FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 31, 2011

The Honorable Timothy Johnson
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 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 2010 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 Meg Burns, Senior Associate Director for the Office of Housing and Regulatory Policy at 202-414-3750.

Sincerely,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

1700 G Street, N.W., Washington, D.C. 20552-0003 • 202-414-3800 • 202-414-3823 (fax)

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 31, 2011

The Honorable Richard C. Shelby
Ranking Minority Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Dear Senator Shelby:

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 2010 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 Meg Burns, Senior Associate Director for the Office of Housing and Regulatory Policy at 202-414-3750.

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FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 31, 2011

The Honorable Spencer Bachus
Chairman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Bachus:

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 2010 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 Meg Burns, Senior Associate Director for the Office of Housing and Regulatory Policy at 202-414-3750.

Sincerely,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 31, 2011

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Ranking Member Frank:

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 2010 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 Meg Burns, Senior Associate Director for the Office of Housing and Regulatory Policy at 202-414-3750.

Sincerely,

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FHFA 2011 Annual Housing Report

I. Introduction

Section 1324 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, 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 2010, 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. Sections 1331-1333, as revised by HERA, established a new structure for the housing goals, effective in 2010. In 1993, 1995, 2000, and 2004, the Department of Housing and Urban Development (HUD) established by regulation goals based on the previous structure.

Under the Safety and Soundness Act, the 2008 structure of the goals remained the same for 2009. FHFA became the mission regulator for the Enterprises in July 2008 and changed the levels of the housing goals for 2009 in a final rule published on August 10, 2009 (reported in FHFA's *2010 Annual Housing Report*, submitted to Congress in October 2010).

FHFA established the housing goals for 2010-11 in a final rule published on September 14, 2010. In accordance with the Safety and Soundness Act, there are now:

- three single-family home purchase goals
- one single-family home purchase subgoal
- one single-family refinance goal
- one multifamily housing goal
- one multifamily housing subgoal

The goals FHFA established are as follows:

[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 are chartered by acts of Congress.
[2] 12 U.S.C. § 4544.

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

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

3. A **low-income areas home purchase subgoal**, for mortgages to families living in census tracts with tract median 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. A **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 incomes no greater than 100 percent of area median income 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 area median income.

Definitions of Housing Goal Categories for 2010

Low-income: Households with incomes less than or equal to 80 percent of area median income, or for multifamily properties, households paying an equivalent rent.

Very low-income: Households with incomes less than or equal to 50 percent of area median income, or for multifamily properties, households paying an equivalent rent.

Low-income areas: The low-income areas **subgoal** includes (1) census tracts for which tract median income is no greater than 80 percent of area median income; and (2) census tracts with a minority population of at least 30 percent and a median income of less than 100 percent of area median income. However, only loans to borrowers with incomes no greater than 100 percent of area median income count toward the subgoal in the high minority tracts, unless the loan is already counted based on tract median income.

The **goal** includes the areas counted toward the subgoal and adds counties in federally declared disaster areas. But only loans to borrowers with incomes no greater than 100 percent of area median income in these counties count toward the goal, unless the loan is already counted based on tract median income.

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

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

[3] The low-income areas goal and subgoal include all borrowers, regardless of income, if the borrower lives 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 Metropolitan Statistical Area). 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.

B. Housing Goal Levels for 2010

The single-family housing goal levels for 2010 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 2010 goal levels as follows:

Goal Category	Benchmark
Low-Income Home Purchase Goal:	27 percent
Very Low-Income Home Purchase Goal:	8 percent
Low-Income Areas Home Purchase Subgoal (excluding disaster areas)	13 percent
Low-Income Areas Home Purchase Goal (including disaster areas)	24 percent
Low-Income Refinance Goal:	21 percent

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 2010 multifamily goals were lower for Freddie Mac than for Fannie Mae:

- Low-income multifamily goals:
  177,750 units for Fannie Mae
  161,250 units for Freddie Mac

- Very low-income multifamily subgoals:
  42,750 units for Fannie Mae
  21,000 units for Freddie Mac

C. New Dual Approach for Evaluating Goal Performance

For the single-family housing goals, FHFA implemented a new procedure to determine compliance with the housing goals. Under this procedure, an Enterprise meets a goal if it meets or exceeds either:

- the specific benchmark levels established in FHFA's September 14, 2010 final rule; or
- the share of the market that qualifies for the goal, based on FHFA's analysis of Home Mortgage Disclosure Act (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 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.

D. Feasibility Determinations for Multifamily Goals

The new procedure to determine compliance with the single-family housing goals is different from the old procedure described in last year's *Annual Housing Report*. The procedure to determine compliance with the multifamily housing goals has not changed because data for the multifamily mortgage market comparable to HMDA data for the single-family market does not exist. Under the final rule of September 14, 2010, the multifamily housing goals include benchmark levels for each Enterprise but not a separate analysis of the market.

Using Freddie Mac's goal performance report for the first three quarters of 2010 and its forecast of full-year performance, FHFA determined there was a substantial probability Freddie Mac would fall short of the low-income multifamily goal.

On December 8, 2010, FHFA notified Freddie Mac there was a substantial probability of failing to meet its low-income multifamily goal. Freddie Mac responded on January 14, 2011, contending the goal was not feasible. In the *2010 Annual Housing Activity Report* Freddie Mac submitted to FHFA on March 15, 2011, the Enterprise reported its performance exceeded the goal by a narrow margin. FHFA's official performance figures later confirmed this. Since both Enterprises met the low-income multifamily goal, FHFA did not find it necessary to determine whether the goal was feasible.

E. Enterprise Performance on the 2010 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, and Urban Affairs of the House of Representatives.[4] 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.[5]

[4] 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 committee's name has changed, so the Enterprises now submit the annual housing activities reports to the Committee on Financial Services of the House of Representatives.

[5] See 12 C.F.R. § 1282.63.

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"[6] as part of the annual housing report. FHFA analyzed the loan-level data submitted with the Enterprises' annual housing activities reports for 2010 to determine their performance on the 2010 housing goals and subgoals. In several cases, performance fell short of the benchmark level. 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	27%	25.1%	27.8%
Very Low-Income Home Purchase	8%	7.2%	8.4%
Low-Income Areas Home Purchase Subgoal (excluding disaster areas)	13%	12.4%	10.8%
Low-Income Areas Home Purchase Goal (including disaster areas)	24%	24.1%	23.8%
Low-Income Refinance Goal	21%	20.9%	22.0%
Low-Income Multifamily Goals (units):			
Fannie Mae	177,750	214,997	NA
Freddie Mac	161,250	NA	161,500
Very Low-Income Multifamily Goals (units):			
Fannie Mae	42,750	53,908	NA
Freddie Mac	21,000	NA	29,656

Fannie Mae's performance exceeded the benchmark level on the low-income areas home purchase goal (including disaster areas). The Enterprise's performance exceeded both multifamily goals. However, Fannie Mae fell short of the benchmark levels for the low-income and very low-income home purchase goals, the low-income areas home purchase subgoal (excluding disaster areas), and the low-income refinance goal.

