# FHFA Annual Housing Report
# October 2013

Prepared for

The Committee on Banking, Housing, and Urban Affairs of the Senate

and

The Committee on Financial Services of the House of Representatives

**FEDERAL HOUSING FINANCE AGENCY**
**Office of the Director**

October 30, 2013

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington D.C. 20510

Dear Chairman Johnson:

Pursuant to section 1125 of the Housing and Economic Recovery Act of 2008, I am pleased to submit the enclosed report titled "Annual Housing Report." As required by the Act, this report provides information for calendar year 2012 regarding Enterprise housing goal performance and other Enterprise housing activities. Should you or your staff have any questions regarding the matters covered in this report, please contact Sandra Thompson, Deputy Director, Division of Housing Mission and Goals, at 202-649-3384.

Yours truly,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

Enclosure

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 30, 2013

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
Washington D.C. 20515

Dear Chairman Hensarling:

Pursuant to section 1125 of the Housing and Economic Recovery Act of 2008, I am pleased to submit the enclosed report titled "Annual Housing Report." As required by the Act, this report provides information for calendar year 2012 regarding Enterprise housing goal performance and other Enterprise housing activities. Should you or your staff have any questions regarding the matters covered in this report, please contact Sandra Thompson, Deputy Director, Division of Housing Mission and Goals, at 202-649-3384.

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FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 30, 2013

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington D.C. 20515

Dear Ranking Member Waters:

Pursuant to section 1125 of the Housing and Economic Recovery Act of 2008, I am pleased to submit the enclosed report titled "Annual Housing Report." As required by the Act, this report provides information for calendar year 2012 regarding Enterprise housing goal performance and other Enterprise housing activities. Should you or your staff have any questions regarding the matters covered in this report, please contact Sandra Thompson, Deputy Director, Division of Housing Mission and Goals, at 202-649-3384.

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FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 30, 2013

The Honorable Mike Crapo
Ranking Minority Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington D.C. 20510

Dear Ranking Member Crapo:

Pursuant to section 1125 of the Housing and Economic Recovery Act of 2008, I am pleased to submit the enclosed report titled "Annual Housing Report." As required by the Act, this report provides information for calendar year 2012 regarding Enterprise housing goal performance and other Enterprise housing activities. Should you or your staff have any questions regarding the matters covered in this report, please contact Sandra Thompson, Deputy Director, Division of Housing Mission and Goals, at 202-649-3384.

Yours truly,

Edward J. DeMarco

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## I. Introduction

Section 1324 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), as amended by section 1125 of the Housing and Economic Recovery Act of 2008 (HERA), requires the Federal Housing Finance Agency (FHFA) to report on the housing activities of Fannie Mae and Freddie Mac, known as the Enterprises.[1] FHFA must report no later than October 30 each year to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives.[2] This annual housing report discusses the Enterprises' housing activities in 2012, as the Safety and Soundness Act requires in section 1324.

## II. Affordable Housing Goals

### A. Housing Goals – Introduction

Section 1324(b)(1)(A)(i) of the Safety and Soundness Act requires FHFA to discuss in the annual housing report whether and how each Enterprise is achieving the annual housing goals. The goals FHFA established under sections 1332-1334 of the Safety and Soundness Act are as follows:

1. **Low-income home purchase goal**, for home purchase mortgages to families with incomes no greater than 80 percent of area median income.

2. **Very low-income home purchase goal**, for home purchase mortgages to families with incomes no greater than 50 percent of area median income.

3. **Low-income areas home purchase subgoal**, for mortgages to families living in census tracts with tract incomes[3] no greater than 80 percent of area median income, or families with incomes no greater than 100 percent of area median income who live in census tracts with a minority population of 30 percent or more and a tract median income of less than 100 percent of area median income.

4. **Low-income areas home purchase goal**, which includes mortgages that meet the criteria under the low-income areas home purchase subgoal as well as mortgages to families with

[1] Fannie Mae is the trade name of the Federal National Mortgage Association. Freddie Mac is the trade name of the Federal Home Loan Mortgage Corp. Both operate under Federal charters.
[2] 12 U.S.C. § 4544.
[3] The low-income areas goal and subgoal include all borrowers, regardless of income, if the borrower is located in a "low-income census tract." A low-income census tract is one where the median income of the tract is not greater than 80 percent of the median income of the wider area (e.g., the MSA). The low-income areas goal and subgoal also include borrowers in certain other census tracts, but only if the borrower's income is not greater than the median income of the wider area.

incomes no greater than 100 percent of area median income who live in a federally declared disaster area.

5. **Low-income refinance goal**, for refinance mortgages to families with incomes no greater than 80 percent of area median income.

6. **Low-income multifamily goal**, for rental units for families in multifamily properties with incomes no greater than 80 percent of area median income.

7. **Very low-income multifamily subgoal**, for rental units for families in multifamily properties with incomes no greater than 50 percent of area median income.

**B. <u>Housing Goal Benchmark Levels for 2012-14</u>**

The single-family housing goal levels for 2012-14 are expressed as percentages of each Enterprise's total mortgage purchases. The home purchase goals measure home purchase mortgages on owner-occupied properties, and the refinance goal measures refinance mortgages on owner-occupied properties. FHFA established the 2012-14 goal benchmark levels as follows[4]:

| | |
|---|---|
| Low-Income Home Purchase Goal: | 23% |
| Very Low-Income Home Purchase Goal: | 7% |
| Low-Income Areas Home Purchase Subgoal (excluding disaster areas) | 11% |
| Low-Income Areas Home Purchase Goal (including disaster areas) | 20% |
| Low-Income Refinance Goal: | 20% |

FHFA established the multifamily goals as minimum numbers of multifamily units qualifying for the goals, not as shares of all multifamily units financed by each Enterprise. Because Freddie Mac's volume of multifamily business is lower than Fannie Mae's volume, the 2012-14 multifamily goals are lower for Freddie Mac than for Fannie Mae[5]:

<u>Low-income multifamily goals</u>:

- Fannie Mae: 285,000 units in 2012; 265,000 units in 2013; and 250,000 units in 2014
- Freddie Mac: 225,000 units in 2012; 215,000 units in 2013; and 200,000 units in 2014

[4] See 12 C.F.R. § 1282.12.
[5] See 12 C.F.R. § 1282.13.

Very low-income multifamily subgoals:

- Fannie Mae: 80,000 units in 2012; 70,000 units in 2013; and 60,000 units in 2014
- Freddie Mac: 59,000 units in 2012; 50,000 units in 2013; and 40,000 units in 2014

## C. Dual Approach for Compliance Determinations on Single-Family Goals

For the single-family housing goals, an Enterprise meets a goal for 2012-14 if its performance meets or exceeds either:

- the specific benchmark levels established in FHFA's November 13, 2012 final rule; or
- the share of the primary mortgage market that qualifies for the goal, based on FHFA's analysis of Home Mortgage Disclosure Act (HMDA) data.[6]

FHFA analyzes the single-family mortgage market by calculating the share of home purchase or refinance mortgages originated in the primary mortgage market which qualified for the goal in that year. These calculations are based on FHFA's analysis of HMDA data submitted to the Federal Financial Institutions Examination Council (FFIEC) by primary market mortgage originators. An Enterprise fails to meet a goal if performance falls short of both the benchmark level and the calculated market share.

FHFA has analyzed the 2012 loan-level data and independently calculated each Enterprise's official 2012 goal performance. FHFA has also calculated the goal-qualifying market shares based on 2012 HMDA data released by the FFIEC in September 2013. FHFA has made a determination and notified the Enterprises in October 2013 regarding their official performance on all goals and market performance for the single-family goals, as discussed below. The letters to the Enterprises in this regard are contained in Appendix A.

## D. Compliance Determinations for Multifamily Goals

Under the November 13, 2012, final rule, the Enterprises are subject to the specific multifamily housing goals established in the rule, but not to a retrospective market analysis. As discussed below and in the letters to the Enterprises in Appendix A, FHFA has determined that both Enterprises' performance on the low-income multifamily goal and the very low-income multifamily subgoal exceeded the established benchmark levels.

## E. Enterprise Performance on the 2012 Housing Goals

The Federal National Mortgage Association Charter Act and the Federal Home Loan Mortgage Corporation Act, known as the Charter Acts, require Fannie Mae and Freddie Mac to submit annual housing activities reports detailing their housing goal activities to FHFA, the Committee on Banking, Housing, and Urban Affairs of the Senate, and the Committee on Banking, Housing,

[6] See 12 C.F.R. §1282.12(b).

and Urban Affairs of the House of Representatives.[7] The annual housing activities reports include loan-level data on each mortgage purchased by the Enterprises. The Enterprises are required to submit these reports no later than 75 days after the end of each calendar year, generally by March 16 of each year.[8]

As part of the annual housing report, section 1324(b)(2) of the Safety and Soundness Act requires FHFA to "aggregate and analyze relevant data on income to assess the compliance of each Enterprise with the housing goals."[9] FHFA analyzed the loan-level data submitted with the Enterprises' annual housing activities reports for 2012 to determine their performance on the 2012 housing goals and subgoals. The results, in relation to the single-family benchmark levels and multifamily goals, are as follows:

| Goal Category | | Benchmark | Fannie Mae | Freddie Mac |
|---|---|---|---|---|
| Low-Income Home Purchase | | 23% | 25.6% | 24.4% |
| Very Low-Income Home Purchase | | 7% | 7.3% | 7.1% |
| Low-Income Areas Home Purchase Subgoal (excluding disaster areas) | | 11% | 13.1% | 11.4% |
| Low-Income Areas Home Purchase Goal (including disaster areas) | | 20% | 22.3% | 20.6% |
| Low-Income Refinance goal | | 20% | 21.8% | 22.4% |
| Low-Income Multifamily Goals (units): | | | | |
| | Fannie Mae | 285,000 | 375,924 | NA |
| | Freddie Mac | 225,000 | NA | 298,529 |
| Very Low-Income Multifamily Subgoals (units): | | | | |
| | Fannie Mae | 80,000 | 108,878 | NA |
| | Freddie Mac | 59,000 | NA | 60,084 |

Both Fannie Mae's and Freddie Mac's performance exceeded the 2012 benchmark levels on all of the single-family and multifamily goals.

