

Overview of the Enterprises' Housing Goal Performance, 2001-09

The accompanying tables describe the performance of Fannie Mae and Freddie Mac relative to the three affordable housing goals that Congress established in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act). These goals are the Low- and Moderate-Income Housing Goal, the Underserved Areas Housing Goal, and the Special Affordable Housing Goal. The Department of Housing and Urban Development (HUD), the mission regulator for Fannie Mae and Freddie Mac prior to July 30, 2008, also established a Special Affordable Multifamily Subgoal in 1996.

Transfer of Authority from HUD to the FHFA. President Bush signed the Housing and Economic Recovery Act of 2008 (HERA, P.L. 110-289) on July 30, 2008. HERA transferred authority over the Enterprises' housing goals from HUD to the Federal Housing Finance Agency (FHFA) on the date of enactment. Thus the establishment of post-2008 housing goals, determinations regarding official goal performance, and any determinations regarding the feasibility of particular goals are being made by FHFA. HERA also revised Section 1331(c) of the Safety and Soundness Act to maintain the 2008 goals established by HUD for 2009, but required that FHFA review such goals not later than the 270-day period beginning on the date of enactment. FHFA published final revised goals for 2009 in the *Federal Register* on August 10, 2009.

The Safety and Soundness Act, as amended by HERA, requires the FHFA Director to determine annually the performance of each Enterprise under the housing goals, and to determine the feasibility given current market conditions of any housing goals and subgoals that an Enterprise fails to meet. In letters dated June 3, 2010, FHFA notified the Enterprises that the underserved areas goal and the special affordable multifamily subgoals established for 2009 were infeasible.

Goals and Goal Performance. On October 31, 2000 HUD established the goals for 2001-03, and the 2003 goals were subsequently extended to 2004. On November 2, 2004 HUD published regulations that set the level of each goal for 2005-08. The 2008 goals established by HUD carried forward to 2009, but in accordance with HERA, FHFA revised the 2009 housing goals by final rule published on August 10, 2009. **Table 1** presents the goal levels for the years 2001-09 and shows how each GSE performed under the three goals and the Special Affordable Multifamily Subgoal for each of those years. These figures are based on HUD's analysis of Enterprise loan-level data for 2001-07 and on FHFA's analysis of Enterprise loan-level data for 2008-09.

With the exception of the Special Affordable Multifamily Subgoals, where performance is measured against dollar-based targets, performance under each of the three housing goals is based on the number of dwelling units that *qualify* to count toward the goal (the numerator) as a percentage of the number of units *eligible* to count (the denominator). Eligible units are limited to properties where the mortgages are *conforming* (see below)

and mostly *conventional* and which satisfy other counting rules.¹ The calculation includes mortgages that were originated either prior to or during the year of purchase by the Enterprise, and it is based on purchases of both refinance and home purchase loans, as well as second mortgage loans. A dwelling unit may count toward more than one goal.

**Conforming Loan Limits
One-Unit Properties***

<u>Year</u>	<u>Limit</u>
2000	\$252,700
2001	\$275,000
2002	\$300,700
2003	\$322,700
2004	\$333,700
2005	\$359,650
2006	\$417,000
2007	\$417,000
2008	\$417,000
2009	\$417,000

*Except for Alaska, Hawaii, Guam and the Virgin Islands, where the loan limits are 50 percent higher for all years, and for high-cost areas for the period July 1, 2007 through December 31, 2009, where the loan limit for one-unit properties could be as high as \$729,750.

For the 2001-03 period, “bonus points” were applied for goal-qualifying units financed by Enterprise mortgage purchases for small (5- to 50-unit) multifamily properties and, above a specified threshold level, for 2- to 4-unit owner-occupied properties. These were designed to provide the Enterprises with an incentive to increase their financing of such properties. Specifically, such units counted as two units in the numerator (and one unit in the denominator) in calculating goal performance. In addition, as mandated by Congress, a 35 percent upward adjustment was made in the numerator to the number of goal-qualifying units in large (more than 50-unit) multifamily properties financed by Freddie Mac’s mortgage purchases. The 2001-03 performance data presented in Table 1 reflect bonus point adjustments and the Freddie Mac multifamily adjustment factor. However, these “incentive factors” did not apply to Enterprise goal performance after 2003, thus in effect the goals for 2004 were increased by the value of those incentives to the GSEs, and the 2004-09 performance numbers are not strictly comparable with those for 2001-03.

