



FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 30, 2009

Honorable Christopher Dodd
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

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

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

Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairmen and Ranking Minority Members:

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 2008 regarding Enterprise housing goal performance. It also reviews the status of rulemaking regarding housing goals for 2009 and future years. Finally, the report provides information on other specific aspects of FHFA or Enterprise activities as required by the Act. Should you or your staff have any questions regarding the matters covered by this report, please contact Nelson Hernandez, Senior Associate Director for Housing Mission and Goals at (202) 408-2983.

Sincerely,

A handwritten signature in black ink that reads "Edward J. DeMarco".

Edward J. DeMarco
Acting Director

Attachment



ANNUAL HOUSING REPORT

Prepared for

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

and

The Committee on Financial Services of the House of Representatives

OCTOBER 2009

I. INTRODUCTION

Section 1324 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), as amended by section 1125 of the Housing and Economic Recovery Act of 2008 (HERA), requires the Federal Housing Finance Agency (FHFA) to submit annually to Congress a report (Annual Housing Report) on the housing activities of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, Enterprises).¹ FHFA is required to submit the Annual Housing Report no later than October 30th of 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. This Annual Housing Report discusses the Enterprises' housing activities as outlined in section 1324.

II. MONTHLY MORTGAGE SURVEY

Section 1324(c) of the Safety and Soundness Act, as amended, requires FHFA to conduct a monthly survey of mortgage markets, make data derived from that survey available to the public in a timely manner, and use the data in preparing the Annual Housing Report. Significant portions of the information required for the Annual Housing Report, thus, must be obtained from the monthly survey of mortgage markets. 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 (home mortgages). Section 1324(c) further provides that FHFA shall ensure that the data made publicly available is not released in an identifiable form and is not otherwise obtainable from other, publicly available data sets.

With regard to specific data elements, section 1324(c)(2)(A) requires FHFA to collect information under the monthly survey on the characteristics of individual mortgages that are eligible and not eligible for Enterprise purchase. For each loan, the information must include: the price of the house securing the mortgage; the loan-to-value (LTV) ratio of the mortgage (including secondary financing); the terms of the mortgage; the creditworthiness of the borrower(s); and whether the mortgage, in the case of a conforming mortgage, was purchased by an Enterprise. In addition, section 1324(c)(2)(B) requires FHFA to collect information on the loan and borrower characteristics of subprime mortgages and non-traditional mortgages eligible for purchase by the Enterprises, including the creditworthiness of such borrowers and determination whether such borrowers would qualify for prime lending.

FHFA is now preparing to conduct the monthly survey required by section 1324(c). On February 15, 2009, FHFA issued a Request for Information (RFI) in order to solicit and survey the industry for potential sources that may have the technical capability to conduct the monthly survey. The RFI closed on March 13, 2009. On September 29, 2009, FHFA published a draft Request for Proposals (RFP) to implement the survey. FHFA anticipates publishing a final RFP,

¹ 12 U.S.C. § 4544.

receiving and evaluating proposals, and contracting with a vendor in time to begin conducting the survey in 2010.

FHFA intends that the monthly survey will provide representative samples, at the zip code level, of government-insured or -guaranteed mortgages, conventional mortgages that are not eligible for purchase by Fannie Mae and Freddie Mac by virtue of the amount of the principal balance at origination, and conventional mortgages that are eligible for purchase by Fannie Mae and Freddie Mac by virtue of such amount. FHFA also intends that survey data on mortgages originated each calendar month be available for release to the public within 30 days of the end of that month. If FHFA achieves those objectives, release of the results of the monthly survey will provide the public with data on home mortgage lending activity more frequently and in a timelier manner than does the public release of the data collected under the Home Mortgage Disclosure Act of 1975 (HMDA), which typically occurs in the September following the year in which lenders receive mortgage applications.

FHFA anticipates that future Annual Housing Reports will be based on the information derived from the monthly survey, and FHFA will fully analyze and identify the relevant data on the Enterprises' housing activities.

III. AFFORDABLE HOUSING GOALS

A. 2008 Housing Goals

Section 1324(b)(1)(A)(i) requires FHFA to discuss in the Annual Housing Report the extent to and manner in which each Enterprise is achieving the annual housing goals. Prior to HERA, the Safety and Soundness Act authorized the Department of Housing and Urban Development (HUD) to establish, monitor and enforce the affordable housing goals for the Enterprises. In November 2004, HUD issued regulations establishing affordable housing goal and subgoal levels for the Enterprises for 2005 through 2008. These goals generally increased over this four-year period. On July 30, 2008, HERA transferred the authority to establish, monitor, and enforce the affordable housing goals for the Enterprises from HUD to FHFA.²

1. Housing Goal Levels

The 2008 housing goal levels, expressed as a percentage of the total number of dwelling units financed by that Enterprise's mortgage purchases, were as follows:³

Low- and Moderate-Income (LM) Goal:	56 percent
Underserved Areas (UA) Goal:	39 percent
Special Affordable (SA) Goal:	27 percent

² See Division A, titled the "Federal Housing Finance Regulatory Reform Act of 2008," Title I, Section 1101 of HERA.