[7] See section 309(n) of Fannie Mae's Charter Act and section 307(f) of Freddie Mac's Charter Act. 12 U.S.C. § 1723a; 12 U.S.C. § 1456. The Charter Acts require that the annual housing activities reports be submitted to the Committee on Banking, Housing, and Urban Affairs of the House of Representatives. However, the Enterprises submit the annual housing activities reports to the Committee on Financial Services of the House of Representatives because the committee's name has changed.

[8] See 12 C.F.R. § 1282.63.

[9] 12 U.S.C. § 4544(b)(2).

## F. HMDA Analysis of the Market for the 2012 Housing Goals

On October 28, 2013, FHFA notified the Enterprises about their official goal performance figures for 2012, and for the single-family goals, FHFA's calculations of the goal-qualifying shares of conventional, conforming home purchase and refinance mortgages originated in 2012, based on analysis of HMDA data. These letters are contained in Appendix A. The results of FHFA's market analysis for 2012 are:

| Goal Category | Market Figure |
|---|---|
| Low-Income Home Purchase | 26.6% |
| Very Low-Income Home Purchase | 7.7% |
| Low-Income Areas Home Purchase Subgoal (excluding disaster areas) | 13.6% |
| Low-Income Areas Home Purchase Goal (including disaster areas) | 20.5% |
| Low-Income Refinance Goal | 22.3% |

Although Fannie Mae's performance exceeded the benchmark levels for 2012 on all five of the single-family goals, its performance lagged market performance on four of the five goals. Its performance exceeded the market performance only on the low-income areas home purchase goal.

Similarly, Freddie Mac's performance exceeded the benchmark levels for 2012 on all five of the single-family goals, but its performance lagged market performance on three of the housing goals. Specifically, Freddie Mac's performance exceeded market performance on the low-income areas home purchase goal and the low-income refinance goal, but lagged the market on the low-income areas home purchase goal, the very low-income home purchase goal, and the low-income areas home purchase subgoal.

# III. Duty to Serve Underserved Markets

## A. Introduction

Section 1324(b)(1)(A)(ii) of the Safety and Soundness Act requires FHFA to discuss in the annual housing report whether and how "each [E]nterprise is complying with its duty to serve underserved markets," as required by section 1335 of the Safety and Soundness Act.[10]

Section 1335 establishes a duty for the Enterprises to serve very low-, low-, and moderate-income families in three underserved markets—manufactured housing, affordable housing

[10] 12 U.S.C. § 4544(b).

preservation, and rural areas—to increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing in each market.[11] Section 1335 also requires FHFA to establish by regulation a method for evaluating and rating whether and how well the Enterprises have complied with the duty to serve underserved markets.[12]

### B. Rulemaking

FHFA issued an Advance Notice of Proposed Rulemaking on August 4, 2009, and published a Notice of Proposed Rulemaking on June 7, 2010.[13] The proposed rule listed the types of Enterprise transactions and activities that would receive consideration toward its duty to serve. For example, only manufactured homes titled as real property would count toward the duty to serve the manufactured housing market, and the Neighborhood Stabilization Program would be added to the list of eligible programs in the affordable housing preservation market. The proposed rule also would give the Enterprises flexibility in serving the affordable housing preservation and rural markets.

Under the proposed rule, FHFA would establish a process to evaluate and rate each Enterprise's compliance with the duty to serve each market. Each Enterprise would be required to submit to FHFA for review an underserved markets plan describing the steps the Enterprise would take to serve each market, and to establish benchmarks and objectives in its plan for FHFA to evaluate and rate its performance in each underserved market. FHFA would evaluate and rate each Enterprise on its development of loan products and more flexible underwriting guidelines, volume of loans purchased, extent of outreach to market participants, and amount of investments and grants. Each Enterprise would receive an overall rating of compliance or noncompliance in each underserved market.

While the Enterprises are in conservatorship, all Enterprise activities must be consistent with the requirements of conservatorship under the Safety and Soundness Act. Although the final rule continues to be under consideration, FHFA is reassessing the duty to serve requirements in light of changing economic conditions, the Enterprises' conservatorship status, and the financial condition of the Enterprises to determine the best manner in which to proceed.

## IV. Affordable Housing Allocations

Section 1324(b)(1)(A)(iii) of the Safety and Soundness Act requires FHFA to discuss in the annual housing report how each Enterprise is complying with the affordable housing allocation requirements under section 1337 of the Act.[14] Section 1337 requires each Enterprise to set aside in each fiscal year an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of its total new business purchases.[15] Each Enterprise is required to allocate or transfer 65 percent of this amount to the Secretary of HUD to fund the Housing Trust Fund established

[11] See 12 U.S.C. § 4565.
[12] See 12 U.S.C. § 4565.
[13] 74 Fed. Reg. 38572 (August 4, 2009); 75 Fed. Reg. 32099 (June 7, 2010).
[14] 12 U.S.C. § 4544(b).
[15] 12 U.S.C. § 4567.

under section 1338 of the Act and 35 percent to the Secretary of the Treasury to fund the Capital Magnet Fund, a special account within the Community Development Financial Institutions Fund established under section 1339.

Section 1337(b) directs FHFA to temporarily suspend these allocations if it finds allocations: (1) are contributing, or would contribute, to the financial instability of the Enterprise; (2) are causing, or would cause, the Enterprise to be classified as undercapitalized; or (3) are preventing, or would prevent, the Enterprise from successfully completing a capital restoration plan under section 1369C.[16] In November 2008, FHFA determined that the Enterprises' affordable housing allocations would be suspended until further notice.[17]

## V. Transactions and Activities

Section 1324(b)(1)(A)(iv) of the Safety and Soundness Act requires FHFA to discuss in the annual housing report how "each [E]nterprise received credit toward achieving each of its goals resulting from a transaction or activity pursuant to section 1331(b)(2)."[18] However, section 1331(b)(2) does not exist in the Safety and Soundness Act. FHFA has analyzed the legislative history of HERA and concluded that the intended statutory reference was most likely section 1332(i) of the Safety and Soundness Act.[19] Section 1332(i) states in part:

> (i) GOALS CREDIT.—The Director shall determine whether an [E]nterprise shall receive full, partial, or no credit for a transaction toward achievement of any of the housing goals established pursuant to section 1332 and 1333. In making any such determination, the Director shall consider whether a transaction or activity of an [E]nterprise is substantially equivalent to a mortgage purchase and either (1) creates a new market, or (2) adds liquidity to an existing market.[20]

Section 1332(i) provides guidance to the Director as to how to credit achievement of any of the housing goals established under sections 1332 and 1333 of the Safety and Soundness Act. FHFA has interpreted section 1324(b)(1)(A)(iv) as a requirement to report on how each Enterprise received credit for a transaction or activity under section 1332(i) toward achieving the housing goals in effect for the particular reporting year.

For the 2012 performance year, FHFA treated loan modifications as purchases of refinanced mortgages for purposes of the low-income refinance goal, as in 2010 and 2011. FHFA only counted loans modified in accordance with the Administration's Home Affordable Modification Program (HAMP).

[16] 12 U.S.C. § 4567(b).
[17] As reported in FHFA's *2008 Annual Report to Congress*, May 18, 2009, p. 81.
[18] 12 U.S.C. § 4544(b).
[19] In H.R. 3221.EAS2, an earlier version of the bill eventually enacted into law as HERA, the language in section 1331(b)(2) was almost identical to the language in current section 1332(i).
[20] 12 U.S.C. § 4562(i).

Loan modifications improved performance on the low-income refinance goal for each Enterprise in 2012. The official performance results for this goal include the impact of loan modifications. FHFA has also calculated Enterprise performance with loan modifications excluded.

Fannie Mae's performance on the low-income refinance goal exclusive of loan modifications in 2012 was 21.2 percent. Fannie Mae modified 48,231 loans (1.2 percent of total single-family loan acquisitions) under HAMP in 2012, of which 22,806 (47.3 percent) were for low-income families. Fannie Mae's official performance on this goal was 21.8 percent, exceeding the goal of 20 percent.

Freddie Mac's performance on the low-income refinance goal exclusive of loan modifications was 21.5 percent in 2012. Freddie Mac modified 32,905 loans (1.6 percent of total single-family loan acquisitions) under HAMP in 2012, of which 21,753 (66.1 percent) were for low-income families. Freddie Mac's official performance on this goal was 22.4 percent, exceeding the goal of 20 percent.

## VI. Enterprise Achievement of Purposes Established by Law

Section 1324(b)(1)(A)(v) of the Safety and Soundness Act requires FHFA to report how "each [E]nterprise is achieving the purposes of the [E]nterprise established by law." While the Enterprises are in conservatorship, FHFA expects them to continue to fulfill the purposes for which they were established, including support for affordable housing as measured by the housing goals. At the same time, all Enterprise activities, including those in support of affordable housing, must be consistent with the requirements of conservatorship.

The Enterprises achieve their purposes by providing stability and liquidity in the secondary market for residential mortgages, responding appropriately to the private capital market, and promoting access to mortgage credit throughout the nation. During conservatorship, to address new and pressing needs in the mortgage market, the Enterprises have also engaged in extensive loss mitigation efforts focused on keeping borrowers in their homes, implemented extensive loan modification and refinance programs, supported financing for state and local housing finance agencies in stressful market conditions, and aligned national mortgage servicing standards. The Enterprises, along with the Federal Housing Administration and the Department of Veterans Affairs, now lead the market in making mortgage credit available.

