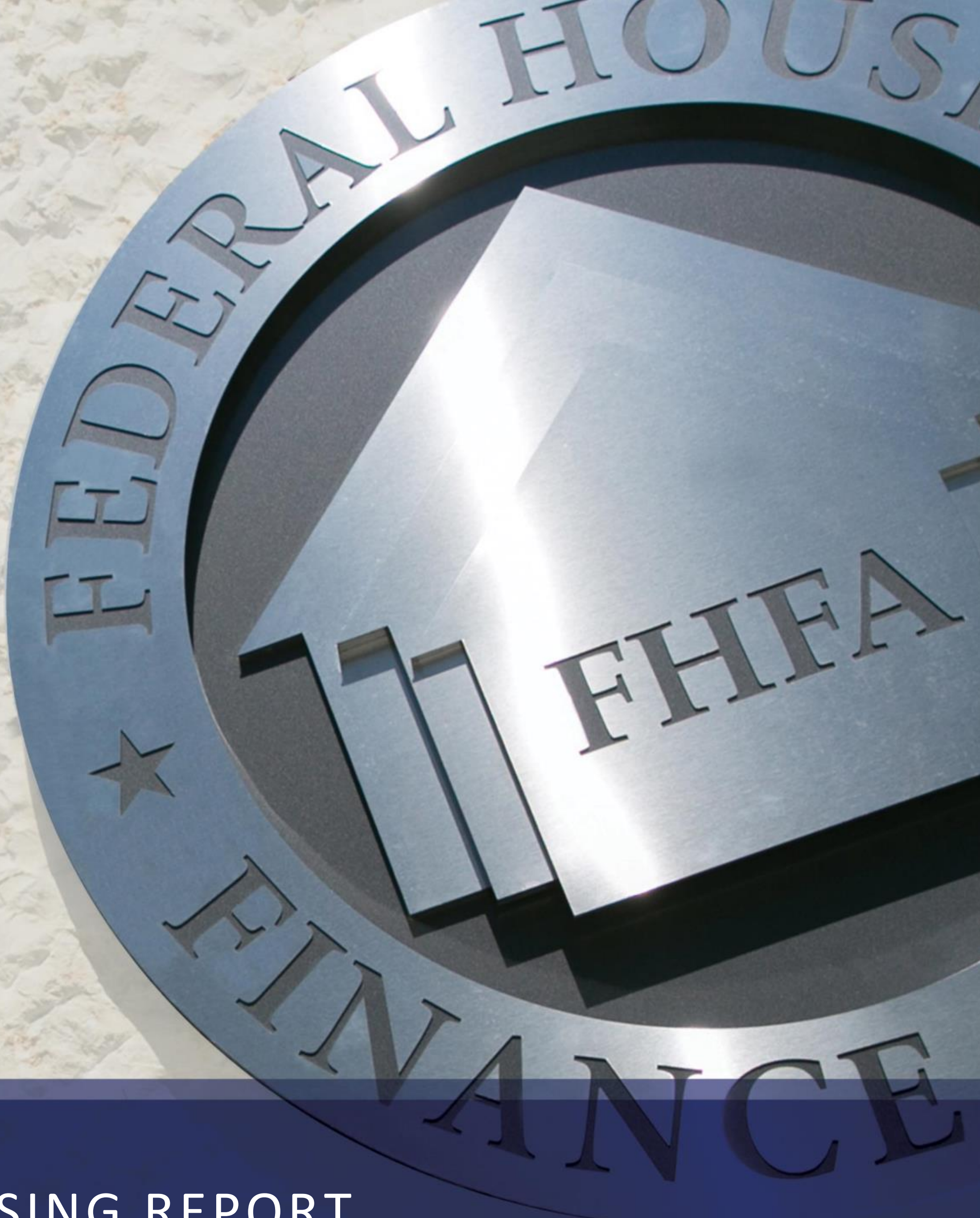

ANNUAL HOUSING REPORT

2015

October 30, 2015

Division of Housing Mission & Goals

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Introduction

This Annual Housing Report describes the 2014 housing activities of Fannie Mae and Freddie Mac[1] (collectively known as the Enterprises).[2] In 2014, Fannie Mae and Freddie Mac acquired $584.1 billion of loans on single-family owner-occupied housing and provided funding for 738,449 multifamily rental units. The report includes the distribution of single-family loans by race/ethnicity, gender, and census tract median income. In addition, the report breaks down the single-family mortgage product-types purchased by the Enterprises, as well as information on mortgage payment type (i.e. amortization schedule), loan-to-value ratios, and credit scores for 2014.

This report reviews preliminarily the Enterprises' performance under their 2014 statutory annual housing goals. FHFA's final evaluation of the Enterprises' performance against the 2014 goals is still underway. These goals set targets for both single-family and multifamily mortgages purchased by Fannie Mae and Freddie Mac, including targets for housing that is affordable to low-income and very low-income families, among other categories. The housing goals are one measure of the extent to which the Enterprises are meeting their public purposes, 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."[3]

FHFA's ongoing monitoring of the Enterprises' housing goals performance is one aspect of the agency's overall efforts to carry out its responsibilities. As part of those responsibilities, FHFA issued a 2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac[4] and a 2015 Conservatorship Scorecard.[5] A key component of FHFA's 2014 Strategic Plan is the agency's work to maintain credit availability in the housing market in a safe and sound manner. Similarly, the 2015 Conservatorship Scorecard expressed the expectation that the Enterprises would work to increase access to mortgage credit for creditworthy borrowers consistent with the full extent of applicable credit requirements and risk-management practices.

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[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 Corporation. Both are chartered by acts of Congress.
[2] The report fulfills the statutory requirement of section 1324 of the Safety and Soundness Act. *See* 12 U.S.C. § 4544.
[3] *See* 12 U.S.C. § 4501(7).
[4] http://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2014StrategicPlan05132014Final.pdf
[5] http://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2015-Scorecard.pdf

FHFA also issued a final rule for the Enterprise housing goals for 2015 through 2017 on August 19, 2015,[6] and FHFA is currently developing a new proposed rule concerning the Enterprises' duty to serve underserved markets.

Affordable Housing Goals

I. Housing Goals - Introduction

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 requires FHFA to establish annual housing goals for both single-family and multifamily mortgages purchased by Fannie Mae and Freddie Mac.[7] The housing goals are one measure of the extent to which the Enterprises are meeting their public purposes, 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."[8]

Although the Enterprises remain in conservatorship, they continue to have the mission of supporting a stable and liquid national market for residential mortgage financing. FHFA has continued to establish annual housing goals for the Enterprises and to assess their performance against the housing goals each year during conservatorship.[9] FHFA established housing goals levels for the Enterprises for 2012 through 2014 in a final rule published on November 13, 2012.[10] The 2014 housing goals established by FHFA include four goals and one subgoal for single-family, owner-occupied housing and one goal and one subgoal for multifamily housing, as described below:

1. A **low-income home purchase goal**, for home purchase mortgages to families with incomes no greater than 80 percent of area median income (AMI).
2. A **very low-income home purchase goal**, for home purchase mortgages to families with incomes no greater than 50 percent of AMI.