³ These goal categories are defined in Appendix A.

The 2008 home purchase subgoals, expressed as a percentage of the total number of single-family home purchase mortgages on owner-occupied homes in metropolitan areas financed by that Enterprise's mortgage purchases, were:

LM Home Purchase Subgoal:	47 percent
UA Home Purchase Subgoal:	34 percent
SA Home Purchase Subgoal:	18 percent

In 2004, HUD also established minimum dollar-based special affordable multifamily subgoals for each Enterprise. These were established at levels equal to 1.0 percent of the average annual aggregate dollar volume of total mortgage purchases by each Enterprise in a base period (2000, 2001 and 2002). The 2008 dollar-based special affordable multifamily subgoals for each Enterprise were:

Fannie Mae Special Affordable Multifamily Subgoal:	\$5.49 billion
Freddie Mac Special Affordable Multifamily Subgoal:	\$3.92 billion

2. Feasibility Determinations for 2008

The Enterprises are required to submit quarterly mortgage reports to FHFA to assist the Director in monitoring the Enterprises' housing goal activities.⁴ The mortgage report for the second quarter includes loan-level data on each mortgage purchased by the Enterprise in the first half of the year. Based on the mortgage reports FHFA received through the third quarter of 2008 and on FHFA's analysis of mortgage market conditions, on December 8, 2008, FHFA notified each Enterprise that there was a substantial probability that it would fail to meet the three 2008 home purchase subgoals, the 2008 low- and moderate-income goal, and the 2008 special affordable goal. FHFA provided the Enterprises with an opportunity to submit comments regarding the feasibility of the goals and subgoals.

Fannie Mae submitted its response regarding the feasibility of the 2008 goals and subgoals on January 7, 2009, and Freddie Mac did so on January 12, 2009. After considering the responses from the Enterprises and analyzing the condition of the housing market, FHFA determined that the underserved areas goal and the two special affordable multifamily subgoals were feasible, but that the three home purchase subgoals, the low- and moderate-income goal, and the special affordable goal were infeasible. By letters dated March 16, 2009, FHFA notified each Enterprise of its determinations.⁵ In determining the feasibility of the single-family goals, FHFA took into consideration such factors as the tightened underwriting standards for the Enterprises and others in the mortgage industry, the decreased availability of private mortgage insurance in the primary market, the sharp increase in the share of single-family mortgages insured by FHA and the sharp fall in the issuance of goals-qualifying private-label securities.

⁴ 24 C.F.R. § 81.62 (2008).

⁵ These letters are included as Appendix B.

3. Enterprise Performance on the 2008 Housing Goals

The Federal National Mortgage Association Charter Act and the Federal Home Loan Mortgage Corporation Act (collectively, Charter Acts) require Fannie Mae and Freddie Mac, respectively, to submit annual reports detailing their housing goal activities (AHARs) to FHFA, the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives.⁶ The AHARs include loan-level data on each mortgage purchased by the Enterprises. The Enterprises are required to submit these reports within 75 days after the end of each calendar year, generally by March 16th of each year.⁷

FHFA analyzed the loan-level data submitted with the Enterprises' AHARs for 2008 to determine their performance on the 2008 housing goals and subgoals. The results are as follows:

	<u>Fannie Mae</u>	<u>Freddie Mac</u>
Low- and Moderate Income Goal:	53.7 percent	51.5 percent
Underserved Areas Goal:	39.4 percent	37.7 percent
Special Affordable Goal:	26.4 percent	23.1 percent
LM Home Purchase Subgoal:	38.8 percent	39.3 percent
UA Home Purchase Subgoal:	30.4 percent	30.2 percent
SA Home Purchase Subgoal:	13.6 percent	15.1 percent
SA Multifamily Subgoals:	\$13.31 billion	\$7.49 billion

Fannie Mae exceeded the underserved area goal by 0.4 percent but failed to meet the low- and moderate-income and special affordable housing goals. Freddie Mac failed to meet all three overall housing goals. Both Enterprises' performance fell short of the three home purchase subgoals, but their performance exceeded their special affordable multifamily subgoals. FHFA notified the Enterprises of their official goal performance in letters dated June 11, 2009.⁸

4. 2008 HMDA Data and the Home Purchase Subgoals

In evaluating Enterprise performance toward the sub-goals, FHFA relies on data submitted in accordance with the Home Mortgage Disclosure Act of 1975 (HMDA). HMDA data fields include information on borrower income and property location, which are required to determine performance on the housing goals and subgoals.

HMDA exempts reporting for certain institutions with assets below certain thresholds and with no home or branch offices in metropolitan areas. In establishing the goals, HUD found evidence

⁶ 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 reports be submitted to the Committee on Banking, Finance and Urban Affairs of the House of Representatives. However, the Enterprises submit the AHARs to the Committee on Financial Services of the House of Representatives.

⁷ 24 C.F.R. § 81.63 (2008).