Although the Enterprises' substantial market presence has been key to restoring market stability, neither company was capable of achieving the purposes established by law without the ongoing financial support provided by the U.S. Department of the Treasury. FHFA is monitoring the activities of the Enterprises to minimize losses on the mortgages already on their books, ensure profitability in the new book of business without discouraging market participation or hindering market recovery, and limit their risk exposure by avoiding new products and lines of business.

## VII. Additional Actions by the Enterprises

Section 1324(b)(1)(B) of the Safety and Soundness Act requires FHFA to discuss in the annual housing report the actions that each Enterprise could take to promote and expand their purposes.[21]

On September 6, 2008, the Director of FHFA appointed FHFA as conservator of the Enterprises in accordance with the Safety and Soundness Act to maintain the Enterprises in a safe and sound financial condition. The Enterprises continue under conservatorship at present. FHFA does not intend for the Enterprises to undertake economically adverse or high-risk activities in support of the housing goals or the duty to serve markets, nor does it intend for conservatorship to be a justification for withdrawing support from these important market segments.

Fannie Mae and Freddie Mac are important to the secondary market for multifamily loans, and multifamily lending is critical to the affordable housing mission of the Enterprises. In conservatorship, both Enterprises must remain dedicated to and actively involved in multifamily lending, adapting to new conditions relative to important housing building blocks such as the low-income housing tax credit. The Enterprises should assist state and local housing finance agencies where appropriate and feasible and lead the market in efforts to help troubled borrowers remain in their homes through loan modifications or to help borrowers refinance through efforts such as the Home Affordable Refinance Program (HARP). In addition, the Enterprises should continue their efforts to establish consistent policies and processes for servicing delinquent loans to keep people in their homes whenever possible and to minimize taxpayer losses.

## VIII. Enterprise Data Compared to Larger Housing Trends

Section 1324(b)(3) of the Safety and Soundness Act requires FHFA to "aggregate and analyze data on income, race, and gender by census tract and other relevant classifications, and compare such data with larger demographic, housing, and economic trends."

FHFA made these comparisons based on Enterprise data and HMDA data for 2011 and 2012 (see **Appendix B**).

## IX. Enterprise Purchases of Subprime and Nontraditional Loans

Section 1324(b)(4) of the Safety and Soundness Act requires FHFA to "identify the extent to which each [E]nterprise is involved in mortgage purchases and secondary market activities involving subprime and nontraditional loans."[22] Section 1324(b)(5) requires FHFA to "compare the characteristics of subprime and nontraditional loans both purchased and securitized by each [E]nterprise to other loans purchased and securitized by each [E]nterprise."[23] Implementing those

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[21] 12 U.S.C. § 4544(b).
[22] 12 U.S.C. § 4544(b)(4).
[23] 12 U.S.C. § 4544(b)(5).

provisions requires FHFA to identify subprime and nontraditional mortgages acquired by the Enterprises.

Recent legislative and regulatory changes provide some guidance in defining what constitutes a subprime loan. On January 10, 2013, the Consumer Financial Protection Bureau (CFPB) issued a final rule implementing statutory requirements for documenting a borrower's ability to repay a loan that were added by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The CFPB final rule also defined certain mortgages as "qualified mortgages," which are presumed to comply with the ability to repay requirements. The CFPB described the line it was drawing as "one that has long been recognized as a rule of thumb to separate prime loans from subprime loans."[24]

In response to these changes in the law, FHFA has determined that Fannie Mae and Freddie Mac will no longer purchase most loans that are not fully amortizing, that have a term of longer than 30 years, or that include points and fees in excess of the limits established in the CFPB final rule. These changes take effect for the Enterprises on January 10, 2014, the same day the CFPB final rule takes effect.

In the meantime, FHFA is providing a variety of information on Enterprise acquisitions in 2011 and 2012. Appendix C provides information about Enterprise purchases of mortgages based on whether the mortgage is fully amortizing or not, the product type (e.g., fixed- or adjustable-rate mortgage), loan-to-value ratios, and credit scores.

## A. <u>Overview of Single-Family Mortgages Acquired by the Enterprises</u>

Excluding second liens and reverse mortgages, Fannie Mae and Freddie Mac acquired $1.239 trillion of single-family loans in 2012 (See **Appendix C, Tables C1a and C1b**), an increase of 42 percent from the $870.2 billion the Enterprises acquired in 2011. That total includes loans that collateralized mortgage-backed securities guaranteed by either Enterprise and loans purchased for cash.

Fully amortizing mortgages comprised 99.8 percent of the single-family loans acquired by the Enterprises in 2012. Fully amortizing fixed-rate mortgages accounted for 96.4 percent of combined acquisitions, up from 92.8 percent in 2011 (See **Appendix C, Tables C1a and C1b**). Fully amortizing hybrid adjustable-rate mortgages accounted for 3.4 percent of 2012 acquisitions, down from 6.7 percent in 2011. Interest only mortgages accounted for 0.21 percent of combined acquisitions, down from 0.42 percent in 2011.

There was some change in the distribution of the loan-to-value ratios of single-family mortgages acquired by Fannie Mae and Freddie Mac in 2012 (See **Appendix C, Tables C2a and C2b**). The combined share of loans with loan-to-value ratios above 95 percent rose from 1.7 percent in 2011 to 2.4 percent in 2012. Mortgages with loan-to-value ratios of 80 percent or below decreased from 84.0 percent of loans acquired in 2011 to 80.5 percent in 2012. Under the Enterprises' Charter Acts, mortgages purchased with loan-to-value ratios greater than 80 percent must have

[24] 78 Fed. Reg. 6408 (January 30, 2013).

some form of credit enhancement, such as mortgage insurance, to protect against losses from defaults.

### B. Acquisitions of Nontraditional Mortgages

The Enterprises acquired $13.8 million in interest only fixed-rate mortgages in 2012, down from $16.0 million in 2011. Acquisitions of interest only hybrid adjustable-rate mortgages totaled $2.54 billion, down from $3.66 billion in the previous year. In 2011, interest only fixed-rate mortgages represented 0.002 percent and interest only hybrid adjustable-rate mortgages represented 0.42 percent of combined Enterprise acquisitions. In 2012, interest only fixed-rate mortgages represented 0.001 percent and interest only hybrid adjustable-rate mortgages represented 0.21 percent of combined Enterprise acquisitions. Neither Enterprise acquired any negative amortization mortgages in 2012, as in the previous year.

### C. Acquisitions of Mortgages with Lower Credit Scores

There was little change in the distribution of the borrower credit scores of single-family mortgages acquired by Fannie Mae and Freddie Mac in 2012 (See **Appendix C, Tables C3a and C3b**). The share of loans with credit scores below 620 rose slightly from 0.72 percent in 2011 to 0.98 percent in 2012. Mortgages with credit scores between 620 and 659 also rose slightly, from 2.1 percent of loans acquired in 2011 to 2.3 percent in 2012.

## X. High-Cost Securitized Mortgages

### A. Statutory and Regulatory Background

Section 1324(b)(6) of the Safety and Soundness Act requires FHFA to "compare the characteristics of high-cost loans purchased and securitized [by each Enterprise] where such securities are not held on portfolio to loans purchased and securitized, where such securities are either retained on portfolio or repurchased by the [E]nterprise, including such characteristics as—(A) the purchase price of the property that secures the mortgage; (B) the loan-to-value ratio of the mortgage, which shall reflect any secondary liens on the relevant property; (C) the terms of the mortgage; (D) the creditworthiness of the borrower; and (E) any other relevant data, as determined by the Director." In addition, section 1326(d)(2) of the Act requires that the high-cost loan characteristics data generally be released by FHFA to the public.

The Safety and Soundness Act does not define the term "high-cost loan," nor does any legislative history state the intent of this provision. After considering various options, FHFA determined, in its September 28, 2011, Notice of Order that for purposes of sections 1324(b)(6) and 1326(d)(2), a "high-cost loan" should be defined by reference to its HMDA "rate spread."[25] This rate spread is a data field reported by lenders under HMDA that is released annually as public loan data by the FFIEC.

[25] 76 Fed. Reg. 60031 (September 28, 2011).

For 2010 and beyond, the HMDA rate spread represents the difference between the annual percentage rate (APR) and a survey-based estimate of APRs currently offered on prime mortgage loans of a comparable type. For mortgage loans with an application date before October 1, 2009, the minimum rate spread that must be reported by lenders for first liens was 3 percent. For mortgage loans with an application date on or after October 1, 2009, the minimum rate spread that must be reported by lenders for first liens is 1.5 percent.

The HMDA-based definition has a logical relation to a loan's heightened cost because it is a rate spread, is simple and widely understood, and since the Enterprises have purchased significant numbers of such loans, appears to divide loans into categories in a way that meaningfully implements the statutory purpose. Since the Enterprises may continue to purchase loans with reportable HMDA rate spreads, the Enterprises and FHFA have processes to capture this loan data for public release in FHFA's Public Use Database and to do the comparative analysis.

**B. Overview**

Based on the data reported by the Enterprises, in 2012, both Enterprises purchased and securitized first mortgages with a HMDA rate spread at or above 1.5 percent. Fannie Mae purchased and securitized a total of 72,621 first mortgages (with an unpaid principal balance of $12.8 billion). Of these total loans, 9,789 loans (with an unpaid principal balance of $1.9 billion) were repurchased as of year end, and 62,832 loans (with an unpaid principal balance of $10.8 billion) were not repurchased as of year end. The 9,789 loans repurchased represent 13.5 percent of the total loans (15.1 percent of unpaid principal balance) with a validly identified rate spread purchased and securitized during 2012.

Freddie Mac purchased and securitized a total of 15,695 first mortgages (with an unpaid principal balance of $2.5 billion) with a HMDA rate spread. Of these total loans, 857 loans (with an unpaid principal balance of $150 million) were repurchased as of year end, and 14,838 loans (with an unpaid principal balance of $2.4 billion ) were not repurchased as of year end. The 857 loans repurchased represent 5.5 percent of the total loans (6.0 percent of unpaid principal balance) with a validly identified rate spread purchased and securitized during 2012.

