



# Federal Housing Finance Agency

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May 26, 2020

Cynthia K. Waldron  
Quantitative Director, Affordable Lending Analytics and Research  
Freddie Mac  
1551 Park Run Drive  
McLean, VA 22102-3110

Dear Ms. Waldron:

On February 12, 2018, the Federal Housing Finance Agency (FHFA) published a final rule in the *Federal Register* establishing housing goals for 2018-20 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). This disaster areas increment for 2020 is 4 percent, resulting in an overall benchmark of 18 percent for the low-income areas home purchase goal for 2020.

The disaster areas increment to the low-income areas home purchase subgoal was calculated by determining all counties that were designated as being eligible for individual disaster assistance during the 2017-19 period but were not already included in the low-income areas home purchase subgoal.

Home purchase mortgages to families in these areas with incomes no greater than 100 percent of area median income, but which were not already included in the low-income areas home purchase subgoal, were calculated as a share of all home purchase mortgages, based on FHFA analysis of Home Mortgage Disclosure Act (HMDA) data for 2014-18. This yielded the 4 percent disaster areas increment for 2020. The details underlying the calculation of the 2020 disaster areas increment are contained in the enclosed document, "Methodology for Establishing Designated Disaster Areas."

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

Sincerely,

5/22/2020

X 

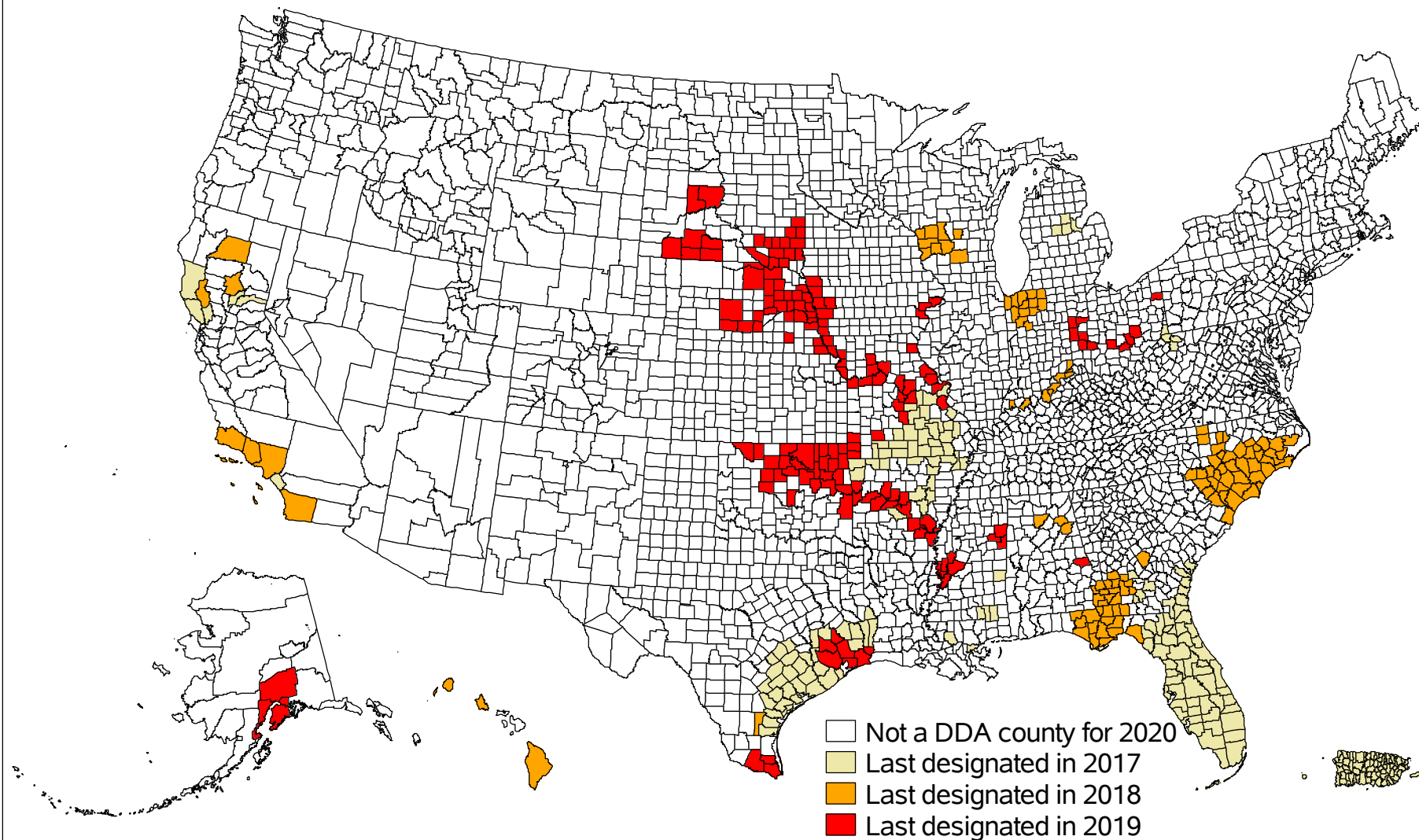
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Signed by: SANDRA THOMPSON

