U.S. Federal Housing FHFA

Significant Regulatory Action Assessment and Regulatory Impact Analysis for 2026-2028 Enterprise Housing Goals Proposed Rule

The Federal Housing Finance Agency (FHFA) has determined that the 2026-2028 Enterprise Housing Goals is a "significant regulatory action" under Executive Order 12866.[1] FHFA estimates the 2026-2028 Enterprise Housing Goals proposed rule (the "proposed rule") will have an annual effect on the economy exceeding $100 million. FHFA does not expect the proposed rule to result in any new or significant negative impacts to potential houseowners and renters, and FHFA does expect that the benefits of the proposed rule will outweigh its costs.

1. Summary of the Proposed Rule

FHFA is issuing a proposed rule and requesting comments on the housing goals for 2026 through 2028 for Fannie Mae and Freddie Mac (the Enterprises), as required by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act).[2] The proposed rule establishes the benchmark levels for the single-family and multifamily housing goals and subgoals for 2026 through 2028, including replacing the two area-based single-family subgoals with one low-income areas subgoal. The proposed rule also includes technical changes and removes the measurement buffers.[3]

2. Summary of Analysis

Any change to housing goals can have material effects on the market and market participants, leading to a large overall economic effect. The market participants most likely to be affected by changes to the housing goals include the potential low-income renters and homeowners, multifamily borrowers, lenders, and the Enterprises. While it is not easy to accurately quantify all the direct and indirect effects of a proposed change, we attempt to quantify the impact of the proposed changes and compare the estimates against a baseline in which the 2025-2027 Enterprise Housing Goals rule (the "current rule)" benchmarks remain in effect. The 2025-2027 housing goals are a potentially effective and feasible alternative to the planned regulation. The 2025-2027 housing goals are similarly designed to ensure the Enterprises meet their public purpose, consider each of the required statutory factors, and may be feasible to achieve their

[1] While EO 12866 previously excluded independent agencies such as FHFA from its OMB regulatory review and planning process, FHFA submits its analysis pursuant to EO 14215 amending the scope of agencies covered by EO 12866. *See* EO 14215, 90 FR 10447 (February 24, 2025).

[2] 12 U.S.C. 1421 *et seq.*

[3] In 2025-2027, FHFA established a measurement buffer to encourage the Enterprises to focus on achieving certain single-family housing goals by meeting the market level, if the benchmark level turns out to be higher than the market level. These measurement buffers partly addressed the uncertainty in forecasting the market several years in advance as well as the time lag in determining the actual market level retrospectively.

purpose. Furthermore, they are currently in place for two of the three subject years and have been subject to the notice and comment rulemaking process.

For most of the analysis, we use the latest full-year data (2024), as it serves as a reasonable proxy for originations in the near future. We also use the most recent year prior to a goal's creation, or 2013–2014 and 2022–2023 data when evaluating how housing goal originations would have performed in the absence of a goal or benchmark level. As shown in Table 7, there is no estimated likely negative single-family impact of the proposed rule for the Enterprises. The single-family quantifiable benefits of the proposed rule include $64 billion in UPB over the course of 2026-2028, or about $21 billion annually, and a quantifiable regulatory cost savings of zero.

The maximum potential range of economic impact of the proposed multifamily housing goals is $67.8 to $82 billion annually. While the actual impact is likely to be orders of magnitude smaller, this range of economic impacts supports a conclusion that the Proposed Rule is a "significant regulatory action."

3. Background

The single-family housing goals are restricted to single-family, owner-occupied, one- to four-units, first-lien mortgages acquired by the Enterprises and include:

1. Low-income borrower home purchase (LIP) goal: Home purchase mortgages to borrowers with incomes no greater than 80 percent of area median income (AMI).
2. Very low-income borrower home purchase (VLIP) goal: Home purchase mortgages to borrowers with incomes no greater than 50 percent of AMI.
3. Low-income borrower refinance (LIR) goal: Refinance mortgages to borrowers with incomes no greater than 80 percent of AMI.
4. Low-income areas home purchase (LIA) subgoal: (1) Borrowers in census tracts with tract median income of no greater than 80 percent of area median income; (2) borrowers with income no greater than 100 percent of area median income in census tracts where (i) tract income is less than 100 percent of area median income, and (ii) minorities comprise at least 30 percent of the tract population.

Under the 2026-2028 proposed rule, the low-income areas home purchase subgoal would replace the following subgoals that have been in place from 2022 through 2025:

a. Minority Census Tract (MCT) subgoal: Home purchase mortgages to borrowers with incomes no greater than 100 percent of AMI in minority census tracts.[4]
a. Low-income Census Tract (LCT) subgoal: Home purchase mortgages to borrowers (regardless of income) in low-income census tracts that are not minority census

[4] Census tracts that have a minority population of at least 30 percent and a median income of less than 100 percent of AMI.

tracts, and home purchase mortgages to borrowers with incomes greater than 100 percent of AMI in low-income census tracts that are also minority census tracts.[5]

Similar to the existing regulation, the benchmark level for the low-income areas home purchase goal would be the sum of the benchmark levels for the low-income areas home purchase subgoal, plus an additional amount that will be determined separately by FHFA that takes into account families in disaster areas with incomes no greater than 100 percent of AMI.[6]

The Enterprises' compliance with the single-family housing goals and subgoals is evaluated by comparing the percentage of goal-qualifying mortgages purchased by an Enterprise to the lower of the benchmark level established in the Enterprise Housing Goals rule and the market level for that year.[7]

The multifamily housing goals are restricted to all goal-eligible units in multifamily properties financed by mortgages purchased by the Enterprises in the year and include:

1) Low-income goal: Percentage of units affordable to low-income families, defined as families with incomes less than or equal to 80 percent of AMI.
2) Very low-income goal: Percentage of units affordable to very low-income families, defined as families with incomes less than or equal to 50 percent of AMI.
3) Small low-income subgoal: Percentage of units in small (5-50 units) multifamily properties affordable to low-income families, defined as families with incomes less than or equal to 80 percent of AMI.

Enterprises' compliance with the multifamily goals and subgoal is evaluated by comparing the percentage share of rental units in multifamily residential housing financed by mortgages purchased by each Enterprise in that year that meet the criteria for the goals and subgoal to the benchmark level established in the Rule.[8]

The proposed rule is proposing changes to the benchmark levels for three single-family housing goals and consolidating two single-family housing subgoals for 2026-2028 as specified in Table 1.

[5] Census tracts where the median income is no greater than 80 percent of AMI.