Home Purchase Subgoals and Performance. In its November 2, 2004 final rule, HUD established new housing goal levels for Fannie Mae and Freddie Mac for calendar years

¹ Certain Federally insured or guaranteed loans are also eligible, as set forth in sec. 81.16(b)(3)(ii) of HUD’s regulations. For example, purchases of Rural Housing Service (RHS) mortgages and FHA Home Equity Conversion Mortgages (HECMs) are eligible for goal credit. The GSEs can also purchase other Federally-backed mortgages, but such purchases are excluded altogether in calculating goal performance.

2005 through 2008. That final rule also established subgoals for Enterprise acquisitions of goal-qualifying home purchase mortgages on owner-occupied properties in metropolitan areas for each of the three overall goal categories. These subgoals were revised for 2009 by FHFA in its August 10, 2009 final rule. **Table 2** presents the home purchase subgoals and performance on those subgoals for 2005-09. As a benchmark, Table 2 also presents data on the shares of units financed by the Enterprises in 2000-04 that would have qualified for the home purchase subgoals if they had been in effect during those years.

Rationale for Increased Goals and Subgoals. Under HUD’s 2004 Final Rule, the housing goals increased gradually over the 2005-08 period. This phasing-in of the goals is summarized in **Table 3**. The rationale for this approach was that the housing goals should increase over time, so that by 2008 they would equal the projected shares of goal-qualifying units financed in the primary mortgage market, as estimated by HUD. As also shown in Table 3, the home purchase subgoals also increased gradually over this period. The rationale for the increases in the home purchase subgoals was that the Enterprises’ should lead the primary market in their acquisitions of such mortgages for qualifying families and locations. This approach was consistent with the Safety and Soundness Act requirement that HUD should take into account the ability of the GSEs to “lead the industry” in making mortgage credit available to these families and locations.²

Under HERA, the goals and subgoals established by HUD for 2008 were extended to 2009, with a required review by FHFA. After its review, FHFA revised the overall goals and the home purchase subgoals downward, but increased the 2009 special affordable multifamily goals somewhat above the levels in effect for 2005-08, as also shown in Table 3.

For more information about the goals and subgoals in effect for 2009, see the August 2009 final rule in the *Federal Register*, Vol. 74, No. 152, August 10, 2009, pp. 39873-39900. For additional information about the goals, see the “Housing Mission and Goals” section of FHFA’s web site, www.fhfa.gov. Additional information about goal performance and GSE loan-level data is contained in the following publications, all of which are available on www.huduser.org, the Web site maintained by HUD’s Office of Policy Development and Research.:

“Fannie Mae and Freddie Mac: Enhanced Public Data and Recent Housing Goal Performance,” published in *U.S. Housing Market Conditions*, February 2006, pp. 6-15.

Paul B. Manchester, “Goal Performance and Characteristics of Mortgages Purchased by Fannie Mae and Freddie Mac, 2001-05,” *Housing Finance Working Paper No. HF-017*, May 2007, revised April 2008.

² See sections 1332(b)(5), 1333(a)(2)(D), and 1334(b)(5) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

Harold L. Bunce, "The GSEs' Funding of Affordable Loans: A 2004-05 Update,"
Housing Finance Working Paper No. HF-018, June 2007.

"HUD's Home Purchase Goals for Fannie Mae and Freddie Mac," published in *U.S. Housing Market Conditions*, November 2007, pp. 5-9.

