

Overview of the GSEs' Housing Goal Performance, 2000-2005

The accompanying tables describe 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. **Table 1** provides the goal levels for the years 2000-2005 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 below) 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*

<u>Year</u>	<u>Limit</u>
2000	\$252,700
2001	\$275,000
2002	\$300,700
2003	\$322,700
2004	\$333,700
2005	\$359,650
2006	\$417,000

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

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

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. The GSEs can also purchase other Federally-backed mortgages, but such purchases are excluded altogether in calculating goal performance.

financed after 1992 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, above a specified threshold level, for 2- to 4-unit owner-occupied properties. That is, such units counted as two units in the numerator (and one unit in the denominator) in calculating goal performance. In addition, as mandated 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 Table 1 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 in 2000. Bonus points and Freddie Mac's upward adjustment factor did not apply to GSE goal performance after 2003, thus in effect the goals for 2004 were increased by the value of those incentives to the GSEs, and the 2004-05 performance numbers are not strictly comparable with those for 2001-03.

In November 2004 HUD issued a Final Rule that established new housing goal levels for Fannie Mae and Freddie Mac for calendar years 2005 through 2008. That Final Rule also established subgoals for GSE acquisitions of goal-qualifying home purchase mortgages on owner-occupied properties in each of the three overall goal categories. **Table 2** presents the home purchase subgoals and performance on those subgoals for 2005. As a benchmark, Table 2 also presents data on the shares of units financed by the GSEs in 2000-04 that would have qualified for the home purchase subgoals if they had been in effect during those years.

Under the 2004 Final Rule, the housing goals will increase gradually over the 2005-08 period. This phasing-in of the goals is shown in **Table 3**. The rationale for this approach is that the housing goals should increase over time, so that by 2008 they will equal the projected shares of goal-qualifying units financed in the primary mortgage market, as estimated by HUD. As also shown in Table 3, the home purchase subgoals also increase gradually over this period. The rationale for the increases in the home purchase subgoals is that the GSEs' should lead the primary market in their acquisitions of such mortgages for qualifying families and locations. This approach is consistent with Congressional intent that HUD should take into account the ability of the GSEs to "lead the industry" in making mortgage credit available to these families and locations.²

For more information about the goals and subgoals in effect for 2005-08, see the November 2004 Final Rule at [Federal Register](#), Vol. 69, No. 211, November 2, 2004, pp. 63580-63887, which is also available for download on HUD's web site, at

² See sections 1332(b)(5), 1333(a)(2)(D), and 1334(b)(5) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

<http://www.hud.gov/offices/hsg/gse/gse.cfm>. Additional information about goal performance and GSE loan-level data submitted to the Department is contained in an article, "Fannie Mae and Freddie Mac: Enhanced Public Data and Recent Housing Goal Performance," published in *U.S. Housing Market Conditions*, February 2006, pp. 6-15.

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Table 1

Overview of the GSEs' Housing Goals and Performance, 2000-2005¹

Goal ²	2000	2001	2002	2003	2004	2005	Ratio 2005 to 2000	2000 Goals	2001-2004 Goals	2005 Goals
Low- and Moderate-Income:										
Fannie Mae	49.5%	51.5%	51.8%	52.3%	53.4%	55.1%	1.11	42%	50%	52%
Freddie Mac	49.9%	53.2%	50.5%	51.2%	51.6%	54.0%	1.08			
Ratio ³	1.01	1.03	0.97	0.98	0.97	0.98	0.97			
Underserved Areas:										
Fannie Mae	31.0%	32.6%	32.8%	32.1%	33.5%	41.4%	1.34	24%	31%	37%
Freddie Mac	29.2%	31.7%	31.0%	32.7%	32.3%	42.3%	1.45			
Ratio ³	0.94	0.97	0.95	1.02	0.96	1.02	1.08			
Special Affordable:										
Fannie Mae	19.2%	21.6%	21.4%	21.2%	23.6%	26.3%	1.37	14%	20%	22%
Freddie Mac	20.7%	22.6%	20.4%	21.4%	22.7%	24.3%	1.17			
Ratio ³	1.08	1.05	0.95	1.01	0.96	0.92	0.86			
Special Affordable Multifamily⁴:										
Fannie Mae	\$3.79	\$7.36	\$7.57	\$12.23	\$7.32	\$10.39	2.74	\$1.29	\$2.85	\$5.49
Freddie Mac	\$2.40	\$4.65	\$5.22	\$8.79	\$7.77	\$12.35	5.15	\$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 2000-2005, based on HUD's October 2000 rule and November 2004 rule, and goals for 2000-2005. Underserved areas goal for 2000-04 based on 1990 census data, goal for 2005 based on 2000 census data.