Freddie Mac's performance exceeded the benchmark levels on the low-income and very low-income home purchase goals and on the low-income refinance goal. The Enterprise's performance also exceeded both multifamily goals. However, Freddie Mac fell short of the benchmark levels for the low-income areas goal (including disaster areas) and subgoal (excluding disaster areas.)

Since 2009, Fannie Mae and Freddie Mac have participated in an initiative developed with FHFA, the U.S. Department of the Treasury and HUD to maintain the viability of state and local

[6] 12 U.S.C. § 4544(b)(2).

housing finance agency lending programs. Freddie Mac's performance on the single-family home purchase goals includes credit for the purchase of housing finance agency bonds under this initiative. Because of differences in the reporting requirements of the Enterprises, Fannie Mae's performance on the single-family home purchase goals does not include any credit for housing finance agency bonds. Freddie Mac's data showed that a substantial share of such housing finance agency mortgages counted toward the achievement of one or more housing goals. This is one of several reasons for the discrepancy between the Enterprises in goal performance.

F. HMDA Analysis of the Market for the 2010 Housing Goals

On October 25, 2011, FHFA notified the Enterprises about their official goal performance figures for 2010 (see Appendix A). For the single-family goals, FHFA calculated the goal-qualifying shares of conventional, conforming mortgages originated in 2010, based on analysis of HMDA data. The preliminary market figures are as follows:

Goal Category	Market Figure
Low-Income Home Purchase	27.2%
Very Low-Income Home Purchase	8.1%
Low-Income Areas Home Purchase Subgoal (excludes disaster areas)	12.1%
Low-Income Areas Home Purchase Goal (includes disaster areas)	24.0%
Low-Income Refinance Goal	21.5%

The market-based figures correspond very closely with the benchmark levels established in the September 14, 2010 housing goals rule. For the low-income home purchase goal, the very low-income home purchase goal, and the low-income refinance goal, the market figures exceeded the benchmark levels by 0.5 percentage point or less, while the market figure for the low-income areas home purchase goal was identical to the benchmark level at 24.0 percent. The low-income areas home purchase subgoal was the only instance in which the market-based figure (12.1 percent) was less than the benchmark level (13 percent). Freddie Mac's performance on this subgoal (10.8 percent) was below both the benchmark and the market-based levels. Fannie Mae's performance (12.4 percent) fell short of the benchmark, but exceeded the market-based figure.

FHFA gave each Enterprise an opportunity to comment on its goal performance and the market figures for 2010. After receipt of such information, FHFA will make final determinations regarding compliance on the single-family goals.

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.[7]

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 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.[8] Section 1335 also requires FHFA to establish by regulation for 2010 and beyond a method for evaluating and rating whether and how well the Enterprises have complied with the duty to serve underserved markets.[9]

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.[10] The proposed rule lists 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 gives the Enterprises flexibility in serving the affordable housing preservation and rural markets.

The proposed rule establishes a process for FHFA to evaluate and rate each Enterprise's compliance with the duty to serve each market. The proposed rule requires each Enterprise to submit to FHFA for review an underserved markets plan describing the steps the Enterprise would take to serve each market. Each Enterprise would be required 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.

In addition, the proposed rule requires each Enterprise to report its performance periodically to FHFA. The comment period for the proposed rule ended July 22, 2010, and FHFA received more than 3,900 comments. FHFA is working on a final regulation to implement the duty to serve.

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[7] 12 U.S.C. § 4544(b).
[8] See 12 U.S.C. § 4565.
[9] See 12 U.S.C. § 4565.
[10] 74 Fed. Reg. 38572 (August 4, 2009); 75 Fed. Reg. 32099 (June 7, 2010).

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.[11] 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.[12] 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 under section 1338 of the Act and 35 percent to fund the capital magnet 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.[13] In November 2008, FHFA determined that the Enterprises' affordable housing allocations would be suspended until further notice.[14]

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)."[15] 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.[16] 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.[17]

This section 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. Sections 1332 and 1333 require the Director to establish single-family and multifamily housing goals for 2010. However, the housing goals in effect for 2010 were established under sections

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[11] 12 U.S.C. § 4544(b).
[12] 12 U.S.C. § 4567.
[13] 12 U.S.C. § 4567(b).
[14] As reported in FHFA's *2008 Annual Report to Congress*, May 18, 2009, p. 81.
[15] 12 U.S.C. § 4544(b).
[16] 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).
[17] 12 U.S.C. § 4562(i).

1332 through1334 of the Safety and Soundness Act of 1992. 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 2010 performance year, FHFA treated loan modifications as purchases of refinanced mortgages for purposes of the low-income refinance goal. In 2009, loan modifications, including trial loan modifications, counted toward all three goals and home purchase subgoals in effect at the time. FHFA only counted loans modified in accordance with the Administration's Home Affordable Modification Program (HAMP).

Loan modifications improved performance on the low-income refinance goal for each Enterprise in 2010. 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 was 19.3 percent. Fannie Mae modified 63,478 loans (3.2 percent of total loan acquisitions) under HAMP in 2010, of which 44,343 (70 percent) were for low-income families. Fannie Mae's official performance on this goal was 20.9 percent, slightly short of the goal of 21 percent.

Freddie Mac's performance on the low-income refinance goal exclusive of loan modifications was 20.8 percent. Freddie Mac modified 37,411 loans (2.6 percent of total loan acquisitions) under HAMP in 2010, of which 25,244 (67 percent) were for low-income families. Freddie Mac's official performance on this goal was 22 percent, exceeding the goal of 21 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 they were established for, 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 Veterans Administration, now lead the market in making mortgage credit available.

Although the Enterprises' substantial market presence has been key to restoring market stability, neither company is capable of achieving the purposes established by law without the ongoing financial support provided by the U.S. Department of the Treasury. FHFA has projected a range of substantial cumulative draws in Treasury support under the Senior Preferred Stock Purchase Agreements through 2014. Reliance on Treasury backing will continue until legislation produces a final resolution to the Enterprises' future. 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.[18]

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 underserved 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 via HAMP or through refinancing 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 consistently and quickly to keep more 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 2009-2010 (see Appendix B).

[18] 12 U.S.C. § 4544(b).

IX. Enterprise Purchase 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."[19] 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."[20] Implementing those provisions requires FHFA to identify subprime and nontraditional mortgages acquired by the Enterprises.