HMDA data for 2012 show that the incidence of higher-priced lending across all products in 2012 was about 3.0 percent, down from 3.7 percent in 2011, with conventional home purchase first liens around 3.2 percent and conventional refinanced first liens around 1.2 percent.[26] Fannie Mae's acquisition of loans with a validly identified HMDA rate spread was far less at 1.9 percent for home purchase loans but greater at 1.8 percent for refinance first liens. Freddie Mac's acquisition of loans with a validly identified HMDA rate spread was lower at 0.4 percent for home purchase loans and 0.9 percent for refinance first liens.

As in prior years, the volume of the Enterprises' 2012 high-cost securitized loans continues to be so small relative to all other loans acquired in 2012 that it is difficult to draw statistically valid conclusions regarding their portfolio decisions about the high-cost securitized loans. FHFA will continue to monitor the Enterprises' purchases of high-cost securitized loans.

[26] www.federalreserve.gov/pubs/bulletin/2013/PDF/2011_HMDA.pdf, page 58.

See **Appendix D** for tables showing FHFA's comparative analysis of retained and not retained 2012 high-cost securitized loans data.

## XI. Monthly Mortgage Survey

Section 1324(c) of the Safety and Soundness Act requires FHFA to survey mortgage markets monthly, make data derived from the survey available to the public in a timely manner, and use the data in preparing the *Annual Housing Report*. The specific language of section 1324(c) implies that Congress intended the survey to encompass only mortgages that finance properties with one to four units. Section 1324(c) also requires FHFA to ensure the data made publicly available are not released in an identifiable form and are not otherwise obtainable from other publicly available data sets.

Section 1324(c)(2)(A) requires FHFA to collect information under the monthly survey on the characteristics of individual mortgages both eligible and ineligible for Enterprise purchase. For each loan, the information must include the price of the house securing the mortgage, loan-to-value ratio of the mortgage (including secondary financing), the terms of the mortgage, the creditworthiness of the borrower or borrowers, and whether the mortgage (if eligible) was purchased by an Enterprise.

In addition, section 1324(c)(2)(B) requires FHFA to collect information on the loan and borrower characteristics of subprime mortgages and nontraditional mortgages eligible for purchase by the Enterprises, including the creditworthiness of borrowers and other information needed to determine whether subprime borrowers could have qualified for prime lending. FHFA did not publish monthly mortgage surveys during 2010-12.

FHFA determined that these requirements could be fulfilled most efficiently through data already being reported to a credit reporting agency. In September 2012, following a competitive bidding process, FHFA awarded a contract to Experian Information Solutions, Inc. to develop the National Mortgage Database (NMDB). The NMDB is jointly funded and managed by FHFA and the CFPB. The NMDB initially will be a five percent nationally representative sample of single-family, first lien mortgages as reported to Experian for the period January 1998 to June 2012. During 2013, the NMDB has been updated to include newly-reported mortgages from June 2012 through September 2013. In June 2013, the NMDB began adding a five percent random sample of new mortgages on an ongoing basis.

Additional data will be appended to the NMDB through merges with HMDA data, and administrative records from Freddie Mac and Fannie Mae, the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Service, and the Census Bureau, to provide data in multiple dimensions, including mortgage, property, household, and credit performance. Both CFPB and FHFA will use the data for independent research purposes to support their supervisory mandates. FHFA intends to produce a public use version of the NMDB in 2014.

## XII. Public Access to Mortgage Information

The Safety and Soundness Act requires FHFA to make available to the public loan-level data submitted by the Enterprises in the reports required under section 309(m) of Fannie Mae's Charter Act and section 307(e) of Freddie Mac's Charter Act, except for certain proprietary information and personally identifiable information.[27] FHFA is required to make publicly available data elements required to be reported under HMDA at the census tract level. The Safety and Soundness Act also requires FHFA to make public certain high-cost securitized loan data it collects to compare the characteristics of high-cost loans the Enterprises purchase and securitize.[28] FHFA is required to release the data by September 30 of the year following the year the mortgages were acquired by the Enterprises.

FHFA has released this data to the public for 2012 through its Public Use Database (PUDB), found on the agency's website (www.fhfa.gov).[29]

In addition to FHFA's release of the PUDB, the Enterprises are making more information available about the characteristics and performance of mortgages they have purchased. In the spring of this year, each Enterprise publicly released loan level credit performance data on a portion of the single-family mortgages it has purchased over the past 10 to 15 years. In addition, Freddie Mac has disclosed data on mortgages underlying its Structured Agency Credit Risk securities, and Fannie Mae has disclosed data on mortgages underlying its Connecticut Avenue Securities.

[27] See 12 U.S.C. §§ 4543, 4546.

[28] See 12 U.S.C. §§ 4544(b)(6), 4546(d). See Appendix D for the analysis of the high-cost securitized loans data for 2012.

[29] www.fhfa.gov/Default.aspx?Page=137.

## Appendix A

**Letter re Fannie Mae's Housing Goals Performance for 2012 to Timothy J. Mayopoulos, President and Chief Executive Officer, Fannie Mae, October 24, 2013**

**Letter re Freddie Mac's Housing Goals Performance for 2012 to Donald H. Layton, Chief Executive Officer, Freddie Mac, October 24, 2013**

Federal Housing Finance Agency
Constitution Center
400 7th Street, S.W.
Washington, D.C. 20024
Telephone: (202) 649-3800
Facsimile: (202) 649-1071
www.fhfa.gov

October 28, 2013

Mr. Timothy J. Mayopoulos
President and Chief Executive Officer
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Re: Fannie Mae's Housing Goals Performance for 2012

Dear Mr. Mayopoulos:

The Federal Housing Finance Agency has reviewed Fannie Mae's performance under the Enterprise housing goals for 2012 and is providing this notice pursuant to section 1336 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing and Economic Recovery Act of 2008.

As specified in 12 C.F.R. § 1282.12, the single-family housing goals include both a benchmark level established in advance by FHFA and a market level determined by FHFA based on its analysis of Home Mortgage Disclosure Act data for 2012. Fannie Mae meets a single-family housing goal if its official performance exceeds either the benchmark level or the market level as determined by FHFA. FHFA evaluated Fannie Mae's performance on the single-family housing goals based on the official performance figures shown below.

| **Single-Family Housing Goals** | **Benchmark level--2012** | **Market level--2012** | **Fannie Mae Official Performance Results--2012** |
|---|---|---|---|
| Low-Income Home Purchase Goal | 23% | 26.6% | 25.6% |
| Very Low-Income Home Purchase Goal | 7% | 7.7% | 7.3% |
| Low-Income Areas Home Purchase Goal | 20% | 20.5% | 22.3% |
| Low-Income Areas Home Purchase Subgoal | 11% | 13.6% | 13.1% |
| Low-Income Refinance Goal | 20% | 22.3% | 21.8% |

For each housing goal, the percentages shown above reflect the proportion of mortgages that met the criteria for that goal. A housing unit may count towards more than one goal or subgoal in the performance year. The home purchase goals are based on Fannie Mae's acquisitions of purchase money mortgages, while the refinance goal is based on Fannie Mae's acquisitions of refinance mortgages and loan modifications, where applicable.

Based on the above information, FHFA has determined that Fannie Mae achieved all of the single-family housing goals for 2012. However, FHFA notes that Fannie Mae's performance on several of the single-family housing goals lagged market performance. The market-based measure was added to the housing goals to provide more flexibility to the Enterprises in years where the market ends up trailing the benchmark levels. But as indicated in the Preamble to the September 14, 2010 final housing goals rule, FHFA still views the market level as a relevant measure for evaluating Enterprise performance in years when the market levels are higher than the benchmark levels.

Unlike the single-family goals, the multifamily goals are based solely on benchmark levels established in advance by FHFA in 12 C.F.R. § 1282.13. For 2012, those benchmark levels and Fannie Mae's official performance were as follows:

| **Multifamily Housing Goals** | **Goal target-- 2012** | **Fannie Mae Official Performance Results--2012** |
|---|---|---|
| Low-Income Multifamily Goal (units financed) | 285,000 | 375,924 |
| Very Low-Income Multifamily Goal (units financed) | 80,000 | 108,878 |

Based on this information, FHFA has determined that Fannie Mae achieved each of the multifamily housing goals for 2012.

If you have any questions, please contact me or Paul Manchester, Principal Economist, Office of Housing and Regulatory Policy, at 202-649-3115.

Sincerely,

Sandra Thompson
Deputy Director, Housing Mission and Goals

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October 28, 2013

Mr. Donald Layton
Chief Executive Officer
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22103-3107

Re: Freddie Mac's Housing Goals Performance for 2012

Dear Mr. Layton:

The Federal Housing Finance Agency has reviewed Freddie Mac's performance under the Enterprise housing goals for 2012 and is providing this notice pursuant to section 1336 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing and Economic Recovery Act of 2008.

As specified in 12 C.F.R. § 1282.12, the single-family housing goals include both a benchmark level established in advance by FHFA and a market level determined by FHFA based on its analysis of Home Mortgage Disclosure Act data for 2012. Freddie Mac meets a single-family housing goal if its official performance exceeds either the benchmark level or the market level as determined by FHFA. FHFA evaluated Freddie Mac's performance on the single-family housing goals based on the official performance figures shown below.

| **Single-Family Housing Goals** | **Benchmark level--2012** | **Market level--2012** | **Freddie Mac Official Performance Results--2012** |
|---|---|---|---|
| Low-Income Home Purchase Goal | 23% | 26.6% | 24.4% |
| Very Low-Income Home Purchase Goal | 7% | 7.7% | 7.1% |
| Low-Income Areas Home Purchase Goal | 20% | 20.5% | 20.6% |
| Low-Income Areas Home Purchase Subgoal | 11% | 13.6% | 11.4% |
| Low-Income Refinance Goal | 20% | 22.3% | 22.4% |

For each housing goal, the percentages shown above reflect the proportion of mortgages that met the criteria for that goal. A housing unit may count towards more than one goal or subgoal in the performance year. The home purchase goals are based on Freddie Mac's acquisitions of purchase money mortgages, while the refinance goal is based on Freddie Mac's acquisitions of refinance mortgages and loan modifications, where applicable.