[6] http://www.gpo.gov/fdsys/pkg/FR-2015-09-03/pdf/2015-20880.pdf
[7] *See* 12 U.S.C. § 4561(a).
[8] *See* 12 U.S.C. § 4501(7).
[9] Under 12 U.S.C. § 4544(b)(1)(A)(i), FHFA is required to discuss in the annual housing report whether and how each Enterprise is achieving the annual housing goals.
[10] *See* 12 C.F.R. part 1282.

3. A **low-income areas home purchase subgoal**, for mortgages to families living in census tracts with tract incomes[11] no greater than 80 percent of AMI, or families with incomes no greater than 100 percent of AMI 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 AMI.

4. A **low-income areas home purchase goal**, which includes mortgages that meet the criteria under the low-income areas home purchase subgoal described above as well as mortgages to families with incomes no greater than 100 percent of AMI who live in a federally declared disaster area.

5. A **low-income refinance goal**, for refinance mortgages to families with incomes no greater than 80 percent of AMI.

6. **A low-income multifamily goal**, for rental units for families in multifamily properties with incomes no greater than 80 percent of AMI.

7. **A very low-income multifamily subgoal**, for rental units for families in multifamily properties with incomes no greater than 50 percent of AMI.

To reach preliminary determinations of the Enterprises' performance on the 2014 housing goals and subgoals, FHFA analyzed the loan-level data submitted with the Enterprises' annual housing activities reports for 2014. FHFA also calculated the goal-qualifying market shares based on 2014 Home Mortgage Disclosure Act (HMDA) data released by the Federal Financial Institutions Examination Council (FFIEC) on September 22, 2015. FHFA notified the Enterprises of its preliminary determinations of their performance under the Enterprise housing goals for 2014 on October 15, 2015, and these letters are included as **Appendix A**. Each Enterprise has 30 days to submit any documentation it wishes FHFA to consider in making a final determination about the Enterprise's compliance with the housing goals for 2014.[12]

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[11] The low-income areas goal and subgoal include all borrowers, regardless of borrower income, if the property 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.
[12] *See* 12 U.S.C. § 4566(b)(2).

II. Goal Performance – Single-Family

The single-family housing goal levels for 2012 through 2014 are expressed as percentages of each Enterprise's total single-family 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.

For the single-family housing goals, an Enterprise meets a goal for 2012 through 2014 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 HMDA data.

FHFA analyzes the single-family mortgage market by calculating the share of home purchase or refinance mortgages originated in the primary mortgage market that qualified for the goal in that year. The market level figures represent loans that were eligible to count toward the housing goals and are defined as HMDA-reported loans on owner-occupied properties with principal balances less than or equal to the Enterprises' conforming loan limits, excluding any loans insured or guaranteed by the federal government, such as Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), or Rural Housing Service (RHS) loans. These calculations are based on FHFA's analysis of HMDA data submitted to FFIEC by primary market mortgage originators. An Enterprise fails to meet a goal if its performance falls short of both the benchmark level and the calculated market level.

FHFA has analyzed the Enterprises' loan-level data and independently calculated each Enterprise's 2014 goal performance.[13] FHFA has also calculated the goal-qualifying market

[13] 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, and Urban Affairs of the House of Representatives, now called the Committee on Financial Services of the House of Representatives. 12 U.S.C. § 1723a; 12 U.S.C. § 1456. The annual housing activities reports include loan-level data on each mortgage purchased by the Enterprises. Pursuant to 12 C.F.R. § 1282.63, 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.

shares based on 2014 HMDA data released by FFIEC on September 22, 2015.[14]

For the 2014 performance year, as in 2010 through 2013, FHFA counted Enterprise loans modified in accordance with the Home Affordable Modification Program (HAMP) as purchases of refinanced mortgages for purposes of the low-income refinance goal. Loan modifications improved performance on the low-income refinance goal for each Enterprise in 2014. The performance results for this goal include the impact of loan modifications.

A. Fannie Mae – Single-Family

Table 1: Fannie Mae Single-Family Housing Goals and Performance Results 2014

	Benchmark Level	Market Level	Fannie Mae Performance Results
Low-Income Home Purchase Goal	23%	22.8%	23.5%
Very Low-Income Home Purchase Goal	7%	5.7%	5.7%
Low-Income Areas Home Purchase Goal	18%	22.1%	22.7%
Low-Income Areas Home Purchase Subgoal	11%	15.0%	15.5%
Low-Income Refinance Goal[15]	20%	25.1%	26.5%

Based on the above information, FHFA has preliminarily determined that Fannie Mae has achieved all of the single-family goals.

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[14] *See* 12 U.S.C. § 4544(b)(2). Section 1324(b)(2) of the Safety and Soundness Act requires that FHFA's annual housing report "aggregate and analyze relevant data on income to assess the compliance of each Enterprise with the housing goals."

[15] Fannie Mae's performance on the low-income refinance goal exclusive of loan modifications in 2014 was 26.0 percent. Fannie Mae modified 9,300 loans under HAMP in 2014, of which 6,505 (70 percent) were for low-income families. FHFA has preliminarily determined that Fannie Mae's performance on this goal in 2014 was 26.5 percent, thus HAMP modifications added 0.5 percentage point to its performance. A slight adjustment in the market level for this goal was made subsequent to the issuance of the October 15, 2015 letter to Fannie Mae.

B. Freddie Mac – Single-Family

Table 2: Freddie Mac Single-Family Housing Goals and Performance Results 2014

	Benchmark level	Market level	Freddie Mac Performance Results
Low-Income Home Purchase Goal	23%	22.8%	21.0%
Very Low-Income Home Purchase Goal	7%	5.7%	4.9%
Low-Income Areas Home Purchase Goal	18%	22.1%	20.1%
Low-Income Areas Home Purchase Subgoal	11%	15.0%	13.6%
Low-Income Refinance Goal[16]	20%	25.1%	26.4%

Based on the above information, FHFA has preliminarily determined that Freddie Mac achieved the low-income areas home purchase goal and subgoal and the low-income refinance goal for 2014. FHFA has preliminarily determined that Freddie Mac did not meet the low-income home purchase goal and the very low-income home purchase goal for 2014.

III. Goal Performance – Multifamily

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. Freddie Mac's volume of multifamily business had always been lower than Fannie Mae's volume, and the 2012 through 2014 multifamily goals were lower for Freddie Mac than for Fannie Mae.

[16] Freddie Mac's performance on the low-income refinance goal exclusive of loan modifications was 25.6 percent in 2014. Freddie Mac modified 10,335 loans under HAMP in 2014, of which 6,795 (66 percent) were for low-income families. FHFA has preliminarily determined that Freddie Mac's performance on this goal was 26.4 percent, thus HAMP modifications added 0.8 percentage point to its performance. A slight adjustment in the market level for this goal was made subsequent to the issuance of the October 15, 2015 letter to Freddie Mac.

Under the final rule published on November 13, 2012, the Enterprises are subject to the specific multifamily housing goals established in the rule, but not to a retrospective market analysis as applicable to the single-family housing goals. As shown in the tables below, FHFA has preliminarily determined that both Enterprises' 2014 performance on the low-income multifamily goal and the very low-income multifamily subgoal exceeded the established benchmark levels.