The Interagency Expanded Guidance for Subprime Lending Programs issued in January 2001 by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of Thrift Supervision defines a subprime borrower as having one or more of the following:

- Two or more 30-day delinquencies in the last 12 months, or one or more 60-day delinquencies in the last 24 months;
- Judgment, foreclosure, repossession, or charge-off in the prior 24 months;
- Bankruptcy in the last 5 years;
- Relatively high default probability as evidenced by, for example, a credit bureau risk score (such as a FICO credit score)[21] of 660 or below (depending on the product/collateral), or other bureau or proprietary scores with an equivalent default probability likelihood; or
- Debt service to income ratio of 50 percent or greater, or otherwise limited ability to cover family living expenses after deducting total monthly debt service requirements from monthly income.[22]

The expanded guidance cautioned that the characteristics are "not exhaustive and may not match all market or institution-specific subprime definitions." Because of the lack of a standard definition, FHFA has elected to provide information on Enterprise acquisitions in 2010 of mortgages with credit scores[23] below 620 and between 620 and 659 (see Appendix C). Where information on multiple scores is available, FHFA used the lowest score of the primary borrower.

The 2006 Interagency Guidance for Nontraditional Mortgage Product Risks definition includes interest only and negative amortization loans but excludes home equity lines of credit.[24] An interest only mortgage allows the borrower to make monthly payments that only cover accrued interest. A negative amortization loan allows the borrower to make monthly payments that result in increases in the mortgage's unpaid principal balance. This report focuses on interest only and negative amortization mortgages acquired by Fannie Mae and Freddie Mac in 2010.

[19] 12 U.S.C. § 4544(b)(4).
[20] 12 U.S.C. § 4544(b)(5).
[21] FICO stands for Fair Isaac Corporation, which produces the most widely used credit score models.
[22] Available at www.federalreserve.gov/boarddocs/srletters/2001/sr0104a1.pdf.
[23] The credit scores were calculated using models developed by FICO.
[24] 71 Fed. Reg. 58609 (October 4, 2006).

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

Excluding second liens and reverse mortgages, Fannie Mae and Freddie Mac acquired $983 billion of single-family loans in 2010 (See Appendix C, tables C1a and C1b), a decrease of nearly 18 percent from the $1.159 trillion the Enterprises acquired in 2009. That total includes loans that collateralized mortgage-backed securities guaranteed by either Enterprise and loans purchased for cash.

Fully amortizing mortgages comprised all of the single-family loans acquired by the Enterprises in 2010. Fully amortizing fixed-rate mortgages accounted for 94.4 percent of combined acquisitions, down from 97.7 percent in 2009 (See Appendix C, tables C1a and C1b). Fully amortizing hybrid adjustable-rate mortgages accounted for 4.8 percent of 2010 acquisitions, up from 1.6 percent in 2009. Interest only mortgages accounted for 0.8 percent of combined acquisitions, up from 0.7 percent in 2009.

There was little change in the distribution of the loan-to-value ratios of single-family mortgages acquired by Fannie Mae and Freddie Mac in 2010 (See Appendix C, tables C2a and C2b). The combined share of loans with loan-to-value ratios above 95 percent rose from 2.2 percent in 2009 to 3.4 percent in 2010. Mortgages with loan-to-value ratios of 80 percent or below decreased from 89.9 percent of loans acquired in 2009 to 85.6 percent in 2010. Under the Enterprises' Charter Acts, mortgages purchased with loan-to-value ratios greater than 80 percent must have some form of credit enhancement, such as mortgage insurance, to protect against losses from defaults.

B. Acquisitions of Nontraditional Mortgages

The Enterprises acquired $120.3 million in interest only fixed-rate mortgages in 2010, down from $319.1 million in 2009. Acquisitions of interest only hybrid adjustable-rate mortgages totaled $7.65 billion, up from $7.5 billion in the previous year. In 2009, interest only fixed-rate mortgages represented 0.03 percent and interest only hybrid adjustable-rate mortgages represented 0.7 percent of combined Enterprise acquisitions. In 2010, interest only fixed-rate mortgages represented 0.01 percent and interest only hybrid adjustable-rate mortgages represented 0.8 percent of combined Enterprise acquisitions. Neither Enterprise acquired any negative amortization mortgages in 2010, 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 2010 (See Appendix C, tables C3a and C3b). The share of loans with credit scores below 620 rose from 0.6 percent in 2009 to 0.8 percent in 2010. Mortgages with credit scores between 620 and 659 rose from 2.0 percent of loans acquired in 2009 to 2.1 percent in 2010.

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" 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 FFIEC.

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 is 3 percent. For mortgage loans with an application date on or after October 1, 2009, the minimum rate spread that be reported by lenders for first liens is 1.5 percent.[26]

The HMDA rate spread definition has a logical relation to a loan's heightened cost because it is a rate spread, is simply 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 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 2010,[27] both Enterprises purchased and securitized first mortgages with an HMDA rate spread at or above 1.5 percent. Fannie Mae purchased and securitized a total of 13,841 first mortgages (with an unpaid principal balance of $2.08 billion). Of these total loans, 834 loans (with an unpaid principal balance of $139.9 million) were repurchased as of year end, and 13,007 loans (with an unpaid principal balance of

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

[26] www.ffiec.gov/ratespread/default.aspx.

[27] Because of the questionable value of the Enterprises' Home Mortgage Disclosure Act (HMDA) rate spread submissions for 2008-2009, FHFA has not done a comparative analysis of the Enterprises' high-cost securitized loans for those years.

$1.94 billion) were not repurchased as of year end. The 834 loans repurchased represent 6 percent of the total loans (6.7 percent of unpaid principal balance) with a validly identified rate spread purchased and securitized during 2010.

Freddie Mac purchased and securitized a total of 6,030 first mortgages (with an unpaid principal balance of $897.6 million) with an HMDA rate spread. Of these total loans, 75 loans (with an unpaid principal balance of $13.2 million) were repurchased as of year end, and 5,955 loans (with an unpaid principal balance of $884.4 million) were not repurchased as of year end. The 75 loans repurchased represent 1.2 percent of the total loans (1.5 percent of unpaid principal balance) with a validly identified rate spread purchased and securitized during 2010.

HMDA data for 2010 show "that the incidence of higher-priced lending across all products in 2010 was about 3.2 percent,"[28] with conventional home purchase first liens around 3.3 percent and conventional refinanced first liens around 1.3 percent.[29] Fannie Mae's acquisition of loans with a validly identified HMDA rate spread was far less at 0.9 percent for home purchase and 0.5 percent for refinance first liens. Freddie Mac's acquisition of loans with a validly identified HMDA rate spread was 0.4 percent for home purchase and 0.3 percent for refinance first liens.

Overall, the volume of the Enterprises' 2010 high-cost securitized loans is so small relative to the 2010 not high-cost securitized loans 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.

See Appendix D for tables showing FHFA's comparative analysis of 2010 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 that 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 is not released in an identifiable form and is 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, 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.