Based on the above information, FHFA has determined that Freddie Mac achieved all of the single-family housing goals for 2012. However, FHFA notes that Freddie Mac's performance on several of the single-family housing goals lagged market performance. The market-based measure was added to the housing goals to provide more flexibility to the Enterprises in years where the market ends up trailing the benchmark levels. But as indicated in the Preamble to the September 14, 2010 final housing goals rule, FHFA still views the market level as a relevant measure for evaluating Enterprise performance in years when the market levels are higher than the benchmark levels.

Unlike the single-family goals, the multifamily goals are based solely on benchmark levels established in advance by FHFA in 12 C.F.R. § 1282.13. For 2012, those benchmark levels and Freddie Mac's official performance were as follows:

| **Multifamily Housing Goals** | **Goal target-- 2012** | **Freddie Mac Official Performance Results--2012** |
|---|---|---|
| Low-Income Multifamily Goal (units financed) | 225,000 | 298,529 |
| Very Low-Income Multifamily Goal (units financed) | 59,000 | 60,084 |

Based on this information, FHFA has determined that Freddie Mac achieved each of the multifamily housing goals for 2012.

If you have any questions, please contact me or Paul Manchester, Principal Economist, Office of Housing and Regulatory Policy, at 202-649-3115.

Sincerely,

Sandra Thompson
Deputy Director, Housing Mission and Goals

# Appendix B

The following tables show various characteristics of mortgages purchased by Fannie Mae and Freddie Mac in 2012, as determined by FHFA, and the corresponding characteristics of mortgages originated in the primary market, as determined by FHFA's analysis of Home Mortgage Disclosure Act (HMDA) data. The following tables reflect the Enterprises' acquisitions of conventional home purchase and refinance mortgages on single-family owner-occupied properties for loans that were eligible to count towards the housing goals. Loans where information was missing or not provided are not included in this analysis.

**Table B1** shows the distribution of mortgages originated/acquired by borrower income. In the primary market, 26.6 percent of the home purchase mortgage originations were made to low-income borrowers (those with incomes less than or equal to 80 percent of area median income) in 2012. Fannie Mae's acquisitions consisted of 23.7 percent low-income borrowers. Freddie Mac's acquisitions of home purchase mortgages consisted of 22.9 percent low-income borrowers.

In the primary market, 22.3 percent of the refinance mortgage originations were made to low-income borrowers in 2012. Fannie Mae's acquisitions consisted of 21.6 percent low-income borrowers. Freddie Mac's acquisitions of refinance mortgages consisted of 21.9 percent low-income borrowers.

Table B1

Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Borrower Income and Corresponding Shares of the Primary Mortgage Market

| | Home Purchase | | | | | |
|---|---|---|---|---|---|---|
| Borrower Income | 2012 | | | 2011 | | |
| Ratio* | Primary Market | Fannie Mae | Freddie Mac | Primary Market | Fannie Mae | Freddie Mac |
| <=50% | 7.7% | 6.7% | 6.6% | 8.0% | 6.8% | 6.1% |
| >50% to <=60% | 5.8% | 5.1% | 4.9% | 5.6% | 5.0% | 4.6% |
| >60% to <=80% | 13.1% | 11.9% | 11.4% | 12.9% | 11.7% | 10.9% |
| >80% to <=100% | 12.5% | 11.9% | 11.8% | 12.4% | 11.5% | 11.6% |
| >100% to <=120% | 11.6% | 11.2% | 11.4% | 11.1% | 10.7% | 11.2% |
| >120% | 49.3% | 53.2% | 53.9% | 50.1% | 54.3% | 55.6% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | Refinance | | | | | |
| Borrower Income | 2012 | | | 2011 | | |
| Ratio* | Primary Market | Fannie Mae | Freddie Mac | Primary Market | Fannie Mae | Freddie Mac |
| <=50% | 6.5% | 6.4% | 6.5% | 6.3% | 7.4% | 7.2% |
| >50% to <=60% | 4.5% | 4.3% | 4.4% | 4.3% | 4.5% | 4.6% |
| >60% to <=80% | 11.3% | 10.9% | 11.0% | 11.0% | 11.1% | 11.1% |
| >80% to <=100% | 12.4% | 12.1% | 12.2% | 12.2% | 11.8% | 12.2% |
| >100% to <=120% | 12.2% | 11.9% | 11.9% | 11.9% | 11.3% | 11.7% |
| >120% | 53.1% | 54.4% | 53.9% | 54.4% | 53.8% | 53.3% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: FHFA analysis of 2012 and 2011 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

*Borrower Income Relative to Area Median Income

**Table B2** shows the distribution of mortgage loans by race and ethnicity of the borrower(s). Fannie Mae generally mirrored the market in 2012 with respect to lending to minority borrowers; however, its share of acquisitions of home purchase mortgages made to minority borrowers declined slightly between 2011 and 2012. Freddie Mac lagged the market in the shares of its home purchase loans for Hispanic and African American borrowers. The shares of refinance loans purchased by Fannie Mae and Freddie Mac for minority borrowers both exceeded the shares for the primary market in 2012.

**Table B2**

**Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Borrower Race/Ethnicity, and Corresponding Shares of the Primary Mortgage Market**

| | Home Purchase | | | | | |
|---|---|---|---|---|---|---|
| Race/Ethnicity | 2012 | | | 2011 | | |
| of Borrower(s) | Primary Market | Fannie Mae | Freddie Mac | Primary Market | Fannie Mae | Freddie Mac |
| Hispanic | 5.4% | 5.6% | 4.1% | 5.6% | 5.8% | 4.0% |
| Amer.Ind./AK Native | 0.2% | 0.3% | 0.1% | 0.3% | 0.3% | 0.1% |
| Asian | 8.3% | 8.6% | 7.3% | 8.8% | 9.3% | 8.6% |
| African American | 2.3% | 2.4% | 1.5% | 2.4% | 2.6% | 1.5% |
| Native HI/Pac. Islander | 0.2% | 0.3% | 0.2% | 0.3% | 0.3% | 0.2% |
| White Alone | 83.1% | 82.6% | 85.0% | 82.4% | 81.5% | 83.7% |
| Two or More Races | 0.3% | 0.2% | 1.7% | 0.3% | 0.3% | 1.8% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

| | Refinance | | | | | |
|---|---|---|---|---|---|---|
| Race/Ethnicity | 2012 | | | 2011 | | |
| of Borrower(s) | Primary Market | Fannie Mae | Freddie Mac | Primary Market | Fannie Mae | Freddie Mac |
| Hispanic | 5.1% | 5.5% | 5.2% | 4.6% | 5.6% | 5.2% |
| Amer.Ind./AK Native | 0.2% | 0.2% | 0.1% | 0.2% | 0.2% | 0.1% |
| Asian | 7.0% | 7.7% | 6.8% | 6.9% | 7.0% | 7.3% |
| African American | 2.8% | 3.0% | 2.6% | 2.5% | 3.1% | 2.6% |
| Native HI/Pac. Islander | 0.2% | 0.3% | 0.2% | 0.2% | 0.3% | 0.2% |
| White Alone | 84.3% | 83.0% | 83.3% | 85.3% | 83.6% | 83.0% |
| Two or More Races | 0.3% | 0.3% | 1.8% | 0.3% | 0.3% | 1.7% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: FHFA analysis of 2012 and 2011 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

**Table B3** shows that the mortgage acquisition distribution of the Enterprises by gender of borrower in 2012 was similar to the distribution of mortgage originations in the primary market by gender.

Table B3

Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties
by Borrower Gender with Corresponding Shares of the Primary Mortgage Market

| Gender | Home Purchase | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| of Borrower(s) | Primary Market | Fannie Mae | Freddie Mac | Primary Market | Fannie Mae | Freddie Mac |
| All Male | 30.9% | 30.1% | 28.9% | 30.7% | 29.9% | 28.3% |
| All Female | 22.5% | 21.8% | 20.3% | 22.4% | 21.7% | 20.0% |
| Male and Female | 46.6% | 48.1% | 50.8% | 46.9% | 48.4% | 51.7% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

| Gender | Refinance | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| of Borrower(s) | Primary Market | Fannie Mae | Freddie Mac | Primary Market | Fannie Mae | Freddie Mac |
| All Male | 22.7% | 23.0% | 22.5% | 22.3% | 22.7% | 22.7% |
| All Female | 18.5% | 18.5% | 17.9% | 18.2% | 18.3% | 18.1% |
| Male and Female | 58.8% | 58.5% | 59.5% | 59.6% | 59.0% | 59.2% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: FHFA analysis of 2012 and 2011 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

**Table B4** shows the distribution of primary market originations and the Enterprises' acquisitions by the minority share of population in the census tract in 2012. Beginning with 2012 the Enterprises' data, as are the HMDA data, are geocoded to the 2010 Census tract definitions.