⁸ These letters are included as Appendix C. Each Enterprise had five working days to request reconsideration of FHFA's final determinations regarding official goal performance, but neither did so. Official goal performance figures for 2007, as determined by FHFA, were reported in FHFA's May 2009 *Annual Report to Congress*.

to suggest that the share of primary mortgage market lending reported in accordance with HMDA is much higher for properties in metropolitan areas than for properties in nonmetropolitan areas. Therefore, in 2004, HUD restricted the applicability of the home purchase subgoals to metropolitan areas. The limitation of the subgoals to acquisitions of home purchase mortgages on properties in metropolitan areas helps to provide comparability with mortgage lending patterns in the primary mortgage market as reported by loan originators in accordance with HMDA.

The 2008 housing subgoals, expressed as a percentage of the total number of dwelling units financed by that Enterprise's mortgage purchases, specify the minimum percentages of home purchase mortgages on properties in metropolitan areas that the Enterprises must purchase in order to count toward the low- and moderate-income, underserved areas, and special affordable housing goals. Only Enterprise purchases of mortgages on owner-occupied properties are eligible to count towards the subgoals. In addition, only one owner-occupied unit is taken into account in calculating subgoal performance, even if the property contains more than one owner-occupied unit.

In late September 2009, the Federal Financial Institutions Examination Council (FFIEC) released HMDA data for 2008. FHFA has analyzed this data and estimates that the goal-qualifying shares of home purchase mortgages on single-family owner-occupied homes in metropolitan areas were as follows:

- Low- and Moderate-Income Home Purchase Subgoal: 39-40 percent of such mortgages qualified for the low- and moderate-income home purchase subgoal in 2008, well below the low- and moderate-income home purchase subgoal of 47 percent;
- Underserved Areas Home Purchase Subgoal: 29-30 percent of such mortgages qualified for the underserved areas home purchase subgoal in 2008, well below the underserved areas home purchase subgoal of 34 percent; and
- Special Affordable Home Purchase Subgoal: 14-15 percent of such mortgages qualified for the special affordable home purchase subgoal in 2008, well below the special affordable home purchase subgoal of 18 percent.

Thus, for every category, the goal-qualifying share of home purchase mortgages on properties in metropolitan areas in the primary mortgage market was well below the corresponding home purchase subgoal in 2008. This is consistent with FHFA's determination to declare the three home purchase subgoals for 2008 infeasible.

B. Transactions and Activities Pursuant to Section 1331(b)(2)

Section 1324(b)(1)(A)(iv) requires FHFA to discuss in the Annual Housing Report the extent to and manner in which “each [E]nterprise received credit towards achieving each of its goals resulting from a transaction or activity pursuant to section 1331(b)(2).” However, section 1331(b)(2) does not exist in the Safety and Soundness Act, as amended. It is not clear what section Congress intended to reference with this provision.

C. 2009 Housing Goals

The Safety and Soundness Act, as amended, includes a transitional provision for the 2009 affordable housing goals. Specifically, section 1331(c) provides that the 2008 housing goals shall remain in effect for 2009 and directs FHFA to review the goal levels for 2009 to determine their feasibility given current market conditions, and after seeking public comment, make appropriate adjustments consistent with the market conditions.⁹

After evaluating market conditions and seeking public comment, and in light of continued deterioration in market conditions and an unexpectedly high volume of refinance mortgages obtained by higher-income borrowers, FHFA determined that all of the goal and home purchase subgoal levels and the housing goal and subgoal levels should be reduced for 2009. On May 1, 2009, FHFA published a proposed rule revising the overall 2009 housing goals and the 2009 home purchase subgoals.¹⁰ Following review of the comments on the proposed rule and an updated analysis of mortgage market conditions, on August 10, 2009, FHFA published a final rule establishing the 2009 housing goal levels as follows:¹¹

- Lowered the existing low- and moderate-income goal from 56 percent to 43 percent
- Lowered the existing underserved areas goal from 39 percent to 32 percent
- Lowered the existing special affordable goal from 27 percent to 18 percent
- Lowered the existing low- and moderate-income home purchase subgoal from 47 percent to 40 percent
- Lowered the existing underserved areas home purchase subgoal from 34 percent to 30 percent
- Lowered the existing special affordable home purchase subgoal from 18 percent to 14 percent

However, because of the severe curtailment of secondary market financing for multifamily properties from other sources, FHFA modestly increased the existing special affordable multifamily subgoals for the Enterprises—for Fannie Mae, from \$5.49 billion to \$6.56 billion, and for Freddie Mac, from \$3.92 billion to \$4.60 billion. The 2009 special affordable multifamily subgoals are well below the Enterprises’ actual performance on these subgoals in recent years. However, due to conditions in the multifamily market, the subgoals will be challenging for the Enterprises to meet.

⁹ 12 U.S.C. § 4561(c).

¹⁰ 74 Fed. Reg. 20236 (May 1, 2009).

¹¹ 74 Fed. Reg. 39873 (Aug. 10, 2009).