[28] www.federalreserve.gov/pubs/bulletin/2011/pdf/2010_HMDA.pdf, page 18.
[29] www.federalreserve.gov/pubs/bulletin/2011/pdf/2010_HMDA.pdf, page 60.

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 do monthly mortgage surveys during 2010. On June 1, 2010, following a competitive bidding process, FHFA awarded a contract to Five Bridges Advisors, LLC to assist FHFA with the monthly survey. Five Bridges delivered data to FHFA on mortgage originations for the months of June 2010 through May 2011. FHFA's analysis of that data showed it was not representative and its quality insufficient for FHFA to meet the requirements of Section 1324(c). FHFA held a second competitive bidding process in 2011 and is now evaluating the bids received.

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.[30] 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.[31] FHFA is required to publish the data by September 30 of the year following the year of the data.

FHFA has released this data to the public for 2010 through its Public Use Database, found on the agency's website (www.fhfa.gov).[32]

[30] See 12 U.S.C. §§ 4543, 4546.

[31] See 12 U.S.C. §§ 4544(b)(6), 4546(d). See Appendix D for the analysis of the high-cost securitized loans data for 2010.

[32] www.fhfa.gov/Default.aspx?Page=137. FHFA has not released high-cost securitized loans data for 2008 and 2009 because the Enterprises' HMDA rate spread submissions for 2008-2009 indicate that the rate spread field is of questionable value for those years because some lenders reported the actual APR to the Enterprises instead of the HMDA rate spread.

Appendix A

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 25, 2011

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

RE: Fannie Mae's Housing Goals Performance for 2010

Dear Mr. Williams:

The Federal Housing Finance Agency (FHFA) has reviewed Fannie Mae's performance under the Enterprise housing goals for 2010 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, the single-family housing goals include both a benchmark level and a market level determined by FHFA based on its analysis of Home Mortgage Disclosure Act 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 evaluated Fannie Mae's performance on the single-family housing goals based on the following numbers:

Single-Family Housing Goals	Benchmark level – 2010	Market level – 2010	Fannie Mae Official Performance Results – 2010
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%	21.5%	20.90%

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.

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Based on the above information, FHFA has determined that Fannie Mae achieved the low-income areas home purchase goal and subgoal for 2010. Although Fannie Mae came close to achieving the low-income refinance goal, FHFA has preliminarily determined that Fannie Mae failed to meet the low-income refinance goal, the low-income home purchase goal and the very low-income home purchase goal for 2010.

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. For 2010, those benchmark levels and Fannie Mae's official performance were as follows:

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

Based on this information, FHFA has determined that Fannie Mae achieved each of the multifamily housing goals for 2010.

Given that this is the first year under which FHFA utilized the benchmark or market level for the housing goals and that the Enterprises continue to operate under conservatorship, FHFA will not be requiring housing plans for goals that the Enterprises did not achieve. FHFA will undertake further analysis to better understand what factors are driving the deviations from market performance.

In terms of FHFA's final determination of compliance, under section 1336(b)(2) of the Safety and Soundness Act, Fannie Mae has 30 days to submit any written information that it wishes FHFA to consider in making a final determination about Fannie Mae's compliance with the single-family housing goals. In order to expedite its final determination, FHFA requests that Fannie Mae submit any such written information no later than November 4, 2011.

If you have any questions, please contact Brian Doherty, Manager, Housing and Regulatory Policy at 202-408-2991.

Sincerely,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 25, 2011

Mr. Charles E. Haldeman, Jr.
Chief Executive Officer
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3107

RE: Freddie Mac's Housing Goals Performance for 2010

Dear Mr. Haldeman:

The Federal Housing Finance Agency (FHFA) has reviewed Freddie Mac's performance under the Enterprise housing goals for 2010 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, the single-family housing goals include both a benchmark level and a market level determined by FHFA based on its analysis of Home Mortgage Disclosure Act data for 2010. 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 following numbers:

Single-Family Housing Goals	Benchmark level – 2010	Market level – 2010	Freddie Mac Official Performance Results – 2010
Low-Income Home Purchase Goal	27%	27.2%	27.84%
Very Low-Income Home Purchase Goal	8%	8.1%	8.42%
Low-Income Areas Home Purchase Goal	24%	24.0%	23.82%
Low-Income Areas Home Purchase Subgoal	13%	12.1%	10.81%
Low-Income Refinance Goal	21%	21.5%	22.03%

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.

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Based on the above information, FHFA has determined that Freddie Mac achieved the low-income home purchase goal, the very low-income home purchase goal, and the low-income refinance goal for 2010. Although Freddie Mac came close to achieving the low-income areas home purchase goal, FHFA has preliminarily determined that Freddie Mac failed to meet the low-income areas home purchase goal and subgoal for 2010.

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. For 2010, those benchmark levels and Freddie Mac's official performance were as follows:

Multifamily Housing Goals	Goal target – 2010	Freddie Mac Official Performance Results – 2010
Low-Income Multifamily Goal	161,250	161,500
Very Low-Income Multifamily Subgoal	21,000	29,656

On December 8, 2010, FHFA notified Freddie Mac of its determination that there was a substantial probability that Freddie Mac would fail to meet its low-income multifamily goal for 2010. By letter dated January 14, 2011, Freddie Mac submitted its own analysis of the feasibility of this goal and requested that FHFA find this goal infeasible for 2010. Based on subsequent analysis of Freddie Mac's multifamily purchases, FHFA has determined that Freddie Mac achieved both multifamily goals for 2010.

Given that this is the first year under which FHFA utilized the benchmark or market level for the housing goals and that the Enterprises continue to operate under conservatorship, FHFA will not be requiring housing plans for goals that the Enterprises did not achieve. FHFA will undertake further analysis to better understand what factors are driving the deviations from market performance.

In terms of FHFA's final determination of compliance, under section 1336(b)(2) of the Safety and Soundness Act, Freddie Mac has 30 days to submit any written information that it wishes FHFA to consider in making a final determination about Freddie Mac's compliance with the single-family housing goals. In order to expedite its final determination, FHFA requests that Freddie Mac submit any such written information no later than November 4, 2011.

If you have any questions, please contact Brian Doherty, Manager, Housing and Regulatory Policy, at 202-408-2991.

Sincerely,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

Appendix B

The following tables show various characteristics of mortgages purchased by Fannie Mae and by Freddie Mac, as determined by FHFA, and the corresponding characteristics of mortgages originated in the primary market, as determined by FHFA's analysis of HMDA data. The following tables reflect the Enterprises' overall mortgage acquisitions and are not compliant with the eligibility rules for the housing goals. Loans where information is 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, 20 percent of the refinance originations were made to low-income borrowers (less than or equal to 80 percent of area median income) in 2010. Fannie Mae's acquisitions consisted of 23 percent low-income borrowers. Freddie Mac's acquisitions consisted of 22 percent low-income.