A. Fannie Mae – Multifamily

Table 3: Fannie Mae Multifamily Housing Goals and Performance Results 2014

	Benchmark Level	Fannie Mae Performance Results
Low-Income Multifamily Goal	250,000	262,050
Very Low-Income Multifamily Subgoal	60,000	60,542

B. Freddie Mac – Multifamily

Table 4: Freddie Mac Multifamily Housing Goals and Performance Results 2014

	Benchmark Level	Freddie Mac Performance Results
Low-Income Multifamily Goal	200,000	273,434
Very Low-Income Multifamily Subgoal	40,000	48,689

Enterprise Data Compared to Primary Market Data

The following tables show various characteristics of mortgages purchased by Fannie Mae and Freddie Mac in 2014 and the corresponding characteristics of mortgages originated in the primary market, as determined by FHFA's analysis of HMDA data.[17]

The 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 for which information was missing or not provided are not included in this analysis. The "Primary Market" figures in this table utilize the same definition that is referred to as "Market level" in the housing goals section of this report.

[17] Under 12 U.S.C. 4544(b)(3), FHFA is required 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."

Table 5 shows the distribution of Enterprise mortgages acquired by borrower income in 2013 and 2014. Fannie Mae's mortgage purchases for low-income borrowers exceeded the market overall, while their mortgage purchases for very low-income borrowers equaled the market. Freddie Mac's mortgage purchases were below the overall market for both low-income and very low-income borrowers.

Table 5: Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Borrower Income and Corresponding Shares of the Primary Mortgage Market

Home Purchase						
	2014			2013		
Borrower Income Ratio*	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=50%	5.7%	5.7%	4.9%	6.3%	6.0%	5.5%
>50% to <=60%	4.9%	5.1%	4.5%	5.2%	5.2%	4.7%
>60% to <=80%	12.2%	12.7%	11.6%	12.5%	12.6%	11.6%
>80% to <=100%	12.5%	13.0%	12.4%	12.6%	12.9%	12.4%
>100% to <=120%	11.8%	12.1%	12.2%	11.7%	12.1%	11.9%
>120%	52.9%	51.4%	54.4%	51.7%	51.2%	53.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2014			2013		
Borrower Income Ratio*	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=50%	7.8%	8.6%	8.6%	7.6%	7.8%	7.5%
>50% to <=60%	5.0%	5.2%	5.2%	4.8%	4.7%	4.8%
>60% to <=80%	12.2%	12.6%	12.6%	11.9%	11.8%	11.8%
>80% to <=100%	13.0%	13.2%	13.3%	12.8%	12.6%	12.7%
>100% to <=120%	12.2%	12.2%	12.3%	12.1%	12.0%	12.0%
>120%	49.8%	48.2%	48.0%	50.9%	51.1%	51.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Borrower Income Relative to Area Median Income

Source: FHFA analysis of 2014 and 2013 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Table 6 shows the distribution of Enterprise mortgages acquired by race/ethnicity of the borrower(s) in 2013 and 2014. Both Fannie Mae and Freddie Mac's mortgage purchases generally exceeded the market with respect to minority borrowers. However, Freddie Mac slightly lagged the market in its share of home mortgage purchases for African American and Hispanic or Latino borrowers.

Table 6: Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Borrower Race/Ethnicity, and Corresponding Shares of the Primary Mortgage Market

Home Purchase						
	2014			2013		
Race/Ethnicity of Borrower(s)	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
Hispanic or Latino	6.7%	7.6%	6.1%	5.9%	6.4%	4.8%
American Indian/Alaskan Native	0.2%	0.6%	0.4%	0.2%	0.2%	0.1%
Asian	7.8%	7.8%	7.9%	8.4%	8.8%	7.9%
African American	2.9%	2.9%	2.3%	2.5%	2.3%	1.8%
Native Hawaiian/Pacific Islander	0.2%	0.3%	0.2%	0.2%	0.3%	0.2%
White Alone	81.7%	80.5%	81.2%	82.4%	81.8%	83.3%
Two or More Races	0.4%	0.3%	1.9%	0.4%	0.3%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2014			2013		
Race/Ethnicity of Borrower(s)	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
Hispanic or Latino	8.8%	9.8%	9.0%	6.7%	7.2%	6.3%
American Indian/Alaskan Native	0.3%	0.6%	0.4%	0.3%	0.3%	0.2%
Asian	5.6%	5.6%	5.6%	5.9%	6.7%	5.7%
African American	4.5%	5.0%	4.5%	3.8%	4.0%	3.4%
Native Hawaiian/Pacific Islander	0.3%	0.4%	0.3%	0.3%	0.3%	0.2%
White Alone	80.2%	78.3%	78.4%	82.7%	81.2%	82.4%
Two or More Races	0.4%	0.4%	1.8%	0.4%	0.4%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2014 and 2013 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Table 7 shows that the Enterprises' mortgage acquisitions distribution by gender of borrower was similar to the mortgage originations distribution by gender of borrower in the primary market in 2014.

Table 7: Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Borrower Gender with Corresponding Shares of the Primary Mortgage Market

Home Purchase						
	2014			2013		
Gender of Borrower(s)	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
All Male	31.9%	32.5%	31.5%	31.5%	31.8%	30.8%
All Female	22.6%	23.4%	21.7%	22.5%	23.0%	21.2%
Male and Female	45.5%	44.1%	46.8%	46.0%	45.2%	47.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2014			2013		
Gender of Borrower(s)	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
All Male	28.1%	28.4%	28.5%	25.0%	25.4%	24.9%
All Female	23.0%	23.7%	23.5%	21.2%	21.3%	20.6%
Male and Female	48.9%	47.9%	47.9%	53.8%	53.3%	54.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: "All Male" means that either there was only one borrower on the loan and that person was male, or there were two borrowers on the loan and both were male. "All Female" indicates that either there was only one borrower on the loan and that person was female, or there were two borrowers on the loan and both were female. "Male and Female" indicates that there were two borrowers on the loan with one being male and the other being female.

Source: FHFA analysis of 2014 and 2013 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Table 8 shows the Enterprises' mortgage purchases distribution and the originations distribution in the primary market by the minority share of population in the census tract in 2013 and 2014. Beginning with 2012, the Enterprises' data, like the HMDA data, are geocoded to the 2010 census tract definitions.

Table 8: Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Census Tract Minority Share and Corresponding Shares of the Primary Mortgage Market

Home Purchase						
	2014			2013		
Census Tract Minority Share of Population	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<10%	25.1%	21.8%	24.7%	25.5%	22.3%	26.1%
>=10% to <20%	26.4%	26.7%	26.8%	26.8%	27.1%	27.8%
>=20% to <30%	16.2%	17.0%	16.4%	16.2%	16.9%	16.5%
>=30% to <50%	18.1%	19.2%	18.2%	17.8%	19.2%	17.4%
>=50% to <80%	10.5%	11.3%	10.4%	10.1%	10.9%	9.4%
>=80%	3.8%	4.0%	3.4%	3.5%	3.7%	2.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2014			2013		
Census Tract Minority Share of Population	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<10%	25.6%	22.6%	24.1%	26.4%	23.2%	26.4%
>=10% to <20%	22.7%	22.8%	22.6%	24.4%	24.4%	25.3%
>=20% to <30%	14.7%	15.0%	14.8%	15.3%	15.8%	15.5%
>=30% to <50%	17.8%	18.5%	18.3%	17.3%	18.4%	17.1%
>=50% to <80%	12.8%	13.5%	13.4%	11.4%	12.3%	10.9%
>=80%	6.5%	7.5%	6.8%	5.1%	5.9%	4.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2014 and 2013 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Table 9 shows the Enterprises' mortgages purchases distribution and the originations distribution in the primary market by the median income level of the population in the census tract in 2013 and 2014.