D. 2010 Housing Goals

Sections 1331 to 1333 of the Safety and Soundness Act, as amended, require the Director to establish for 2010 and each year thereafter, four annual single-family housing goals and one annual multifamily special affordable housing goal, as identified in those sections.¹² This represents a significant change in the structure of the housing goals in effect from 2004 to 2009. FHFA is currently developing a regulation through the rulemaking process to implement these statutory requirements.

Specifically, there are no longer any overall goals covering mortgages financed for all property types (single-family and multifamily combined), property uses (owner- and renter-occupied combined), and purposes (purchase and refinance combined). Rather, there are separate goals for multifamily and single-family properties, and within the single-family category, separate goals for home purchase and refinance mortgages. Further, Enterprise purchases of mortgages on investor-owned single-family (1-4 unit) properties are excluded from all goals, although FHFA intends to continue to monitor Enterprise purchases of such mortgages because these units constitute an important source of affordable rental housing.

Single-Family Goals. Under section 1332, there are three goal categories for Enterprise acquisitions of single-family purchase money mortgages financing units for owner-occupied housing. These are:

- **Low-income families**—defined as families with incomes no greater than 80 percent of Area Median Income (AMI).
- **Families in low-income areas**—defined as families residing in census tracts or block numbering areas in which the median income does not exceed 80 percent of AMI for the area in which such census tract or block numbering area is located, and shall include families with incomes not greater than 100 percent of AMI who reside in minority census tracts (defined as tracts with a minority population of at least 30 percent in the 2000 Census and a median family income of less than 100 percent of the area family median income), and shall include families with incomes not greater than 100 percent of AMI who reside in designated disaster areas.
- **Very low-income families**—defined as families with incomes no greater than 50 percent of AMI.

In addition, section 1332 requires the establishment of a refinance goal for low-income families. Each purchase-money and refinance goal is required to be established as a percentage of total acquisitions of purchase money or refinance mortgages for each Enterprise. There is a further requirement for each Enterprise to report annually on its financing of low-income rental units in 2-4 unit properties containing at least one owner-occupied unit.

¹² 12 U.S.C. §§ 4561-4563.

Multifamily Goal. Section 1333 requires the establishment of a multifamily goal for Enterprise purchases of mortgages on multifamily housing that finance dwelling units affordable to low-income families. The goal may be established in terms of minimum dollar volume (as was the case for the special affordable multifamily subgoals set by HUD) or in terms of minimum number of such units financed.

Section 1333 further requires FHFA to establish “additional requirements” for the purchase by each Enterprise of mortgages on multifamily housing that finance units affordable to very low-income families.

In addition, section 1333 requires each Enterprise to report on its financing of low-income units in small multifamily properties, which may be defined as properties with 5 to 50 units or with loan amounts of up to \$5 million.

FHFA expects to issue a proposed rule on the 2010 affordable housing goals by the end of the fourth quarter of 2009.

IV. DUTY TO SERVE UNDERSERVED MARKETS

A. Introduction

Section 1324(b)(1)(A)(ii) requires FHFA to discuss in the Annual Housing Report the extent to and manner in which each Enterprise is complying with its duty to serve underserved markets, as required under section 1335 of the Safety and Soundness Act, as amended. Section 1335 establishes a duty for the Enterprises to serve three underserved markets -- manufactured housing, affordable housing preservation, and rural areas -- in order to increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing in those markets.¹³ Section 1335 requires FHFA, beginning in 2010, to establish a manner for: (1) evaluating whether and to what extent the Enterprises have complied with the duty to serve underserved markets; and (2) rating the extent of such compliance.

B. Rulemaking

1. Advance Notice of Proposed Rulemaking

To assist FHFA in rulemaking to implement the duty to serve underserved markets, on August 4, 2009, FHFA published an Advance Notice of Proposed Rulemaking (ANPR) seeking comment on: (1) the characteristics and types of Enterprise transactions and activities that should be considered; and (2) how such transactions and activities should be evaluated and rated, for purposes of determining the Enterprises’ performance of the duty to serve underserved markets.¹⁴

¹³ 12 U.S.C. § 4565.

¹⁴ 74 Fed. Reg. 38572 (Aug. 4, 2009).

FHFA solicited comment on a variety of matters related to the duty to serve underserved markets. With respect to the manufactured housing market, FHFA sought input on the types of manufactured housing financing that should be considered for the duty to serve, such as financing for personal property loans, land home loans, and manufactured home parks. FHFA staff also met with several organizations and sent representatives to Texas, Tennessee, and Wisconsin to gather first-hand information about manufactured housing practices and needs.

With respect to the affordable housing preservation market, section 1335(b) enumerates nine affordable housing programs in which the Enterprises are required to assist. FHFA sought comment on how the Enterprises could assist these programs, as well as comment on other state and local affordable housing programs, including foreclosure prevention programs, that could be considered for the duty to serve the affordable housing preservation market.

With regard to the duty to serve rural markets, FHFA sought comment on definitions for “rural.” FHFA also solicited comment on the types of transactions and activities that should receive consideration toward the duty to serve rural markets, and on opportunities available for the Enterprises to assist private sector initiatives for rural housing. In addition, FHFA met with the U.S. Department of Agriculture regarding how the Enterprises could assist its rural housing programs.