Table B1. Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Borrower Income and Corresponding Shares of the Primary Mortgage Market

Borrower Income Ratio*	Home Purchase					
	2009			2010		
	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=50%	8.8%	11.2%	9.8%	8.1%	6.6%	7.7%
>50% to <=60%	6.5%	7.3%	6.7%	5.9%	5.0%	5.6%
>60% to <=80%	14.3%	15.0%	14.4%	13.2%	11.5%	12.4%
>80% to <=100%	13.1%	13.0%	13.1%	12.6%	11.3%	12.3%
>100% to <=120%	11.4%	10.7%	11.0%	11.3%	10.8%	11.1%
>120%	45.9%	42.7%	45.1%	49.0%	54.8%	50.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrower Income Ratio*	Refinance					
	2009			2010		
	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=50%	5.2%	6.2%	5.8%	5.3%	6.8%	6.1%
>50% to <=60%	4.3%	4.9%	4.5%	4.2%	4.9%	4.4%
>60% to <=80%	11.3%	11.9%	11.3%	10.7%	11.5%	11.1%
>80% to <=100%	12.7%	12.7%	12.5%	12.3%	12.1%	12.4%
>100% to <=120%	12.5%	12.1%	12.0%	12.2%	11.6%	12.1%
>120%	54.0%	52.3%	53.9%	55.4%	53.1%	53.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2009 and 2010 Enterprise and HMDA data.

*Borrower Income Relative to Area Median Income

Table B2 shows the distribution of mortgage loans by race and ethnicity of the borrower or borrowers. The Enterprises generally mirrored the market in 2010 when it came to lending to minority borrowers, however, their share of acquisitions of home purchase mortgages made to minority borrowers declined between 2009 and 2010. Each Enterprise increased its share of acquisitions of refinanced loans made to minority borrowers in 2010 from their 2009 share by 200 basis points.

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					
	2009			2010		
Race/Ethnicity of Borrower(s)	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
Hispanic	5.6%	9.9%	7.8%	5.3%	5.6%	4.1%
Amer.Ind./AK Native	0.3%	0.2%	0.2%	0.3%	0.2%	0.2%
Asian	9.9%	10.3%	8.6%	9.9%	11.8%	8.6%
African American	2.4%	4.9%	3.4%	2.4%	2.0%	1.6%
Native HI/Pac. Islander	0.3%	0.4%	0.3%	0.3%	0.3%	0.2%
White Alone	81.2%	74.0%	78.1%	81.5%	79.8%	83.6%
Two or More Races	0.3%	0.3%	1.6%	0.3%	0.3%	1.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Refinance					
	2009			2010		
Race/Ethnicity of Borrower(s)	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
Hispanic	3.9%	5.4%	4.2%	4.0%	5.8%	4.4%
Amer.Ind./AK Native	0.2%	0.2%	0.1%	0.2%	0.2%	0.1%
Asian	5.6%	5.8%	4.9%	6.7%	7.3%	6.1%
African American	2.1%	2.8%	2.1%	2.2%	3.1%	2.2%
Native HI/Pac. Islander	0.2%	0.4%	0.2%	0.2%	0.3%	0.2%
White Alone	87.7%	85.1%	87.0%	86.4%	83.0%	85.3%
Two or More Races	0.3%	0.3%	1.5%	0.3%	0.3%	1.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2009 and 2010 Enterprise and HMDA data.

Table B3 shows that mortgage acquisition distribution of the Enterprises by gender of borrower was similar to the distribution of mortgage originations in the primary market. A plurality of home purchase originations and acquisitions, a majority in Freddie Mac's case, were made to male and female co-borrowers. Nearly one-third of home purchase originations were made to male borrowers. Nearly 60 percent of refinance mortgage originations and acquisitions were made to male and female co-borrowers, with the remaining 40 percent split fairly evenly between all male and all female borrowers.

Table B3. Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Borrower Gender with Corresponding Shares of the Primary Mortgage Market

Gender of Borrower(s)	Home Purchase					
	2009			2010		
	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
All Male	30.9%	32.2%	30.7%	30.6%	29.8%	28.7%
All Female	22.9%	24.0%	22.8%	22.7%	21.5%	21.2%
Male and Female	46.2%	43.8%	46.5%	46.8%	48.6%	50.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gender of Borrower(s)	Refinance					
	2009			2010		
	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
All Male	21.5%	22.6%	21.9%	21.8%	22.9%	21.9%
All Female	17.3%	18.1%	17.2%	17.3%	18.2%	17.4%
Male and Female	61.3%	59.3%	60.9%	61.0%	58.9%	60.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2009 and 2010 Enterprise and HMDA data.

Table B4 shows the distribution of primary market originations and the Enterprises' acquisitions by minority population. Fannie Mae's share of acquisitions of mortgages on properties located in high minority census tracts (greater than or equal to 30 percent minority population) exceeded the primary market origination share in 2010 for both home purchase (24 percent versus 22 percent) and refinance (21 percent versus 18 percent), as they did similarly in 2009.

Freddie Mac basically matched the refinance market for lending in high minority areas in 2009 and 2010 and exceeded the home purchase market in such areas in 2009. Its share of acquisitions of mortgages on properties located in high minority areas was slightly less than the market in 2010.

Table B4. Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Tract Minority Percentage, and Corresponding Shares of the Primary Mortgage Market

Census Tract Minority Share of Population	Home Purchase					
	2009			2010		
	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<10%	39.8%	33.8%	38.9%	40.6%	36.8%	43.4%
>=10% to <20%	24.2%	23.8%	23.9%	24.4%	24.9%	24.7%
>=20% to <30%	13.0%	14.1%	13.0%	12.9%	14.1%	12.5%
>=30% to <50%	11.8%	13.5%	12.1%	11.5%	12.4%	10.7%
>=50% to <80%	7.6%	9.7%	8.2%	7.3%	8.2%	6.4%
>=80%	3.6%	5.1%	3.9%	3.3%	3.6%	2.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Census Tract Minority Share of Population	Refinance					
	2009			2010		
	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<10%	46.3%	42.9%	48.2%	45.3%	41.4%	46.4%
>=10% to <20%	24.8%	24.5%	24.0%	24.4%	24.4%	23.8%
>=20% to <30%	12.1%	12.5%	11.4%	12.3%	12.9%	11.9%
>=30% to <50%	9.5%	10.3%	9.0%	10.0%	10.9%	9.8%
>=50% to <80%	5.2%	6.5%	5.1%	5.7%	7.0%	5.7%
>=80%	2.2%	3.4%	2.3%	2.3%	3.5%	2.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2009 and 2010 Enterprise and Home Mortgage Disclosure Act data.

