

CONSUMER FINANCIAL PROTECTION BUREAU

Notice of Availability of Revised Methodology for Determining Average Prime Offer Rates

AGENCY: Consumer Financial Protection Bureau.

ACTION: Notice of availability.

SUMMARY: The Consumer Financial Protection Bureau (CFPB) announces the availability of a revised version of its “Methodology for Determining Average Prime Offer Rates,” which describes the data and methodology used to calculate the average prime offer rate (APOR) for purposes of Regulation C and Regulation Z. The methodology statement has been revised to address the imminent unavailability of certain data the CFPB previously relied on to calculate APORs, as a result of a recent decision by Freddie Mac to make changes to its Primary Mortgage Market Survey® (PMMS). The CFPB has identified a suitable temporary alternative source of the relevant data and will begin relying on those data to calculate APORs on or after April 21, 2023.

ADDRESSES: The revised methodology statement is available on the website of the Federal Financial Institutions Examination Council (FFIEC) at <https://ffiec.cfpb.gov/tools/rate-spread>.

FOR FURTHER INFORMATION CONTACT: Waeiz Syed, Senior Counsel, Office of Regulations, at 202-435-7700. If you require this document in an alternative electronic format, please contact CFPB_Accessibility@cfpb.gov.

SUPPLEMENTARY INFORMATION: Average prime offer rates (APORs) are annual percentage rates derived from average interest rates, points, and other loan pricing terms currently offered to consumers by a representative sample of creditors for mortgage loans that have low-risk pricing characteristics. APORs have implications for data reporters under

Regulation C, 12 CFR part 1003, and creditors under Regulation Z, 12 CFR part 1026.

Regulation C requires covered financial institutions to report, for certain transactions, the difference between a loan’s annual percentage rate (APR) and the APOR for a comparable transaction.¹ Under Regulation Z, a loan meets the general qualified mortgage (QM) definition if the APR exceeds the APOR for a comparable transaction by less than the applicable threshold as of the date the interest rate is set.² The difference between the APR and APOR also determines whether certain QM definitions provide the creditor with a conclusive or rebuttable presumption of compliance,³ and whether the creditor must comply with certain provisions for high-cost or higher-priced mortgage loans.⁴

Currently, to calculate APORs, the CFPB uses pricing data from the Freddie Mac Primary Mortgage Market Survey® (PMMS) on three products—30-year fixed-rate mortgage; 15-year fixed-rate mortgage; and five-year variable-rate mortgage—and pricing data from CFPB’s own internal survey on one-year variable-rate mortgages. The CFPB calculates APORs on a weekly basis using the methodology set forth in a statement available to the public on the FFIEC’s website.

The CFPB is publishing this notice to inform the public that a revised methodology statement is now available. In September 2022, the CFPB learned that Freddie Mac planned to change the public version of PMMS to no longer include points, fees, and adjustable rates data used by the CFPB to construct APORs. To address the imminent unavailability of certain data

¹ 12 CFR 1003.4(a)(12)(i).

² 12 CFR 1026.43(e)(2)(vi).

³ 12 CFR 1026.43(b)(4) and (e)(1). Under Regulation Z, loans that meet the requirements for “qualified mortgages” obtain either a conclusive or rebuttable presumption of compliance with Regulation Z’s requirement to make a reasonable and good faith determination of a consumer’s ability to repay any residential mortgage loan.

⁴ 12 CFR 1026.32(a)(1)(i) and 1026.35(a)(1).

previously relied on to calculate APORs, the CFPB identified a suitable temporary alternative source of survey data. After evaluating potential sources, the CFPB determined that data from Intercontinental Exchange Mortgage Technology (ICE Mortgage Technology) is currently the most suitable option to replace PMMS. ICE Mortgage Technology provides a data source that has sufficient pricing data for the variables and base products that the CFPB requires to calculate APORs. With this switch over to ICE Mortgage Technology data, the CFPB is transitioning to using additional base products (such as a 20-year fixed-rate mortgage and a 10/6-month ARM) and removing others (such as the 1-year variable-rate mortgage) to ensure there is a firm basis for estimating APORs.⁵ Having data for more than two kinds of fixed-rate mortgage products and more than two kinds of variable-rate mortgage products provides a firmer basis for estimating rates across a full range of fixed-rate and variable-rate mortgage products. The CFPB will therefore use the following eight base products to calculate APORs: 30-year fixed-rate mortgage; 20-year fixed-rate mortgage; 15-year fixed-rate mortgage; 10-year fixed-rate mortgage; 10/6-month ARM; 7/6-month ARM; 5/6-month ARM; and 3/6-month ARM.

The CFPB has updated the FFIEC's website to note this change in the source of survey data and published a revised methodology statement that reflects corresponding changes in the methodology. The CFPB will begin using ICE Mortgage Technology data and the revised methodology to calculate APORs on or after April 21, 2023. The CFPB will continue to post the survey data used to calculate APORs on the FFIEC's website every week at <https://ffiec.cfpb.gov/tools/rate-spread> and will continue to identify the source of the survey data

⁵ The CFPB considered the typical volume of these products when considering which ones to use when calculating APORs. Having more pricing data for a product will provide more accurate APOR estimates. In addition, because the CFPB will no longer use one-year variable-rate mortgages as a base product to calculate APORs, it will no longer conduct its own internal survey on one-year variable-rate mortgages.

on that webpage.

/s/ Rohit Chopra

Rohit Chopra,

Director, Consumer Financial Protection Bureau.