As discussed above, FHFA must establish a manner for evaluating whether and to what extent the Enterprises have complied with the duty to serve underserved markets and for rating the extent of compliance. FHFA requested comment on how to size each market and on a rating method for evaluating Enterprise compliance.

In response to the ANPR, FHFA received 100 comment letters from a wide array of market participants, including consumers, non-profit organizations, advocacy organizations, lenders, manufacturers, dealerships, and investors, as well as from Fannie Mae and Freddie Mac. Most of the comments addressed manufactured housing issues. Advocacy and homeowner organizations highlighted the need for protections for borrowers. FHFA also received comments suggesting how the Enterprises could assist in preserving affordable housing and how FHFA should evaluate Enterprise performance in rural markets.

2. Proposed and Final Rules

FHFA expects to issue a proposed rule on the duty to serve underserved markets by the end of the fourth quarter of 2009. Beginning in 2010, FHFA will evaluate and rate the Enterprises’ compliance with the duty to serve the three underserved markets and report the results to Congress in future Annual Housing Reports.

V. AFFORDABLE HOUSING ALLOCATIONS

Section 1324(b)(1)(A)(iii) requires FHFA to discuss in the Annual Housing Report the extent to and manner in which each Enterprise is complying with the affordable housing allocation requirements under section 1337. Section 1337 requires each Enterprise to set aside in each fiscal year an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of its total new business purchases.¹⁵ Each Enterprise is required to allocate or transfer 65 percent of this amount to fund the Housing Trust Fund established under section 1338 of the Safety and Soundness Act, as amended, and 35 percent to fund the Capital Magnet Fund established under section 1339 of the Safety and Soundness Act, as amended.

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

VI. ADDITIONAL ACTIONS BY THE ENTERPRISES

Section 1324(b)(1)(B) requires FHFA to discuss in the Annual Housing Report the actions that each Enterprise could undertake to promote and expand their purposes.

On September 7, 2008, the Director of FHFA appointed FHFA as conservator of the Enterprises in accordance with the Safety and Soundness Act, as amended, to maintain the Enterprises in a safe and sound financial condition. The Enterprises remain under conservatorship as of the date of this report.

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.

In addition, the Enterprises should, where appropriate and feasible, assist in meeting the needs of state and local housing finance agencies (HFAs). On October 19, 2009, FHFA announced, with the Treasury Department and HUD, an initiative to support the HFAs through a new bond purchase program to support new lending by HFAs and a temporary credit and liquidity program to improve the access of HFAs to liquidity for outstanding HFA bonds. Fannie Mae and Freddie Mac play a strong role in this program, which will help support low mortgage rates and expand resources for low and middle income borrowers to purchase or rent homes that are affordable over the long term.

¹⁵ 12 U.S.C. § 4567.

¹⁶ 12 U.S.C. § 4567(b).

¹⁷ As reported in FHFA's *Annual Report to Congress*, May 18, 2009, p. 81.

The Enterprises should and do lead the market in efforts to help troubled borrowers remain in their homes through modification of loans that the Enterprises own or guarantee and are modified under the Administration's Making Home Affordable Program. Together, the Enterprises have refinanced over 260,000 loans under the refinance program and have helped over 280,000 homeowners with trial modifications under the modification program as of August 2009.

VII. PUBLIC ACCESS TO MORTGAGE INFORMATION

Section 1323 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, with an exception for excluding proprietary information.¹⁸ The data are made available to the public through a public use database (PUDB). Pursuant to an understanding with FHFA, in January 2009, HUD released the data for 2007 on HUD's website.¹⁹

HERA amended section 1323 and transferred the authority for releasing the data to the public from HUD to FHFA and added two new provisions to the data requirements. First, FHFA is required to make available to the public data elements required to be reported under HMDA at the census tract level. Second, FHFA is required to publish the data by September 30th of the year following the year to which the data relates.

In light of the transfer of the authority to release the data to the public to FHFA from HUD, the new data reporting requirements and the need to provide the Enterprises adequate time to comment on the new data elements, FHFA expects to issue the 2008 data to the public in the fourth quarter of 2009. This information will be available on FHFA's website. FHFA anticipates that in the future it will release the public data prior to September 30th of the year following the year to which the data relates.

Appendices A, B, C (attached)

¹⁸ 12 U.S.C. § 4543.

¹⁹ Available on the HUD User Web site, <http://www.huduser.org/datasets/gse.html>.

Appendix A
Brief Definitions of Housing Goal Categories

Low- and moderate-income: Households with incomes less than or equal to area median income (AMI).

Underserved Areas: Dwelling units in metropolitan census tracts with (1) tract median family income less than or equal to 90 percent of AMI or (2) minority population of at least 30 percent **and** tract median family income less than or equal to 120 percent of AMI. Census tract incomes and minority population shares are based on data from the 2000 census. A similar definition applies to census tracts in nonmetropolitan counties and micropolitan areas, but where the cutoff for AMI is 95 percent of the greater of the state or nationwide nonmetropolitan median income.