Table B5 shows that both Fannie Mae and Freddie Mac generally matched or exceeded the market in acquiring mortgages in census tracts where the median family income is less than or equal to that of area median income (low- and moderate-income census tracts as compared to either the metropolitan area median income or the nonmetropolitan statewide median income). In 2010, 29 percent of all home purchase mortgage originations in the primary market were made on properties located in low- and moderate-income tracts, while 28 percent of Fannie Mae's home purchase mortgage acquisitions and 29 percent of Freddie Mac's home purchases mortgage acquisitions were on properties located in such tracts. Likewise, 26 percent of refinance mortgage originations in the primary marked were on properties located in low- and moderate-income census tracts in 2010. This compares to 27 percent for both Fannie Mae and Freddie Mac.

Table B5. Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Tract Income Ratio, and Corresponding Shares of the Primary Mortgage Market

Census Tract Income Ratio*	Home Purchase					
	2009			2010		
	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=60%	2.7%	3.2%	2.6%	2.5%	2.6%	1.8%
>60% to <=80%	7.4%	8.5%	7.6%	6.9%	6.8%	6.3%
>80% to <=100%	20.5%	21.0%	21.3%	19.6%	18.6%	20.6%
>100% to <=120%	25.8%	25.9%	26.6%	25.5%	25.0%	27.0%
>120%	43.7%	41.4%	41.9%	45.5%	47.1%	44.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Census Tract Income Ratio*	Refinance					
	2009			2010		
	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=60%	1.2%	1.6%	1.2%	1.2%	1.6%	1.2%
>60% to <=80%	5.1%	5.8%	5.2%	5.1%	5.9%	5.2%
>80% to <=100%	19.5%	19.8%	20.6%	19.1%	19.4%	20.2%
>100% to <=120%	27.4%	27.3%	28.1%	27.1%	26.7%	28.1%
>120%	46.8%	45.4%	44.8%	47.4%	46.3%	45.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2009 and 2010 Enterprise and HMDA data.

*Median family income of the census tract relative to area median income

Appendix C

Table C1a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2009 and 2010 by Payment Type ($ in millions)[a]

	2009				2010			
Product Type	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total
Fixed-Rate Mortgages	$ 1,132,606.2	$ 319.1	$ -	$ 1,132,925.2	$ 927,847.2	$ 120.3	$ -	$ 927,967.5
ARMS -Traditional	$ 273.1	$ 104.4	$ -	$ 377.6	$ 549.9	$ 0.1	$ -	$ 550.0
-Hybrid	$ 18,685.7	$ 7,503.2	$ -	$ 26,188.9	$ 47,011.9	$ 7,650.5	$ -	$ 54,662.4
Balloon Mortgages	$ 26.4		$ -	$ 26.4	$ 6.1		$ -	$ 6.1
Other Mortgages[b]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 1,151,591.5	$ 7,926.7	$ -	$ 1,159,518.2	$ 975,415.1	$ 7,771.0	$ -	$ 983,186.1

Table C1b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2009 and 2010 by Payment Type (Percent)[c]

	2009				2010			
Product Type	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total
Fixed-Rate Mortgages	97.68%	0.03%	0.00%	97.71%	94.37%	0.01%	0.00%	94.38%
ARMS -Traditional	0.02%	0.01%	0.00%	0.03%	0.06%	0.00%	0.00%	0.06%
-Hybrid	1.61%	0.65%	0.00%	2.26%	4.78%	0.78%	0.00%	5.56%
Balloon Mortgages	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Mortgages[b]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	99.32%	0.68%	0.00%	100.00%	99.21%	0.79%	0.00%	100.00%

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

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

[b]Other and unidentified payment types.

[c]Percentages may be zero due to rounding.

Table C2a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2009 and 2010, by Payment Type and Loan-to-Value Ratio Group ($ in millions)[a]

	2009				2010			
Loan-to-Value Ratio Group	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total
0-70 Percent	$ 537,002.4	$ 4,525.3	$ -	$ 541,527.7	$ 419,195.4	$ 5,082.9	$ -	$ 424,278.3
70.1-80 Percent	$ 491,184.9	$ 3,200.0	$ -	$ 494,384.9	$ 397,344.5	$ 2,599.7	$ -	$ 399,944.3
80.1-95 Percent	$ 91,062.5	$ 155.8	$ -	$ 91,218.4	$ 105,803.9	$ 56.9	$ -	$ 105,860.8
>95 Percent	$ 25,643.0	$ 45.6	$ -	$ 25,688.6	$ 33,055.7	$ 31.4	$ -	$ 33,087.1
Total	$ 1,144,892.8	$ 7,926.7	$ -	$ 1,152,819.5	$ 955,399.5	$ 7,771.0	$ -	$ 963,170.4

Table C2b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2009 and 2010, by Payment Type and Loan-to-Value Ratio Group (Percent)[b]

	2009				2010			
Loan-to-Value Ratio Group	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total
0-70 Percent	46.6%	0.4%	0.0%	47.0%	43.5%	0.5%	0.0%	44.1%
70.1-80 Percent	42.6%	0.3%	0.0%	42.9%	41.3%	0.3%	0.0%	41.5%
80.1-95 Percent	7.9%	0.0%	0.0%	7.9%	11.0%	0.0%	0.0%	11.0%
>95 Percent	2.2%	0.0%	0.0%	2.2%	3.4%	0.0%	0.0%	3.4%
Total	99.3%	0.7%	0.0%	100.0%	99.2%	0.8%	0.0%	100.0%

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

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

[b]Percentages may be zero due to rounding.

Table C3a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2009 and 2010, by Payment Type and FICO Score Group ($ in millions)[a]

	2009				2010			
FICO Score Group	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total
0-619	$ 7,464.1	$ 12.7	$ -	$ 7,476.8	$ 7,853.1	$ 0.8	$ -	$ 7,853.9
620-659	$ 23,148.0	$ 81.6	$ -	$ 23,229.6	$ 20,871.0	$ 31.9	$ -	$ 20,902.9
660-719	$ 174,147.8	$ 965.9	$ -	$ 175,113.7	$ 144,913.3	$ 625.1	$ -	$ 145,538.4
720+	$ 945,319.6	$ 6,863.1	$ -	$ 952,182.8	$ 801,330.7	$ 7,113.0	$ -	$ 808,443.7
Total	$ 1,150,079.7	$ 7,923.3	$ -	$ 1,158,002.9	$ 974,968.1	$ 7,770.8	$ -	$ 982,738.9

Table C3b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2009 and 2010, by Payment Type and FICO Score Group (Percent)[b]

	2009				2010			
FICO Score Group	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total
0-619	0.6%	0.0%	0.0%	0.6%	0.8%	0.0%	0.0%	0.8%
620-659	2.0%	0.0%	0.0%	2.0%	2.1%	0.0%	0.0%	2.1%
660-719	15.0%	0.1%	0.0%	15.1%	14.7%	0.1%	0.0%	14.8%
720+	81.6%	0.6%	0.0%	82.2%	81.5%	0.7%	0.0%	82.3%
Total	99.3%	0.7%	0.0%	100.0%	99.2%	0.8%	0.0%	100.0%

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

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

[b]Percentages may be zero due to rounding.