[6] *See* 12 CFR 1282.12(e). The low-income areas home purchase goal benchmark level for 2025 is 21 percent.

[7] The market level is determined retrospectively for each year, based on the actual goal-qualifying share of the overall goal-eligible market as measured by Home Mortgage Disclosure Act (HMDA) data. 12 U.S.C. 2801 *et seq.*

[8] For the multifamily goals and subgoal, an Enterprise can only satisfy the goal or subgoal by meeting the benchmark level (there is no market measure for multifamily goals and subgoals, because there is no dataset equivalent to HMDA that would enable FHFA to determine the market)

Table 1: Current and Proposed Changes to Benchmarks for Housing Goals

Housing Goal/Subgoal	AMI Limit on Borrower Income	2025-2027 Goals	Proposed Thresholds
Single-Family			
Low-Income Purchase (LIP)	<80% AMI	25.0%	21.0%
Very Low-Income Purchase (VLIP)	<50% AMI	6.0%	3.5%
Low-Income Areas Subgoal	None	Replaced by subgoals	16.0%
Minority Census Tracts (MCT) Subgoal	<100% AMI	12.0%	Removed
Low-Income Census Tracts (LCT) Subgoal	None	4.0%	Removed
Low-Income Refinance	<80% AMI	26.0%	26.0%
Multifamily			
Low-Income Goal	<80% AMI	61.0%	61.0%
Very Low-Income Goal	<50% AMI	14.0%	14.0%
Small Multifamily Low-Income Subgoal	<80% AMI	2.0%	2.0%

To simplify the structure of the Enterprise housing goals regulation, FHFA is proposing to remove the measurement buffer and make technical changes to the names of the single-family housing goals and subgoals.

4. Need for Proposed Rule

The Enterprises were chartered by Congress to provide stability and liquidity to the nation's secondary mortgage market, as well as to promote broad access to mortgage credit. They do so, in large part, by acquiring mortgage loans from lenders (often referred to as "sellers"), issuing securities backed by these mortgage loans, and guaranteeing to investors the timely payment of principal and interest on these securities. The Enterprises charge guarantee fees to cover the expected credit losses, administrative costs, and cost of capital associated with their guarantees.

The Safety and Soundness Act requires FHFA to establish annual housing goals for the Enterprises, based on various factors set forth in the Act, to ensure the Enterprises meet their public purpose as defined by statute, which include "an affirmative obligation to facilitate the financing of affordable housing for low- and moderate-income families in a manner consistent with their overall public purposes, while maintaining a strong financial condition and a reasonable economic return."[9] The statute requires the Agency to establish annual housing goals via rulemaking.[10] The structure of the housing goals and the parameters for determining how mortgage purchases are counted or not counted towards the goals are defined in FHFA's Enterprise housing goals regulation.[11] Thus, this regulatory action is consistent with the statutory requirements included in the Safety and Soundness Act, as amended by the Housing and Economic Recovery Act of 2008 (HERA).

[9] 12 U.S.C. 4501(7).
[10] 12 U.S.C. 4561(a)(1) "The Director shall, by regulation, establish … annual housing goals."
[11] 12 CFR part 1282.

Additionally, the proposed rule promotes the President's priorities to lower the cost of housing.[12] On January 20, 2025, the President issued a Memorandum entitled "Delivering Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis," instructing federal agencies to, among other actions, lower the cost of housing and expand housing supply. FHFA, in carrying out this policy priority, is assessing the impact of the housing goals on the cost of housing, particularly to middle-class borrowers, who may be turned away or receive higher prices than they would in the absence of more aggressive housing goals. Finally, the proposed rule meets the need for (1) lowering costs of housing, particularly for middle-income borrowers, and (2) reducing or eliminating administrative burdens and regulatory requirements that are not specifically required by statute.

5. Multifamily

The proposed rule would not change the low-income or very low-income multifamily housing goals or the low-income small multifamily subgoal from the current 2025-2027 housing goals rule. The proposed rule would extend the benchmarks through 2028, one additional year beyond the 2025-2027 rule.

The multifamily low-income housing goal measures the percentage share of all goal-eligible units in multifamily properties financed by mortgages purchased by the Enterprises in the year that are affordable to low-income families, defined as families with incomes less than or equal to 80 percent of AMI.

The multifamily very low-income housing goal measures the percentage share of all goal-eligible units in multifamily properties financed by mortgages purchased by the Enterprises in the year that are affordable to very low-income families, defined as families with incomes less than or equal to 50 percent of AMI.

The small multifamily low-income housing subgoal measures the percentage share of dwelling units in small (5-50 units) multifamily properties financed by mortgages purchased by each Enterprise that consists of dwelling units affordable to low-income families, defined as families with incomes less than or equal to 80 percent of AMI.

To estimate the annual economic effect of the proposed rule, FHFA estimated the dollar value of the unpaid principal balance (UPB) (at acquisition) of mortgages potentially impacted by the rule (i.e., mortgages that potentially would not be purchased or originated in the absence of the rule). In the absence of the rule, the Enterprises may decide not to acquire any mortgages with units that would qualify for credit under one or more of the multifamily housing goals. This is unlikely because the Enterprises operate under federal statutory charter acts that impose an obligation to support affordable housing that is independent of the specific requirements of the housing goals

[12] White House, "Delivering Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis," January 2025, *see*: https://www.whitehouse.gov/presidential-actions/2025/01/delivering-emergency-price-relief-for-american-families-and-defeating-the-cost-of-living-crisis/

regulation. Even in the absence of any legal requirement, some of the mortgages purchased by the Enterprises would meet affordability standards defined in the statute. However, this approach illustrates the maximum number of multifamily mortgages potentially impacted by the rule.

FHFA used two different data sets to estimate the value of the potentially impacted mortgages under the proposed rule, creating a range of impacted mortgages for the proposed 2026-2028 multifamily benchmarks. The first scenario estimates the impact based on past mortgage purchase volumes from 2021-2023. For this method, FHFA assumes the average annual volume of goals-qualifying mortgages purchased by the Enterprises from 2021-2023 is a reasonable proxy for the goal-qualifying loan volume of potentially impacted mortgages in 2026-2028.

Table 2: Unpaid Principal Balance of Goal Qualifying Mortgages for 2021-2023

$ Billions	**2021**	**2022**	**2023**
Multifamily Low-Income Mortgages	$105	$85	$55
Multifamily Very Low-Income Mortgages	$12	$20	$12
Small (5- to 50-units) Low-Income Mortgages	$4	$4	$3
Total (Net of Overlap)	$105	$85	$55

Based on the above table, the simple three-year average of multifamily UPB, over the 2021-2023 housing goals period, is $82 billion.

