Board publishes a MIRS table of mortgage interest rates and terms for 31 metropolitan areas. (This table appears as Table IV in the January, April, July, and October MIRS releases.) These are not the 31 largest metropolitan areas. The Finance Board is considering adjusting the list of reported areas to

reflect current population rankings. Among the areas that may be deleted from Table IV are Greensboro, NC, Rochester, NY, and Louisville, KY.

E. Adjustable-Rate Mortgage Index

A very small number of ARMs may use as an index a MIRS interest rate series by lender type. This information appears in Table III of the regular monthly MIRS release. If the Finance Board were to adopt a changed MIRS sampling methodology that no longer separately sampled lenders by lender type, then probably it would cease the publication of Table III in the monthly MIRS release.

Section 402(e)(4) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Pub. L. 101-73, tit. IV, sec. 402(e)(4), 103 Stat. 183 (1989), *codified at* 12 U.S.C. 1437 note, requires the Chairperson of the Finance Board to designate a "substantially similar" successor index if the Finance Board no longer makes available any index from MIRS. If the Finance Board were to stop providing Table III, then it proposes to designate the National Average Contract Mortgage Rate for the Purchase of All Homes by Combined Lenders as the successor index for any ARM index that uses a contract rate from Table III. It also proposes to designate the National Average Effective Mortgage Rate for the Purchase of All Homes by Combined Lenders as the successor index for any ARM index that uses an effective rate from Table III.

The Finance Board seeks comment on these proposed successor index rates.

The Finance Board publishes both of the proposed successor index rates in the top panel of Table I in the monthly MIRS release, and the current value of both interest rates is available on a recording maintained by the Finance Board. The Finance Board is proposing these successor index rates because the loans reported in Table III by lender type include loans on both newly built and previously occupied homes. The proposed successor index rates also include loans on both newly built and previously occupied homes. The only difference is that the data in Table I combines loans from all types of lenders, whereas Table III reports mortgage data by type of lender.

Changes that the Finance Board is considering concerning Table IV of the MIRS release could affect a very small number of ARMs. The Finance Board knows of only one lender that uses regional mortgage rates reported in

Table IV as an ARM index rate.¹ Should any ARM be linked to a mortgage rate for a metropolitan area that will be deleted from the regular quarterly table, the Finance Board proposes as the successor index the National Average Contract Mortgage Rate for the Purchase of All Homes by Combined Lenders the successor index if that ARM index is a contract rate from Table IV. It also proposes to designate the National Average Effective Mortgage Rate for the Purchase of All Homes by Combined Lenders to be the successor index for any ARM index that is an effective rate from Table IV. The Finance Board publishes both of the proposed successor index rates in the top panel of Table I in the monthly MIRS release, and the current value of both interest rates is available on a recording maintained by the Finance Board. This particular designation would apply only to those metropolitan areas that the Finance Board would delete from the regular quarterly Table IV.

The Finance Board seeks comments on these proposed successor index rates.

F. Effective Date and Transition Provisions

If the Finance Board adopts the MIRS weighting changes described above, it would implement the changes effective with the January 2001 data to allow the data for a whole calendar year to be calculated using the same sampling and weighting methodology. Before implementing any changes, the Finance Board would employ the services of a statistician to ensure the appropriateness of the MIRS sampling and weighting methodology.

The Finance Board also would make available special tabulations so that Fannie Mae and Freddie Mac would have data calculated on the same basis for their determination of the conforming loan limit for 2002. This calculation would occur in November 2001.

Dated: September 18, 2000.

By the Federal Housing Finance Board.

James L. Bothwell,
Managing Director.

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FEDERAL RESERVE SYSTEM

Change in Bank Control Notices; Acquisitions of Shares of Banks or Bank Holding Companies

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than October 10, 2000.

A. Federal Reserve Bank of Kansas City (D. Michael Manies, Assistant Vice President) 925 Grand Avenue, Kansas City, Missouri 64198-0001:

1. The B & D Lee Limited Partnership, Bryan L. and Delphia C. Lee, General Partners, Nowata, Oklahoma; to acquire voting shares of Nowata Bancshares, Inc., Nowata, Oklahoma, and thereby indirectly acquire voting shares of First National Bank of Nowata, Nowata, Oklahoma.

Board of Governors of the Federal Reserve System, September 21, 2000.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 00-24688 Filed 9-25-00; 8:45 am]

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FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank

indicated. The application also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities will be conducted throughout the United States. Additional information on all bank holding companies may be obtained from the National Information Center website at www.ffiec.gov/nic/.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than October 20, 2000.

A. Federal Reserve Bank of Richmond (A. Linwood Gill, III, Vice President) 701 East Byrd Street, Richmond, Virginia 23261-4528:

1. *Shore Bancshares, Inc.*, Centreville, Maryland; to merge with Talbot Bancshares, Inc., Easton, Maryland, and thereby indirectly acquire The Talbot Bank of Easton, Maryland, Easton, Maryland.

B. Federal Reserve Bank of St. Louis (Randall C. Sumner, Vice President) 411 Locust Street, St. Louis, Missouri 63166-2034:

1. *First Banks, Inc.*, St. Louis, Missouri, and its subsidiary, First Banks America, Inc., St. Louis, Missouri; to acquire 100 percent of the voting shares of Millennium Bank, San Francisco, California.

2. *Eureka Springs Bancshares, Inc.*, Eureka Springs, Arkansas; to acquire 100 percent of the voting shares of Bank of Eureka Springs, Eureka Springs, Arkansas.

In connection with this application, JFC, Inc., Eureka Springs, Arkansas, and The John F. Cross Family Limited Partnership II, Eureka Springs, Arkansas, have applied to become bank holding companies by acquiring voting shares of Eureka Springs Bancshares, Inc., Eureka Springs, Arkansas.

C. Federal Reserve Bank of Kansas City (D. Michael Manies, Assistant Vice President) 925 Grand Avenue, Kansas City, Missouri 64198-0001:

1. *Grace Investment Company, Inc.*, Alva, Oklahoma; to become a bank holding company by acquiring 93.87 percent of the voting shares, for a total of 100 percent of the voting shares of The First National Bank in Okeene, Okeene, Oklahoma.

¹ The metropolitan area in question is St. Louis, and the Finance Board would continue to publish data for this region.