Special Affordable: Households with income (1) less than or equal to 60 percent of AMI or (2) less than or equal to 80 percent of AMI and living in low-income areas (tract median income at or below 80 percent of AMI.)

For the low- and moderate-income and special affordable goals, AMI is median income for the metropolitan area for borrowers in MSAs, and the greater of county or state nonmetro median income for borrowers outside metropolitan areas.

Appendix B



FEDERAL HOUSING FINANCE AGENCY Office of the Director

March 16, 2009

Mr. John Koskinen
Interim Chief Executive Officer
Freddie Mac
8200 Jones Bridge Road
McLean, VA 22102-3107

Re: Final Feasibility Determination on 2008 Housing Goals Compliance

Dear Mr. Koskinen

In accordance with section 1336(b) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), the Federal Housing Finance Agency (FHFA) hereby notifies Freddie Mac of its final determination that there is a substantial probability of failure by Freddie Mac to meet its low- and moderate-income housing goal, special affordable housing goal, underserved areas goal, and three home purchase subgoals for 2008. The FHFA has also determined, however, that achievement of these goals and subgoals was not feasible. Accordingly, Freddie Mac is not required to submit a housing plan to FHFA pursuant to section 1336(c) of the Safety and Soundness Act.

Pursuant to section 1336(b) and implementing regulations, FHFA notified Freddie Mac on December 8, 2008 of its determination that there was a substantial probability that Freddie Mac would fail to meet its two income-based housing goals -- the low- and moderate-income housing goal and special affordable housing goal -- for 2008. The letter also notified Freddie Mac of FHFA's determination that there was a substantial probability that Freddie Mac would fail to meet all three of its home purchase subgoals for 2008 -- the low- and moderate-income home purchase subgoal, the underserved areas home purchase subgoal, and the special affordable home purchase subgoal. FHFA further stated that it had not determined the probability that Freddie Mac would fail to achieve its underserved areas goal for 2008.

By letter dated January 12, 2009, Freddie Mac responded that achievement of its goals and subgoals, including the underserved areas goal, for 2008 was unlikely. Freddie Mac subsequently notified FHFA that it had exceeded its 2008 multifamily special affordable subgoal of \$3.92 billion. Freddie Mac requested that FHFA find the three housing goals and three home purchase subgoals infeasible for 2008, citing reasons for its conclusions about the infeasibility of these goals and subgoals.

Based on recent analysis, FHFA has made a final determination that there is a substantial probability of Freddie Mac's failure to meet the three housing goals and three home purchase subgoals for 2008. In determining whether these goals and subgoals were infeasible, FHFA took into consideration, with regard to the single-family mortgage market, the tightened underwriting standards adopted by Freddie Mac and others in the mortgage industry, the decreased availability of private mortgage insurance in the primary market, the sharp increase in the share of single-family mortgages insured by the Federal Housing Administration, the decrease in the goal-qualifying shares of conventional mortgages since the Department of Housing and Urban Development (HUD) established the 2008 goals in November 2004, and the sharp fall in the issuance of goal-rich private-label securities. With regard to Freddie Mac's purchases of multifamily mortgages, FHFA considered the decrease in the multifamily share of units financed by Freddie Mac in 2008, and the collapse of the Commercial Mortgage-Backed Securities market. FHFA also took into account the financial condition of Freddie Mac in 2008.

FHFA does not believe that there is conclusive evidence that the 2008 underserved areas goal for Freddie Mac was infeasible from a market point of view. Freddie Mac's performance on this goal, as determined by HUD, was 42.3 percent in 2005, 42.7 percent in 2006, and 43.1 percent in 2007, significantly above the 2008 goal of 39 percent. FHFA believes that, while the housing market and economic conditions discussed in the preceding paragraph made it difficult for Freddie Mac to meet the underserved areas goal, these conditions did not make the goal infeasible. FHFA has considered Freddie Mac's financial condition. FHFA placed Freddie Mac into conservatorship in September 2008, and Freddie Mac has drawn substantial sums under the preferred stock agreement with the Department of the Treasury. In light of the adverse financial condition of Freddie Mac in 2008, FHFA has determined that the underserved area goal, in retrospect, might be seen as a stretch goal, but not an infeasible goal.

In the economic analysis accompanying its final housing goals rule for 2005-08, HUD stated that even though the housing goals and subgoals levels were based on market share ranges that covered more adverse economic and market affordability conditions than existed at that time, changing economic conditions could decrease the goal-qualifying shares of the conventional mortgage market during 2005-08. FHFA has determined that actual economic conditions in 2008 limited the relative number of mortgages qualifying for the two income-based goals and three home purchase subgoals. Based on the housing market and economic conditions in 2008, FHFA has concluded that achievement by Freddie Mac of the low- and moderate-income housing and special affordable housing goals and three home purchase subgoals was not feasible in 2008. Based on Freddie Mac's financial condition in 2008, FHFA has concluded that achievement by Freddie Mac of the underserved areas goal was feasible, but challenging, in 2008. Accordingly, FHFA has determined that Freddie Mac is not required to submit a housing plan to FHFA pursuant to section 1336(c) of the Safety and Soundness Act.