For the second scenario estimating the value of the potentially impacted multifamily mortgages, FHFA considers the Enterprises' housing goals performance for 2024 and applies it to the 2026-2028 proposal. The multifamily market was substantially smaller in 2024 than in the 2021-2023 goal period, presenting a lower estimate for impacted multifamily mortgages. In 2024, the Enterprises acquired loans backed by multifamily properties with about 860 thousand goal-eligible multifamily units, with the loans totaling $111.2 billion in unpaid principal balance (UPB). FHFA has not made a final determination on the Enterprises' housing goals performance for 2024. However, Table 3 includes the number of multifamily low-income and very low-income units that would have been required in 2024 for full compliance with the housing goals in 2024, as well as the associated UPB.

Table 3: Number of Units Required to Meet Goals for 2024 Based on Combined Enterprise Acquisitions

Scenario #2		
	2024 Units (Thousands)	**2024 UPB ($ Billions)**
Multifamily Low-Income (61%)	524.6	$67.8
Multifamily Very Low-Income Mortgages (14%)	120.4	$15.6
Small (5- to 50-units) Low-Income Mortgages (2%)	17.2	$1.7
Total (net of overlap)	524.6	$67.8

Source: 2024 Housing Goal Data

If the Enterprises did not purchase any loans backed by multifamily properties with affordable units, the lower estimate of UPB impacted would be $67.8 billion, based on 2024 purchase volumes.

Based on these two scenarios of estimating the impact if the Enterprises were not subject to multifamily housing goals and consequently did not purchase any multifamily loans with affordable units, the range of economic impact of the proposed multifamily housing goals, is $67.8 to $82 billion. While the actual impact is likely to be orders of magnitude smaller, this range of economic impacts supports a conclusion that the proposed rule is a "significant regulatory action."

5.1 Multifamily Potentially Effective and Reasonably Feasible Alternatives

To properly assess the costs and benefits of the proposed changes to the multifamily housing goals/subgoals, a comparative analysis using two distinct alternatives, one more stringent and one less stringent, is below:

Alternative One: More Stringent, would increase the multifamily goals and subgoal, and

Alternative Two: Less Stringent, would decrease the multifamily goals and subgoal.

The costs and benefits of the proposed rule change and both alternatives demonstrate the proposed rule has the highest net benefits, both quantitative and qualitative. There is limited publicly available data sizing the multifamily market, therefore the data used in the quantitative analysis below is previous Enterprise multifamily housing goals' data.

5.2 Benefits to Multifamily Low-Income Renters

The proposed 2026-2028 rule preserves the 2025-2027 multifamily goal and subgoal benchmarks, maintaining Enterprise support for low-income renters at the same level as the current rule. Alternative One would increase the multifamily goals and subgoal, having a minor benefit to low-income renters, because more units may be available based on continued Enterprise liquidity, needed to meet the higher benchmarks. Alternative Two, reducing the LI and VLI multifamily goals and subgoal, will not benefit low-income renters, because it could reduce the availability of multifamily units affordable to those renters.

5.3 Cost to Multifamily Low-Income Renters

It is difficult to quantify the cost to multifamily low-income renters of the proposed rule due to a lack of available data on the affordability of Enterprise-backed multifamily properties. The proposed rule is unlikely to have an adverse impact on the share of affordable units available in the economy because the rule will remain unchanged from the 2025-2027 final rule. The low-income renter is not likely to face any costs due to the proposed rule.

Alternative One, increasing the goals and subgoal, will not pose a cost to the multifamily low-income renter, because the availability of affordable units backed by Enterprise financing will increase. Alternative Two, reducing the LI and VLI goals and subgoal, could potentially decrease the availability of multifamily units affordable to low-income renters.

5.4 Benefits to Multifamily Borrowers

Maintaining the current multifamily benchmarks will keep available liquidity for affordable and conventional units consistent with levels established by the current rule, providing marginal benefit to multifamily borrowers.

Alternative One, increasing the multifamily goals and subgoal, may have marginal benefits for multifamily borrowers seeking financing for affordable housing, however liquidity for conventional financing from the Enterprises may be more limited. Alternative Two, reducing the LI and VLI goals, will not benefit multifamily borrowers seeking financing for affordable housing and may marginally increase liquidity for borrowers seeking conventional financing.

5.5 Costs to Multifamily Borrowers

The proposed rule will allow the Enterprises to continue providing liquidity at current levels, posing no cost to multifamily borrowers due to the proposed rule change. Commenters on the current 2025-2027 rule supported the multifamily benchmarks. The MBA commented that the 2025-2027 benchmarks "effectively balance the role of the Enterprises in supporting affordable housing and providing liquidity to the entire multifamily market."

Alternative One has potential costs to multifamily borrowers since financing for conventional transactions may be less available due to the Enterprises' increased focus on the multifamily affordable housing goals. Alternative Two has potential costs for multifamily borrowers seeking financing for affordable housing, by reducing the Enterprise presence in the multifamily affordable market, and potentially increasing financing costs for affordable multifamily properties.

5.6 Benefits to the Enterprises

Maintaining the current multifamily benchmarks will benefit the Enterprises in several ways. Consistency will allow the Enterprises to continue serving the market, providing certainty they will continue to provide liquidity without crowding out private capital. Further, the Enterprises will not need to increase overhead costs, because consistency will allow for utilization of existing systems, processes, and expertise.

Alternative One will require the Enterprises to provide more support for affordable housing, which does not have a benefit to the Enterprises. Alternative Two will potentially benefit the Enterprises by allowing them to focus on multifamily transactions with higher returns than affordable transactions, however, the Enterprises may have more difficulty competing with private capital in the more profitable portion of the multifamily market.

5.7 Costs to the Enterprises

The proposed rule maintaining the 2025-2027 benchmarks, will have no cost to the Enterprises. Alternative One will result in an increased focus on affordable units, which could lower returns for the Enterprises. Alternative Two could have negligible costs to the Enterprises associated with decreasing their support of affordable multifamily housing, including loss of staff expertise and market share.

5.8 Conclusion

Table 4 below provides an analysis of the costs and benefits associated with the proposed rule change and the two alternatives:

Table 4: Analysis of Costs and Benefits for Multifamily Proposed Rule and Alternatives

	Low-Income Renters	**Multifamily Borrowers**	**Enterprises**
Proposed Rule			
Benefits	None	Minor	Minor
Costs	None	None	None
Alternative One			
Benefits	Minor	Negligible	None
Costs	None	Minor	Minor
Alternative Two			
Benefits	None	Negligible	Minor
Costs	Minor	Minor	Negligible

As documented above, the proposed rule has the greatest net benefit, as the only option that has minor benefits to the Enterprises and to multifamily borrowers with no costs to all parties. The proposed rule, maintaining the 2025-2027 multifamily benchmarks through the years 2026-2028, will provide consistency to the market and will allow the Enterprises to support multifamily affordable housing while maintaining safety and soundness.