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Table 1

Overview of the GSEs' Housing Goal Performance, 2001-2009¹

Goal ²	Year										2001-04 Goals	2005 Goals	2006 Goals	2007 Goals	2008 Goals	2009 Goals
	2001	2002	2003	2004	2005	2006	2007	2008 ⁵	2009 ⁶	Ratio 2009-2001						
Low- and Moderate-Income:																
Fannie Mae	51.5%	51.8%	52.3%	53.4%	55.1%	56.9%	55.5%	53.7%	47.6%	0.92	50%	52%	53%	55%	56%	43%
Freddie Mac	53.2%	50.3%	51.2%	51.6%	54.0%	55.9%	56.1%	51.5%	44.7%	0.84						
Ratio ³	1.03	0.97	0.98	0.97	0.98	0.98	1.01	0.96	0.94							
Underserved Areas:																
Fannie Mae	32.6%	32.8%	32.1%	33.5%	41.4%	43.6%	43.4%	39.4%	28.8%	0.88	31%	37%	38%	38%	39%	32%
Freddie Mac	31.7%	31.0%	32.7%	32.3%	42.3%	42.7%	43.1%	37.7%	26.8%	0.84						
Ratio ³	0.97	0.95	1.02	0.96	1.02	0.98	0.99	0.96	0.93							
Special Affordable:																
Fannie Mae	21.6%	21.4%	21.2%	23.6%	26.3%	27.8%	26.8%	26.4%	20.7%	0.96	20%	22%	23%	25%	27%	18%
Freddie Mac	22.6%	20.5%	21.4%	22.7%	24.3%	26.4%	25.8%	23.1%	17.7%	0.78						
Ratio ³	1.05	0.96	1.01	0.96	0.92	0.95	0.96	0.88	0.86							
Special Affordable Multifamily⁴:																
Fannie Mae	\$7.36	\$7.57	\$12.23	\$7.32	\$10.39	\$13.31	\$19.84	\$13.31	\$6.42	0.87	\$2.85	\$5.49	\$5.49	\$5.49	\$5.49	\$6.56
Freddie Mac	\$4.65	\$5.22	\$8.79	\$7.77	\$12.35	\$13.58	\$15.12	\$7.49	\$3.69	0.79	\$2.11	\$3.92	\$3.92	\$3.92	\$3.92	\$4.60

Source: HUD and FHFA analysis of data submitted by the GSEs. Some results differ from performance reported by the GSEs in their Annual Housing Activities Reports (AHARs).

¹ Percentages of dwelling units in properties whose mortgages were purchased by the GSEs that qualified for each goal in 2001-2009, based on HUD's October 2000 rule and November 2004 rule, and goals for 2001-09. Underserved areas goal for 2001-04 based on 1990 census data, goal for 2005-09 based on 2000 census data. Performance figures for 2009 include goal-qualifying loan modifications.

² Abbreviated definitions of goals:

Low- and Moderate-Income: Households with income less than or equal to area median income (AMI).

Underserved Areas: Dwelling units in metropolitan census tracts with (1) tract median family income less than or equal to 90 percent of AMI or (2) minority concentration of at least 30 percent and tract median family income less than or equal to 120 percent of AMI; dwelling units in nonmetropolitan counties with (1) median family income less than or equal to 95 percent of the greater of state or national nonmetropolitan median income or (2) minority concentration of at least 30 percent and county median family income less than or equal to 120 percent of the greater of state or national nonmetropolitan median income.

Special Affordable: Households with income (1) less than or equal to 60 percent of AMI or (2) less than or equal to 80 percent of AMI and located in low

For the low- and moderate-income and special affordable goals, AMI is median income for the MSA for borrowers in metropolitan areas, and the greater of county or state nonmetropolitan median income for borrowers outside metropolitan areas.

³ Ratio of Freddie Mac goal performance to Fannie Mae goal performance.

⁴ Performance and goals in billions of dollars. Goals for 2001-04 period were 1.0 percent of each GSE's average total mortgage purchases in 1997-99, and goals for 2005-08 were 1.0 percent of each GSE's average mortgage purchases in 2000-02. Goals for 2009 were 1.0 percent of each GSE's average mortgage purchases in 1999-2008.

⁵ In March 2009 FHFA declared that the overall low- and moderate-income and special affordable goals set by HUD for 2008 were infeasible.

⁶ In June 2010 FHFA declared that the overall underserved areas goal and the special affordable multifamily subgoal for 2009 were infeasible.

Table 2

Shares of GSEs' Single-Family Purchase Mortgages on Owner-Occupied Properties in Metropolitan Areas Qualifying for GSE Housing Goals, 2001-09