Table B4

Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties
by Census Tract Minority Share and Corresponding Shares of the Primary Mortgage Market

| Census Tract | Home Purchase | | | | | |
|---|---|---|---|---|---|---|
| Minority Share | 2012 | | | 2011 | | |
| of Population | Primary Market | Fannie Mae | Freddie Mac | Primary Market | Fannie Mae | Freddie Mac |
| <10% | 26.0% | 24.1% | 29.0% | 41.3% | 38.4% | 43.7% |
| >=10% to <20% | 26.9% | 26.9% | 27.9% | 24.8% | 25.5% | 25.4% |
| >=20% to <30% | 16.1% | 16.7% | 15.8% | 12.8% | 13.8% | 12.5% |
| >=30% to <50% | 17.5% | 18.5% | 16.2% | 11.1% | 11.9% | 10.3% |
| >=50% to <80% | 9.9% | 10.4% | 8.6% | 6.8% | 7.4% | 5.8% |
| >=80% | 3.5% | 3.5% | 2.4% | 3.2% | 3.1% | 2.1% |
| **Total** | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

| Census Tract | Refinance | | | | | |
|---|---|---|---|---|---|---|
| Minority Share | 2012 | | | 2011 | | |
| of Population | Primary Market | Fannie Mae | Freddie Mac | Primary Market | Fannie Mae | Freddie Mac |
| <10% | 27.5% | 25.2% | 28.6% | 43.9% | 40.8% | 43.8% |
| >=10% to <20% | 25.7% | 25.4% | 25.5% | 24.3% | 24.7% | 24.0% |
| >=20% to <30% | 15.5% | 15.9% | 15.1% | 12.5% | 13.1% | 12.3% |
| >=30% to <50% | 16.9% | 17.7% | 16.4% | 10.5% | 11.2% | 10.5% |
| >=50% to <80% | 10.3% | 11.0% | 10.2% | 6.2% | 6.9% | 6.5% |
| >=80% | 4.1% | 4.8% | 4.2% | 2.6% | 3.4% | 2.9% |
| **Total** | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: FHFA analysis of 2012 and 2011 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

**Table B5** shows the distribution of primary market originations and the Enterprises' acquisitions by the income level of population in the census tract in 2012.

Table B5

Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties
by Census Tract Income Ratio and Corresponding Shares of the Primary Mortgage Market

| Census Tract Income Ratio* | Home Purchase | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | Primary Market | Fannie Mae | Freddie Mac | Primary Market | Fannie Mae | Freddie Mac |
| <=60% | 2.9% | 2.7% | 2.1% | 2.3% | 2.3% | 1.7% |
| >60% to <=80% | 7.4% | 7.2% | 6.6% | 6.5% | 6.5% | 5.5% |
| >80% to <=100% | 17.5% | 17.5% | 17.9% | 19.3% | 19.1% | 18.8% |
| >100% to <=120% | 22.7% | 22.5% | 23.5% | 25.7% | 25.6% | 26.4% |
| >120% | 49.6% | 50.2% | 49.9% | 46.2% | 46.4% | 47.6% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

| Census Tract Income Ratio* | Refinance | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | Primary Market | Fannie Mae | Freddie Mac | Primary Market | Fannie Mae | Freddie Mac |
| <=60% | 2.3% | 2.4% | 2.3% | 1.3% | 1.6% | 1.4% |
| >60% to <=80% | 7.1% | 7.0% | 7.1% | 5.4% | 5.7% | 5.5% |
| >80% to <=100% | 18.3% | 17.9% | 19.0% | 19.6% | 19.2% | 19.8% |
| >100% to <=120% | 23.7% | 23.2% | 24.1% | 26.9% | 26.5% | 27.2% |
| >120% | 48.5% | 49.5% | 47.5% | 46.8% | 47.0% | 46.2% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: FHFA analysis of 2012 and 2011 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

*Median family income of the census tract relative to Area Median Income (AMI).

# Appendix C

**<u>Tables C1a and C1b</u>: Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2011 and 2012 by Payment and Product Type**

**<u>Tables C2a and C2b</u>: Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2011 and 2012 by Payment Type and Loan-to-Value Ratio**

**<u>Tables C3a and C3b</u>: Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2011 and 2012 by Payment Type and Credit Score**

| Table C1a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2011 and 2012 by Payment and Product Type ($ in millions)[1] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | 2012 | | | |
| Product Type | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total |
| Fixed-Rate Mortgages | $ 807,733.2 | $ 16.0 | $ - | $ 807,749.2 | $1,194,307.7 | $ 13.8 | $ - | $1,194,321.4 |
| ARMS -Traditional | $ 375.9 | $ 7.7 | $ - | $ 383.6 | $ - | $ - | $ - | $ 235.6 |
| -Hybrid | $ 58,427.1 | $ 3,659.2 | $ - | $ 62,086.3 | $ 42,402.9 | $ 2,537.8 | $ - | $ 44,940.6 |
| Balloon Mortgages | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Other Mortgages[2] | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Total | $ 866,536.3 | $ 3,682.8 | $ - | $ 870,219.1 | $1,236,710.5 | $ 2,551.5 | $ - | $1,239,497.7 |

| Table C1b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2011 and 2012 by Payment and Product Type (Percent)[3] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | 2012 | | | |
| Product Type | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total |
| Fixed-Rate Mortgages | 92.82% | 0.00% | 0.00% | 92.82% | 96.35% | 0.00% | 0.00% | 96.36% |
| ARMS -Traditional | 0.04% | 0.00% | 0.00% | 0.04% | 0.00% | 0.00% | 0.00% | 0.02% |
| -Hybrid | 6.71% | 0.42% | 0.00% | 7.13% | 3.42% | 0.20% | 0.00% | 3.63% |
| Balloon Mortgages | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Other Mortgages | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Total | 99.58% | 0.42% | 0.00% | 100.00% | 99.78% | 0.21% | 0.00% | 100.00% |

*Source:* Federal Housing Finance Agency based on information from Fannie Mae and Freddie Mac

[1] Includes mortgages purchased for cash and financed with guaranteed mortgage-backed securities. Excludes second liens and reverse mortgages.

[2] Other and unidentified product types.

[3] Percentages may be zero due to rounding.

| Table C2a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2011 and 2012 by Payment Type and Loan-to-Value Ratio Group ($ in millions)[1] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | 2012 | | | |
| Loan-to-Value Ratio Group | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total |
| 0-70 Percent | $ 384,216.1 | $ 3,636.6 | $ - | $ 387,852.7 | $ 483,787.5 | $ 2,516.1 | $ - | $ 486,303.6 |
| 70.1-80 Percent | $ 320,315.0 | $ 12.9 | $ - | $ 320,327.9 | $ 414,874.5 | $ 9.9 | $ - | $ 414,884.5 |
| 80.1-95 Percent | $ 120,745.4 | $ 17.0 | $ - | $ 120,762.4 | $ 191,768.4 | $ 13.8 | $ - | $ 191,782.2 |
| 95.1-100 Percent | $ 14,618.6 | $ 16.3 | $ - | $ 14,634.9 | $ 26,942.6 | $ 11.7 | $ - | $ 26,954.3 |
| Total | $ 839,895.1 | $ 3,682.8 | $ - | $ 843,577.9 | $1,117,373.1 | $ 2,551.5 | $ - | $1,119,924.6 |

| Table C2b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2011 and 2012 by Payment Type and Loan-to-Value Ratio Group (Percent)[2] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | 2012 | | | |
| Loan-to-Value Ratio Group | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total |
| 0-70 Percent | 45.55% | 0.43% | 0.00% | 45.98% | 43.20% | 0.22% | 0.00% | 43.42% |
| 70.1-80 Percent | 37.97% | 0.00% | 0.00% | 37.97% | 37.04% | 0.00% | 0.00% | 37.05% |
| 80.1-95 Percent | 14.31% | 0.00% | 0.00% | 14.32% | 17.12% | 0.00% | 0.00% | 17.12% |
| 95.1-100 Percent | 1.73% | 0.00% | 0.00% | 1.73% | 2.41% | 0.00% | 0.00% | 2.41% |
| Total | 99.56% | 0.44% | 0.00% | 100.00% | 99.77% | 0.23% | 0.00% | 100.00% |

*Source:* Federal Housing Finance Agency based on information from Fannie Mae and Freddie Mac

[1] Includes mortgages purchased for cash and financed with guaranteed mortgage-backed securities. Excludes second liens and reverse mortgages. Totals in this table do not equal the totals in Table C1a because some loans acquired by the Enterprises do not have LTV Ratio Group information.

[2] Percentages may be zero due to rounding.

**Table C3a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2011 and 2012 by Payment Type and FICO Score Group ($ in millions)[1]**

| | 2011 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| FICO Score Group | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total |
| 0-619 | $ 6,248.2 | $ - | $ - | $ 6,248.2 | $ 12,105.1 | $ - | $ - | $ 12,105.1 |
| 620-659 | $ 18,638.8 | $ 0.6 | $ - | $ 18,639.4 | $ 28,775.6 | $ - | $ - | $ 28,775.6 |
| 660-719 | $ 125,519.8 | $ 3.8 | $ - | $ 125,523.6 | $ 172,068.7 | $ - | $ - | $ 172,068.7 |
| 720+ | $ 715,689.0 | $ 3,678.4 | $ - | $ 719,367.5 | $1,023,620.3 | $ 2,551.5 | $ - | $1,026,171.8 |
| Total | $ 866,095.8 | $ 3,682.8 | $ - | $ 869,778.6 | $1,236,569.7 | $ 2,551.5 | $ - | $1,239,121.2 |

**Table C3b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2011 and 2012 by Payment Type and FICO Score Group (Percent)[2]**

| | 2011 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| FICO Score Group | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total | Fully Amortizing | Interest-Only | Negatively-Amortizing | Total |
| 0-619 | 0.72% | 0.00% | 0.00% | 0.72% | 0.98% | 0.00% | 0.00% | 0.98% |
| 620-659 | 2.14% | 0.00% | 0.00% | 2.14% | 2.32% | 0.00% | 0.00% | 2.32% |
| 660-719 | 14.43% | 0.00% | 0.00% | 14.43% | 13.89% | 0.00% | 0.00% | 13.89% |
| 720+ | 82.28% | 0.42% | 0.00% | 82.71% | 82.61% | 0.21% | 0.00% | 82.81% |
| Total | 99.58% | 0.42% | 0.00% | 100.00% | 99.79% | 0.21% | 0.00% | 100.00% |

*Source:* Federal Housing Finance Agency based on information from Fannie Mae and Freddie Mac

[1] Includes mortgages purchased for cash and financed with guaranteed mortgage-backed securities. Excludes second liens and reverse mortgages. Totals in this table do not equal the totals in Table C1a because some loans acquired by the Enterprises do not have FICO Score Group information.