Table 9: Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Census Tract Median Income Relative to Area Median Income and Corresponding Shares of the Primary Mortgage Market

Home Purchase						
	2014			2013		
Census Tract Income Ratio*	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=60%	3.6%	3.6%	3.1%	3.2%	3.1%	2.6%
>60% to <=80%	8.4%	8.5%	7.7%	7.8%	7.5%	6.9%
>80% to <=100%**	18.5%	18.1%	17.8%	18.0%	17.3%	16.9%
>100% to <=120%	23.0%	22.7%	23.0%	23.0%	22.4%	22.7%
>120%	46.5%	47.1%	48.4%	48.0%	49.7%	51.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2014			2013		
Census Tract Income Ratio*	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=60%	3.9%	4.1%	3.9%	3.2%	3.3%	2.9%
>60% to <=80%	9.9%	10.0%	9.8%	8.7%	8.5%	8.1%
>80% to <=100%	21.0%	20.6%	20.7%	20.1%	19.2%	19.3%
>100% to <=120%	24.0%	23.7%	23.9%	23.8%	23.0%	23.6%
>120%	41.2%	41.5%	41.8%	44.3%	46.0%	46.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

**A subset of these mortgages are eligible for the Low-Income Areas subgoal provided the tract's median income is less than AMI and minority population is at least 30 percent, and the borrower's income is at or below AMI.

Source: FHFA analysis of 2014 and 2013 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Enterprise Purchases of Subprime and Nontraditional Loans

Appendix B of this report provides a breakdown of the mortgage product types purchased by the Enterprises in 2014, as well as information on mortgage payment type, loan-to-value ratios, and credit scores. This information is included in response to the statutory requirements to "identify the extent to which each [E]nterprise is involved in mortgage purchases and secondary market activities involving subprime and nontraditional loans"[18] and 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."[19]

On May 6, 2013, FHFA directed Fannie Mae and Freddie Mac not to purchase interest-only loans, negative amortization loans, loans with terms longer than 30 years, or loans with points and fees exceeding the thresholds established by the Consumer Financial Protection Bureau's (CFPB) Qualified Mortgage rule. This directive became effective on January 10, 2014.[20]

Higher-Priced Mortgage Loans

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."[21] The Safety and Soundness Act also requires that the high-cost loan characteristics data generally be released by FHFA to the public.[22] However, the Safety and Soundness Act does not define the term "high-cost loan,"[23] nor does any legislative history state the intent of this provision.

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[18] *See* 12 U.S.C. § 4544(b)(4).
[19] *See* 12 U.S.C. § 4544(b)(5).
[20] http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Limiting-Fannie-Mae-and-Freddie-MacLoan-Purchases-to-Qualified-Mortgages.aspx.
[21] *See* 12 U.S.C. § 4544(b)(6).
[22] *See* 12 U.S.C. § 4546(d)(2).
[23] In amending the Truth in Lending Act, the Home Ownership and Equity Protection Act (HOEPA), 15 U.S.C. § 1602(bb), established a category of loans designated as "high-cost mortgages." Mortgages on primary residences that exceed the applicable mortgage interest rate and total point and fee thresholds established under HOEPA are not eligible for sale to the Enterprises.

After considering various options, FHFA determined in its September 28, 2011 Notice of Order that a "high-cost loan" should be defined by whether its HMDA "rate spread" is 150 basis points or more above the APOR.[24] In other contexts, FHFA refers to loans exceeding this rate-spread threshold as "higher-priced mortgage loans,"[25] and this report uses the "higher-priced" terminology. In 2014, 1.4 percent of all single-family loans purchased by the Enterprises were higher-priced mortgage loans.

For Enterprise mortgage purchases in 2014, the tables in **Appendix C** show the number of higher-priced mortgage loans in securities compared to the number of higher-priced mortgage loans retained in portfolio at year-end by each Enterprise.[26] The tables identify this information according to the following loan characteristics: purchase price, loan-to-value ratio, product type, term at origination, interest rate at origination, credit score, borrower income ratio, tract income ratio, census tract demographics, purpose of the loan, and federal guarantee status. These loan characteristics are further described in FHFA's September 28, 2011 Notice of Order.[27]

Duty to Serve Underserved Markets

The Safety and Soundness Act establishes a duty for the Enterprises to serve very low-, low-, and moderate-income families in three underserved markets—manufactured housing, affordable housing preservation, and rural areas—with the objective of increasing the liquidity of mortgage investments and improving the distribution of investment capital available for mortgage financing in each of these markets.[28] The Safety and Soundness Act also requires FHFA to publish a regulation that establishes a method for evaluating and rating how the Enterprises have complied with their duty to serve these three underserved markets.[29]

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[24] For purposes of 12 U.S.C. §§ 4544(b)(6) and 4546(d)(2). 76 Fed. Reg. 60031 (September 28, 2011).
[25] 73 Fed. Reg. 44532 (July 30, 2008). CFPB has defined "higher-priced mortgage loan" in the same way for most mortgages, although the CFPB definition sets higher rate spread cut-offs for jumbo mortgages (250 basis points or more above the APOR) and for subordinate lien mortgages (350 basis points or more above the APOR). *See* 12 C.F.R. § 1026.35(a).
[26] Loans identified as "retained in the portfolio" are generally loans that are held by the Enterprises as assets in their mortgage portfolios. Examples of these loans would be loans that are not eligible for securitization, defaulted loans purchased out of mortgage-backed securities, and loans that are purchased directly by the Enterprises either to hold in portfolio and/or to aggregate for securitization at a future date. Loans identified as "not held in the portfolio" are generally loans that are pooled into mortgage backed securities and sold to investors in those mortgage backed securities. The Enterprises guarantee the timely payment of principal and interest to investors.
[27] 76 Fed. Reg. 60031 (September 28, 2011).
[28] *See* 12 U.S.C. § 4565.
[29] *Id.*

FHFA issued an Advance Notice of Proposed Rulemaking on August 4, 2009 and published a Notice of Proposed Rulemaking (NPR) on June 7, 2010 to implement the duty to serve provisions.[30] In order to fulfill this requirement under the Safety and Soundness Act, FHFA is developing a new proposed rule to address the duty to serve provisions. FHFA has reviewed the NPR issued in 2010, met with stakeholders, and conducted research. FHFA expects to release a new proposed rule before the end of 2015.

