



Federal Housing Finance Agency

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August 27, 2015

John P. Henley
Senior Analyst, Models, Mission & Research Division
Freddie Mac
1551 Park Run Drive
McLean, VA 22102

Dear Mr. Henley:

On August 19, 2015 the Federal Housing Finance Agency (FHFA) posted on its Web site the final rule establishing housing goals for 2015-17 for Freddie Mac.

The final rule provides that the overall low-income areas benchmark goal shall include the 14 percent benchmark for the subgoal plus an increment for families in disaster areas with incomes no greater than area median income (AMI). The disaster areas increment (DAI) for 2015 is 5 percent. Thus, the overall low-income areas home purchase goal for 2015 is 19 percent.

The DAI to the low-income areas home purchase subgoal was calculated by determining all counties designated as being eligible for individual assistance during the 2012-14 period. This included 282 counties (or county-equivalents) in 20 states. No counties were included in the other 30 states, and neither the District of Columbia nor Puerto Rico was designated as being eligible for individual assistance during this period.

Home purchase mortgages to families in these areas with incomes no greater than 100 percent of AMI, but which were not already included in the low-income areas home purchase subgoal, were calculated as a share of all conventional, conforming home purchase mortgages, based on FHFA analysis of Home Mortgage Disclosure Act (HMDA) data for 2011-13. This yielded the 5 percent DAI for 2015. The details underlying the calculation of the 2015 DAI are contained in the enclosed document, "Methodology for Establishing Designated Disaster Areas."

If you have any questions, please contact Ted Wartell, Manager, Housing & Community Investment, at Ted.Wartell@fhfa.gov or (202) 649-3157.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'SThompson', with a long horizontal flourish extending to the right.

Sandra Thompson
Deputy Director
Division of Housing Mission and Goals

Attachment

METHODOLOGY FOR ESTABLISHING DESIGNATED DISASTER AREAS

For the purpose of establishing market size for the Low-Income Areas Home Purchase Goal, FHFA defines a Designated Disaster Areas (DDA) as any county designated by the federal government as adversely affected by a declared major disaster under the Federal Emergency Management Agency's (FEMA) administration where individual assistance payments (*i.e.*, payments that can be made to homeowners for the purposes of repairing or replacing a home damaged during the disaster event) were authorized by FEMA. Such counties are included as DDAs for the period beginning on January 1 of the year following the FEMA designation and continuing through December 31 of the third full calendar year following the FEMA designation.

2015 Designated Disaster Areas

The disasters that are applicable to the 2015 housing goals are disasters that occurred during 2012, 2013, and 2014, of which 43 percent of the census tracts that are in declared disaster counties already qualify for the Low-Income Areas Goal, as they are either low-income or high minority tracts. The following table illustrates the process used to estimate the impact of designated disaster areas on the goal. The process begins with the average census tract and mortgage origination distributions for the 2009 to 2013 period as derived from Home Mortgage Disclosure Act (HMDA) data, and is shown in columns 1 and 2 in the Table below. The distribution of census tracts which incorporate declared disasters applicable for 2014 (the 2011 to 2013 period) are shown in column 3 and the change in the distribution of estimated 2014 mortgage originations that resulted from the change in DDAs and area median incomes from the previous 5-year averages are provided in column 4. The distribution of census tracts which

incorporate declared disasters in the 2012 to 2014 period are shown in column 5. The estimated distribution of 2015 mortgage originations, given the change in the distribution of census tracts and estimated market conditions is provided in column 6 (The change in the distribution of census tracts resulted from the changes in DDAs and area median incomes).

FHFA estimates that an additional 5.0 percent of the single-family owner-occupied home purchase mortgage market will qualify for the Low-Income Areas Home Purchase Goal due to loans originated in Designated Disaster Areas in 2015. Under FHFA's final rule establishing housing goals for 2015-17, issued on August 19, 2015, the Low-Income Areas House Purchase Subgoal for 2015 is 14 percent. The Low-Income Areas Home Purchase Goal for 2015 is equal to the Low-Income Areas Home Purchase Subgoal plus this Disaster Areas Increment of 5.0 percent. Thus the Low-Income Areas Home Purchase Goal for 2015 is 19 percent.

For any questions regarding this matter, please contact Jay Schultz, Ph.D., at FHFA at 202-649-3117.

**Estimated Impact on the Low-Income Areas Housing Goal
from Designated Disaster Areas (DDAs) for 2015**

Low-Income Area Home Purchase Goal Categories ¹				(1)	(2)	(3)	(4)	(5)	(6)
Percent of Area Median Income	Percent Minority Population in the Census Tract	Designated Disaster Area	Borrower Income as a Percentage of the Area Median	2009 - 2013 ²	2014		2015		
				Average Census Tracts ³	Average Originations	Census Tracts	Estimated Originations	Census Tracts ⁴	Estimated Originations
<= 80%	n/a	n/a	<= 100%	21,149	6.0%	23,086	5.1%	23,153	6.6%
			> 100%		3.9%		3.3%		4.3%
			unknown		0.1%		0.1%		0.1%
> 80%, but < 100%	>= 30%	n/a	<= 100%	6,504	3.0%	6,740	2.5%	6,528	3.0%
			> 100%		2.8%		2.3%		2.8%
	< 30%	No	<= 100%	9,155	4.6%	7,808	4.5%	9,100	4.5%
			> 100%		3.9%		3.8%		3.8%
		Yes	<= 100%	4,469	2.3%	2,752	1.1%	1,388	0.7%
			> 100%		1.9%		0.9%		0.6%
>= 100%	n/a	No	<= 100%	20,243	14.4%	22,778	18.5%	26,030	18.3%
			> 100%		29.8%		38.5%		37.9%
			unknown		0.5%		0.7%		0.7%
		Yes	<= 100%	11,876	8.3%	9,803	5.3%	6,717	4.7%
			> 100%		17.6%		11.4%		10.0%
			unknown		0.0%		0.0%		0.0%
Unknown	n/a	No	<= 100%	386	0.0%	738	0.0%	870	0.0%
			> 100%		0.0%		0.0%		0.0%
			unknown		0.8%		1.8%		1.8%
		Yes	<= 100%	221	0.0%	298	0.0%	217	0.0%
			> 100%		0.0%		0.0%		0.0%
			unknown		0.0%		0.0%		0.0%
Totals				74,003	100.0%	74,003	100.0%	74,003	100.0%
Low-Income and High Minority Areas (Subgoal Benchmark)						13.0%	11.0%		14.0%
Additional from Designated Disaster Areas						11.0%	6.0%		5.0%
Low-Income Areas Goal Benchmark									19.0%

¹ Bold indicates operable categories that qualifies mortgages in the numerator of the goal.

² The 2009 through 2013 disaster area designations and origination distributions are averaged together to obtain a "long-run" averages.

³ A combined three year census tract distribution is calculated for each of the three years (e.g., the 2013 distribution includes disasters declared in 2010, 2011, and 2012).

⁴ The combined three year census tract distribution for 2015 includes disasters declared in 2012, 2013, and 2014.