[2] Percentages may be zero due to rounding.

# Appendix D

The following tables show the number of 2012 high-cost loans in securities not held in portfolio compared to the number of 2012 high-cost loans in securities retained in portfolio at year end by each Enterprise (according to the previously listed characteristics).[1] These loan characteristics are further described in FHFA's September 28, 2011, Notice of Order.[2]

**Home Purchase Price. Table D1** compares the retained and not retained high-cost securitized loans based on home purchase price. Because so few loans were retained, the data indicate that the price of a property backing a high-cost securitized loan appears to have had little bearing on whether the securitized loan was retained in portfolio.

| Table D1 - Purchase Price | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| <= $417,000 | 52,385 | 83.4 | 8,029 | 82.0 | 60,414 | 83.2 | 14,074 | 94.9 | 758 | 88.4 | 14,832 | 94.5 |
| > $417,000, <= $625,500 | 6,690 | 10.6 | 1,134 | 11.6 | 7,824 | 10.8 | 490 | 3.3 | 63 | 7.4 | 553 | 3.5 |
| > $625,500, <= $729,750 | 1,535 | 2.4 | 277 | 2.8 | 1,812 | 2.5 | 119 | 0.8 | 14 | 1.6 | 133 | 0.8 |
| > $729,750 | 2,213 | 3.5 | 349 | 3.6 | 2,562 | 3.5 | 155 | 1.0 | 22 | 2.6 | 177 | 1.1 |
| Missing | 9 | 0.0 | 0 | 0.0 | 9 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |

**Combined Loan-to-Value Ratio. Table D2** compares all retained and not retained high-cost securitized loans based on the combined loan-to-value ratio of the mortgages, including secondary liens. **Table D2a** shows the distribution based on combined loan-to-value ratio for securitized fixed-rate mortgages only. Because so few loans were retained, the data indicate there was generally little difference in the distribution between securitized loans retained on portfolio and those not held on portfolio.

| Table D2 - Combined LTV (or LTV if missing) | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| 0% < LTV <= 60% | 10,255 | 16.3 | 1,532 | 15.7 | 11,787 | 16.2 | 1,000 | 6.7 | 139 | 16.2 | 1,139 | 7.3 |
| 60% < LTV <= 80% | 27,910 | 44.4 | 3,446 | 35.2 | 31,356 | 43.2 | 2,805 | 18.9 | 281 | 32.8 | 3,086 | 19.7 |
| 80% < LTV <= 90% | 5,530 | 8.8 | 457 | 4.7 | 5,987 | 8.2 | 1,190 | 8.0 | 34 | 4.0 | 1,224 | 7.8 |
| 90% < LTV <= 95% | 4,535 | 7.2 | 379 | 3.9 | 4,914 | 6.8 | 1,348 | 9.1 | 63 | 7.4 | 1,411 | 9.0 |
| LTV > 95% | 14,363 | 22.9 | 3,975 | 40.6 | 18,338 | 25.3 | 8,494 | 57.2 | 340 | 39.7 | 8,834 | 56.3 |
| Missing | 239 | 0.4 | 0 | 0.0 | 239 | 0.3 | 1 | 0.0 | 0 | 0.0 | 1 | 0.0 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |

[1] A security is identified as not held in portfolio if it was backed by a high-cost loan sold in entirety by the Enterprise during the calendar year and not repurchased as of year end. A security is identified as retained in portfolio if it was backed by a high-cost loan that was sold in entirety by the Enterprise during the calendar year but all or a portion of the security collateralized by the loan was repurchased by the Enterprise during the calendar year and held at year end.

[2] 76 Fed. Reg. 60031 (September 28, 2011).

| Table D2a - Combined LTV (or LTV if missing) of Fixed-Rate Mortgages | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| 0% < LTV <= 60% | 10,088 | 16.2 | 1,528 | 15.6 | 11,616 | 16.1 | 1,000 | 6.7 | 139 | 16.2 | 1,139 | 7.3 |
| 60% < LTV <= 80% | 27,710 | 44.4 | 3,443 | 35.2 | 31,153 | 43.2 | 2,800 | 18.9 | 281 | 32.8 | 3,081 | 19.6 |
| 80% < LTV <= 90% | 5,498 | 8.8 | 457 | 4.7 | 5,955 | 8.2 | 1,189 | 8.0 | 34 | 4.0 | 1,223 | 7.8 |
| 90% < LTV <= 95% | 4,525 | 7.3 | 379 | 3.9 | 4,904 | 6.8 | 1,347 | 9.1 | 63 | 7.4 | 1,410 | 9.0 |
| LTV > 95% | 14,351 | 23.0 | 3,975 | 40.6 | 18,326 | 25.4 | 8,494 | 57.3 | 340 | 39.7 | 8,834 | 56.3 |
| Missing | 239 | 0.4 | 0 | 0.0 | 239 | 0.3 | 1 | 0.0 | 0 | 0.0 | 1 | 0.0 |
| Totals | 62,411 | 100.0 | 9,782 | 100.0 | 72,193 | 100.0 | 14,831 | 100.0 | 857 | 100.0 | 15,688 | 100.0 |

**Terms of Mortgage**. Terms of a mortgage include product type, whether a fixed-rate mortgage (FRM) or an adjustable-rate mortgage (ARM), term (or length) of the mortgage at origination, amortization term, and interest rate at origination.

**Product Type**. **Table D3** compares retained and not retained high-cost securitized loans based on product type. Data indicate a *de minimis* number of high-cost securitized adjustable-rate mortgages were retained in portfolio by Fannie Mae, and none by Freddie Mac.

| Table D3 - Product Type | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| FRM | 62,411 | 99.3 | 9,782 | 99.9 | 72,193 | 99.4 | 14,831 | 100.0 | 857 | 100.0 | 15,688 | 100.0 |
| ARM | 421 | 0.7 | 7 | 0.1 | 428 | 0.6 | 7 | 0.0 | 0 | 0.0 | 7 | 0.0 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |

**Term at Origination. Table D4** compares retained and not retained high-cost securitized loans based on term at origination. Data indicate a greater percentage of securitized loans with a 30-year term at origination were not held in portfolio compared to those retained. Amortization term, also released in the Enterprise Public Use Database, shows an identical distribution.

| Table D4 - Term at Origination | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| 30 Years | 35,325 | 56.2 | 6,315 | 64.5 | 41,640 | 57.3 | 8,284 | 55.8 | 564 | 65.8 | 8,848 | 56.4 |
| 15 Years | 13,473 | 21.4 | 1,337 | 13.7 | 14,810 | 20.4 | 2,640 | 17.8 | 203 | 23.7 | 2,843 | 18.1 |
| All Others | 14,034 | 22.3 | 2,137 | 21.8 | 16,171 | 22.3 | 3,914 | 26.4 | 90 | 10.5 | 4,004 | 25.5 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |

**Interest Rate at Origination. Tables D5** and **D5a** compare retained and not retained high-cost securitized loans based on interest rate at origination, for all mortgages and for fixed-rate mortgages only. The rates reflected in the tables do not include points and fees sufficient to trigger a reportable HMDA rate spread of at least 1.5 percent. The rate spread is based on the APR and not the original mortgage interest rate. As also reported in 2010 and 2011, loans with lower original mortgage interest rates tended to be retained in portfolio at year end.

| Table D5 - Interest Rate at Origination | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| < 4.0% | 22,837 | 36.3 | 5,376 | 54.9 | 28,213 | 38.8 | 2,419 | 16.3 | 427 | 49.8 | 2,846 | 18.1 |
| >= 4.0%, < 4.5% | 17,967 | 28.6 | 3,278 | 33.5 | 21,245 | 29.3 | 5,338 | 36.0 | 272 | 31.7 | 5,610 | 35.7 |
| >= 4.5%, < 5.0% | 12,567 | 20.0 | 976 | 10.0 | 13,543 | 18.6 | 5,073 | 34.2 | 123 | 14.4 | 5,196 | 33.1 |
| >= 5.0%, < 5.5% | 6,765 | 10.8 | 151 | 1.5 | 6,916 | 9.5 | 1,613 | 10.9 | 31 | 3.6 | 1,644 | 10.5 |
| >= 5.5%, < 6.0% | 2,564 | 4.1 | 8 | 0.1 | 2,572 | 3.5 | 378 | 2.5 | 4 | 0.5 | 382 | 2.4 |
| >= 6.0%, < 6.5% | 120 | 0.2 | 0 | 0.0 | 120 | 0.2 | 4 | 0.0 | 0 | 0.0 | 4 | 0.0 |
| >= 6.5%, < 7.0% | 11 | 0.0 | 0 | 0.0 | 11 | 0.0 | 1 | 0.0 | 0 | 0.0 | 1 | 0.0 |
| >= 7.0%, < 7.5% | 1 | 0.0 | 0 | 0.0 | 1 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| >= 7.5%, < 8.0% | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 5 | 0.0 | 0 | 0.0 | 5 | 0.0 |
| >= 8.0% | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 7 | 0.0 | 0 | 0.0 | 7 | 0.0 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |

| Table D5a - Interest Rate at Origination of Fixed-Rate Mortgages | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| < 4.0% | 22,424 | 35.9 | 5,369 | 54.9 | 27,793 | 38.5 | 2,412 | 16.3 | 427 | 49.8 | 2,839 | 18.1 |
| >= 4.0%, < 4.5% | 17,960 | 28.8 | 3,278 | 33.5 | 21,238 | 29.4 | 5,338 | 36.0 | 272 | 31.7 | 5,610 | 35.8 |
| >= 4.5%, < 5.0% | 12,566 | 20.1 | 976 | 10.0 | 13,542 | 18.8 | 5,073 | 34.2 | 123 | 14.4 | 5,196 | 33.1 |
| >= 5.0%, < 5.5% | 6,765 | 10.8 | 151 | 1.5 | 6,916 | 9.6 | 1,613 | 10.9 | 31 | 3.6 | 1,644 | 10.5 |
| >= 5.5%, < 6.0% | 2,564 | 4.1 | 8 | 0.1 | 2,572 | 3.6 | 378 | 2.5 | 4 | 0.5 | 382 | 2.4 |
| >= 6.0%, < 6.5% | 120 | 0.2 | 0 | 0.0 | 120 | 0.2 | 4 | 0.0 | 0 | 0.0 | 4 | 0.0 |
| >= 6.5%, < 7.0% | 11 | 0.0 | 0 | 0.0 | 11 | 0.0 | 1 | 0.0 | 0 | 0.0 | 1 | 0.0 |
| >= 7.0%, < 7.5% | 1 | 0.0 | 0 | 0.0 | 1 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| >= 7.5%, < 8.0% | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 5 | 0.0 | 0 | 0.0 | 5 | 0.0 |
| >= 8.0% | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 7 | 0.0 | 0 | 0.0 | 7 | 0.0 |
| Totals | 62,411 | 100.0 | 9,782 | 100.0 | 72,193 | 100.0 | 14,831 | 100.0 | 857 | 100.0 | 15,688 | 100.0 |