Affordable Housing Allocations

The Safety and Soundness Act 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.[31] Each Enterprise is required to allocate or transfer 65 percent of this amount to the Secretary of the Department of Housing and Urban Development (HUD) to fund the Housing Trust Fund to assist states in meeting the housing needs of the lowest income families, 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 administered to increase investment in affordable housing, economic development and community development facilities in low-income or underserved rural areas.[32]

Prior to 2015, the Enterprises did not set aside these amounts, pursuant to a November 2008 direction from FHFA to suspend them until further notice.[33] On December 11, 2014, FHFA directed each Enterprise, commencing with the Enterprise's fiscal (calendar) year 2015, to set aside amounts for allocation to the Housing Trust Fund and the Capital Magnet Fund. Amounts set aside are to be allocated or transferred to HUD or the Treasury Department, as appropriate, within 60 days after the end of the Enterprise's fiscal year, unless during that fiscal year the Enterprise has made a draw, or the transfer would cause the Enterprise to make a draw on the Treasury Department under the terms of the SPSPA.[34] Separately, FHFA issued an Interim Final Rule to implement the statutory prohibition against an Enterprise redirecting the cost of an affordable housing allocation to the originators of mortgages it purchased or securitized.[35] The

[30] 74 Fed. Reg. 38572 (August 4, 2009), 75 Fed. Reg. 32099 (June 7, 2010).
[31] *See* 12 U.S.C. § 4567(a).
[32] *Id.*; *see also* 12 U.S.C. §§ 4568 and 4569.
[33] As reported in FHFA's *2008 Annual Report to Congress*, May 18, 2009, p. 81; *see also*, 12 U.S.C. § 4567(b).
[34] http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Statement-on-the-Housing-Trust-Fund-and-Capital-Magnet-Fund.aspx.
[35] 79 Fed. Reg. 75595 (Dec. 16, 2014).

Interim Final Rule, which was effective on publication and had a 30-day comment period, was adopted without change in March 2015.[36]

Monthly Survey of Mortgage Markets

The Safety and Soundness Act requires FHFA to conduct a monthly survey of mortgage markets that collects information on the characteristics of individual mortgages both eligible and ineligible for Enterprise purchase.[37] For each loan, the information must include the price of the house securing the mortgage, the 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. The statute also 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 these borrowers could have qualified for prime loans.

A single data source containing all of the items required to comply with the Safety and Soundness Act requirements did not exist, and FHFA initiated development of the National Mortgage Database (NMDB) in order to comply with the requirements. FHFA first announced its partnership with the Consumer Financial Protection Bureau (CFPB) to develop the NMDB in November 2012, and the NMDB is still being developed. Consequently, FHFA has not published monthly mortgage surveys during 2010 through 2014.

When completed, the NMDB will provide comprehensive information about the U.S. mortgage market based upon a five percent nationally representative sample of single-family, first lien mortgages active as of 1998. The data included in NMDB will not identify particular borrowers. As FHFA continues the process of developing the NMDB, the agency continues to determine what data fields are necessary for the NMDB and to exclude those that are not. FHFA has established strong information security systems and protocols and continues to review and evaluate every aspect of these systems and protocols.

[36] 80 Fed. Reg. 15885 (March 26, 2015).
[37] *See* 12 U.S.C. § 4544(c).

Public Access to Mortgage Information

The Safety and Soundness Act requires FHFA to make loan-level data submitted by the Enterprises available to the public, except for certain proprietary information and personally identifiable information.[38] The Act also requires FHFA to make Enterprise data elements reported under HMDA (at the census tract level) available to the public. Finally, the Safety and Soundness Act requires FHFA to make certain high-cost securitized Enterprise loan data it collects available to the public to compare the characteristics of high-cost loans the Enterprises purchase and securitize.[39] As discussed earlier in this report, because the Safety and Soundness Act does not define the term "high-cost loan," FHFA determined that a "high-cost loan" should be defined by whether its HMDA "rate spread" is 150 basis points or more above the APOR. In other contexts, FHFA refers to such loans as "higher-priced mortgage loans." 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 2014 through its Public Use Database (PUDB), available on the agency's website.[40]

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[38] *See* 12 U.S.C. §§ 4543, 4546.

[39] *See* 12 U.S.C. §§ 4544(b)(6), 4546(d). See **Appendix C** for the analysis of the higher-priced securitized loan data for 2014.

[40] http://www.fhfa.gov/DataTools/Downloads/Pages/Public-Use-Databases.aspx

Appendix A: Preliminary Determination Letters for 2014 Enterprise Housing Goals Performance

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 15, 2015

Mr. Timothy J. Mayopoulos
President and Chief Executive Officer
Federal National Mortgage Association
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Re: Preliminary Determination of Fannie Mae's 2014 Housing Goals Performance

Dear Mr. Mayopoulos:

The Federal Housing Finance Agency (FHFA) has reviewed Fannie Mae's performance under the Enterprise housing goals for 2014 and is providing this notice pursuant to section 1336 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), as amended by the Housing and Economic Recovery Act of 2008.

As specified in 12 C.F.R. 1282.12, Fannie Mae must meet a number of single-family housing goals. FHFA evaluated Fannie Mae's performance on the single-family housing goals for 2014 based on the following numbers:

Single-Family Housing Goals	Goal Target – 2014	Market level – 2014	FHFA Preliminary Determination of Fannie Mae's 2014 Performance
Low-Income Home Purchase Goal	23%	22.8%	23.5%
Very Low-Income Home Purchase Goal	7%	5.7%	5.7%
Low-Income Areas Home Purchase Goal	18%	22.1%	22.7%
Low-Income Areas Home Purchase Subgoal	11%	15.0%	15.5%
Low-Income Refinance Goal	20%	25.0%	26.5%

400 7th Street, S.W., Washington, D.C. 20024 • 202-649-3801 • 202-649-1071 (fax)

For each housing goal, the percentage shown above reflects the proportion of mortgages that met the criteria for that goal. A mortgage 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 Home Affordable Modification Program (HAMP) loan modifications, where applicable.

Based on the above information, FHFA has determined that Fannie Mae achieved all of its single-family home purchase goals: the low-income home purchase goal, the very low-income home purchase goal, the low-income areas home purchase goal and subgoal, and the low-income refinance goal for 2014.

The multifamily housing goals are specified in 12 C.F.R. 1282.13. For 2014, those levels and Fannie Mae's official performance were as follows:

Multifamily Housing Goals	Goal Target – 2014	FHFA Preliminary Determination of Fannie Mae's 2014 Performance
Low-Income Multifamily Goal	250,000	262,050
Very Low-Income Multifamily Subgoal	60,000	60,542

Based on this information, FHFA has determined that Fannie Mae achieved each of the multifamily housing goals for 2014.

Under the Safety and Soundness Act, Fannie Mae has 30 days to submit any documentation it wishes FHFA to consider in making a final determination about Fannie Mae's compliance with the housing goals for 2014.

If you have any questions, please contact Ted Wartell, Manager, Office of Housing and Community Investment, Division of Housing Mission & Goals, at Ted.Wartell@fhfa.gov or 202-649-3157.

Sincerely,

Melvin L. Watt

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 15, 2015

Mr. Donald H. Layton
Chief Executive Officer
Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22103-3107

Re: Preliminary Determination of Freddie Mac's 2014 Housing Goals Performance

Dear Mr. Layton:

The Federal Housing Finance Agency (FHFA) has reviewed Freddie Mac's performance under the Enterprise housing goals for 2014 and is providing this notice pursuant to section 1336 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), as amended by the Housing and Economic Recovery Act of 2008.

As specified in 12 C.F.R. 1282.12, Freddie Mac must meet a number of single-family housing goals. FHFA evaluated Freddie Mac's performance on the single-family housing goals for 2014 based on the following numbers:

Single-Family Housing Goals	Goal Target – 2014	Market level – 2014	FHFA Preliminary Determination of Freddie Mac's 2014 Performance
Low-Income Home Purchase Goal	23%	22.8%	**21.0%***
Very Low-Income Home Purchase Goal	7%	5.7%	**4.9%***
Low-Income Areas Home Purchase Goal	18%	22.1%	20.1%
Low-Income Areas Home Purchase Subgoal	11%	15.0%	13.6%
Low-Income Refinance Goal	20%	25.0%	26.4%

* Reflects goals not met.