6. Single-family

Under the Safety and Soundness Act, the single-family housing goals cover owner-occupied housing with one- to four-units that are first lien (mortgages that are not subordinate to other mortgage liens), conventional (mortgages that not insured or guaranteed by the Federal Housing Administration (FHA) or another government agency), and conforming (mortgages that have principal balances that do not exceed the conforming loan limits) (together termed as goal-eligible mortgages).

In 2024, the Enterprises acquired 1.64 million purchase mortgages and 1.46 million goal-eligible purchase mortgages. For full compliance under the Current Rule, the Enterprises were required to acquire 366,000 LIP, 88,000 VLIP, and 234,000 LIA subgoal qualifying mortgages (see Table 5

below). Under the proposed rule, for 2024, FHFA estimates that Enterprise purchases of goals-qualified loans could have decreased by an unlikely maximum of about 59,000 loans and $13 billion in unpaid principal balance (since some loans may count for multiple goals) relative to the Current Rule. Despite the low-income areas subgoal maintaining the same benchmark as the current rule (*i.e.*, by combining the low-income census tracts and minority census tracts), FHFA assumes an approximately 16 percent reduction in minority census tract-qualifying Enterprise acquisitions under the proposed rule. This assumption is based on changes to the baseline for comparison, since beginning on March 25, 2025, the Enterprises no longer purchased goal loans from SPCPs, and MCT-qualifying loans are highly concentrated in SPCP purchases. However, we anticipate that this reduction in MCT-qualifying acquisitions will be offset by an increase of low-income census tract performance within the low-income areas subgoal, therefore resulting in a net zero change in overall low-income area subgoal performance.

Table 5: Unlikely Maximum UPB Impact of Change in Single-Family Housing Goals Thresholds

Housing Goals	Required Number of Loans (Thousands)			Unpaid Principal Balance ($ Billions)		
	Current	Proposed	Maximum Change	Current	Proposed	Maximum Change
LIP Goal	366	307	59	78	65	12
VLIP Goal	88	51	37	13	8	5
LIA Subgoal	234	234	0	66	66	0
Total (Net of Overlap)	436	377	59	98	85	13

Source: 2024 Housing Goal Data

Note: In 2024, all VLIP loans were LIP loans, and over 70 percent of LIA loans were also LIP loans.

Assuming 2024 as a proxy, the maximum unlikely estimated impact is a decline in Enterprises' acquisitions of $13 billion of goal-qualifying mortgages per annum. Over the course of 2026-2028 we can estimate a maximum decline of $30-39 billion goal-qualifying mortgages (assuming property price change ranging from 0 percent to 4 percent and discount rate ranging from 4 percent to 7 percent). While this is unlikely for the reasons discussed below, this amount exceeds $100 million; therefore, FHFA has determined that the proposed rule is an economically significant regulatory action.

6.1 Cost to low-income single-family homeowners

We expect that the Enterprises will acquire goal-eligible mortgages of a similar magnitude that would have been acquired under the alternative such that the annual effect on the economy is negligible due to the secondary market role, market dynamics, and a lack of incentive to engage in denominator management. However, one sector of the economy – low-income borrowers – *may* be adversely impacted if the Enterprises reduce their purchases based on lower LIP or VLIP goals.

To assess the costs and benefits of the proposed changes to the single-family housing goals/subgoal thresholds, we conduct comparative analysis using two distinct alternatives

scenarios for proposed rule impacts. First, we compare what may happen with goal-eligible mortgages acquired by the Enterprises against similar mortgages (with credit scores greater than 640) acquired by Non-Enterprises (depositories and non-depositories holding mortgages in their portfolios). Second, we compare purchase-only, owner-occupied, one- to four-units, FHA-conforming mortgages acquired by the Enterprises to similar mortgages (with credit scores greater than 640) originated by government entities: FHA/VA/RHS. We use the National Mortgage Database (NMDB®) program, which is a nationally representative five percent sample of closed-end first-lien residential mortgages in the United States, as it is the only source of data to evaluate loan purchases of closed-end first-lien residential mortgages across the entire United States market.

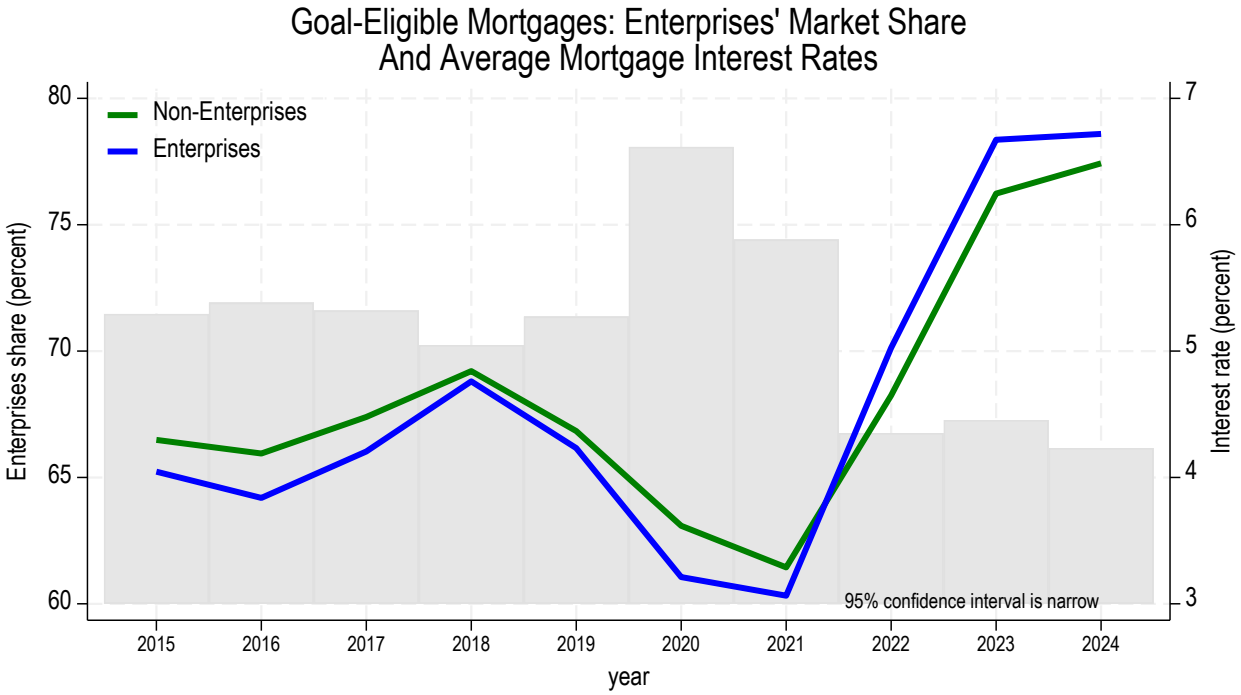
6.1 (a): Alternative 1- Non-Enterprises Absorb Goal Eligible Loans

