CALL-OUT QUOTE: "The RFS has been used extensively to address public policy issues, such as access to institutional credit for families by demographic characteristic or by urban-suburban-rural location, and the setting of affordable housing goals for Freddie Mac and Fannie Mae."—Frank Nothaft, Director of Economic Operations Analysis in the Housing Economics and Financial Research Department at Freddie Mac.

The U.S. Census Bureau has been conducting the Residential Finance Survey (RFS) every ten years since 1951, yet many long-term mortgage bankers have never heard of it! Some may even believe that it counts each mortgage in every portfolio of all mortgage lenders in the United States. However, the RFS is not a complete count of mortgages akin to Census 2000, the most recent comprehensive enumeration of people and households undertaken every ten years by the Census Bureau.

What the 2001 RFS is

The RFS is a national sample survey of all types of residential properties. "The Residential Finance Survey is a particularly valuable source of information on small rental properties. Although these properties are a critical source of affordable rental units, there are few private surveys about them," according to Amy Bogdon, Director of Housing Economics Research at the Fannie Mae Foundation.

The 1991 RFS sampled about 57,000 properties nationwide. A similar sample will be selected for the 2001 RFS. Owners of sampled properties will receive a questionnaire and be asked to answer questions about the property and its mortgage—if there is a mortgage.

The RFS is conducted in three phases:

1. The Homeowner Phase

In this part of the survey, homeowners receive questionnaires that ask about their purchase of the property, characteristics of the property, and information about the mortgages on their property. The homeowner phase of the RFS gathers the information that policymakers and mortgage lenders need to make the decisions that influence borrowers’ ability to get future loans at affordable costs. Historically, when data indicate a low risk for lending, loans and opportunities for home ownership are more widely available. Additionally, comprehensive RFS data may be used by mortgage lenders to assess whether to lower interest rates.

2. The Rental Property Owner Phase

In this phase, owners of rental properties get questionnaires that ask about their purchase of the property, operating information for the property, and data on the financing of the property. Similar to the homeowner phase, the rental property owner phase gathers the information that mortgage lenders need when deciding to extend loans to rental property owners at competitive market rates.

The RFS collects information about Federal, state, and local government programs in which owner participation may improve the profitability of a rental property. The survey also collects data on housing for the elderly (such as assisted living and retirement housing), multifamily properties, and other market niches. Furthermore, the RFS will collect data on operating expenses and capital improvements for multifamily housing. This information can be used for competitive analysis among rental property owners.

3. The Lender Phase

The lender phase of the RFS gathers data on residential properties that are mortgaged. The National Association of Realtors’ Home Buying and Selling Report revealed that approximately 96 percent of home buyers in 1991 financed their purchase, with 3 percent relying on two or more mortgages.

Selected mortgage lenders will receive questionnaires in the summer of 2001, asking for detailed mortgage information. The lender phase will cover topics of long-time interest to the industry (e.g., mortgage insurance status, amount of outstanding mortgage debt, terms of the mortgage, current status of mortgage payments, and extent and characteristics of certain liens).

Much of the data collected from lenders in the RFS are not found in any other surveys, nor are they collectively measured among Federal Reserve Flow of Funds data. According to Frank Nothaft of Freddie Mac, "By capturing data on loan servicing and holdings by small investor groups, the RFS provides the most comprehensive measure of outstanding mortgage debt, necessary to measure the growth in mortgage credit over time."

Survey Significance

Gathering information about the various aspects of residential finance enables the Census Bureau to provide accurate and reliable data to the real estate and residential lending industries and to Federal agencies for program and policy purposes. According to Jack Goodman, President of Hartrey Advisors, "The RFS is uniquely valuable for 'benchmarking' a company’s own performance against a nationally-representative sample of rental properties and loans."