Goal ¹	2001	2002	2003	2004	2005 HP Subgoal	2005 Subgoal Performance	2006 HP Subgoal	2006 Subgoal Performance	2007 HP Subgoal	2007 Subgoal Performance ⁴	2008 HP Subgoal	2008 Subgoal Performance ⁵	2009 HP Subgoal	2009 Subgoal Performance	Ratio, 2009-2001
Low- and Moderate-Income:															
Fannie Mae	42.9%	45.3%	47.0%	47.0%	45%	44.6%	46%	46.9%	47%	42.1%	47%	38.8%	40%	51.7%	1.21
Freddie Mac	41.3%	44.0%	43.8%	43.3%		46.8%		47.0%		43.5%		39.3%		48.4%	1.17
Ratio ²	0.96	0.97	0.93	0.92		1.05		1.00		1.03		1.01		0.94	
Underserved Areas: ³															
Fannie Mae	24.4%	26.7%	26.8%	28.4%	32%	32.6%	33%	34.5%	33%	33.4%	34%	30.4%	30%	31.0%	1.27
Freddie Mac	22.3%	25.8%	24.0%	26.7%		35.5%		33.6%		33.8%		30.2%		27.9%	1.25
Ratio ²	0.91	0.97	0.90	0.94		1.09		0.97		1.01		0.99		0.90	
Special Affordable:															
Fannie Mae	14.9%	16.3%	17.1%	16.8%	17%	17.0%	17%	18.0%	18%	15.5%	18%	13.6%	14%	23.2%	1.56
Freddie Mac	14.4%	15.8%	15.6%	15.2%		17.7%		17.0%		15.9%		15.1%		20.6%	1.43
Ratio ²	0.97	0.97	0.91	0.90		1.04		0.94		1.03		1.11		0.89	

Source: For 2001-03, as reported in Table A.11, *Federal Register*, November 2, 2004, p.3698. For 2004, as reported in Paul B. Manchester, "Goal Performance and Characteristics of Mortgages Purchased by Fannie Mae and Freddie Mac, 2001-05," Housing Finance Working Paper No. HF-017, U. S. Department of Housing & Urban Development, Office of Policy Development and Research, May 2007 (revised April 2008), Table 2A. For 2005-08, as reported in Table 4, *Federal Register*, August 10, 2009, p. 39886. For 2009, FHFA analysis of loan-level data submitted by the Enterprises. Performance in 2009 includes loan modifications of goal-qualifying home purchase mortgages.

¹ Abbreviated definitions of goals:

Low- and Moderate-Income: Households with income less than or equal to area median income (AMI).

Underserved Areas: Dwelling units in metropolitan census tracts with (1) tract median family income less than or equal to 90 percent of AMI or (2) minority concentration of at least 30 percent and tract median family income less than or equal to 120 percent of AMI; dwelling units in nonmetropolitan counties with (1) median family income less than or equal to 95 percent of the greater of state or national nonmetropolitan median income or (2) minority concentration of at least 30 percent *and* county median family income less than or equal to 120 percent of the greater of state or national nonmetropolitan median income.

Special Affordable: Households with income (1) less than or equal to 60 percent of AMI or (2) less than or equal to 80 percent of AMI and located in low-income areas.

For the low- and moderate-income and special affordable goals, AMI is median income for the MSA for borrowers in metropolitan areas, and the greater of county or state nonmetropolitan median income for borrowers outside metropolitan areas.

² Ratio of Freddie Mac goal performance to Fannie Mae goal performance.

³ Data for 2001-04 based on 1990 census; subgoal and performance for 2005-09 based on 2000 census.

⁴ In April 2008 HUD declared that the 2007 low- and moderate-income and special affordable home purchase subgoals were infeasible.

⁵ In March 2009 FHFA declared that the home purchase subgoals set by HUD for 2008 were infeasible.

Table 3

GSEs' Housing Goals and Subgoals, 2005-09

Category	Goal/Subgoal	2005	2006	2007	2008	2009
Low- and Moderate-Income	Goal	52%	53%	55%	56%	43%
	Home Purchase Subgoal ¹	45%	46%	----- 47% -----		40%
Underserved Areas	Goal	37%	----- 38% -----		39%	32%
	Home Purchase Subgoal ¹	32%	----- 33% -----		34%	30%
Special Affordable	Goal	22%	23%	25%	27%	18%
	Home Purchase Subgoal ¹	----- 17% -----		----- 18% -----		14%
	Fannie Mae Multifamily Subgoal	-----	\$5.49 billion per year -----			\$6.56 b.
	Freddie Mac Multifamily Subgoal	-----	\$3.92 billion per year -----			\$4.60 b.

¹ Subgoal for acquisitions of home purchase mortgages on owner-occupied 1-4 unit properties in metropolitan areas.