The Non-Enterprise market segment provides an alternate market for financing goal-eligible mortgages, comprising 25-35 percent of the goal-eligible market (see figure below). Goal-eligible loans are valuable for federally insured banks and savings associations to meet their Community Reinvestment Act (CRA) requirements that involve meeting the credit needs of their communities, including low- and moderate-income areas.[13]

Since 2022, this market segment has provided a more favorable market interest rate, 20-35 basis points lower, to the low-income homeowner as compared to loans acquired by the Enterprises. Since the interest rate is lower and the cost of private mortgage insurance is based on loan attributes, not channel, low-income homeowners whose mortgages are acquired by Non-Enterprises, on average, benefit more as compared to homeowners whose mortgages are acquired by the Enterprises. The lower mortgage rates on goal-eligible mortgages since 2022 are not surprising since this market segment competes with the Enterprises to acquire goal-eligible loans and an increase in Enterprises housing goal thresholds in 2022 meant that a smaller share of the market was available to Non-Enterprises market segment to meet their CRA requirements.

[13] 12 U.S.C. 2901 *et seq.*

Graph 1

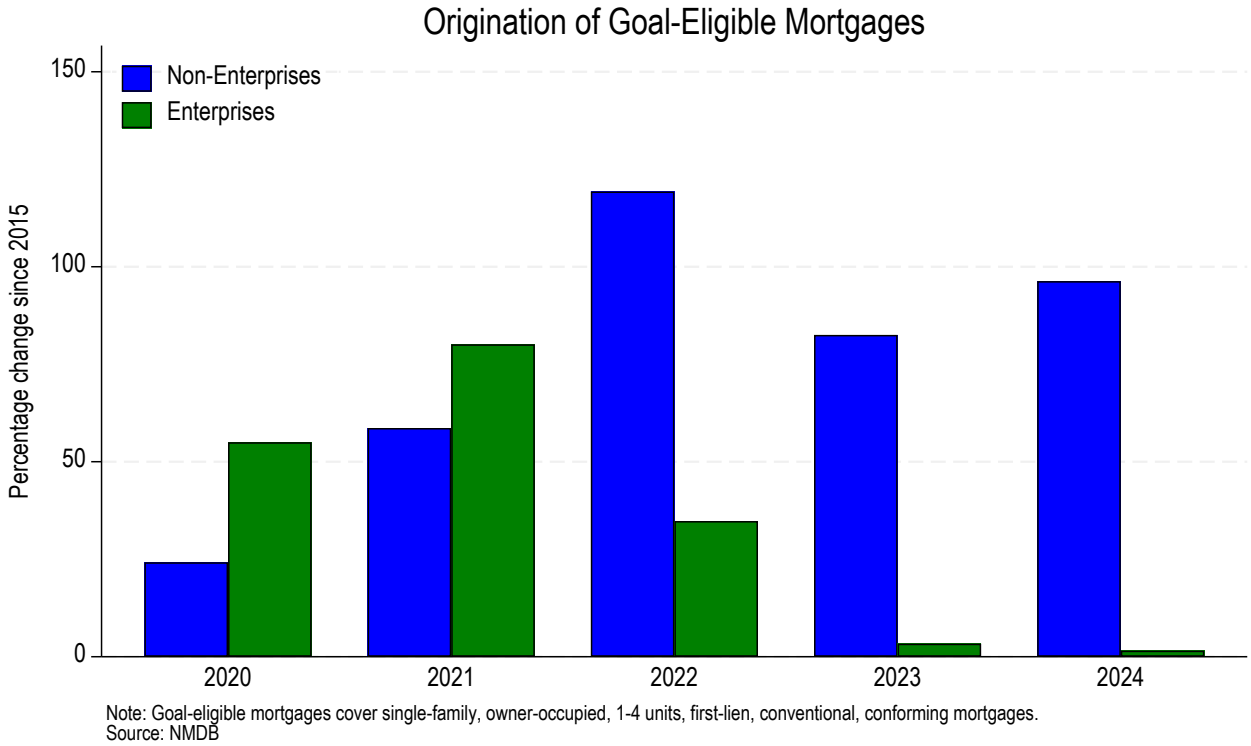


Note: Goal-eligible mortgages cover single-family, owner-occupied, 1-4 units, first-lien, conventional, conforming mortgages.
Source: NMDB

While lower interest rates on mortgages acquired by the Non-Enterprises market segment since 2022 might be expected, the increase in their share of goal-eligible loans since 2022 is surprising. In the figure below we present the percentage change in goal-eligible acquisitions by the Enterprises and Non-Enterprises through 2024 (relative to 2015).[14] The acquisitions of goal-eligible mortgages increased in 2020 and 2021 for both market segments: the Enterprises and the Non-Enterprises. In 2022, while the acquisitions by the Non-Enterprises continued to increase, those of the Enterprises declined rapidly. The acquisitions of goal-eligible mortgages declined for both groups in 2023, largely explained by increasing interest rates and high home prices. In 2024, unlike the acquisitions of goal-eligible mortgages by Non-Enterprises, the acquisitions of goal-eligible mortgages continued to decrease for the Enterprises. The Enterprises acquisitions in 2024 were about the same as their acquisitions in 2015; the Non-Enterprises acquisitions in 2024 were nearly double the size of 2015 acquisitions.

[14] We selected 2015 as the year for comparison since this is the closest year in the recent past where Enterprises acquisition was the same as their acquisitions in 2024.

