

## 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 Area (DDA) as any census tract in a 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 census tracts 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.

### 2021 Designated Disaster Areas

The disasters that are applicable to the 2021 housing goals are disasters that occurred during 2018, 2019, and 2020. 44.8 percent of the census tracts that are in declared disaster counties already qualify for the Low-Income Areas Home Purchase 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 number of census tracts and average share of mortgage originations in each category for the 2015 to 2019 period. Those distributions are shown in columns 1 and 2 in the table. The estimated number of census tracts in each category for 2020 is shown in column 3. This distribution incorporates declared disasters applicable for 2020 (based on the 2017 to 2019 period). The estimated share of mortgage originations in each category for 2020 is provided in column 4. This distribution results from the change in DDAs and area median incomes from the previous 5-year averages. The estimated

number of census tracts in each category for 2021 is shown in column 5. This distribution incorporates declared disasters applicable for 2021 (based on the 2018 to 2020 period). The estimated share of mortgage originations in each category for 2021 is provided in column 6. This distribution results from the change in DDAs and area median incomes.

FHFA estimates that an additional 3.5 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 DDAs in 2021. The disaster area increment is rounded to the nearest whole percent when calculating the Low-Income Areas Home Purchase Goal benchmark. Under FHFA's final rule establishing housing goals for 2021, published on December 21, 2020, the Low-Income Areas Home Purchase Subgoal for 2021 is 14 percent. The Low-Income Areas Home Purchase Goal for 2021 is equal to the Low-Income Areas Home Purchase Subgoal plus this disaster areas increment of 4.0 percent. Thus, the Low-Income Areas Home Purchase Goal benchmark for 2021 is 18 percent.

For any questions regarding this matter, please contact Ken Lam ([Ken.Lam@fhfa.gov](mailto:Ken.Lam@fhfa.gov)) or Jay Schultz ([Jay.Schultz@fhfa.gov](mailto:Jay.Schultz@fhfa.gov)).

**Estimated Impact on the Low-Income Areas Housing Goal  
from Designated Disaster Areas (DDAs) for 2021**

(1)<sup>2</sup>      (2)      (3)      (4)      (5)      (6)

**Low-Income Area Home Purchase Goal Categories<sup>1</sup>**

Percent of Area Median Income	Percent Minority Population in the Census Tract	Designated Disaster Area	Borrower Income as a Percentage of the Area Median	2015 - 2019		2020		2021	
				Average Census Tracts <sup>3</sup>	Average Originations <sup>4</sup>	Census Tracts	Estimated Originations	Census Tracts <sup>5</sup>	Estimated Originations
<b>&lt;= 80%</b>	n/a	n/a	<b>&lt;= 100%</b>	23,166	7.9%	23,026	6.5%	23,079	<b>6.5%</b>
			<b>&gt; 100%</b>		5.7%		4.7%		<b>4.7%</b>
			<b>unknown</b>		0.1%		0.1%		<b>0.1%</b>
<b>&gt; 80%, but &lt; 100%</b>	<b>&gt;= 30%</b>	n/a	<b>&lt;= 100%</b>	6,565	3.2%	6,732	2.7%	6,744	<b>2.7%</b>
			<b>&gt; 100%</b>		3.5%		3.0%		<b>3.0%</b>
	< 30%	No	<b>&lt;= 100%</b>	9,104	5.7%	9,045	6.2%	9,224	6.3%
			<b>&gt; 100%</b>		5.4%		6.0%		6.1%
			<b>unknown</b>		0.1%		0.1%		0.1%
			<b>&lt;= 100%</b>		1,324		0.8%		1,506
<b>&gt; 100%</b>	1.0%	0.9%	0.8%						
<b>&gt;= 100%</b>	n/a	No	<b>&lt;= 100%</b>	26,467	16.0%	25,179	16.8%	26,483	17.6%
			<b>&gt; 100%</b>		35.8%		37.7%		39.4%
			<b>unknown</b>		0.7%		0.7%		0.7%
		Yes	<b>&lt;= 100%</b>	6,157	3.6%	7,183	3.5%	5,779	<b>2.8%</b>
			<b>&gt; 100%</b>		9.8%		9.5%		7.6%
Unknown	n/a	No	<b>&lt;= 100%</b>	970	0.0%	951	0.0%	1,092	0.0%
			<b>&gt; 100%</b>		0.0%		0.0%		0.1%
			<b>unknown</b>		0.6%		0.6%		0.7%
		Yes	<b>&lt;= 100%</b>	250	0.0%	381	0.0%	280	<b>0.0%</b>
			<b>&gt; 100%</b>		0.0%		0.0%		0.0%
<b>Totals</b>				74,003	100.0%	74,003	100.0%	74,003	100.0%
<b>Low-Income and High Minority Areas</b>					16.9%		14.0%		<b>14.0%</b>
<b>Additional from Designated Disaster Areas</b>					4.4%		4.2%		<b>3.5%</b>
<b>Low-Income Areas</b>					<b>21.3%</b>		<b>18.2%</b>		<b>17.5%</b>

<sup>1</sup> Bold indicates operable categories that would qualify mortgages in the numerator of the goal.

<sup>2</sup> The 2015 through 2019 disaster area designations and origination distributions are averaged together to obtain a 'long-run' average.

<sup>3</sup> A combined three year census tract distribution is calculated for each of the five years (e.g., the 2019 distribution includes disasters declared in 2016, 2017, and 2018).

<sup>4</sup> Due to rounding, component percentages may not add up precisely to the totals.

<sup>5</sup> The combined three year census tract distribution for 2021 includes disasters declared in 2018, 2019 and 2020.