**Credit Score**. **Tables D6** and **D6a** show the comparison of high-cost securitized loans based on credit score. During 2012, credit score appears to have had little bearing on whether a high-cost securitized loan was retained in portfolio.

| Table D6 - Credit Score | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| Less than 620 | 721 | 1.1 | 249 | 2.5 | 970 | 1.3 | 742 | 5.0 | 24 | 2.8 | 766 | 4.9 |
| 620 - < 660 | 3,125 | 5.0 | 536 | 5.5 | 3,661 | 5.0 | 1,206 | 8.1 | 46 | 5.4 | 1,252 | 8.0 |
| 660 - < 700 | 7,893 | 12.6 | 1,169 | 11.9 | 9,062 | 12.5 | 2,491 | 16.8 | 122 | 14.2 | 2,613 | 16.6 |
| 700 - < 760 | 17,347 | 27.6 | 2,674 | 27.3 | 20,021 | 27.6 | 5,001 | 33.7 | 275 | 32.1 | 5,276 | 33.6 |
| 760 or Greater | 33,732 | 53.7 | 5,161 | 52.7 | 38,893 | 53.6 | 5,371 | 36.2 | 390 | 45.5 | 5,761 | 36.7 |
| Missing/Bad | 14 | 0.0 | 0 | 0.0 | 14 | 0.0 | 27 | 0.2 | 0 | 0.0 | 27 | 0.2 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |

| Table D6a - Credit Score of Fixed-Rate Mortgages | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| Less than 620 | 721 | 1.2 | 249 | 2.5 | 970 | 1.3 | 742 | 5.0 | 24 | 2.8 | 766 | 4.9 |
| 620 - < 660 | 3,122 | 5.0 | 536 | 5.5 | 3,658 | 5.1 | 1,204 | 8.1 | 46 | 5.4 | 1,250 | 8.0 |
| 660 - < 700 | 7,880 | 12.6 | 1,169 | 12.0 | 9,049 | 12.5 | 2,490 | 16.8 | 122 | 14.2 | 2,612 | 16.6 |
| 700 - < 760 | 17,263 | 27.7 | 2,674 | 27.3 | 19,937 | 27.6 | 4,999 | 33.7 | 275 | 32.1 | 5,274 | 33.6 |
| 760 or Greater | 33,411 | 53.5 | 5,154 | 52.7 | 38,565 | 53.4 | 5,369 | 36.2 | 390 | 45.5 | 5,759 | 36.7 |
| Missing/Bad | 14 | 0.0 | 0 | 0.0 | 14 | 0.0 | 27 | 0.2 | 0 | 0.0 | 27 | 0.2 |
| Totals | 62,411 | 100.0 | 9,782 | 100.0 | 72,193 | 100.0 | 14,831 | 100.0 | 857 | 100.0 | 15,688 | 100.0 |

**Other Relevant Data.** Additional relevant loan characteristics included for comparative analysis are borrower income ratio, tract income ratio, 2010 census tract/percent minority, purpose of loan, and federal guarantee.

**Borrower Income Ratio. Table D7** shows the comparison of high-cost securitized loans based on borrower income relative to area median income. The data indicate that securitized loans to borrowers with incomes greater than 80 percent of area median income (AMI) were more likely to be retained in portfolio than securitized loans to borrowers with incomes at 80 percent or less of AMI.

| Table D7 - Borrower Income Ratio | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| >= 0%, <= 50% | 5,795 | 9.2 | 905 | 9.2 | 6,700 | 9.2 | 1,478 | 10.0 | 71 | 8.3 | 1,549 | 9.9 |
| > 50%, <= 80% | 19,456 | 31.0 | 2,519 | 25.7 | 21,975 | 30.3 | 4,770 | 32.1 | 180 | 21.0 | 4,950 | 31.5 |
| > 80% | 37,271 | 59.3 | 6,317 | 64.5 | 43,588 | 60.0 | 8,490 | 57.2 | 596 | 69.5 | 9,086 | 57.9 |
| Not Applicable | 310 | 0.5 | 48 | 0.5 | 358 | 0.5 | 100 | 0.7 | 10 | 1.2 | 110 | 0.7 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |

**Tract Income Ratio. Table D8** shows the comparison of high-cost securitized loans based on the tract income ratio, which is the ratio of the 2010 Census tract median income to the 2010 local area median income.[3] The data indicate that securitized loans secured by properties located in census tracts with higher relative income areas were more likely to be retained in portfolio.

| Table D8 - Tract Income Ratio | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| <= 80% | 13,050 | 20.8 | 1,847 | 18.9 | 14,897 | 20.5 | 3,525 | 23.8 | 153 | 17.9 | 3,678 | 23.4 |
| > 80%, <= 120% | 26,836 | 42.7 | 4,023 | 41.1 | 30,859 | 42.5 | 7,126 | 48.0 | 438 | 51.1 | 7,564 | 48.2 |
| > 120% | 22,886 | 36.4 | 3,906 | 39.9 | 26,792 | 36.9 | 4,177 | 28.2 | 265 | 30.9 | 4,442 | 28.3 |
| Missing | 60 | 0.1 | 13 | 0.1 | 73 | 0.1 | 10 | 0.1 | 1 | 0.1 | 11 | 0.1 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |

**2010 Census Tract/Percent Minority. Table D9** shows the comparison of high-cost securitized loans based on the composition of minority population in a census tract where the property securing a loan is located. Data indicate that Freddie Mac's securitized loans retained in portfolio had a tendency to be secured by properties located in census tracts with lower minority composition, however, so few loans were retained that it is difficult to make statistical inferences.

| Table D9 - Percent Minority in Census Tract | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| 0% - < 10% | 9,822 | 15.6 | 1,492 | 15.2 | 11,314 | 15.6 | 2,569 | 17.3 | 259 | 30.2 | 2,828 | 18.0 |
| 10% - < 30% | 21,496 | 34.2 | 3,565 | 36.4 | 25,061 | 34.5 | 5,172 | 34.9 | 282 | 32.9 | 5,454 | 34.7 |
| 30% - 100% | 31,464 | 50.1 | 4,720 | 48.2 | 36,184 | 49.8 | 7,093 | 47.8 | 316 | 36.9 | 7,409 | 47.2 |
| Missing | 50 | 0.1 | 12 | 0.1 | 62 | 0.1 | 4 | 0.0 | 0 | 0.0 | 4 | 0.0 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |

**Purpose of Loan. Table D10** shows the comparison of high-cost securitized loans based on the purpose of the loan, whether for home purchase, refinancing of an existing loan, or other. Data indicate that home purchase loans were retained by Fannie Mae at a lower rate than loans for refinancing or other purposes. A similar observation exists for Freddie Mac, however, there are so few retained loans that a portfolio decision was likely made on other loan characteristics.

| Table D10 - Loan Purpose | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| Purchase | 14,755 | 23.5 | 953 | 9.7 | 15,708 | 21.6 | 1,186 | 8.0 | 96 | 11.2 | 1,282 | 8.2 |
| Refinance/Other | 48,077 | 76.5 | 8,836 | 90.3 | 56,913 | 78.4 | 13,652 | 92.0 | 761 | 88.8 | 14,413 | 91.8 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |

[3] The Enterprises transitioned to 2010 Census tract geography and demographics for the 2012 calendar year. Prior to 2012, the 2000 Census tract geography was used.

**Federal Guarantee.** **Table D11** shows the comparison of high-cost securitized loans based on whether the loan was federally guaranteed or insured. Data indicate the vast majority of loans were conventional such that the presence of a federal guarantee had little bearing on whether the securitized loan was retained in an Enterprise's portfolio.

| Table D11 - Federal Guarantee? | Fannie Mae | | | | | | Freddie Mac | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In Portfolio at Year-End? | | | | Totals | | In Portfolio at Year-End? | | | | Totals | |
| | Not Held | | Retained | | | | Not Held | | Retained | | | |
| | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent | Loans | Percent |
| No | 62,399 | 99.3 | 9,765 | 99.8 | 72,164 | 99.4 | 14,803 | 99.8 | 854 | 99.6 | 15,657 | 99.8 |
| Yes | 433 | 0.7 | 24 | 0.2 | 457 | 0.6 | 35 | 0.2 | 3 | 0.4 | 38 | 0.2 |
| Totals | 62,832 | 100.0 | 9,789 | 100.0 | 72,621 | 100.0 | 14,838 | 100.0 | 857 | 100.0 | 15,695 | 100.0 |