Graph 2



One potential explanation for the lower acquisitions of goal-eligible loans by the Enterprises could be that the Enterprises effectively engaged in a form of denominator management (*i.e.*, intentionally reducing the denominator while holding the numerator constant to meet a target set as the ratio of the numerator to the denominator). See Box 1 for an example. In 2022, the threshold for single-family housing goals increased for most goals and subgoals. For example, the threshold for LIP-qualifying mortgages increased from 24 percent to 28 percent and that for VLIP-qualifying mortgages from 6 percent to 7 percent. If the Enterprises were to maintain their market share of goal-eligible loans of 2022-2023, then, based on our calculations, in 2024 they would have acquired an additional 60,000 goal-eligible loans per annum without having to purchase any less LIP/VLIP/LIA qualifying loans. The actual performance, however, for the Enterprises would have dropped lower than that required by the Current Rule. For example, with no change in purchases of LIP qualifying loans, the additional goal-eligible loans in 2024

Box 1: Example explaining denominator management using 25% threshold for LIP goal under the Current Rule

$$Threshold = 25\% = \frac{\text{Number of LIP qualifying mortgages}}{\text{Total goal eligible goals}}$$

If in a year, the expectation is that the Enterprises would be able to acquire only 250 LIP-qualifying loans, then irrespective of the market for goal-eligible loans, the Enterprises acquire only 1,000 goal-eligible loans. This is because any more acquisitions of goal-eligible loans would result in the Enterprises not meeting their threshold.

would result in LIP qualifying loans to be about 20 percent of the total goal-eligible loans. Thus, if the Enterprises did not have to meet the goal, then they *may* have acquired more loans without reducing the number of goal-qualifying loans they acquired. However, this would require a decline in current thresholds.

The *potential* denominator management behavior also reveals that the Non-Enterprise market could absorb the gap, if any, left by the Enterprises in the goal-eligible and goal-qualifying mortgage market. Thus, if we use 2024 as a proxy for the 2026-2028 goal-eligible and goal-qualifying mortgage market, then the impact on low-income single-family homeowners is unlikely to be negative with the proposed thresholds, especially for LIP and VLIP loans.[15] Over the course of 2026-2028, the Enterprises could acquire an additional 180,000 goal-eligible loans or $64 billion in additional financing with the lower benchmarks of the proposed rule, using 2024 as a proxy year for each of the three years. Therefore, the impact on all goal-eligible, including the middle-income homeowner, but non-qualifying single-family homeowners is likely to be positive.

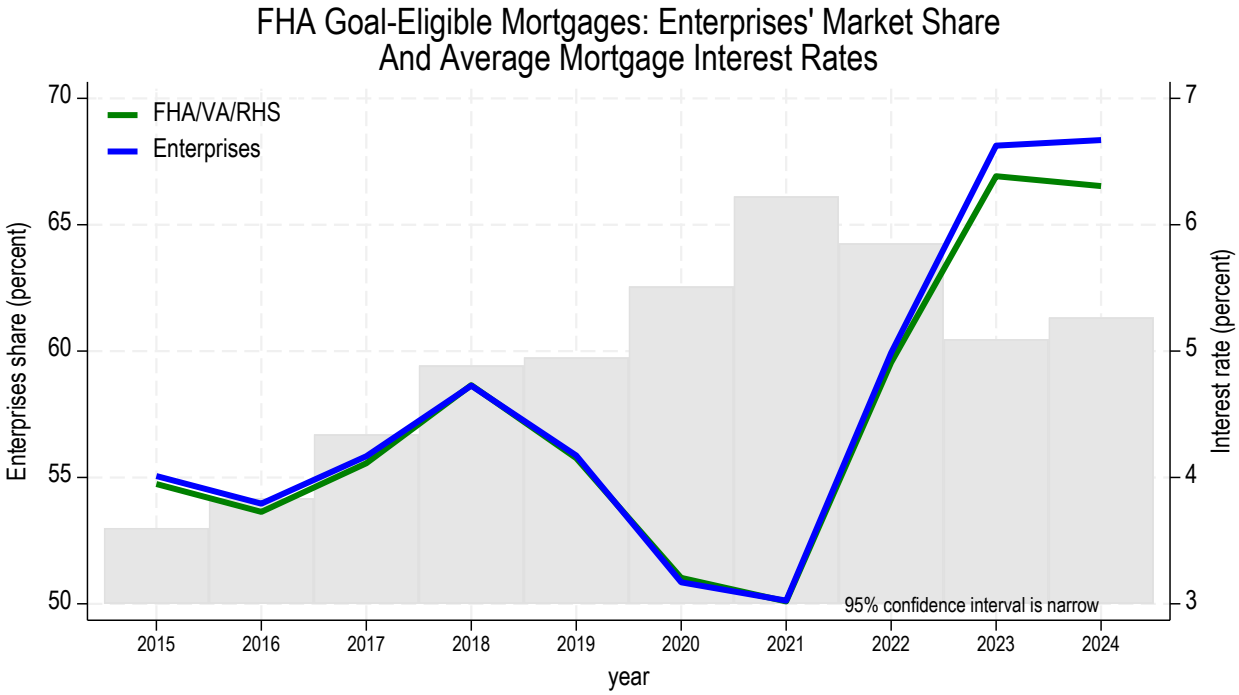
6.1 (b) *Alternative 2- FHA/VA/RHS Absorb Non-Conventional Goal Loans*

FHA/VA/RHS also originate mortgages that are very similar to goal-eligible and goal-qualifying mortgages acquired by the Enterprises. While the underwriting standards for FHA/VA/RHS originations are different as compared to the mortgages acquired by the Enterprises, except for high-balance loans and low credit score loans, all the goal-eligible mortgages acquired by the Enterprises qualify for FHA. The analysis below is restricted to the goal-eligible mortgages that meet the FHA conforming loan amount limit and mortgages that have a credit score of at least 640. More than 99 percent of goal-eligible mortgages met these two requirements.

Like the Non-Enterprise segment, FHA/VA/RHS provide an alternate market for goal-eligible mortgages that meet the FHA loan amount limit, comprising 40-50 percent of this FHA goal-eligible market (see figure below). While the mortgage interest rates offered in both market segments have been very similar, we do observe some divergence starting in 2023. Since 2023, the FHA/VA/RHS market segment has provided a more favorable market interest rate (25 to 35 basis points lower) to the low-income homeowner as compared to loans acquired by the Enterprises. Low-income homeowners whose mortgages are originated by FHA/VA/RHS, on average, have benefited as compared to homeowners whose mortgages are acquired by the Enterprises in 2023 and 2024. The lower mortgage rates on FHA goal-eligible mortgages are partially explained by the fact that FHA reduced its annual mortgage insurance premiums (MIP) for most new borrowers from 85 basis points to 55 basis points in 2023.

