

Overview of the GSEs' Housing Goal Performance, 1996-2003

The accompanying table describes the performance of Fannie Mae and Freddie Mac (two housing government-sponsored enterprises, or GSEs, that create a secondary market for residential mortgages) relative to the three affordable housing goals that Congress established in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. These goals are the Low- and Moderate-Income Housing Goal, the Underserved Areas Housing Goal, and the Special Affordable Housing Goal. (The Department of Housing and Urban Development also established a Special Affordable Multifamily Subgoal.) The Department publishes regulations that set the level of each goal, which the GSEs are expected to meet annually. The table provides the goal levels for the years 1996-2003 and shows how each GSE performed under the three goals and the Special Affordable Multifamily Subgoal for each of those years. These figures are based on HUD's analysis of GSE loan-level data.

With the exception of the Special Affordable Multifamily Subgoals, where performance is measured against dollar-based targets, performance under each of the three housing goals is based on the number of dwelling units that *qualify* to count toward the goal (the numerator) as a percentage of the number of units *eligible* to count (the denominator). Eligible units are limited to properties where the mortgages are *conforming* (see table) and mostly *conventional* and which satisfy other counting rules.¹ The calculation includes mortgages that were originated either prior to or during the year of purchase by the GSE, and it is based on purchases of both refinance and home purchase loans, as well as second mortgage loans. A dwelling unit may count toward more than one goal.

Conforming Loan Limits One-Unit Properties*

Year	Limit
1996	\$207,000
1997	214,600
1998	227,150
1999	240,000
2000	252,700
2001	275,000
2002	300,700
2003	322,700
2004	333,700
2005	359,650

*Except for Alaska, Hawaii, Guam and the Virgin Islands, where the loan limits are 50 percent higher.

¹ Certain Federally insured or guaranteed loans are also eligible as set forth in sec. 81.16 (b)(3)(ii) of HUD's regulations. For example, purchases of Rural Housing Service (RHS) mortgages and FHA Home Equity Conversion Mortgages (HECMs) are eligible for goal credit.

From 1996 through 2000, the counting treatment for units with missing data (e.g., borrower income or rent data) was different than permitted under HUD's subsequent regulation covering the 2001-2004 period. During the earlier period, all eligible units had to be included in the denominator, even where there was insufficient information to determine whether the unit qualified under a goal. Effective January 1, 2001, HUD's regulations allow some units with missing data to be excluded from the denominator as well as the numerator, or to be included in both the numerator and the denominator based on estimation techniques.

Also, for 2001-03 "bonus points" were applied for goal-qualifying units financed by GSE mortgage purchases for small (5- to 50-unit) multifamily properties and 2- to 4-unit owner-occupied properties, above a specified threshold level. That is, such units counted as two units in the numerator (and one unit in the denominator) in calculating goal performance. In addition, as enacted by Congress, a 35 percent upward adjustment was made in the numerator to the number of goal-qualifying units in large (more than 50-unit) multifamily properties financed by Freddie Mac's mortgage purchases. The 2001-03 performance data presented in the attached table reflect bonus point adjustments and the Freddie Mac multifamily adjustment. Because of these changes in counting rules, goal performance in 2001-03 is not strictly comparable with performance during 1996-2000. The bonus points and Freddie Mac's upward adjustment factor were not in effect for 2004.

On November 2, 2004, HUD issued a Final Rule that establishes new housing goal levels for Fannie Mae and Freddie Mac for calendar years 2005 through 2008. This Final Rule also establishes subgoals for GSE acquisitions of goal-qualifying home purchase mortgages in each of the three overall goal categories. See Federal Register, Vol. 69, No. 211, November 2, 2004, pp. 63580-63887. The Final Rule is also available for download on HUD's web site, at <http://www.hud.gov/offices/hsg/gse/gse.cfm>.

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Goal ³	GSEs' Housing Goal Performance ¹								1996	1997-2000	2001-04	2005-08
	1996	1997	1998	1999	2000	2001	2002	2003	Goals	Goals	Goals	Goals ²
Low- and Moderate-Income:												
Fannie Mae	45.6%	45.7%	44.1%	45.9%	49.5%	51.5%	51.8%	52.3%	40%	42%	50%	52%-56%
Freddie Mac	41.1%	42.6%	42.9%	46.1%	49.9%	53.2%	50.3%	51.2%				
Underserved Areas:												
Fannie Mae	28.1%	28.8%	27.0%	26.8%	31.0%	32.6%	32.8%	32.1%	21%	24%	31%	37%-39%
Freddie Mac	25.0%	26.3%	26.1%	27.5%	29.2%	31.7%	31.0%	32.7%				
Special Affordable:												
Fannie Mae	15.4%	17.0%	14.3%	17.6%	19.2%	21.6%	21.4%	21.2%	12%	14%	20%	22%-27%
Freddie Mac	14.0%	15.2%	15.9%	17.2%	20.7%	22.6%	20.5%	21.4%				
Special Affordable Multifamily ⁴ :												
Fannie Mae	\$2.37	\$3.19	\$3.53	\$4.06	\$3.79	\$7.36	\$7.57	\$12.23	\$1.29	\$1.29	\$2.85	\$5.49
Freddie Mac	\$1.06	\$1.21	\$2.69	\$2.26	\$2.40	\$4.65	\$5.22	\$8.79	\$0.99	\$0.99	\$2.11	\$3.92

Source: HUD analysis of data submitted by the GSEs. Some results differ from performance reported by the GSEs in their Annual Housing Activities Reports (AHARs).

¹ Percentages of dwelling units in properties whose mortgages were purchased by the GSEs that qualified for each goal in 1996-2003, based on the counting conventions in HUD's December 1995 rule (1996-2000 performance) and October 2000 rule (2001-2003 performance). Freddie Mac's goal performance in 2002 has been revised due to the double-counting of loans from previous years and correction of coding errors. As a result, its performance on the underserved areas goal from 2002 was 30.97%, slightly short of the 31% goal level.

² Goals are scheduled to increase in steps annually between 2005 and 2008. Underserved Areas goal levels incorporate effects of the 2000 census.

³ Abbreviated definitions of goals:

Low- and Moderate-Income: Households with income 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 concentration of at least 30 percent and tract median family income less than or equal to 120 percent of AMI; dwelling units in nonmetropolitan counties with (1) median family income less than or equal to 95 percent of the greater of state or national nonmetropolitan median income or (2) minority concentration of at least 30 percent *and* county median family income less than or equal to 120 percent of the greater of state or national 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 located in low-income areas.

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

⁴ Performance and goals in billions of dollars. Goals for 1996-2000 were 0.8 percent of each GSE's total mortgage purchases in 1994; goals for 2001-04 were 1.0 percent of each GSE's average total mortgage purchases in 1997-99. Goals for 2005-08 are 1.0 percent of each GSE's average total mortgage purchases in 2000-2002.