FHFA anticipates receiving Freddie Mac's 2008 Annual Housing Activities Report, goal performance tables, and loan-level data no later than March 16, 2009, and FHFA will determine Freddie Mac's official 2008 housing goals and subgoals performance later this year. FHFA will also continue its ongoing discussions with Freddie Mac regarding its plans to meet the 2009 goals, including the underserved areas goal.

Sincerely,



Edward J. DeMarco
Chief Operating Officer
Senior Deputy Director for Housing Mission and Goals

xc: The Honorable Christopher J. Dodd
Chairman, Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Barney Frank
Chairman, Committee on Financial Services
U. S. House of Representatives

Robert Y. Tsien, CFA
Senior Vice President for Mission Oversight & Development
Freddie Mac



FEDERAL HOUSING FINANCE AGENCY
Office of the Director

March 16, 2009

Mr. Herb Allison
Chief Executive Officer
Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, DC 20016-2892

Re: Final Feasibility Determination on 2008 Housing Goals Compliance

Dear Mr. Allison:

In accordance with section 1336(b) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), the Federal Housing Finance Agency (FHFA) hereby notifies Fannie Mae of its final determination that there is a substantial probability of failure by Fannie Mae to meet its low- and moderate-income housing goal, special affordable housing goal, and three home purchase subgoals for 2008. The FHFA has also determined, however, that achievement of these goals and subgoals was not feasible. Accordingly, Fannie Mae is not required to submit a housing plan to FHFA pursuant to section 1336(c) of the Safety and Soundness Act.

Pursuant to section 1336(b) and implementing regulations, FHFA notified Fannie Mae on December 8, 2008 of its determination that there was a substantial probability that Fannie Mae would fail to meet its two income-based housing goals – the low- and moderate-income housing goal and special affordable housing goal -- for 2008. The letter also notified Fannie Mae of FHFA's determination that there was a substantial probability that Fannie Mae would fail to meet all three of its home purchase subgoals for 2008 -- the low- and moderate-income home purchase subgoal, the underserved areas home purchase subgoal, and the special affordable home purchase subgoal. FHFA further stated that it had not determined the probability that Fannie Mae would fail to achieve its underserved areas goal for 2008.

By letter dated January 7, 2009, Fannie Mae responded that while it had not yet determined its final 2008 scores on the goals and subgoals, it agreed that there was a substantial probability that it would fail to achieve its two income-based housing goals and three home purchase subgoals for 2008. Fannie Mae also stated that it expected to meet its underserved areas goal for 2008, and that it had already exceeded its 2008 multifamily special affordable subgoal of \$5.49 billion. Fannie Mae requested that FHFA find the two income-based housing goals and three home purchase subgoals infeasible for 2008, citing reasons for its conclusions about the infeasibility of these goals and subgoals.

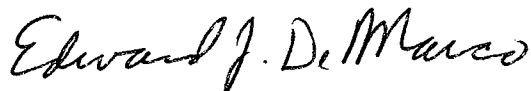
Based on recent analysis, FHFA has made a final determination that there is a substantial probability of Fannie Mae's failure to meet the two income-based goals and three home purchase subgoals for 2008. In determining whether the two goals and three subgoals were infeasible,

FHFA took into consideration, with regard to the single-family mortgage market, the tightened underwriting standards adopted by Fannie Mae and others in the mortgage industry, the decreased availability of private mortgage insurance in the primary market, the sharp increase in the share of single-family mortgages insured by the Federal Housing Administration, the decrease in the goal-qualifying shares of conventional mortgages since the Department of Housing and Urban Development (HUD) established the 2008 goals in November 2004, and the sharp fall in the issuance of goal-rich private-label securities. With regard to Fannie Mae's purchases of multifamily mortgages, FHFA considered the decrease in the multifamily share of units financed by Fannie Mae in 2008, and the collapse of the Commercial Mortgage-Backed Securities market. FHFA also took into account the financial condition of Fannie Mae in 2008.

In the economic analysis accompanying its final housing goals rule for 2005-08, HUD stated that even though the housing goals and subgoals levels were based on market share ranges that covered more adverse economic and market affordability conditions than existed at that time, changing economic conditions could decrease the goal-qualifying shares of the conventional mortgage market during 2005-08. FHFA has determined that actual economic conditions in 2008 limited the relative number of mortgages qualifying for the two income-based goals and three home purchase subgoals. Based on the housing market and economic conditions and Fannie Mae's financial condition in 2008, FHFA has concluded that achievement by Fannie Mae of the low- and moderate-income housing and special affordable housing goals and three home purchase subgoals was not feasible in 2008. Accordingly, Fannie Mae is not required to submit a housing plan to FHFA pursuant to section 1336(c) of the Safety and Soundness Act.

FHFA anticipates receiving Fannie Mae's 2008 Annual Housing Activities Report, goal performance tables, and loan-level data no later than March 16, 2009, and FHFA will determine Fannie Mae's official 2008 housing goals and subgoals performance later this year.