[15] LIP and VLIP qualifying loans are based on borrower-income, not the geographic area of the underlying property. In contrast, LIA loans must fall within very specific regions. We expect MCT relevant LIA loans to be more likely to follow alternative 1 or 2 as compared to LIP and VLIP loans because of this area-based condition and because of the elimination of Enterprise special purpose credit programs (SPCPs).

Graph 3



Note: Goal-eligible mortgages cover single-family, owner-occupied, 1-4 units, first-lien, conventional, conforming mortgages.
Source: NMDB

Data indicate that the effect of the proposed change in the three single-family purchase-only goals on low-income families and certain underserved borrowers is likely to be positive if these loans are originated by FHA/VA/RHS or acquired by Non-Enterprises market segment. Additionally, if the Enterprises' potential denominator management is not required then the Enterprises can acquire the same number of goal-qualifying loans and additional goal-eligible loans. This would, however, require lowering the goals' thresholds.

6.2 Benefits to Low-Income Single-Family Homeowners

As mentioned, Non-Enterprise participants, such as the FHA/VA/RHS market segment, can provide more favorable market interest rates for low-income homeowners than the Enterprises. Therefore, the anticipated shift in low-income borrowers receiving Enterprise to FHA/VA/RHS supported liquidity can benefit low-income single-family homeowners by potentially putting them in more sustainable and affordable mortgages for their situational needs.

6.3 Costs to Middle-Income Single-Family Homeowners

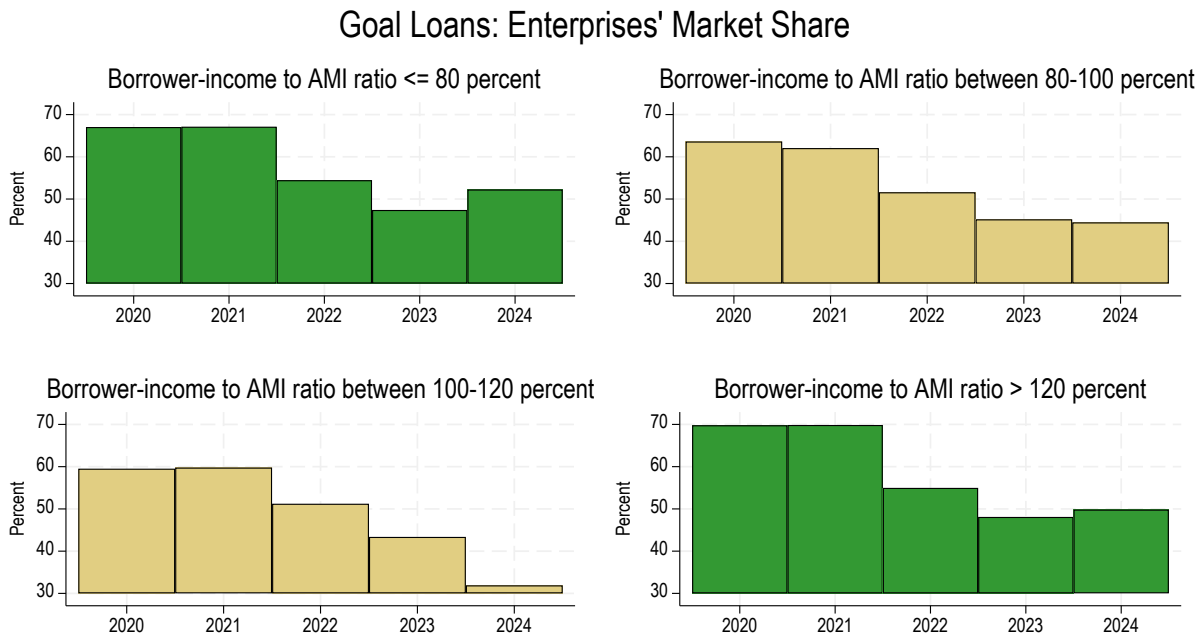
FHFA anticipates no new costs to middle-income single-family homeowners with the proposed changes for 2026-2028 housing goals.

6.4 Benefits to Middle-Income Single-Family Homeowners

Under the current rule, middle-income single-family homeowners may constrain the provision of Enterprise liquidity, as an unintended consequence. The Enterprises' market share for goal loans declined from 2020 through 2023 under all four income categories: low-income borrower (income of 80 percent or less AMI), moderate-income borrower (income between 80 to 100 percent AMI), income to AMI of 100 to 120 percent, and high-income borrower (income to AMI of more than 120) (see figure below). In 2024, the Enterprises' market share of loans to low-income borrowers increased, however, the Enterprises' market share of loans to middle-income borrower (income to AMI of 80 to 120 percent) continued to decline.

Compared to the current rule, the proposed rule will likely see an increase in the Enterprises' acquisition of mortgages to middle-income borrowers. For example, as mentioned above, in 2024, if the Enterprises were to maintain their market share of goal-eligible loans of 2022-2023, the Enterprises would have acquired an additional 180,000 goal eligible loans or $64 billion (using average loan-size of goal-eligible purchase loans in 2024) under the proposed rule over the three year period; a portion of which would likely be loans to middle income borrowers.

Graph 4



Note: Goal loans cover single-family, owner-occupied, 1-4 units, first-lien, conforming mortgages.
Source: NMDB

The middle-income single-family homeowner group will benefit from the reduced benchmarks by receiving more Enterprise liquidity. Further, the impact of eliminating the minority census tract and low-income census tract subgoals and reverting to the 2021 final rule low-income areas subgoal structure, will support a greater amount of middle-income borrowers since there will not be an income cap for subgoal credit, as long as a borrower is in a low-income area. The change is consistent with supporting affordable housing and creating lower-cost homeownership opportunities for a broader group of Americans, especially middle-income borrowers, in ways that follow administration's priorities.

6.5 Costs to Enterprises

FHFA anticipates no new costs to Enterprises with the proposed changes for 2026-2028 single-family housing goals.

6.6 Benefits to the Enterprises

The Enterprises provide lenders fee waivers and other lender-based premiums to encourage them to sell mortgage loans made to low-income families and certain underserved populations to the Enterprises. For loans originated in 2024, using the publicly released Loan-Level Price Adjustments table, we estimated that the upfront fee on LIP, VLIP, and LIA goal-qualifying mortgages that also qualified for Enterprises Home Ready/Home Possible programs (89 percent of all LIP, VLIP, and LIA goal-qualifying mortgages) was 51 basis points and on LIP, VLIP, and LIA goal-qualifying mortgages that did not qualify for Enterprises Home Ready/Home Possible programs was 42 basis points. Starting in 2023, the Enterprises waived the upfront fee on mortgages that qualified for Home Ready/Home Possible programs. Thus, 89 percent of all LIP, VLIP, and LIA goal-qualifying mortgages were not subject to any upfront guarantee fee (or g-fee).

