



FEDERAL HOUSING FINANCE AGENCY  
Office of the Director

December 28, 2011

Mr. Michael Williams  
President and Chief Executive Officer  
Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Washington, DC 20016-2892

Re: Final Determination of Fannie Mae's Housing Goals Performance for 2010

Dear Mr. Williams:

The Federal Housing Finance Agency (FHFA) has completed its review of Fannie Mae's performance under the housing goals for 2010. Based on the most recent information available, FHFA has made final determinations, pursuant to section 1336 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended (the Safety and Soundness Act) and 12 C.F.R. part 1282, that Fannie Mae achieved the low-income refinance goal, the low-income areas home purchase goal, the low-income areas home purchase subgoal, the low-income multifamily goal, and the very low-income multifamily subgoal for 2010. FHFA has also made final determinations that Fannie Mae failed to meet the low-income home purchase housing goal and the very low-income home purchase housing goal for 2010.

FHFA has further determined that achievement of the low-income home purchase housing goal and the very low-income home purchase housing goal was feasible for 2010. In determining that these single-family housing goals were feasible, FHFA analyzed the size and composition of the conventional conforming primary mortgage market as measured using Home Mortgage Disclosure Act (HMDA) data. FHFA also considered the financial condition of the Enterprises in 2010.

Although FHFA has determined that the achievement of these single-family goals was feasible, Fannie Mae will not be required to submit a housing plan with respect to these goals under section 1336 of the Safety and Soundness Act. As stated in FHFA's October 25, 2011 preliminary determination letter to Fannie Mae, a housing plan will not be required because of the significant changes to the housing goals structure for 2010 and the Enterprises' continued operation under conservatorship. FHFA will undertake further analyses to better understand what factors are driving the deviation from market performance.

As specified in 12 C.F.R. § 1282.12, the single-family housing goals include both a benchmark level and a market level determined by FHFA based on its analysis of HMDA data for 2010. 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's final determinations for Fannie Mae's performance on the single-family housing goals for 2010 were based on the following numbers:

| <b>Single-Family Housing Goals</b>     | <b>Benchmark level – 2010</b> | <b>Market level – 2010</b> | <b>Fannie Mae Official Performance Results – 2010</b> |
|--|-------------------------------|----------------------------|---|
| Low-Income Home Purchase Goal          | 27%                           | 27.2%                      | 25.13%  |
| Very Low-Income Home Purchase Goal     | 8%                            | 8.1%                       | 7.24%   |
| Low-Income Areas Home Purchase Goal    | 24%                           | 24.0%                      | 24.05%  |
| Low-Income Areas Home Purchase Subgoal | 13%                           | 12.1%                      | 12.37%  |
| Low-Income Refinance Goal              | 21%                           | 20.2%                      | 20.90%  |

For each housing goal, the percentages shown above reflect the proportions 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.

On October 25, 2011, FHFA notified Fannie Mae of its preliminary determinations that Fannie Mae failed to meet the low-income home purchase housing goal, the very low-income home purchase housing goal, and the low-income refinance goal for 2010. FHFA's preliminary determination on the low-income refinance goal was based on a market level of 21.5%. This included an upward adjustment of 117 basis points to account for the impact of loan modifications under the Home Affordable Modification Program that are treated as mortgage purchases for purposes of the housing goals but that do not appear in HMDA data. Fannie Mae responded to this preliminary determination by letter on November 14, 2011.

Upon further consideration, consistent with FHFA's policy to encourage the Enterprises to engage in loan modifications where appropriate, FHFA has adjusted the market level downward by 117 basis points, which reduced the market level for the low-income refinance goal to 20.2%. Based on this final calculation of the market level, FHFA has determined that Fannie Mae achieved the low-income refinance goal for 2010.

Fannie Mae's November 14, 2011 letter also requested that FHFA adjust its determination of Fannie Mae's performance to include loans supported by Fannie Mae's participation in a joint initiative with Freddie Mac and the Treasury Department to assist state and local housing finance

agencies (HFAs) in providing financing for low- and moderate-income borrowers. Although Fannie Mae's participation in this HFA Initiative would be eligible for consideration under the home purchase housing goal, Fannie Mae did not provide the necessary data for counting individual HFA Initiative loans toward these goals in 2010. Accordingly, FHFA has not adjusted its determination of Fannie Mae's performance for 2010 to include these loans.

Unlike the single-family housing goals, the multifamily housing goals are based solely on benchmark levels established in advance by FHFA in 12 C.F.R. § 1282.13. FHFA's final determinations for Fannie Mae's performance on the multifamily housing goals for 2010 were based on the following numbers:

| <b>Multifamily Housing Goals</b>    | <b>Goal target – 2010</b> | <b>Fannie Mae Official Performance Results – 2010</b> |
|-------------------------------------|---------------------------|---|
| Low-Income Multifamily Goal         | 177,750                   | 214,997   |
| Very Low-Income Multifamily Subgoal | 42,750                    | 53,908  |

If you have any questions, please contact Paul Manchester, Principal Economist, Housing and Regulatory Policy, at 202-408-2946.

Sincerely,



Edward J. DeMarco  
Acting Director