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For each housing goal, the percentage shown above reflects the proportion of mortgages that met the criteria for that goal. A mortgage 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 Home Affordable Modification Program (HAMP) loan modifications, where applicable.

Based on the above information, FHFA has determined that Freddie Mac achieved the low-income areas home purchase goal and subgoal, and the low-income refinance goal for 2014. FHFA has preliminarily determined that Freddie Mac failed to meet the low-income home purchase goal and the very low-income home purchase goal for 2014.

The multifamily housing goals are specified in 12 C.F.R. 1282.13. For 2014, those levels and Freddie Mac's official performance were as follows:

Multifamily Housing Goals	Goal Target – 2014	FHFA Preliminary Determination of Freddie Mac's 2014 Performance
Low-Income Multifamily Goal	200,000	273,434
Very Low-Income Multifamily Subgoal	40,000	48,689

Based on this information, FHFA has determined that Freddie Mac achieved each of the multifamily housing goals for 2014.

Under the Safety and Soundness Act, Freddie Mac has 30 days to submit any documentation it wishes FHFA to consider in making a final determination about Freddie Mac's compliance with the housing goals for 2014.

If you have any questions, please contact Ted Wartell, Manager, Office of Housing and Community Investment, Division of Housing Mission & Goals, at Ted.Wartell@fhfa.gov or 202-649-3157.

Sincerely,

Melvin L. Watt

Melvin L. Watt

Appendix B: Enterprise Purchases of Subprime and Nontraditional Loans

I. Overview of Single-Family Mortgages Acquired by the Enterprises

Excluding second liens and reverse mortgages, Fannie Mae and Freddie Mac acquired $618.6 billion of single-family loans in 2014 (See **Tables B1a** and **B1b**), a decrease of 45.3 percent from the $1.132 trillion in single-family loans the Enterprises acquired in 2013. These totals include loans that collateralize mortgage-backed securities guaranteed by either Enterprise and loans purchased for cash. While Tables 1 through 9 report on only owner-occupied single-family purchases, this Appendix reports on both owner-occupied and investor-owned single-family purchases.

Fully amortizing mortgages comprised 99.99 percent of the single-family loans acquired by the Enterprises in 2014, per conservatorship guidance. Fully amortizing fixed-rate mortgages accounted for 95 percent of combined acquisitions, down from 97 percent in 2013 (See **Tables B1a** and **B1b**). Fully amortizing hybrid adjustable-rate mortgages accounted for 5 percent of 2014 acquisitions, up from 3 percent in 2013. The Enterprises acquired $59 million in interest-only mortgages in 2014, down from $1.2 billion in 2013.

Table B1a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2013 and 2014 by Payment and Product Type ($ in millions)[1]

	2013				2014			
Product Type	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
Fixed-Rate Mortgages	$1,098,701.4	$8.8	$0.0	$1,098,710.2	$586,704.03	$0.0	$0.0	$586,710.07
ARMS - Traditional	$0.0	$0.0	$0.0	$209.1	$12.1	$0.0	$0.0	$12.1
ARMS-Hybrid	$ 32,386.9	$1,169.7	$0.0	$33,556.6	$31868.7	$59.0	$0.0	$31,927.7
Balloon Mortgages	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other Mortgages [2]	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total	$1,131,088.3	$1,178.6	$0.0	$1,132,476.0	$618,585.1	$59.0	$0.0	$618,644.0

Table B1b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2013 and 2014 by Payment and Product Type (Percent)[3]

	2013				2014			
Product Type	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
Fixed-Rate Mortgages	97.02%	0.00%	0.00%	97.02%	94.84%	0.00%	0.00%	94.85%
ARMS-Traditional	0.00%	0.00%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%
ARMS-Hybrid	2.86%	0.10%	0.00%	2.96%	5.15%	0.01%	0.00%	5.15%
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	99.88%	0.10%	0.00%	100.00%	99.99%	0.01%	0.00%	100.00%

[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.

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

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 2014 (See **Tables B2a** and **B2b**). The combined share of loans with loan-to-value ratios above 95 percent fell from 2.78 percent in 2013 to 1.16 percent in 2014. Mortgages with loan-to-value ratios of 80 percent or below decreased from 76.41 percent of loans acquired in 2013 to 70.61 percent of loans acquired in 2014.

Table B2a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2013 and 2014 by Payment Type and Loan-to-Value Ratio Group ($ in millions)[1]

	2013				2014			
Loan-to-Value Ratio Group	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
0-70 %	$406,677.1	$1,161.7	$0.0	$407,838.8	$176,109.1	$58.3	$0.0	$176,167.3
70.1-80 %	$394,198.9	$2.7	$0.0	$394,201.7	$253,879.9	$0.0	$0.0	$253,879.9
80.1-90 %	$118,587.7	$4.7	$0.0	$118,592.4	$77,042.7	$0.0	$0.0	$77,042.7
90.1-95 %	$98,256.3	$2.3	$0.0	$98,258.6	$90,437.3	$0.0	$0.0	$90,437.3
95.1-100 %	$29,166.0	$7.1	$0.0	$29,173.1	$7,146.5	$0.7	$0.0	$7,147.2
Total	$1,046,886.1	$1,178.6	$0.0	$1,048,064.6	$610,493.9	$59.0	$0.0	$610,552.8

Table B2b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2013 and 2014 by Payment Type and Loan-to-Value Ratio Group (Percent)[2]

	2013				2014			
Loan-to-Value Ratio Group	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
0-70 %	38.80%	0.11%	0.00%	38.91%	28.84%	0.01%	0.00%	28.85%
70.1-80 %	37.61%	0.00%	0.00%	37.61%	41.58%	0.00%	0.00%	41.58%
80.1-90 %	11.31%	0.00%	0.00%	11.32%	12.62%	0.00%	0.00%	12.62%
90.1-95 %	9.38%	0.00%	0.00%	9.38%	14.81%	0.00%	0.00%	14.81%
95.1-100 %	2.78%	0.00%	0.00%	2.78%	1.17%	0.00%	0.00%	1.17%
Total	99.89%	0.11%	0.00%	100.00%	99.99%	0.01%	0.00%	100.00%

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

[2] Percentages may be zero due to rounding.

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

II. Acquisitions of Nontraditional Mortgages

The Enterprises acquired no interest-only fixed-rate mortgages in 2014, down from $8.8 million in 2013. Acquisitions of interest-only hybrid adjustable-rate mortgages fell to $59 million in 2014, from $1.170 billion in 2013. The last year in which either Enterprise acquired negative amortization mortgages was 2008 when they acquired less than $500,000 in these mortgages.

III. Acquisitions of Mortgages with Lower Credit Scores

There was some change in the distribution of the borrower credit (FICO) scores of single-family mortgages acquired by Fannie Mae and Freddie Mac in 2014 (See **Tables B3a** and **B3b**). The share of loans with credit scores below 620 fell slightly from 1.53 percent in 2013 to 1.23 percent in 2014. Mortgages with credit scores between 620 and 659 rose from 3.50 percent of loans acquired in 2013 to 4.83 percent of loans acquired in 2014.