Survey Changes

Over the past decades, the RFS has changed as the dynamics of the mortgage and real estate industries have changed. Prior to this survey, an advisory group convened to identify new trends in residential finance that the 2001 RFS should capture. In response to industry changes since 1991, the group identified these new lender topics to be covered in 2001:

- The growing importance of mobile homes for the provision of affordable housing and as a means for housing the growing number of retirees.
- How are mobile homes being financed? Are they being financed by installment loans or by mortgages?
- The effect of seniors on the market for mortgage financing.
- The RFS will show how they have been the catalyst for developing and implementing new financing techniques, including the reverse mortgage, which allows seniors to tap into home equity. Furthermore, seniors are increasingly interested in obtaining loans for mobile homes.
- The phenomenon of "switchable" loans.
- Mortgage loans that can switch from one type to another (such as from adjustable to fixed rate and vice versa) will be identified for the first time in the lender phase of the survey.
- The significance of interest rate "buy downs."
- Policymakers need to know about the extent of interest rate buy downs (up-front payment of points by the developer or homebuilder on behalf of the borrower to reduce the mortgage interest rate below market rate for a specified period), since these can lead to artificially low levels of housing costs in the initial years of a mortgage.
- The effect of subprime lending.
- This is a new niche for the mortgage industry. Lenders are making more subprime loans, which have a higher risk to the investor and higher interest rates to the buyer. These loans are spawning a host of businesses whose primary purpose is to service them.
- The expanding uses of mortgage money.
- Users of the RFS will be able to distinguish between the traditional uses of mortgage money and new uses, such as debt consolidation, a growing phenomenon. Loan proceeds used for debt consolidation are often characterized by high loan-to-value ratios and may be riskier than those used for traditional purposes related to housing.
- The current loan status and delinquency.
- This information will enable policymakers to determine which property and borrower characteristics may adversely affect loan repayments. The survey now asks if legal proceedings have been initiated against mortgage holders with payments that are more than 90 days overdue. Amy Bogdon asserts, "The mortgage performance information in the RFS will be particularly useful in assessing the risk profile of multifamily housing, which can be used for managing risk and promoting affordable rental housing policy."

Survey Results
In early 2003, the Census Bureau will begin releasing results of the survey in several formats, including printed and Internet reports. Additionally, a series of more detailed, unpublished tables will be available via Internet and on CD-ROM. The development of an Internet-based system that allows users to define their own tables is also under consideration. The geographic areas covered in the printed reports include the United States, the four Census regions, and the nine Census divisions. The Census Bureau will also make available a public-use microdata (PUM) file on CD-ROM and the Internet, covering additional geographic areas. The digital and electronic media will include data for metropolitan and non-metropolitan areas, central cities, and suburbs. Data will also be available for many of the larger states.

The results of the survey will benefit government, academics, policymakers, and private industry. Ultimately, sound public policy helps everyone—mortgage lenders, mortgage investors, home buyers, owners of residential investment properties, and the economy as a whole. According to Frank Nothaft, "The RFS has been used extensively to address public policy issues, such as access to institutional credit for families by demographic characteristic or by urban-suburban-rural location, and the setting of affordable housing goals for Freddie Mac and Fannie Mae."

**Commitment to Our Customers**

Response to this survey is required by law (Title 13, United States Code). That same law ensures that all information collected in the 2001 Residential Finance Survey will be held in strict confidence and seen only by authorized Census Bureau employees. Any release or publication of the data will be in summary form that will not permit identification of any individual, lender, property, or property owner.

Part of our ongoing commitment to providing timely, relevant, and quality national data includes helping our customers to understand and efficiently participate in our government-mandated surveys. We have placed extraordinary emphasis on streamlining and simplifying the 2001 RFS questionnaires to obtain the maximum quality of information with a minimum amount of effort on the respondents’ part. We are dedicated to gathering the most accurate available information and disseminating the resulting data to those who need and will most benefit from it. Our management team and full-time staff of survey statisticians, in conjunction with our advisory group, anticipate that the 2001 RFS will be the best ever.

Even the variables on the microdata file are disguised by top coding, data swapping, and other methods designed to prevent the identification of specific properties, mortgages, or individuals. The Census Bureau has the authority to request mortgage information under the provisions of Section 1113(d) of the Right to Financial Privacy Act (12 U.S.C. 3413(d)). Section 1113(d) provides that "Nothing in this chapter shall authorize the withholding of financial records or information required to be reported in accordance with any Federal statute."

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