Appendix D

The following tables show the number of 2010 high-cost loans in securities not held in portfolio compared to the number of 2010 high-cost loans in securities retained in portfolio at year end by each Enterprise (according to the previously listed characteristics).[33] These loan characteristics are further described in FHFA's September 28, 2011, Notice of Order.

Purchase Price. Table D1 shows the comparison of the high-cost securitized loans based on purchase price. The data indicate that the purchase 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 of 2010 High-Cost Securitized Loans

Purchase Price	Enterprise											
	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	11,328	87.1	724	86.8	12,052	87.1	5,541	93.0	60	80.0	5,601	92.9
> $417,000, <= $625,500	862	6.6	58	7.0	920	6.6	283	4.8	10	13.3	293	4.9
> $625,500, <= $729,750	212	1.6	15	1.8	227	1.6	45	0.8	1	1.3	46	0.8
> $729,750	586	4.5	35	4.2	621	4.5	86	1.4	4	5.3	90	1.5
Missing	19	0.1	2	0.2	21	0.2	0	0.0	0	0.0	0	0.0
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	100.0

[33] 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.

Combined Loan-to-Value Ratio. Table D2 shows the comparison of the high-cost securitized loans based on the combined loan-to-value ratio of the mortgages, including secondary liens. Since there were no securitized adjustable-rate mortgages retained on either Enterprise's portfolio, Table D2a shows the distribution based on combined loan-to-value ratio for securitized fixed-rate mortgages. The data indicate there was generally little difference in the distribution between securitized loans retained on portfolio and those not held on portfolio (with the exception of high-cost securitized loans with loan-to-value ratios of greater than 95 percent).

Table D2. Combined Loan-to-Value (LTV) Ratio of 2010 High-Cost Securitized Loans

Combined LTV (or LTV if missing)	Enterprise											
	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%, <= 60%	2,943	22.6	199	23.9	3,142	22.7	957	16.1	18	24.0	975	16.2
> 60%, <= 80%	6,926	53.2	381	45.7	7,307	52.8	2,399	40.3	37	49.3	2,436	40.4
> 80%, <= 90%	873	6.7	46	5.5	919	6.6	371	6.2	9	12.0	380	6.3
> 90%, <= 95%	682	5.2	35	4.2	717	5.2	415	7.0	2	2.7	417	6.9
> 95%	1,429	11.0	157	18.8	1,586	11.5	1,813	30.4	9	12.0	1,822	30.2
Missing	154	1.2	16	1.9	170	1.2	0	0.0	0	0.0	0	0.0
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	100.0

Table D2a. Combined Loan-to-Value (LTV) Ratio of 2010 High-Cost Securitized Fixed-Rate Loans

Combined LTV (or LTV if missing)	Enterprise											
	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%, <= 60%	2,510	21.1	199	23.9	2,709	21.3	941	16.0	18	24.0	959	16.1
> 60%, <= 80%	6,326	53.2	381	45.7	6,707	52.7	2,358	40.0	37	49.3	2,395	40.1
> 80%, <= 90%	821	6.9	46	5.5	867	6.8	370	6.3	9	12.0	379	6.3
> 90%, <= 95%	668	5.6	35	4.2	703	5.5	415	7.0	2	2.7	417	7.0
> 95%	1,423	12.0	157	18.8	1,580	12.4	1,812	30.7	9	12.0	1,821	30.5
Missing	153	1.3	16	1.9	169	1.3	0	0.0	0	0.0	0	0.0
Totals	11,901	100.0	834	100.0	12,735	100.0	5,896	100.0	75	100.0	5,971	100.0

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

Product Type. Table D3 shows the comparison of the high-cost securitized loans based on product type. Data indicate there were no high-cost securitized adjustable-rate mortgages retained in portfolio by either Enterprise.

Table D3. Product Type of 2010 High-Cost Securitized Loans

Product Type	Enterprise											
	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
Fixed Rate Mortgage	11,901	91.5	834	100.0	12,735	92.0	5,896	99.0	75	100.0	5,971	99.0
Adjustable-Rate Mortgage	1,105	8.5	0	0.0	1,105	8.0	59	1.0	0	0.0	59	1.0
Other	1	0.0	0	0.0	1	0.0	0	0.0	0	0.0	0	0.0
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	100.0

Term at Origination. Table D4 shows the comparison of high-cost securitized loans based on term at origination. Data indicate a far 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 Public Use Database, shows an identical distribution.

Table D4. Term at Origination of 2010 High-Cost Securitized Loans

Term at Origination	Enterprise											
	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	7,398	56.9	228	27.3	7,626	55.1	3,808	63.9	60	80.0	3,868	64.1
15 Years	4,078	31.4	303	36.3	4,381	31.7	1,767	29.7	15	20.0	1,782	29.6
All Others	1,531	11.8	303	36.3	1,834	13.3	380	6.4	0	0.0	380	6.3
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	100.0

Interest Rate at Origination. Tables D5 and D5a show the comparison of high-cost securitized loans based on interest rate at origination. 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. Loans with lower original mortgage interest rates tended to be retained in portfolio at year end.

Table D5. Interest Rate at Origination of 2010 High-Cost Securitized Loans

Interest Rate at Origination	Enterprise											
	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%	625	4.8	107	12.8	732	5.3	52	0.9	0	0.0	52	0.9
>= 4.0%, < 4.5%	1,875	14.4	220	26.4	2,095	15.1	287	4.8	16	21.3	303	5.0
>= 4.5%, < 5.0%	2,746	21.1	136	16.3	2,882	20.8	889	14.9	25	33.3	914	15.2
>= 5.0%, < 5.5%	2,558	19.7	164	19.7	2,722	19.7	1,545	25.9	11	14.7	1,556	25.8
>= 5.5%, < 6.0%	3,125	24.0	191	22.9	3,316	24.0	2,252	37.8	16	21.3	2,268	37.6
>= 6.0%, < 6.5%	1,394	10.7	15	1.8	1,409	10.2	695	11.7	3	4.0	698	11.6
>= 6.5%, < 7.0%	600	4.6	1	0.1	601	4.3	180	3.0	4	5.3	184	3.1
>= 7.0%, < 7.5%	44	0.3	0	0.0	44	0.3	10	0.2	0	0.0	10	0.2
>= 7.5%, < 8.0%	27	0.2	0	0.0	27	0.2	11	0.2	0	0.0	11	0.2
>= 8.0%	13	0.1	0	0.0	13	0.1	34	0.6	0	0.0	34	0.6
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	100.0