Table B3a: Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2013 and 2014 by Payment Type and FICO Score Group ($ in millions)[1]

	2013				2014			
FICO Score Group	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
0-619	$17,293.1	$0.0	$0.0	$17,293.1	$7,662.5	$0.0	$0.0	$7,662.5
620-659	$39,593.0	$0.0	$0.0	$39,593.0	$29,838.0	$0.0	$0.0	$29,838.0
660-719	$201,239.4	$0.0	$0.0	$201,239.4	$142,279.9	$1.0	$0.0	$142,281.0
720-749	$177,642.7	$120.8	$0.0	$177,763.5	$109.991.1.4	$9.0	$0.0	$110,000.1
750+	$695,095.8	$1,057.8	$0.0	$696,153.5	$326,133.3.5	$48.7	$0.0	$326,181.9
Total	$1,130,864.0	$1,178.6	$0.0	$1,132,042.5	$615,904.7	$58.8	$0.0	$615,963.5

Table B3b: Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2013 and 2014 by Payment Type and FICO Score Group (Percent)[2]

	2013				2014			
FICO Score Group	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
0-619	1.53%	0.00%	0.00%	1.53%	1.24%	0.00%	0.00%	1.24%
620-659	3.50%	0.00%	0.00%	3.50%	4.84%	0.00%	0.00%	4.84%
660-719	17.78%	0.00%	0.00%	17.78%	23.10%	0.00%	0.00%	23.10%
720-749	15.69%	0.01%	0.00%	15.70%	17.86%	0.00%	0.00%	17.86%
750+	61.40%	0.09%	0.00%	61.50%	52.95%	0.01%	0.00%	52.95%
Total	99.90%	0.10%	0.00%	100.00%	99.99%	0.01%	0.00%	100.00%

[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.

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

Appendix C: Higher-Priced Mortgage Loans

As discussed earlier in this report, because the Safety and Soundness Act does not define the term "high-cost loan," FHFA determined that a "high-cost loan" should be defined by whether its HMDA "rate spread" is 150 basis points or more above the APOR. In other contexts, FHFA refers to such loans as "higher-priced mortgage loans."

In 2014, 1.4 percent of all single-family loans purchased by the Enterprises were higher-priced mortgage loans. The tables below show the number of higher-priced mortgage loans in securities compared to the number of higher-priced mortgage loans retained in portfolio at year-end by each Enterprise for 2014.

As mentioned earlier in this report, 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. The comparisons should include 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. 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. These loan characteristics are further described in FHFA's September 28, 2011 Notice of Order.[41] Other relevant data included for comparative analysis are borrower income ratio, census tract income ratio, 2010 Census tract/percent minority, purpose of loan, and federal guarantee.

[41] 76 Fed. Reg. 60031 (September 28, 2011).

I. Purchase Price

Table C1 shows the comparison of the higher-priced securitized loans based on purchase price. Because so few loans were retained, the data indicate that the purchase price of a property backing a higher-priced securitized loan appears to have had little bearing on whether the securitized loan was retained in portfolio.

Table C1: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
<= $417,000	27,578	92.8	605	92.1	28,183	92.8	6,230	92.8	2,361	97.4	8,591	94.0
> $417,000, <= $625,500	1,592	5.4	41	6.2	1,633	5.4	327	4.9	44	1.8	371	4.1
> $625,500, <= $729,750	244	0.8	5	0.8	249	0.8	66	1.0	7	0.3	73	0.8
> $729,750	314	1.1	6	0.9	320	1.1	89	1.3	13	0.5	102	1.1
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0

II. Combined Loan-to-Value Ratio

Table C2 shows the comparison of the higher-priced securitized loans based on the combined loan-to-value ratio of the mortgages, including secondary liens. **Table C2a** shows the distribution based on combined loan-to-value ratio for securitized fixed-rate mortgages.

Table C2: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
0% - 60%	3,322	11.2	71	10.8	3,393	11.2	834	12.4	258	10.6	1,092	12.0
61% - 80%	10,149	34.1	221	33.6	10,370	34.1	2,181	32.5	756	31.2	2,937	32.1
81% -90%	4,406	14.8	109	16.6	4,515	14.9	489	7.3	220	9.1	709	7.8
91% -95%	7,174	24.1	159	24.2	7,333	24.1	2,013	30.0	610	25.2	2,623	28.7
95% and above	4,677	15.7	97	14.8	4,774	15.7	1,188	17.7	581	24.0	1,769	19.4
Missing	0	0.0	0	0.0	0	0.0	7	0.1	0	0.0	7	0.1
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0

Table C2a: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
0% - 60%	3,290	11.1	70	10.7	3,360	11.1	825	12.4	253	10.5	1,078	11.9
61% - 80%	10,085	34.1	218	33.4	10,303	34.1	2,157	32.3	742	30.9	2,899	32.0
81% - 90%	4,392	14.8	109	16.7	4,501	14.9	487	7.3	220	9.2	707	7.8
90% -95%	7,169	24.2	159	24.3	7,328	24.2	2,007	30.1	606	25.2	2,613	28.8
95% and above	4,667	15.8	97	14.9	4,764	15.7	1,188	17.8	581	24.2	1,769	19.5
Missing	0	0.0	0	0.0	0	0.0	7	0.1	0	0.0	7	0.1
Totals	29,603	100.0	653	100.0	30,256	100.0	6,671	100.0	2,402	100.0	9,073	100.0

III. Product Type

Table C3 shows the comparison of the higher-priced securitized loans based on product type. Data indicate a *de minimis* number of higher-priced securitized adjustable-rate mortgages were retained in portfolio by Fannie Mae and Freddie Mac.

Table C3: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
FRM	29,603	99.6	653	99.4	30,256	99.6	6,671	99.4	2,402	99.1	9,073	99.3
ARM	125	0.4	4	0.6	129	0.4	41	0.6	23	0.9	64	0.7
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0

IV. Term at Origination

Table C4 shows the comparison of higher-priced 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.

Table C4: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
30 Years	15,986	53.8	308	46.9	16,294	53.6	3,593	53.5	1,010	41.6	4,603	50.4
15 Years	5,576	18.8	24	3.7	5,600	18.4	2,032	30.3	258	10.6	2,290	25.1
All Others	8,166	27.5	325	49.5	8,491	27.9	1,087	16.2	1,157	47.7	2,244	24.6
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0

V. Interest Rate at Origination

Tables C5 and **C5a** show the comparison of higher-priced securitized loans based on the annual percentage rate (APR) at origination. Loans with lower original mortgage interest rates tended to not be held in portfolio by Freddie Mac at year-end. For Fannie Mae, there is little difference in the distribution between securitized loans retained in portfolio and those not held in portfolio.