² 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 nonmetro median income for borrowers outside metropolitan areas.

³ Ratio of Freddie Mac goal performance to Fannie Mae goal performance.

⁴ Performance and goals in billions of dollars. Goals for the 1996-2000 period were 0.8 percent of each GSE's total mortgage purchases in 1994, goals for the 2001-04 period were 1.0 percent of each GSE's average mortgage purchases during the 1997-99 period, and goals for 2005 were 1.0 percent of each GSE's average mortgage purchases in 2000-02.

Table 2

Shares of GSEs' Single-Family Home Purchase Mortgages on Owner-Occupied Properties in Metropolitan Areas Qualifying for GSE Housing Goals, 2000-05

Category ¹	2000	2001	2002	2003	2004	2005 HP Subgoal	2005 Subgoal Performance	Ratio 2005 to 2000
Low- and Moderate-Income:								
Fannie Mae	40.8%	42.9%	45.3%	47.0%	47.0%	45%	44.6%	1.09
Freddie Mac	42.7%	41.3%	44.0%	43.8%	43.3%	45%	46.8%	1.10
Ratio ²	1.05	0.96	0.97	0.93	0.92		1.05	
Underserved areas: ³								
Fannie Mae	23.4%	24.4%	26.7%	26.8%	28.4%	32%	32.6%	1.39
Freddie Mac	22.0%	22.3%	25.8%	24.0%	26.7%	32%	35.5%	1.61
Ratio ²	0.94	0.91	0.97	0.90	0.94		1.09	
Special Affordable:								
Fannie Mae	13.3%	14.9%	16.3%	17.1%	16.8%	17%	17.0%	1.28
Freddie Mac	14.7%	14.4%	15.8%	15.6%	15.2%	17%	17.7%	1.20
Ratio ²	1.11	0.97	0.97	0.91	0.90		1.04	

Source: For 2000-03, as reported in Table A.11, Federal Register, November 2, 2004, p.63698. For 2004-05, HUD analysis of data submitted by the GSEs.

¹ Abbreviated definitions of categories:

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 nonmetro median income for borrowers outside metropolitan areas.

² Ratio of Freddie Mac share to Fannie Mae share.

³ Data for 2000-04 based on 1990 census; subgoal and performance for 2005 based on 2000 census.

Table 3**GSEs' Housing Goals and Subgoals, 2005-08**

Category	Goal/Subgoal	2005	2006	2007	2008
Low- and Moderate-Income	Goal	52%	53%	55%	56%
	Home Purchase Subgoal ¹	45%	46%	----- 47% -----	
Underserved Areas	Goal	37%	----- 38% -----		39%
	Home Purchase Subgoal ¹	32%	----- 33% -----		34%
Special Affordable	Goal	22%	23%	25%	27%
	Home Purchase Subgoal ¹		----- 17% -----	----- 18% -----	
	Fannie Mae Multifamily Subgoal		----- \$5.49 billion per year -----		
	Freddie Mac Multifamily Subgoal		----- \$3.92 billion per year -----		

¹ Subgoal for acquisitions of home purchase mortgages on owner-occupied 1-4 unit properties in metropolitan areas.