Table D5a. Interest Rate at Origination of 2010 High-Cost Securitized Fixed-Rate Loans												
Interest Rate at Origination	Enterprise											
	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%	425	3.6	107	12.8	532	4.2	17	0.3	0	0.0	17	0.3
>= 4.0%, < 4.5%	1,300	10.9	220	26.4	1,520	11.9	268	4.5	16	21.3	284	4.8
>= 4.5%, < 5.0%	2,502	21.0	136	16.3	2,638	20.7	885	15.0	25	33.3	910	15.2
>= 5.0%, < 5.5%	2,485	20.9	164	19.7	2,649	20.8	1,544	26.2	11	14.7	1,555	26.0
>= 5.5%, < 6.0%	3,114	26.2	191	22.9	3,305	26.0	2,252	38.2	16	21.3	2,268	38.0
>= 6.0%, < 6.5%	1,393	11.7	15	1.8	1,408	11.1	695	11.8	3	4.0	698	11.7
>= 6.5%, < 7.0%	598	5.0	1	0.1	599	4.7	180	3.1	4	5.3	184	3.1
>= 7.0%, < 7.5%	44	0.4	0	0.0	44	0.3	10	0.2	0	0.0	10	0.2
>= 7.5%, < 8.0%	27	0.2	0	0.0	27	0.2	11	0.2	0	0.0	11	0.2
>= 8.0%	13	0.1	0	0.0	13	0.1	34	0.6	0	0.0	34	0.6
Totals	11,901	100.0	834	100.0	12,735	100.0	5,896	100.0	75	100.0	5,971	100.0

Credit Score. Tables D6 and D6a show the comparison of high-cost securitized loans based on credit score. Data indicate that where credit scores were 760 or greater, securitized loans were retained on portfolio at a higher rate than those not held in portfolio. Where credit scores were below 700, securitized loans were retained in portfolio at a slightly lower rate than those not held in portfolio.

Table D6. Credit Score of 2010 High-Cost Securitized Loans												
Credit Score	Enterprise											
	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	271	2.1	12	1.4	283	2.0	574	9.6	2	2.7	576	9.6
620 - < 660	1,081	8.3	50	6.0	1,131	8.2	777	13.0	1	1.3	778	12.9
660 - < 700	2,131	16.4	113	13.5	2,244	16.2	1,266	21.3	15	20.0	1,281	21.2
700 - < 760	3,779	29.1	243	29.1	4,022	29.1	1,853	31.1	27	36.0	1,880	31.2
760 or Greater	5,732	44.1	415	49.8	6,147	44.4	1,476	24.8	30	40.0	1,506	25.0
Missing	13	0.1	1	0.1	14	0.1	9	0.2	0	0.0	9	0.1
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	100.0

Table D6a. Credit Score of 2010 High-Cost Securitized Fixed-Rate Loans												
Credit Score	Enterprise											
	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	271	2.3	12	1.4	283	2.2	574	9.7	2	2.7	576	9.6
620 - < 660	1,072	9.0	50	6.0	1,122	8.8	773	13.1	1	1.3	774	13.0
660 - < 700	2,092	17.6	113	13.5	2,205	17.3	1,263	21.4	15	20.0	1,278	21.4
700 - < 760	3,500	29.4	243	29.1	3,743	29.4	1,837	31.2	27	36.0	1,864	31.2
760 or Greater	4,954	41.6	415	49.8	5,369	42.2	1,440	24.4	30	40.0	1,470	24.6
Missing	12	0.1	1	0.1	13	0.1	9	0.2	0	0.0	9	0.2
Totals	11,901	100.0	834	100.0	12,735	100.0	5,896	100.0	75	100.0	5,971	100.0

Other Relevant Data. Additional relevant loan characteristics included for comparative analysis are borrower income ratio, tract income ratio, 2000 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 were more likely to be retained in portfolio than securitized loans to borrowers with incomes at 80 percent or less.

Table D7. Borrower Income Relative to Area Median Income of 2010 High-Cost Securitized Loans												
Borrower Income Ratio	Enterprise											
	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%	1,597	12.3	68	8.2	1,665	12.0	819	13.8	7	9.3	826	13.7
> 50%, <= 80%	3,627	27.9	153	18.3	3,780	27.3	1,881	31.6	18	24.0	1,899	31.5
> 80%	7,634	58.7	601	72.1	8,235	59.5	3,244	54.5	49	65.3	3,293	54.6
Not Applicable	149	1.1	12	1.4	161	1.2	11	0.2	1	1.3	12	0.2
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	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 2000 census tract median income to the 2000 local area median income. 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. Relative Income of Property Location of 2010 High-Cost Securitized Loans												
Tract Income Ratio	Enterprise											
	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%	2,331	17.9	89	10.7	2,420	17.5	1,087	18.3	10	13.3	1,097	18.2
> 80%, <= 120%	6,338	48.7	413	49.5	6,751	48.8	3,276	55.0	41	54.7	3,317	55.0
> 120%	4,328	33.3	330	39.6	4,658	33.7	1,586	26.6	24	32.0	1,610	26.7
Missing	10	0.1	2	0.2	12	0.1	6	0.1	0	0.0	6	0.1
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	100.0

2000 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 securitized loans retained in portfolio tended to be secured by properties located in census tracts with lower minority composition.

Table D9. Minority Composition of Property Location of 2010 High-Cost Securitized Loans												
Percent Minority in Census Tract	Enterprise											
	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%	4,020	30.9	292	35.0	4,312	31.2	2,148	36.1	27	36.0	2,175	36.1
>= 10%, < 30%	4,113	31.6	286	34.3	4,399	31.8	1,959	32.9	30	40.0	1,989	33.0
>= 30%	4,869	37.4	256	30.7	5,125	37.0	1,848	31.0	18	24.0	1,866	30.9
Missing	5	0.0	0	0.0	5	0.0	0	0.0	0	0.0	0	0.0
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	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. The opposite is true of Freddie Mac, although there are so few retained loans that a portfolio decision is likely made on other loan characteristics.

Table D10. Loan Purpose of 2010 High-Cost Securitized Loans

Loan Purpose	Enterprise											
	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	4,108	31.6	167	20.0	4,275	30.9	1,164	19.5	28	37.3	1,192	19.8
Refinance/Other	8,899	68.4	667	80.0	9,566	69.1	4,791	80.5	47	62.7	4,838	80.2
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	100.0

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

Table D11. Federal Guarantee on 2010 High-Cost Securitized Loans

Federal Guarantee?	Enterprise											
	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	12,853	98.8	818	98.1	13,671	98.8	5,940	99.7	75	100.0	6,015	99.8
Yes	154	1.2	16	1.9	170	1.2	15	0.3	0	0.0	15	0.2
Totals	13,007	100.0	834	100.0	13,841	100.0	5,955	100.0	75	100.0	6,030	100.0