

2010 HOUSING GOAL PERFORMANCE FOR FANNIE MAE AND FREDDIE MAC

BACKGROUND:

The structure of the Enterprises' housing goals for 2009 reflects the approach in effect prior to enactment of the Housing and Economic Recovery Act of 2008 (HERA). The goals for 2008 and prior years were established by the Department of Housing and Urban Development (HUD). Under HERA, FHFA was authorized to modify the levels of those goals and subgoals for 2009, and did so in a final rule published on August 10, 2009.

CALCULATION OF GOALS:

Single-family Goal Structure. HERA established a new structure for the goals for 2010 and subsequent years. Specifically, there are now **five single-family goal categories**—four for home purchase mortgages and one for refinance mortgages:

- (1) A **low-income (LI) home purchase goal**, for families purchasing homes with incomes no greater than 80 percent of Area Median Income (AMI);
- (2) A **very low-income (VLI) home purchase goal**, for families purchasing homes with incomes no greater than 50 percent of AMI;
- (3) A **low-income areas (LIA) home purchase subgoal**, for families purchasing homes in (a) low-income census tracts, with median income no greater than 80 percent of AMI, and (b) high-minority tracts, with minority population of at least 30 percent **and** tract median income less than 100 percent of AMI **if** borrower income does not exceed 100 percent of AMI;
- (4) A **low-income areas home purchase goal**, which includes the LIA subgoal **plus** home purchase mortgages on properties in Federally-declared disaster areas **if** borrower income does not exceed 100 percent of AMI; and
- (5) A **low-income refinance goal**, for low-income families (those with incomes no greater than 80 percent of AMI) who are refinancing their mortgages. Modifications of mortgages for low-income families under the Administration's Home Affordable Modification Program (HAMP) also count toward this goal, because they are comparable to refinance mortgages.

Each goal or subgoal is expressed as the share of all home purchase [for (1) – (4)] or refinance [for (5)] mortgages acquired by the Enterprise during the calendar year. For example, performance on (1) is calculated as the ratio of home purchase loans acquired by an Enterprise which are for families with incomes no greater than 80 percent of AMI to all home purchase mortgages acquired by the Enterprise. (There are no goals for all single-family home purchase and refinance loans combined that qualified for a goal, as was the case prior to 2010.)

Multifamily Goal Structure. HERA also established two **multifamily goals** for the Enterprises:

(1) A **low-income multifamily goal**, expressed as the number of units in multifamily [i.e., 5- or more unit] properties that are financed by an Enterprise that are affordable to families with incomes no greater than 80 percent of AMI; and

(2) A **very-low income multifamily goal** (or subgoal), expressed as the number of units in multifamily properties that are financed by an Enterprise that are affordable to families with incomes no greater than 50 percent of AMI.

There are no goals that combine single-family and multifamily units, as was the case prior to 2010. Also, unlike the pre-2010 years, there are no goals that include the financing of rental units in single-family [i.e., 1-4 unit] properties; the financing of such units is excluded from all goal performance calculations.

HISTORY:

Rules Establishing Housing Goals for 2010-11. FHFA published a proposed rule establishing housing goals for 2010-11 on February 26, 2010. After reviewing the comments on the proposed rule, FHFA published a final rule on September 14, 2010. The levels of the percentage-based single-family goals were the same for both Enterprises. Because the multifamily goals are unit-based, and because Fannie Mae has a larger multifamily mortgage purchase program than Freddie Mac, these goals were set at higher levels for Fannie Mae than for Freddie Mac.

For the single-family goals, FHFA established a new procedure in 2010 such that if an Enterprise's performance falls short of the pre-set "benchmark" level established in the final rule, performance is also compared with the corresponding share of all home purchase or refinance mortgages originated in the primary mortgage market that qualified for each goal in the same year. Such market-based goal-qualifying shares are based on FHFA's analysis of the borrower and locational characteristics of home purchase and refinance mortgages, as calculated from Home Mortgage Disclosure Act (HMDA) data for the given year. If

an Enterprise's performance exceeds either the benchmark level or the corresponding figure for the market as a whole, it is deemed to have passed the goal.

There is no market data on multifamily mortgage originations comparable to the HMDA data for single-family mortgages. Thus multifamily goal performance can only be compared with the pre-set benchmark levels.

2010 GOAL PERFORMANCE:

The **single-family goal benchmarks, market levels, and official Enterprise performance**, as calculated by FHFA for 2010 are as follows:

	2010	2010	<u>Official Goal Performance</u>	
<u>Goal Category</u>	<u>Benchmark Level</u>	<u>Market Level</u>	<u>Fannie Mae</u>	<u>Freddie Mac</u>
Low-income HP	27%	27.2%	25.1%	27.8%
Very-low income HP	8%	8.1%	7.2%	8.4%
LIA HP goal	24%	24.0%	24.1%	23.8%
LIA HP subgoal	13%	12.1%	12.4%	10.8%
Low-income Refi	21%	20.2%	20.9%	22.0%

- Fannie Mae's performance fell short of both the benchmark and market levels on the low-income home purchase goal and the very low-income home purchase goal,
- Freddie Mac's performance fell short of both the benchmark and market levels on the low-income areas home purchase goal and subgoal,
- Fannie Mae's performance exceeded the market level on both the low-income areas home purchase subgoal and the low-income refinance goal, and
- Freddie Mac's performance exceeded both the benchmark and market levels on the low-income and very-low income home purchase goals, and the low-income refinance goal.

With regard to the goals where the Enterprises fell short of both the benchmark and market levels in 2010, the Acting Director of FHFA informed both Enterprises in October 25, 2011 letters that because 2010 was the first year in which FHFA set benchmark levels and compared performance with that of the primary mortgage market, and also because both Enterprises continued to operate under conservatorship, neither Enterprise would have to submit housing plans (as provided in HERA) for the goals that the Enterprise failed to achieve.

The **multifamily goal levels** and official **Enterprise performance**, as calculated by FHFA for 2010 are as follows:

Goal Category	<u>2010 Goal Level (in units)</u>		<u>Official Goal Performance</u>	
	<u>Fannie Mae</u>	<u>Freddie Mae</u>	<u>Fannie Mae</u>	<u>Freddie Mae</u>
Low-income multifamily	177,750	161,250	214,997	161,500
Very low-income multifamily	42,750	21,000	53,908	29,656

- Both Enterprises exceeded the low-income multifamily goal and the very low-income multifamily subgoal,
- Fannie Mae’s performance was 121 percent of its low-income multifamily goal,
- Freddie Mac’s performance was 100.2 percent of its low-income multifamily goal,
- Fannie Mae’s performance was 126 percent of its low-income multifamily subgoal, and
- Freddie Mac’s performance was 141 percent of its low-income multifamily subgoal.

FHFA also requires the Enterprises to report on their funding of low-income units in small (5- to 50-unit) multifamily properties, although there are no formal goals in this area. In 2010 Fannie Mae funded 12,552 such units and Freddie Mac funded 365 such units.