In 2024, we estimate that the Enterprises paid about $452 million in upfront fee waivers for LIP, VLIP, and LIA goal-qualifying mortgages that also qualified for Enterprises Home Ready/Home Possible programs. If we assume that similar waivers were provided to lenders for all LIP, VLIP, and LIA goal-qualifying mortgages, then the estimate increases to $498 million in premiums per year for acquiring these goal-qualifying mortgages.

Table 6: Upfront Fee Waivers on Single-Family LIP/VLIP/LIA Acquisitions in 2024

	Current	**Proposed**	**Change**
Estimated upfront fee subsidy (basis points)	50	50	-
LIP/VLIP/LIA UPB ($ Billions)	98	98	0
Estimated subsidy per annum ($ Millions)	498	498	0
Undiscounted estimated subsidy 2026-2028 ($ Millions)	1494	1494	0

Note: Upfront fee is estimated using Loan-Level Price Adjustments published by the Enterprises.
Source: NMDB

Using 2024 as a proxy for upfront fee waiver costs, we can assume Enterprises will pay nearly $1,494 million in subsidies over the course of 2026-2028 under the current rule. Given that under the proposed rule FHFA anticipates the Enterprises to acquire the same number of goal qualifying borrowers, the Enterprises will similarly pay $1,494 million in subsidies over 2026-2028. Therefore, FHFA finds the Enterprises will not receive quantitative cost savings from upfront fee waivers over 2026-2028, but this estimate does not consider subsidies outside of the upfront guarantee fees. For example, it does not include home counseling subsidies or modification expenses, if required.

Additionally, the proposed rule will likely lead the Enterprises to save costs as discussed above related to marketing, outreach, and staffing expenses around meeting and monitoring housing goals, and responding to regulatory requests in the case of a housing plan. The Enterprises would face further staffing and monitoring costs if they fail to meet a goal and are put on a housing plan. By eliminating the complexity of multiple low-income area subgoals, the Enterprises will have a clearer framework for underwriting, investment, pricing, and reporting. The proposed rule therefore may avoid unintended consequences, improve operations, and reduce regulatory burden for the Enterprises while also achieving policy objectives to promote greater socioeconomic diversity and attract private investment.

6.7 Costs to Lenders

Goal-qualifying loans tend to have more favorable guarantee fee pricing for the lenders as compared to nongoal qualifying loans. Under the proposed rule, the level of guarantee fee subsidies received by the lenders will likely go down. However, the subsidy per dollar of the unpaid principal balance of goal-qualifying loans is not impacted by the proposed rule. Thus, we expect no new costs for the lenders under the proposed rule.

6.8 Costs to Market

There is a small chance that some loans that would have been acquired by the Enterprises under the current rule will not be acquired by any other market participant under the proposed rule. However, FHFA finds this scenario unlikely and does not consider it as a cost to the overall market for reasons explained below. First, FHA/VA/RHS have a statutory mandate to serve low- and moderate-income families so if these loans are not being delivered to the Enterprises they will likely be picked up by FHA/VA/RHS. Second, housing goal qualifying loans are profitable for market participants, so other market participants are economically incentivized to make these loans. Third, historical performance shows that when the Enterprises have lower benchmarks, these loans are delivered to Non-Enterprise or FHA/VA/RHS market participants (see Graphs 2 and 3 above). Finally, although this analysis assumes full fall-out, it is unlikely that the Enterprises would not continue to purchase some of these loans given their business model and role in the secondary market. Therefore, we conclude there is little to no cost to the market under the proposed rule.

6.9 Benefits to Market

Benefits associated with the proposed rule for the market include a potential increase in middle-income borrowers receiving Enterprise funded, safe and sound, loans.

Conclusion

FHFA believes that the changes proposed in the 2026-2028 Enterprise Housing Goals rule are likely to have no significant negative impact on most low-income borrowers and renters, multifamily borrowers, or the Enterprises.

For the multifamily goals, if the benchmarks in the proposed rule are adopted, FHFA does not expect a significant change in the multifamily activity of the Enterprises as compared to current

activity levels. The cost-benefit analysis indicates ***no negative impact on the share of affordable units available to low-income households*** and ***no adverse constraints on the availability of liquidity.*** The proposed rule can impact Enterprise UPB ranging from $67.8 to $82 billion. The UPB analysis provides a range of potential impacts assuming the Enterprises reduce or eliminate purchases of goal-qualifying loans, but the UPB analysis does not mean that borrowers who own properties with low-income units will not find liquidity or be adversely impacted.

For the single-family goals, FHFA estimates no likely negative impact of the proposed rule on LIP, LIA, and VLIP qualifying borrowers. As a result of the two area-based single-family subgoals being replaced with one low-income areas subgoal and FHFA's SPCP decision, FHFA estimates a 16% reduction in minority census tract qualifying loans negated by an increase in low-income census tract qualifying loans. FHFA estimates that the decrease in minority census tract qualifying loans within the low-income areas goal will likely shift to private non-Enterprises or government entities. Despite that outcome, the proposed regulatory action also results in the highest net benefit, in the form of $21 billion annually or $64 billion in Enterprise goal-eligible financing over the course of 2026-2028. The proposed single-family goals also provide benefits to a greater number of borrowers, especially those in middle-income groups. The combined set of single-family goals is a prudent choice from a safety, soundness, and mission-oriented perspective. Overall, the proposed single-family rule provides a net benefit estimated at $64 billion (see Table 7) and decreased regulatory burden for the Enterprises and lenders. The proposed goals will be a more efficient and targeted deployment of subsidies, and will discourage the practice of denominator management, thus providing more consistent funding for middle class borrowers.

Table 7: Analysis of Likely Quantifiable Costs and Benefits for Single-family Proposed Rule (Using 2024 as a Proxy Year)

Stakeholder	2026	2027	2028	Undiscounted Dollar Value ($ Millions)	Potential Mitigant
Low-Income Borrowers					
LIP	none	none	none	$0	Reduced need for denominator management
VLIP	none	none	none	$0	
LIA Subgoal	none	none	none	$0	MCT qualifying loans acquired by Non-Enterprise & Government entities. Increase in LCT qualifying loans.
Middle- & High-Income Borrowers	Large	Large	Large	$64,000	
Enterprises	none	none	none	$0	
Lenders	none	none	none	$0	
Overall Benefit				$64,000	