Sandra Thompson  
Deputy Director, Division of Housing Mission and Goals

Enclosure

**2020 Low-Income Areas Housing Goal Designated Disaster Areas (DDAs)  
Counties Designated as Adversely Affected by a Declared Major Disaster: 2017-2019  
Where Individual Assistance Payments were Authorized by FEMA**



Island Areas are not displayed

## 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.

### 2020 Designated Disaster Areas

The disasters that are applicable to the 2020 housing goals are disasters that occurred during 2017, 2018, and 2019. 45.3 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 2014 to 2018 period. Those distributions are shown in columns 1 and 2 in the table. The estimated number of census tracts in each category for 2019 is shown in column 3. This distribution incorporates declared disasters applicable for 2019 (based on the 2016 to 2018 period). The estimated share of mortgage originations in each category for 2019 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 2020 is shown in column 5. 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 6. This distribution results from the change in DDAs and area median incomes.

FHFA estimates that an additional 4.3 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 2020. 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 2018-20, published on February 12, 2018, the Low-Income Areas Home Purchase Subgoal for 2020 is 14 percent. The Low-Income Areas Home Purchase Goal for 2020 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 2020 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)) at FHFA.

## Estimated Impact on the Low-Income Areas Housing Goal from Designated Disaster Areas (DDAs) for 2020

(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	2014 - 2018		2019		2020	
				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>	23,160	7.5%	23,116	6.5%	23,026	<b>6.4%</b>
			<b>&gt; 100%</b>		5.6%		4.8%		<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>	6,591	3.1%	6,610	2.7%	6,732	<b>2.7%</b>
			<b>&gt; 100%</b>		3.6%		3.1%		3.1%
	< 30%	No	<b>&lt;= 100%</b>	8,866	5.4%	9,000	6.0%	9,045	6.0%
			<b>&gt; 100%</b>		5.3%		5.8%		5.9%
			<b>unknown</b>		0.1%		0.1%		0.1%
			<b>Yes</b>		1,590		<b>&lt;= 100%</b>		0.9%
<b>&gt; 100%</b>	1.0%	0.8%	0.8%						
<b>&gt;= 100%</b>	n/a	No	<b>&lt;= 100%</b>	26,052	15.5%	24,857	16.1%	25,179	16.3%
			<b>&gt; 100%</b>		36.7%		38.2%		38.6%
			<b>unknown</b>		0.6%		0.7%		0.7%
		<b>Yes</b>	<b>&lt;= 100%</b>	6,585	3.9%	7,660	3.9%	7,183	<b>3.6%</b>
			<b>&gt; 100%</b>		10.1%		10.1%		9.5%
Unknown	n/a	No	<b>&lt;= 100%</b>	934	0.0%	917	0.0%	951	0.0%
			<b>&gt; 100%</b>		0.0%		0.0%		0.0%
			<b>unknown</b>		0.5%		0.6%		0.6%
		<b>Yes</b>	<b>&lt;= 100%</b>	226	0.0%	418	0.0%	381	<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>					16.3%	14.0%	<b>14.0%</b>		
<b>Additional from Designated Disaster Areas</b>					4.8%	4.6%	<b>4.3%</b>		
<b>Low-Income Areas</b>					<b>21.1%</b>	<b>18.6%</b>	<b>18.3%</b>		

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

<sup>2</sup> The 2014 through 2018 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 2018 distribution includes disasters declared in 2015, 2016, and 2017).

<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 2020 includes disasters declared in 2017, 2018 and 2019.