Table C5: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
< 4.0%	2,146	7.2	47	7.2	2,193	7.2	534	8.0	73	3.0	607	6.6
>= 4.0%, < 4.5%	7,187	24.2	175	26.6	7,362	24.2	1,643	24.5	524	21.6	2,167	23.7
>= 4.5%, < 5.0%	10,870	36.6	311	47.3	11,181	36.8	2,123	31.6	1,086	44.8	3,209	35.1
>= 5.0%, < 5.5%	8,253	27.8	123	18.7	8,376	27.6	2,131	31.7	690	28.5	2,821	30.9
>= 5.5%, < 6.0%	1,246	4.2	1	0.2	1,247	4.1	269	4.0	51	2.1	320	3.5
>= 6.0%, < 6.5%	25	0.1	0	0.0	25	0.1	7	0.1	1	0.0	8	0.1
>= 6.5%, < 7.0%	1	0.0	0	0.0	1	0.0	0	0.0	0	0.0	0	0.0
>= 7.0%, < 7.5%	0	0.0	0	0.0	0	0.0	1	0.0	0	0.0	1	0.0
>= 7.5%, < 8.0%	0	0.0	0	0.0	0	0.0	2	0.0	0	0.0	2	0.0
>= 8.0%	0	0.0	0	0.0	0	0.0	2	0.0	0	0.0	2	0.0
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0

Table C5a: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
< 4.0%	2,035	6.9	43	6.6	2,078	6.9	500	7.5	52	2.2	552	6.1
>= 4.0%, < 4.5%	7,177	24.2	175	26.8	7,352	24.3	1,636	24.5	522	21.7	2,158	23.8
>= 4.5%, < 5.0%	10,866	36.7	311	47.6	11,177	36.9	2,123	31.8	1,086	45.2	3,209	35.4
>= 5.0%, < 5.5%	8,253	27.9	123	18.8	8,376	27.7	2,131	31.9	690	28.7	2,821	31.1
>= 5.5%, < 6.0%	1,246	4.2	1	0.2	1,247	4.1	269	4.0	51	2.1	320	3.5
>= 6.0%, < 6.5%	25	0.1	0	0.0	25	0.1	7	0.1	1	0.0	8	0.1
>= 6.5%, < 7.0%	1	0.0	0	0.0	1	0.0	0	0.0	0	0.0	0	0.0
>= 7.0%, < 7.5%	0	0.0	0	0.0	0	0.0	1	0.0	0	0.0	1	0.0
>= 7.5%, < 8.0%	0	0.0	0	0.0	0	0.0	2	0.0	0	0.0	2	0.0
>= 8.0%	0	0.0	0	0.0	0	0.0	2	0.0	0	0.0	2	0.0
Totals	29,603	100.0	653	100.0	30,256	100.0	6,671	100.0	2,402	100.0	9,073	100.0

VI. Credit Score

Tables C6 and **C6a** show the comparison of higher-priced securitized loans based on credit score. During 2014, higher-priced securitized loans with credit scores above 760 were less likely to be retained in portfolio than those with credit scores between 660-759.

Table C6: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
Less than 620	557	1.9	12	1.8	569	1.9	457	6.8	171	7.1	628	6.9
620 - 659	4,282	14.4	112	17.0	4,394	14.5	1,276	19.0	437	18.0	1,713	18.7
660 - 699	6,954	23.4	193	29.4	7,147	23.5	1,528	22.8	602	24.8	2,130	23.3
700 - 759	8,587	28.9	179	27.2	8,766	28.8	1,877	28.0	681	28.1	2,558	28.0
760 or Greater	9,346	31.4	161	24.5	9,507	31.3	1,562	23.3	532	21.9	2,094	22.9
Missing/Bad	2	0.0	0	0.0	2	0.0	12	0.2	2	0.1	14	0.2
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0

Table C6a: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
Less than 620	553	1.9	12	1.8	565	1.9	457	6.9	170	7.1	627	6.9
620 - 659	4,278	14.5	112	17.2	4,390	14.5	1,275	19.1	437	18.2	1,712	18.9
660 - 699	6,938	23.4	193	29.6	7,131	23.6	1,523	22.8	598	24.9	2,121	23.4
700 - 759	8,559	28.9	179	27.4	8,738	28.9	1,858	27.9	670	27.9	2,528	27.9
760 or Greater	9,273	31.3	157	24.0	9,430	31.2	1,546	23.2	525	21.9	2,071	22.8
Missing/Bad	2	0.0	0	0.0	2	0.0	12	0.2	2	0.1	14	0.2
Totals	29,603	100.0	653	100.0	30,256	100.0	6,671	100.0	2,402	100.0	9,073	100.0

VII. Borrower Income Ratio

Table C7 shows the comparison of higher-priced securitized loans based on borrower income relative to area median income (AMI). The data indicate that securitized loans to borrowers with incomes greater than 80 percent of AMI were more likely to be retained in portfolio than securitized loans to borrowers with incomes at 80 percent or less of AMI.

Table C7: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
>= 0%, <= 50%	3,061	10.3	50	7.6	3,111	10.2	685	10.2	304	12.5	989	10.8
> 50%, <= 80%	9,393	31.6	191	29.1	9,584	31.5	1,986	29.6	788	32.5	2,774	30.4
> 80%	17,220	57.9	415	63.2	17,635	58.0	3,677	54.8	1,162	47.9	4,839	53.0
Not Applicable	54	0.2	1	0.2	55	0.2	364	5.4	171	7.1	535	5.9
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0

VIII. Tract Income Ratio

Table C8 shows the comparison of higher-priced securitized loans based on the tract income ratio, which is the ratio of the 2010 Census tract median income to the 2010 local AMI. The data indicate that property location has little bearing on whether these loans are retained in portfolio at year-end.

Table C8: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
<= 80%	7,861	26.4	173	26.3	8,034	26.4	1,843	27.5	716	29.5	2,559	28.0
> 80%, <= 120%	13,672	46.0	296	45.1	13,968	46.0	3,127	46.6	1,227	50.6	4,354	47.7
> 120%	8,185	27.5	188	28.6	8,373	27.6	1,741	25.9	480	19.8	2,221	24.3
Missing	10	0.0	0	0.0	10	0.0	1	0.0	2	0.1	3	0.0
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0

IX. 2010 Census Tract/Percent Minority

Table C9 shows the comparison of higher-priced securitized loans based on the composition of minority population in a census tract where the property securing a loan is located.

Table C9: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
0% - < 10%	5,401	18.2	131	19.9	5,532	18.2	1,337	19.9	582	24.0	1,919	21.0
10% - < 30%	9,553	32.1	224	34.1	9,777	32.2	2,200	32.8	738	30.4	2,938	32.2
30% - 100%	14,768	49.7	302	46.0	15,070	49.6	3,175	47.3	1,105	45.6	4,280	46.8
Missing	6	0.0	0	0.0	6	0.0	0	0.0	0	0.0	0	0.0
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0

X. Purpose of Loan

Table C10 shows the comparison of higher-priced securitized loans based on the purpose of the loan, whether for home purchase, refinancing of an existing loan, or other.

Table C10: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
Purchase	11,924	40.1	236	35.9	12,160	40.0	2,769	41.3	817	33.7	3,586	39.2
Refinance/Other	17,804	59.9	421	64.1	18,225	60.0	3,943	58.7	1,608	66.3	5,551	60.8
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0

XI. Federal Guarantee

Table C11 shows the comparison of higher-priced securitized loans based on whether the loan is federally guaranteed or insured, for example by FHA, VA, or RHS.

Table C11: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
No	29,728	100.0	656	99.8	30,384	100.0	6,675	99.4	2,306	95.1	8,981	98.3
Yes	0	0.0	1	0.2	1	0.0	37	0.6	119	4.9	156	1.7
Totals	29,728	100.0	657	100.0	30,385	100.0	6,712	100.0	2,425	100.0	9,137	100.0