Sincerely,



Edward J. DeMarco
Chief Operating Officer
Senior Deputy Director for Housing Mission and Goals

xc: The Honorable Christopher J. Dodd
Chairman, Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Barney Frank
Chairman, Committee on Financial Services
U. S. House of Representatives

Appendix C



Federal Housing Finance Agency

1625 Eye Street, N.W., Washington, D.C. 20006-4065

Telephone: (202) 408-2500

Facsimile: (202) 408-1435

www.fhfa.gov

June 11, 2009

Mr. John Koskinen
Interim Chief Executive Officer
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3110

VIA COURIER and FAX

Dear Mr. Koskinen:

The Federal Housing Finance Agency (FHFA) has completed its review of Freddie Mac's Annual Housing Activities Report and Annual Mortgage Report for 2008, including computerized loan-level data that are required to be submitted with this report.

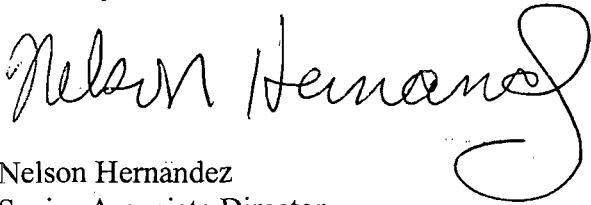
In accordance with 24 CFR § 81.102(c)(4), the FHFA hereby notifies Freddie Mac that it intends to release to the public, after five working days from the date of this letter, the following official housing goal performance results for 2008 for Freddie Mac:

HOUSING GOAL	GOAL TARGET - 2008	OFFICIAL PERFORMANCE RESULTS - 2008
Low- and Moderate-Income	55%	51.48%
Underserved Areas	38%	37.74%
Special Affordable	25%	23.05%
Special Affordable MF Subgoal	\$3.92 Billion	\$7.49 Billion

HOME PURCHASE SUBGOALS	GOAL TARGET - 2008	OFFICIAL PERFORMANCE RESULTS - 2008
Low- and Moderate-Income	47%	39.33%
Underserved Areas	33%	30.25%
Special Affordable	18%	15.06%

Should Freddie Mac wish to request a reconsideration of FHFA's final determination of its 2008 performance, Freddie Mac must provide, by the close of business of the fifth working day from the date of this letter, a written request for reconsideration of this determination. The written request must provide the basis for requesting the reconsideration and should be directed to the attention of Paul Manchester, Acting Manager, Housing Mission and Goals – Quantitative Analysis.

Sincerely,

A handwritten signature in black ink that reads "Nelson Hernandez". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nelson Hernandez
Senior Associate Director
Housing Mission and Goals



Federal Housing Finance Agency

1625 Eye Street, N.W., Washington, D.C. 20006-4065

Telephone: (202) 408-2500

Facsimile: (202) 408-1435

www.fhfa.gov

June 11, 2009

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

VIA COURIER and FAX

Dear Mr. Williams:

The Federal Housing Finance Agency (FHFA) has completed its review of Fannie Mae's Annual Housing Activities Report and Annual Mortgage Report for 2008, including computerized loan-level data that are required to be submitted with this report.

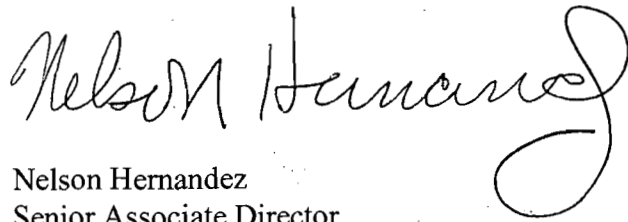
In accordance with 24 CFR § 81.102(c)(4), the FHFA hereby notifies Fannie Mae that it intends to release to the public, after five working days from the date of this letter, the following official housing goal performance results for 2008 for Fannie Mae:

HOUSING GOAL	GOAL TARGET - 2008	OFFICIAL PERFORMANCE RESULTS - 2008
Low- and Moderate-Income	55%	53.67%
Underserved Areas	38%	39.38%
Special Affordable	25%	26.41%
Special Affordable MF Subgoal	\$5.49 Billion	\$13.31 Billion

HOME PURCHASE SUBGOALS	GOAL TARGET - 2008	OFFICIAL PERFORMANCE RESULTS - 2008
Low- and Moderate-Income	47%	38.83%
Underserved Areas	33%	30.38%
Special Affordable	18%	13.55%

Should Fannie Mae wish to request a reconsideration of FHFA's final determination of its 2008 performance, Fannie Mae must provide, by the close of business of the fifth working day from the date of this letter, a written request for reconsideration of this determination. The written request must provide the basis for requesting the reconsideration and should be directed to the attention of Paul Manchester, Acting Manager, Housing Mission and Goals – Quantitative Analysis.

Sincerely,

A handwritten signature in black ink that reads "Nelson Hernandez". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nelson Hernandez
Senior Associate Director
Housing Mission and Goals